

Bank
for Life



Principal Office
MCB House, 15-Main Gulberg, Lahore
UAN: (042) 111-000-111
PQBX: (042) 36041998-9
www.mcb.com.pk

Third Quarterly Report 2013





Our Vision

To be the leading financial services provider, partnering with our customers for a more prosperous and secure future

Our Mission

We are a team of committed professionals, providing innovative and efficient financial solutions to create and nurture long-term relationships with our customers. In doing so, we ensure that our shareholders can invest with confidence in us

Our Values

The standards and principles which determine our behavior and how we interact with our customers and each other

Credit Rating
Long - Term AAA (Triple A)
Short-Term A1+(A one plus)
By PACRA

CORPORATE PROFILE

BOARD OF DIRECTORS:

Mian Mohammad Mansha	Chairman
S. M. Muneer	Vice Chairman
Tariq Rafi	Director
Shahzad Saleem	Director
Sarmad Amin	Director
Mian Raza Mansha	Director
Aftab Ahmad Khan	Director
Mian Umer Mansha	Director
Dato' Seri Ismail Shahudin	Director
Ahmad Alman Aslam	Director
Muhammad Ali Zeb	Director
Imran Maqbool	President / CEO

AUDIT COMMITTEE:

Tariq Rafi	Chairman
Aftab Ahmad Khan	Member
Dato' Seri Ismail Shahudin	Member
Ahmad Alman Aslam	Member

Chief Financial Officer:	Salman Zafar Siddiqi
Company Secretary:	Syed Mudassar Hussain Naqvi
Auditors:	M/s. A. F. Ferguson & Co. Chartered Accountants
Legal Advisors:	M/s. Khalid Anwer & Co. Advocates & Legal Consultants
Registered / Principal Office:	MCB, 15-Main Gulberg Jail Road, Lahore Pakistan
Registrar's and Share Registration Office (s):	Head Office: M/s. THK Associates (Pvt.) Ltd State Life Building No.3 Dr. Ziauddin Ahmed Road Karachi, Pakistan Branch Office: M/s. THK Associates (Pvt.) Ltd 2nd Floor, DYL Motorcycles Ltd, Office Building Plot No. 346, Block No. G-III Khokhar Chowk, Main Boulevard Johar Town, Lahore Pakistan.

DIRECTORS' REPORT - SEPTEMBER 2013

I am pleased to place before you, on behalf of the Board of Directors, the financial statements of MCB Bank Limited for the nine month ended September 30, 2013;

Financial Highlights

	Rs. in Million
Profit before taxation	25,748
Taxation	8,566
Profit After Taxation	17,182
Un-appropriated Profit Brought Forward	35,425
Remeasurement of defined benefit plans - net of tax	166
Transfer from Surplus on Revaluation of Fixed Assets (net of tax)	27
	35,618
Profit Available for Appropriation	52,800
Appropriations:	
Statutory Reserve	1,718
Final Cash Dividend – December 2012	920
Issue of Bonus Shares – December 2012	2,760
Interim Cash Dividend – March 2013	3,541
Interim Cash Dividend – June 2013	3,541
Total Appropriations	12,480
Un-appropriated Profit Carried Forward	40,320

Performance Review

Despite the challenging economic environment and regulatory revisions brining net interest margins under compression, MCB has yet again registered remarkable performance as profit before and after tax increased to Rs. 25.748 billion and Rs. 17.182 billion respectively, increasing by 2% and 4% over the corresponding period last year. The growth in profitability is reflective of the underlying financial strength of the Bank and in such circumstances.

The gross markup income decreased by 7% over corresponding period last year which was partially off-set by the strategic shift of the deposit base to low cost current and saving accounts (CASA). The Bank focused on improving its non-markup income proportion and registered a growth of 23% over the corresponding period last year. On the operating expense side, the Bank reported a meager increase of 1% in its administrative expense block. This was achieved on the back of synergies attained through centralization and annual capping of expenses. The reversal in provision charge is reflective of the prudent and aggressive provisioning strategy coupled with the refined risk management framework adopted by the Bank in the past for subjective downgrades. A massive recovery was reported in the loss categorized loans which enabled the bank to reverse the specific provisions held in respect of such loans.

The Bank's total asset base was reported at Rs. 746.525 billion which decreased by 3% over December 31, 2012. Net investments increased by Rs. 3.002 billion to Rs. 405.071 billion whereas gross advances were reported at Rs. 245.257 billion. The NPL base of the Bank further contracted by Rs. 626 million in the nine months period ended September 30, 2013. On the liabilities side, the deposit base of the Bank registered an increase of 39 billion, translating into 7% over December 31, 2012. The Bank continued with its strategy of shifting its base to low cost current and saving accounts, growing by 11% and 13% respectively over December 31, 2012 and taking the total CASA base to an all-time high of 89%. The fixed deposit base of the Bank saw a significant reduction of 18% in the quarter ended September 30, 2013 to compliment the strategic shift to low cost deposits.

Earnings per share (EPS) for the period came to Rs. 16.98 compared to Rs. 16.36 for September 30, 2012. Return on assets improved to 3.03% and return on equity came to 24.70% with book value per share improving to Rs. 95.49.

The Board of Directors declared cash dividend of Rs. 3.50 per share for the period ended September 30, 2013, in addition to interim cash dividend of Rs. 7.00 per share already paid.

Ratings

PACRA has upgraded the long term credit rating of the Bank to AAA [triple A] and maintained the short term credit rating of A1+ [A one plus], through its notification dated February 4, 2013 (Previous: Long term: AA+ [double A plus] and Short term: A1+ [A one plus]).

Economy Review

Pakistan's entry into the IMF program was the highlight of the third quarter. The depleting foreign exchange reserves coupled with the potential unfavorable balance of payment situation were the main factors leading to the negotiations, in order to ensure stability to the economy. Complying with the pre-conditions of the program, the government has set higher annual tax targets, raised GST rate and started a program of removing electricity and gas subsidies. Furthermore, they promised to initiate the process of privatization of Public sector enterprises (PSEs). The program, in turn, has the promise of tapping the stalled flow of foreign exchange from multilateral organizations such as Asian Development Bank (ADB) and World Bank.

These reforms led to a triggering of inflation. CPI rose to a 12-month high of 8.55% in August from a low of 5.13% in May 2013. PKR also witnessed pressure during the quarter with USD-PKR parity sliding from 99.63 in July 2013 to 106.06 in September 2013 depicting the depreciation of 6.4%. These factors prompted the State Bank of Pakistan to raise the discount rate from 9.0% to 9.5% in its monetary policy statement in September. The Pakistan's equity market maintained its status as one of the best performing in the world with gains of over 30% year-to-date.

The economy, however, remains vulnerable to the unfavorable security situation and production constraints in the energy sector. The progress in this regard will remain vital for long-term economic growth prospects.

Future Outlook

With the transitional phase ending in the second quarter, efforts will have to be made to eliminate untargeted subsidies and structural tax reforms to ease out the pressure on the fiscal front. Moreover, addressing the current energy crisis will be pivotal in paving out the way for economic development. Such practical measures will result in reposing the foreign investor confidence and increase in FDI, which seems challenging in the current circumstances.

MCB Bank Limited remains committed in providing the most optimal banking services to its customers while tapping the unbanked segment of the population. Despite the challenges posed, the Bank remains focused on capitalizing on its strengths and every possible opportunity falling within the risk appetite of the Bank.

Acknowledgement

In the end, the Board would like to thank all the shareholders of the Bank and its customers for their trust, our staff for their continuous dedication and the Government and the State Bank of Pakistan for their support.

on behalf of Directors



Mian Mohammad Mansha
Chairman

October, 24, 2013

Unconsolidated Condensed Interim Statement of Financial Position (Un-audited)

As at September 30, 2013

Note	Unaudited September 30, 2013	Audited December 31, 2012
	Restated ----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	58,230,558	57,420,129
Balances with other banks	1,694,722	1,191,974
Lendings to financial institutions	7 3,474,330	1,551,472
Investments - net	8 405,070,810	402,068,916
Advances - net	9 224,241,310	239,583,320
Operating fixed assets	25,345,415	23,738,454
Deferred tax assets - net	-	-
Other assets - net	10 28,468,294	41,520,432
	746,525,439	767,074,697
Liabilities		
Bills payable	11 11,608,102	9,896,284
Borrowings	11 15,578,981	78,951,103
Deposits and other accounts	12 584,238,706	545,060,728
Sub-ordinated loan	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	13 8,331,307	9,529,727
Other liabilities	20,190,739	21,166,166
	639,947,835	664,604,008
Net assets	106,577,604	102,470,689
Represented by:		
Share capital	14 10,118,461	9,198,601
Reserves	46,188,045	44,253,270
Un-appropriated profit	40,319,274	35,424,921
	96,625,780	88,876,792
Surplus on revaluation of assets - net of tax	9,951,824	13,593,897
	106,577,604	102,470,689

Contingencies and commitments

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The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Tariq Rafi
Director

Mian Umer Mahsha
Director

Sarmad Amin
Director

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)

For the nine months period ended September 30, 2013

Note	Quarter ended September 30, 2013	Nine months ended September 30, 2013	Quarter ended September 30, 2012	Nine months ended September 30, 2012
	Restated ----- (Rupees in '000) -----			
Mark-up / return / interest earned	15,496,023	48,470,937	17,410,511	51,902,912
Mark-up / return / interest expensed	5,814,262	19,979,486	7,075,044	20,662,328
Net mark-up / interest income	9,681,761	28,491,451	10,335,467	31,240,584
Provision / (reversal) against loans and advances - net	(580,741)	(1,860,541)	(326,688)	81,030
Provision / (reversal) for diminution in the value of investments - net	50,640	15,867	(19,134)	(27,014)
Bad debts written off directly	-	-	43	206
	(530,101)	(1,844,674)	(345,779)	54,222
Net mark-up / interest income after provisions	10,211,862	30,336,125	10,681,246	31,186,362
Non mark-up / interest income				
Fee, commission and brokerage income	1,583,007	4,848,210	1,340,372	4,328,078
Dividend income	161,086	667,986	164,223	960,948
Income from dealing in foreign currencies	314,972	611,342	191,224	692,509
Gain / (loss) on sale of securities - net	555,613	2,108,602	(37,774)	686,784
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(1,898)	343	209	-
Other income	98,250	316,628	81,678	267,041
Total non mark-up / interest income	2,711,030	8,553,111	1,739,932	6,935,360
	12,922,892	38,889,236	12,421,178	38,121,722
Non-mark-up / interest expenses				
Administrative expenses	4,693,912	12,638,127	4,050,922	12,445,462
Other provisions / (reversals)	5,754	(56,368)	(4,863)	46,112
Other charges	175,110	559,355	175,548	355,687
Total non mark-up / interest expenses	4,874,776	13,141,114	4,221,607	12,847,261
Extraordinary / unusual item	-	-	-	-
	8,048,116	25,748,122	8,199,571	25,274,461
Profit before taxation	8,048,116	25,748,122	8,199,571	25,274,461
Taxation - current period	2,707,951	8,226,242	2,719,947	7,901,987
- prior years	-	-	-	116,725
- deferred	45,310	339,752	132,550	702,842
	2,753,261	8,565,994	2,852,497	8,721,554
Profit after taxation	5,294,855	17,182,128	5,347,074	16,552,907
Earnings per share - basic and diluted - Rupees	16 5.23	16.98	5.28	16.36

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Tariq Rafi
Director

Mian Umer Mahsha
Director

Sarmad Amin
Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine months period ended September 30, 2013

	Quarter ended September 30, 2013	Nine months ended September 30, 2013	Quarter ended September 30, 2012	Nine months ended September 30, 2012
	Restated			
	----- (Rupees in '000) -----			
Profit after tax for the period	5,294,855	17,182,128	5,347,074	16,552,907
Other comprehensive income				
Remeasurement of defined benefit plans - net of tax	-	165,960	-	381,183
Effect of translation of net investment in foreign branches	197,506	216,562	82,141	(134,009)
Comprehensive income transferred to equity	5,492,361	17,564,650	5,429,215	16,800,081
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	(6,191,893)	(5,242,767)	4,807,486	4,873,317
Deferred tax	2,153,511	1,627,536	(1,541,398)	(1,425,126)
	(4,038,382)	(3,615,231)	3,266,088	3,448,191
Total comprehensive income for the period	1,453,979	13,949,419	8,695,303	20,248,272

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Tariq Rafi
Director

Mian Umer Mahsha
Director

Sarmad Amin
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For the nine months period ended September 30, 2013

	September 30, 2013	September 30, 2012
	Restated	
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	25,748,122	25,274,461
Less: Dividend income	(667,986)	(960,948)
	25,080,136	24,313,513
Adjustments for:		
Depreciation	1,103,739	956,502
Amortization	188,403	192,799
Provision / (reversal) against loans and advances - net	(1,860,541)	81,030
Provision / (reversal) for diminution in the value of investments - net	15,867	(27,014)
Other provisions / (reversals)	(56,368)	46,112
Bad debts written off directly	-	206
Provision for Workers' Welfare Fund	514,962	509,176
Charge / (reversal) for defined benefit plan	(823,991)	(904,934)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(343)	-
Gain on disposal of fixed assets	(18,854)	(11,662)
	(937,126)	842,215
	24,143,010	25,155,728
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,922,858)	(2,353,403)
Net investment in held for trading securities	(21,946)	-
Advances - net	17,202,551	(2,700,098)
Other assets - net	(28,252)	(2,152,842)
	15,229,495	(7,206,343)
Increase / (decrease) in operating liabilities		
Bills payable	1,711,818	(784,241)
Borrowings	(63,993,537)	45,432,753
Deposits and other accounts	39,177,978	50,423,857
Other liabilities	(2,443,980)	(2,599,535)
	(25,547,721)	92,472,834
	13,824,784	110,422,219
Defined benefits withdrawal / (paid)	14,410,682	(248,630)
Income tax paid	(7,806,220)	(10,391,665)
Net cash flows from operating activities	20,429,246	99,781,924
Cash flows from investing activities		
Net investments in available-for-sale securities	(8,385,902)	(94,630,630)
Net investments in held-to-maturity securities	147,663	1,064,959
Investment in subsidiary company	-	(94,299)
Dividend income received	573,540	868,001
Sale proceeds of property and equipment disposed off	133,186	18,724
Investment in operating fixed assets - net of disposals	(3,013,435)	(3,068,626)
Net cash flows from investing activities	(10,544,948)	(95,841,871)
Cash flows from financing activities		
Dividend paid	(9,409,098)	(7,485,811)
Net cash flows from financing activities	(9,409,098)	(7,485,811)
Exchange difference on translation of net investment in foreign branches	216,562	(134,009)
Increase in cash and cash equivalents	691,762	(3,679,767)
Cash and cash equivalents at January 1	57,783,180	55,293,253
Cash and cash equivalents at September 30	58,474,942	51,613,486

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Tariq Rafi
Director

Mian Umer Mahsha
Director

Sarmad Amin
Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2013

	Share capital	Reserve for issue of bonus shares	Capital Reserves		Statutory reserve	Revenue Reserves		Total
			Share premium	Exchange translation reserve		General reserve	Unappropriated profit	
(Rupees in '000)								
Balance as at December 31, 2011	8,362,365	-	9,702,528	427,049	13,456,890	18,600,000	28,366,171	78,915,003
Effect of change in accounting policy - note 5.1	-	-	-	-	-	-	357,757	357,757
Balance as at December 31, 2011 -restated	8,362,365	-	9,702,528	427,049	13,456,890	18,600,000	28,723,928	79,272,760
Change in equity for nine months ended September 30, 2012								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	26,841	26,841
Exchange differences on translation of net investment in foreign branches	-	-	-	(134,009)	-	-	-	(134,009)
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	381,183	381,183
Profit after taxation for nine months period ended September 30, 2012 - restated	-	-	-	-	-	-	16,552,907	16,552,907
Total comprehensive income for the period ended September 30, 2012	-	-	-	(134,009)	-	-	16,934,090	16,800,081
Transferred to statutory reserve	-	-	-	-	1,667,271	-	(1,667,271)	-
Transfer to reserve for issue of bonus shares	-	836,236	-	-	-	-	(836,236)	-
Issue of bonus shares - December 31, 2011	836,236	(836,236)	-	-	-	-	-	-
Final cash dividend - December 31, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)
Interim cash dividend - March 31, 2012	-	-	-	-	-	-	(2,759,581)	(2,759,581)
Interim cash dividend - June 30, 2012	-	-	-	-	-	-	(3,679,440)	(3,679,440)
Balance as at September 30, 2012 -restated	9,198,601	-	9,702,528	293,040	15,124,161	18,600,000	34,233,622	87,151,952
Change in equity for three months ended December 31, 2012								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	8,947	8,947
Exchange differences on translation of net investment in foreign branches	-	-	-	106,742	-	-	-	106,742
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	248,637	248,637
Profit after taxation for three months ended December 31, 2012 - restated	-	-	-	-	-	-	4,120,095	4,120,095
Total comprehensive income for three months ended December 31, 2012	-	-	-	106,742	-	-	4,368,732	4,475,474
Transferred to statutory reserve	-	-	-	-	426,799	-	(426,799)	-
Interim cash dividend - September 30, 2012	-	-	-	-	-	-	(2,759,581)	(2,759,581)
Balance as at December 31, 2012 - restated	9,198,601	-	9,702,528	399,782	15,550,960	18,600,000	35,424,921	88,876,792
Change in equity for nine months ended September 30, 2013								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	26,841	26,841
Exchange differences on translation of net investment in foreign branches	-	-	-	216,562	-	-	-	216,562
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	165,960	165,960
Profit after taxation for nine months period ended September 30, 2013	-	-	-	-	-	-	17,182,128	17,182,128
Total comprehensive income for the period ended September 30, 2013	-	-	-	216,562	-	-	17,348,088	17,564,650
Transferred to statutory reserve	-	-	-	-	1,718,213	-	(1,718,213)	-
Transfer to reserve for issue of bonus shares	-	919,860	-	-	-	-	(919,860)	-
Issue of bonus shares - December 31, 2012	919,860	(919,860)	-	-	-	-	-	-
Final cash dividend - December 31, 2012	-	-	-	-	-	-	(2,759,581)	(2,759,581)
Interim cash dividend - March 31, 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)
Interim cash dividend - June 30, 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)
Balance as at September 30, 2013	10,118,461	-	9,702,528	616,344	17,269,173	18,600,000	40,319,274	96,625,780

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Tariq Rafi
Director

Mian Umer Mahsha
Director

Sarmad Amin
Director

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

1 STATUS AND NATURE OF BUSINESS

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,188 branches including 27 Islamic banking branches (December 31, 2012: 1,179 branches including 27 Islamic banking branches) within Pakistan and 9 (December 31, 2012: 8) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

2.2 The financial results of the Islamic banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 20 to these unconsolidated condensed interim financial statements.

3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.3 The disclosures made in these unconsolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for annual financial statements and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2012.

4 BASIS OF MEASUREMENT

4.1 These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and certain investments and commitments in respect of certain forward foreign exchange contracts have been marked to market and are carried at fair value.

4.2 These unconsolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

5.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2012 except for given below:

During the current year, the Bank has changed its accounting policy in respect of post retirement defined benefits plans as required under International Accounting Standard (IAS) 19, 'Employee Benefits'. According to new policy actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months period ended September 30, 2013

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior periods financial statements have been summarised below:

	September 30, 2013	December 31, 2012	December 31, 2011
	------(Rupees in '000)-----		

Impact on statement of financial position

Increase in other assets	1,948,150	1,175,705	549,069
Increase / (decrease) in other liabilities	585,315	68,192	(1,327)
Increase in deferred tax liabilities	476,992	387,629	192,638
Increase in Un-appropriated profit	885,843	719,883	357,757

	September 30, 2013	September 30, 2012
	------(Rupees in '000)-----	

Impact on profit and loss account

Increase in administrative expenses		255,323	184,314
Decrease in profit before tax		255,323	184,314
Decrease in profit after tax		165,960	119,804
Decrease in earning per share	Rupees	0.164	0.118

5.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2012.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for significant accounting estimates and judgments adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2012.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
Call money lendings	-	-
Repurchase agreement lendings	3,474,330	1,551,472
	<u>3,474,330</u>	<u>1,551,472</u>

8 INVESTMENTS - NET

8.1 Investments by types

	September 30, 2013	December 31, 2012	December 31, 2011
	------(Rupees in '000)-----		
	Held by bank	Given as collateral	Total
	------(Rupees in '000)-----		
Held-for-trading securities	21,946	-	21,946
Available-for-sale securities	398,005,043	-	398,005,043
Held-to-maturity securities	7,490,652	56,441	7,547,093
	<u>405,517,641</u>	<u>56,441</u>	<u>405,574,082</u>
Associates	1,059,421	-	1,059,421
Subsidiaries	576,507	-	576,507
	<u>1,635,928</u>	<u>-</u>	<u>1,635,928</u>
Investments at cost	407,153,569	56,441	407,210,010
Less: Provision for diminution in the value of investments	(2,576,369)	-	(2,576,369)
Investments (net of provisions)	404,577,200	56,441	404,633,641
Surplus on revaluation of available for sale securities - net	436,826	-	436,826
Surplus on revaluation of held-for-trading securities - net	343	-	343
Investments at revalued amounts - net of provisions	405,014,369	56,441	405,070,810

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months period ended September 30, 2013

		December 31, 2012		
		Held by bank	Given as collateral	Total
		----- Rupees in '000 -----		
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	326,741,740	63,100,246	389,841,986
Held-to-maturity securities	8.2	7,626,932	67,824	7,694,756
		<u>334,368,672</u>	<u>63,168,070</u>	<u>397,536,742</u>
Associates	8.3	1,059,421	-	1,059,421
Subsidiaries		576,507	-	576,507
		<u>1,635,928</u>	<u>-</u>	<u>1,635,928</u>
Investments at cost		336,004,600	63,168,070	399,172,670
Less: Provision for diminution in the value of investments		(2,783,347)	-	(2,783,347)
Investments (net of provisions)		<u>333,221,253</u>	<u>63,168,070</u>	<u>396,389,323</u>
Surplus on revaluation of available for sale securities - net		5,634,413	45,180	5,679,593
Investments at revalued amounts - net of provisions		<u>338,855,666</u>	<u>63,213,250</u>	<u>402,068,916</u>

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2012: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2012: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

8.3 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (December 31, 2012: Rs. 943.600 million) as at September 30, 2013 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at September 30, 2013 amounted to Rs. 2,670.817 million (December 31, 2012: Rs. 2,455.336 million).

9 ADVANCES - NET

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	208,723,574	227,634,242
- Outside Pakistan	12,656,825	12,659,510
	<u>221,380,399</u>	<u>240,293,752</u>
Islamic Financing and related assets	10,559,645	10,289,436
Net Investment in finance lease		
- In Pakistan	1,082,096	1,002,208
- Outside Pakistan	61,560	84,111
	<u>1,143,656</u>	<u>1,086,319</u>
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	1,143,056	830,471
- Payable outside Pakistan	11,030,531	9,892,365
	<u>12,173,587</u>	<u>10,722,836</u>
	<u>245,257,287</u>	<u>262,392,343</u>
Less: Provision against loans and advances		
- Specific provision	(20,541,342)	(22,380,087)
- General provision	(245,257)	(257,457)
- General provision against consumer loans & Small Enterprise Finance	(205,140)	(145,568)
- General Provision for potential lease losses (in Sri Lanka operations)	(24,238)	(25,911)
	<u>(21,015,977)</u>	<u>(22,809,023)</u>
Advances - net of provision	224,241,310	239,583,320

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

9.1 Advances include Rs.24,936.093 million (December 31, 2012: Rs. 25,561.774 million) which have been placed under non-performing status as detailed below:

		September 30, 2013				
		Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification		Domestic	Overseas	Total		
		(Rupees in '000)				
Other Assets Especially Mentioned (OAEM)	9.1.1	31,444	-	31,444	2,066	2,066
Substandard		1,558,683	9,003	1,567,686	231,207	231,207
Doubtful		891,264	-	891,264	445,074	445,074
Loss		17,433,235	5,012,464	22,445,699	19,862,995	19,862,995
		<u>19,914,626</u>	<u>5,021,467</u>	<u>24,936,093</u>	<u>20,541,342</u>	<u>20,541,342</u>
		December 31, 2012				
		Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification		Domestic	Overseas	Total		
		(Rupees in '000)				
Other Assets Especially Mentioned (OAEM)	9.1.1	-	-	-	-	-
Substandard		285,883	-	285,883	36,090	36,090
Doubtful		845,875	4,024	849,899	423,853	423,853
Loss		19,829,029	4,596,963	24,425,992	21,920,144	21,920,144
		<u>20,960,787</u>	<u>4,600,987</u>	<u>25,561,774</u>	<u>22,380,087</u>	<u>22,380,087</u>

9.1.1 This represents non-performing portfolio of agricultural financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural Financing issued by the SBP.

	September 30, 2013	December 31, 2012
	(Rupees in '000)	
	Restated	

10 OTHER ASSETS - NET	September 30, 2013	December 31, 2012
	(Rupees in '000)	
	Restated	
Income / mark-up accrued on advances and investments - local currency	6,124,883	8,019,107
Income / mark-up accrued on advances and investments - foreign currencies	116,341	84,381
Advances, deposits, advance rent and other prepayments	1,274,697	959,630
Advance taxation (payments less provisions)	10,457,285	10,894,522
Compensation for delayed income tax refunds	44,802	44,802
Branch adjustment account	183,872	-
Non-banking assets acquired in satisfaction of claims	1,658,416	1,398,703
Unrealised gain on derivative financial instruments	1,180,637	134,339
Stationery and stamps on hand	74,396	43,067
Prepaid exchange risk fee	2,152	169
Receivable from the pension fund	5,634,516	18,428,483
Others	2,797,435	2,645,206
	<u>29,549,432</u>	<u>42,652,409</u>
Less: Provision held against other assets	<u>1,081,138</u>	<u>1,131,977</u>
	<u>28,468,294</u>	<u>41,520,432</u>

	September 30, 2013	December 31, 2012
	(Rupees in '000)	

11 BORROWINGS	September 30, 2013	December 31, 2012
	(Rupees in '000)	
In Pakistan	11,155,113	76,644,529
Outside Pakistan	4,423,868	2,306,574
	<u>15,578,981</u>	<u>78,951,103</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan
Export refinance scheme
Long term financing facility
Long term financing - export oriented projects scheme
Financing Facility for Storage of Agricultural Produce

Borrowings from other financial institutions
Repurchase agreement borrowings

Unsecured

Call borrowings
Overdrawn nostro accounts

12 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits
Savings deposits
Current accounts
Margin accounts

Financial institutions

Remunerative deposits
Non-remunerative deposits

13 DEFERRED TAX LIABILITY / (ASSET) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

Taxable temporary differences on:

Surplus on revaluation of operating fixed assets
Accelerated tax depreciation
Receivable from pension fund
Surplus on revaluation of securities

Deductible temporary differences on:

Surplus on revaluation of securities
Provision for bad debts
Provision for retirement benefits

14 SHARE CAPITAL

The Bank has increased its Authorised Share Capital from Rs. 10,000 million to Rs. 15,000 million.

15 CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring
- Government
- Banks and financial institutions
- Others

	September 30, 2013	December 31, 2012
	(Rupees in '000)	
	Restated	

	6,160,260	8,780,720
	3,967,930	3,448,638
	319,451	555,277
	707,471	768,806
	<u>11,155,112</u>	<u>13,553,441</u>
	159,455	292,605
	56,441	63,158,913
	<u>215,896</u>	<u>63,451,518</u>
	<u>11,371,008</u>	<u>77,004,959</u>
	2,757,635	1,117,221
	1,450,338	828,923
	4,207,973	1,946,144
	<u>15,578,981</u>	<u>78,951,103</u>

	60,430,957	80,649,846
	308,979,897	268,927,052
	202,806,586	183,176,846
	4,148,687	3,520,404
	<u>576,366,127</u>	<u>536,274,148</u>
	4,936,914	6,090,878
	2,935,665	2,695,702
	<u>7,872,579</u>	<u>8,786,580</u>
	<u>584,238,706</u>	<u>545,060,728</u>

	749,253	763,706
	1,084,206	1,109,270
	7,128,245	6,449,968
	-	1,501,042
	<u>8,961,704</u>	<u>9,823,986</u>
	(126,494)	-
	(81,646)	(12,632)
	(422,257)	(281,627)
	<u>(630,397)</u>	<u>(294,259)</u>
	<u>8,331,307</u>	<u>9,529,727</u>

	6,693,370	5,129,432
	2,168,783	3,585,501
	16,057,957	13,956,922
	<u>24,920,110</u>	<u>22,671,855</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
		Restated
15.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Others	905,740	686,615
Suppliers credit / payee guarantee	2,878,933	2,600,833
	3,784,673	3,287,448

15.3 Trade-related contingent liabilities

15.4 Other contingencies

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
		Restated
Claims against the Bank not acknowledged as debts	3,073,612	620,416

These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.

15.5 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

15.6 Commitments in respect of forward foreign exchange contracts

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
		Restated
Purchase	72,946,359	25,546,035
Sale	66,134,474	21,697,634
	367,861	555,398

15.7 Commitments for the acquisition of fixed assets

15.8 Other commitments

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
		Restated
Forward outright purchase of government securities	950	-
Forward outright sale of government securities	100,000	-

15.9 Taxation

For assessment year 1988-89 through tax year 2011, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs.3,091 million (2012: Rs.9,639 million) which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. No provision has been made in the financial statements regarding the aforesaid additional tax demand and already issued favourable decisions where the department is in appeal, as the management is of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities.

For tax years 2003 through 2006 and tax year 2011, aggregate liability of Rs 584 million has been adjudged under section 161 of the Income Tax Ordinance, 2001 on the grounds that Bank failed to deduct applicable withholding tax while making payments on certain accounts. Such liability has not been provided for in these financial statements as Bank's management is of the view that while departmental action for tax years 2003 through 2006 is barred by applicable limitation of time, the liability for tax year 2011 has been adjudged on an arbitrary basis.

	Nine months ended	
	September 30, 2013	September 30, 2012
	---- (Rupees in '000) ----	
		Restated
16 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	17,182,128	16,552,907
	Number of shares	
Weighted average number of shares outstanding during the period	1,011,846,135	1,011,846,135
	Rupees	
Basic and diluted Earnings per share - after tax	16.98	16.36

17 CREDIT RATING

PACRA through its notification dated February 04, 2013, has upgraded bank's long term credit rating from AA+ [double A plus] to AAA [Triple A] and maintained short-term credit rating of A1+ [A one plus].

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Nine months ended September 30, 2013				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	----- (Rupees in '000) -----				
Total income	80,694	32,469,769	9,672,466	14,801,119	57,024,048
Total expenses	(15,850)	(2,532,608)	(26,146,461)	(2,581,007)	(31,275,926)
Income tax expense	-	-	-	-	(8,565,994)
Net income	64,844	29,937,161	(16,473,995)	12,220,112	17,182,128
Segment assets - (Gross of NPLs Provisions)	-	441,450,014	133,861,218	181,298,264	756,609,496
Advance taxation (payment less provision)	-	-	-	-	10,457,285
Total assets	-	441,450,014	133,861,218	181,298,264	767,066,781
Segment non performing loans	-	-	8,303,245	16,632,848	24,936,093
Segment specific provision required	-	-	6,839,876	13,701,466	20,541,342
Segment liabilities	-	11,989,527	585,267,245	34,359,756	631,616,528
Deferred tax liabilities - net	-	-	-	-	8,331,307
Total liabilities - net	-	11,989,527	585,267,245	34,359,756	639,947,835
Segment return on assets (ROA) (%)	-	9.81%	10.15%	11.78%	-
Segment cost of fund (%)	-	8.71%	3.88%	6.07%	-

	Nine months ended September 30, 2012				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
Total income	78,754	31,114,816	10,052,177	17,592,525	58,838,272
Total expenses	(18,851)	(3,700,729)	(27,063,127)	(2,781,104)	(33,563,811)
Income tax expense	-	-	-	-	(8,721,554)
Net income	59,903	27,414,087	(17,010,950)	14,811,421	16,552,907
Segment assets - (Gross of NPLs provision)	-	452,434,267	118,541,253	203,922,935	774,898,455
Advance taxation (payment less provision)	-	-	-	-	8,339,397
Total assets	-	452,434,267	118,541,253	203,922,935	783,237,852
Segment non performing loans	-	-	7,071,892	19,020,133	26,092,025
Segment specific provision required	-	-	5,950,733	16,004,730	21,955,463
Segment liabilities	-	80,840,591	542,745,664	29,367,125	652,953,380
Deferred tax liabilities - net	-	-	-	-	8,487,363
Total liabilities - net	-	80,840,591	542,745,664	29,367,125	661,440,743
Segment return on assets (ROA) (%)	-	9.17%	11.90%	12.48%	-
Segment cost of fund (%)	-	10.87%	4.46%	5.85%	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

19 RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its associates, subsidiaries, employee benefit plans and its key management personnel (including their associates) and companies with common directors.

The Bank enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them as at the period-end were as follows:

	Directors		Associates		Subsidiary companies		Other Related Parties		Key management personnel	
	Nine months ended September 30, 2013	Year ended Dec 31, 2012	Nine months ended September 30, 2013	Year ended Dec 31, 2012	Nine months ended September 30, 2013	Year ended Dec 31, 2012	Nine months ended September 30, 2013	Year ended Dec 31, 2012	Nine months ended September 30, 2013	Year ended Dec 31, 2012
(Rupees in '000)										
Deposits										
Opening balance	2,863,874	4,398,756	976,642	766,387	74,461	43,854	26,850,559	25,393,804	46,039	50,178
Received during the period / year	2,201,039	4,888,505	13,523,665	11,121,938	840,874	1,531,424	40,237,745	38,267,581	771,204	1,168,053
Withdrawn during the period / year	(4,164,899)	(6,423,387)	(13,599,717)	(10,911,683)	(890,874)	(1,500,817)	(52,393,238)	(36,810,826)	(756,379)	(1,172,192)
Closing balance	900,014	2,863,874	900,590	976,642	24,461	74,461	14,695,066	26,850,559	60,864	46,039
Advances (secured)										
Opening balance	2,795	-	-	-	485,749	449,729	98,056	81,302	53,865	49,743
Additions / adjustments during the period / year	-	3,367	-	-	44,566	36,020	333,360	415,889	29,283	12,436
Repaid during the period / year	(425)	(572)	-	-	-	-	(309,123)	(399,135)	(10,691)	(8,314)
Closing balance	2,370	2,795	-	-	530,315	485,749	122,293	98,056	72,457	53,865
Outstanding Balance of credit card	598	852	-	-	-	-	-	-	929	951
Receivable from Pension Fund	-	-	-	-	-	-	5,634,516	18,428,483	-	-
(Rupees in '000)										
Outstanding commitments and contingent liabilities										
Forward foreign exchange contracts (Notional)	-	-	-	-	-	-	-	-	-	-
Unrealized gain on forward foreign exchange contracts	-	-	-	-	-	-	-	-	-	-
Trade payable	-	-	26,977	14,321	3,987	12,177	7,767	7,019	-	-
Markup payable	68	504	247	12,645	156	156	190,473	1,045,622	215	541
Advance receivable	-	-	-	-	-	-	35,408	20,000	-	-
Markup Receivable	-	-	779	-	4,687	4,448	1,861	2,237	-	-
Receivable for other expenses	-	-	-	-	-	2,145	-	-	-	-
Commission Receivable	-	-	-	-	-	9,826	-	-	-	-
Outstanding Investments in mutual funds	-	-	-	-	10,370	-	-	4,050,000	-	-
Divestment in Khushali Bank Limited	-	-	-	-	-	-	-	300,000	-	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

Insurance premium paid-net of refund	-	-	-	-	-	-	-	-	-	-
Insurance claim settled	-	-	-	-	-	-	-	-	-	-
Markup income on advances	-	-	47,937	31,608	5,861	16,917	5,782	6,858	5,397	2,484
Rent Income Received	-	-	1,823	1,823	-	-	-	-	-	-
Dividend Income	-	-	36,034	-	55,435	83,153	125,288	384,677	-	-
Capital gain / (loss)	-	-	-	-	-	-	303,215	(33,916)	-	-
Commission income	-	-	506,717	327,106	26,902	28,192	663	26	-	-
Reimbursement of expenses	-	-	-	-	9,581	5,554	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	2,787	(2,416)
Gain / (loss) on sale of assets	-	-	-	-	-	-	-	-	-	-
Brokerage expense	-	-	-	-	-	-	389	313	-	-
ATM Outsourcing Expense	-	-	111,079	61,479	-	-	-	-	-	-
Outsourcing service expenses	-	-	-	-	24,550	49,490	-	-	-	-
Switch Expense	-	-	-	-	23,245	5,082	-	-	-	-
Cash sorting expenses	-	-	-	-	-	-	36,892	29,705	-	-
Stationery Expenses	-	-	-	-	-	-	151,379	145,425	-	-
Security guard expenses	-	-	-	-	-	-	218,405	190,518	-	-
Remuneration and non-executive directors fee	67,090	65,548	-	-	-	-	-	-	259,469	250,248
Mark-up paid on deposits	89,252	269,828	932	47,124	26,030	1,126	1,827,113	2,917,293	1,507	2,943
Cleaning expenses paid to NIFT	-	-	-	-	-	-	92,076	87,704	-	-
Contribution to provident fund	-	-	-	-	-	-	148,875	142,495	-	-
Gas Charges	-	-	-	-	-	-	7,509	9,601	-	-
Rent Paid	-	-	3,880	-	-	-	158	207	-	-
Miscellaneous expenses and payments	-	-	-	-	-	-	74,826	28,378	-	-

The Chairman has been provided with free use of the Bank maintained car. The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months period ended September 30, 2013

20 ISLAMIC BANKING BUSINESS

The Bank is operating 28 Islamic banking branches including 1 overseas branch (December 31, 2012: 28 branches including 1 overseas). The statement of financial position of the Bank's Islamic Banking Branches as at September 30, 2013 is as follows:

	Note	September 30, 2013	December 31, 2012
----- (Rupees in '000) -----			
Assets			
Cash and balance with treasury banks		493,789	708,174
Balance with other banks		-	-
Due from Financial Institution		-	-
Investments - net		1,817,915	1,955,421
Islamic Financing & Related Assets	20.1	10,466,424	10,212,292
Operating fixed assets		1,548,759	1,308,436
Deferred Tax Assets		-	-
Other Assets		397,107	608,973
		14,723,994	14,793,296
Liabilities			
Bill payable		78,257	88,464
Due to Financial Institution		41,600	581,051
Deposits and other accounts			
- Current Accounts		1,240,845	1,557,227
- Saving Accounts		2,122,336	2,979,011
- Term Deposits		3,340,227	3,324,085
- Others		43,257	4,826
Deposits from Financial Institution - Remunerative		1,835,879	2,516,102
Deposits from Financial Institution - Non Remunerative		12	21
Due to head Office		3,823,202	1,889,975
Deferred tax liability		-	-
Other liabilities		632,234	499,071
		13,157,849	13,439,833
Net assets		1,566,145	1,353,463
Represented by:			
Islamic Banking Fund		1,500,000	1,300,000
Other Reserves		110	186
Unappropriated profit		63,275	44,371
		1,563,385	1,344,557
Surplus / (deficit) on revaluation of assets		2,760	8,906
		1,566,145	1,353,463

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months period ended September 30, 2013

	Note	September 30, 2013	December 31, 2012
----- (Rupees in '000) -----			
20.1 Islamic Financing and Related Assets			
Murabaha	20.1.1	8,468,703	8,540,479
Ijarah	20.1.2	128,026	109,330
Diminishing Musharaka	20.1.3	1,962,916	1,639,627
Gross Advances		10,559,645	10,289,436
Provision held		(93,221)	(77,144)
Advance - net of provision		10,466,424	10,212,292
20.1.1 Murabaha			
Financing/Investments/Receivables		4,974,687	3,826,171
Advances		32,506	1,394,444
Assets/Inventories		3,461,509	3,319,864
		8,468,702	8,540,479
20.1.2 Ijarah			
Financing/Investments/Receivables		61,675	83,551
Advances		66,351	25,779
		128,026	109,330
20.1.3 Diminishing Musharakah			
Financing/Investments/Receivables		1,781,373	1,443,949
Advances		181,543	195,678
		1,962,916	1,639,627
CHARITY FUND			
Opening balance		6,892	782
Additions during the year			
Received from customers on delayed payments		8,128	7,739
Return on charity saving account		236	296
		8,364	8,035
Payments / utilization during the year			
Social Welfare		(6,000)	(1,300)
Health		(500)	(625)
Education		(1,000)	-
Relief and disaster recovery		-	-
		(7,500)	(1,925)
Closing balance		7,756	6,892

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

The profit and loss account of the Bank's Islamic banking business for the nine months ended September 30, 2013 is as follows:

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	----- (Rupees in '000) -----	
Income / return / profit earned	950,671	979,039
Income / return / profit expended	753,279	775,849
Net Income / Profit	197,392	203,190
Provision / (reversal) against loans and advances - net	13,962	170
Provision for diminution in the value of investments	(12,123)	-
Bad debts written off directly	-	-
	1,839	170
Net profit / income after provisions	195,553	203,020
Other income		
Fees, commission and brokerage income	304,327	168,527
Dividend income	-	-
Income from dealing in foreign currencies	13,874	8,113
Other Income	7,141	3,548
Total other income	325,342	180,188
	520,895	383,208
Other expenses		
Administrative expenses	456,605	322,617
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	1,015	1,196
Total other expenses	457,620	323,813
Extra ordinary / unusual items	-	-
Profit before taxation	63,275	59,395
Remuneration to Shariah Advisor / Board	1,458	1,458

21 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- No significant reclassification / restatement has been made in corresponding figures except as disclosed in note 5.1 of these unconsolidated condensed interim financial statements.

22 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 24, 2013 has announced cash dividend in respect of the nine months period ended September 30, 2013 of Rs. 3.50 per share (September 30, 2012: Rs. 3.00 per share). These unconsolidated condensed interim financial statements for the nine months period ended September 30, 2013 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

23 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on October 24, 2013 .



Imran Maqbool
President / CEO



Tariq Rafi
Director



Mian Umer Mahsha
Director



Sarmad Amin
Director



Bank for Life

MCB BANK LIMITED

(Consolidated Financial Statements of MCB Bank Limited and its Subsidiary Companies)

Consolidated Condensed Interim Statement of Financial Position (Un-audited)

As at September 30, 2013

Note	Unaudited September 30, 2013	Audited December 31, 2012
	Restated ----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	58,230,623	57,420,211
Balances with other banks	1,773,825	1,236,736
Lendings to financial institutions	7 3,474,330	1,551,472
Investments - net	8 409,651,761	405,601,313
Advances - net	9 224,448,329	239,788,511
Operating fixed assets	25,746,732	24,144,242
Deferred tax assets - net	-	-
Other assets - net	10 28,695,766	41,715,761
	752,021,366	771,458,246
Liabilities		
Bills payable	11,608,102	9,896,284
Borrowings	11 15,714,180	79,064,351
Deposits and other accounts	12 584,218,872	544,988,091
Sub-ordinated loan	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	13 8,622,223	9,768,871
Other liabilities	20,280,674	21,265,639
	640,444,051	664,983,236
Net assets	111,577,315	106,475,010
Represented by:		
Share capital	14 10,118,461	9,198,601
Reserves	46,603,360	44,620,928
Un-appropriated profit	42,859,516	37,530,955
	99,581,337	91,350,484
Minority interest	503,546	501,256
	100,084,883	91,851,740
Surplus on revaluation of assets - net of tax	11,492,432	14,623,270
	111,577,315	106,475,010
Contingencies and commitments	15	

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Tariq Rafi
Director

Mian Umer Mahsha
Director

Sarmad Amin
Director

Consolidated Condensed Interim Profit and Loss Account (Un-audited)

For the nine months period ended September 30, 2013

Note	Quarter ended September 30, 2013	Nine months ended September 30, 2013	Quarter ended September 30, 2012	Nine months ended September 30, 2012
	Restated ----- (Rupees in '000) -----			
Mark-up / return / interest earned	15,539,292	48,568,414	17,440,265	51,967,515
Mark-up / return / interest expensed	5,829,919	20,001,581	7,082,994	20,670,431
Net mark-up / interest income	9,709,373	28,566,833	10,357,271	31,297,084
Provision / (reversal) against loans and advances - net	(580,741)	(1,860,541)	(326,688)	81,030
Provision / (reversal) for diminution in the value of investments - net	50,640	15,867	(19,134)	(27,014)
Bad debts written off directly	-	-	43	206
	(530,101)	(1,844,674)	(345,779)	54,222
Net mark-up / interest income after provisions	10,239,474	30,411,507	10,703,050	31,242,862
Non mark-up / interest income				
Fee, commission and brokerage income	1,691,288	5,173,538	1,429,815	4,640,716
Dividend income	161,086	576,517	108,788	877,795
Income from dealing in foreign currencies	314,846	611,533	191,469	693,362
Gain / (loss) on sale of securities - net	599,351	2,136,936	(219)	713,769
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(34,403)	11,138	(14,514)	20,568
Other income	100,170	321,810	109,221	305,697
Total non mark-up / interest income	2,832,338	8,831,472	1,824,560	7,251,907
	13,071,812	39,242,979	12,527,610	38,494,769
Non-mark-up / interest expenses				
Administrative expenses	4,787,675	12,917,262	4,127,258	12,696,942
Other provisions / (reversals)	5,754	(56,368)	(4,863)	46,112
Other charges	175,149	559,463	175,606	355,745
Total non mark-up / interest expenses	4,968,578	13,420,357	4,298,001	13,098,799
Share of profit of associates	90,016	541,703	131,125	299,880
	8,193,250	26,364,325	8,360,734	25,695,850
Extraordinary / unusual item	-	-	-	-
Profit before taxation	8,193,250	26,364,325	8,360,734	25,695,850
Taxation - current period	2,720,087	8,264,278	2,735,752	7,932,879
- prior years	-	-	-	116,256
- deferred	56,611	391,778	149,904	754,481
Share of tax of associates	(10,595)	38,267	8,503	2,097
	2,766,103	8,694,323	2,894,159	8,805,713
Profit after taxation	5,427,147	17,670,002	5,466,575	16,890,137
Profit attributable to minority interest	(17,247)	(53,860)	(27,048)	(68,187)
Profit attributable to ordinary shareholders	5,409,900	17,616,142	5,439,527	16,821,950
Earnings per share - basic and diluted - Rupees	16 5.35	17.41	5.38	16.63

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Tariq Rafi
Director

Mian Umer Mahsha
Director

Sarmad Amin
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine months period ended September 30, 2013

	Quarter ended September 30, 2013	Nine months ended September 30, 2013	Quarter ended September 30, 2012	Nine months ended September 30, 2012
	Restated			
	----- (Rupees in '000) -----			
Profit after tax for the period	5,427,147	17,670,002	5,466,575	16,890,137
Other comprehensive income				
Remeasurement of defined benefit plans - net of tax	-	165,960	-	381,183
Effect of translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the bank	208,907	232,177	82,925	(131,147)
- Minority interest	592	812	54	144
	209,499	232,989	82,979	(131,003)
Share of exchange translation reserve of associate	3,136	32,042	-	-
Comprehensive income transferred to equity	5,639,782	18,100,993	5,549,554	17,140,317
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	(6,185,623)	(5,215,640)	4,824,386	4,916,028
Deferred tax	2,153,511	1,627,536	(1,546,278)	(1,430,006)
	(4,032,112)	(3,588,104)	3,278,108	3,486,022
Total comprehensive income for the period	1,607,670	14,512,889	8,827,662	20,626,339

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.



Imran Maqbool
President / CEO



Tariq Rafi
Director



Mian Umer Mahsha
Director



Sarmad Amin
Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)
For the nine months period ended September 30, 2013

	September 30, 2013	September 30, 2012 Restated
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	26,364,325	25,695,850
Less: Dividend income and share of profit of associates	(1,118,220)	(1,177,675)
	25,246,105	24,518,175
Adjustments for:		
Depreciation	1,103,739	956,502
Amortization	188,403	192,799
Provision / (reversal) against loans and advances - net	(1,860,541)	81,030
Provision / (reversal) for diminution in the value of investments - net	15,867	(27,014)
Other provisions / (reversals)	(56,368)	46,112
Bad debts written off directly	-	206
Provision for Workers' Welfare Fund	514,962	509,176
Charge / (reversal) for defined benefit plan	(823,991)	(904,934)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(11,138)	(20,568)
Gain on disposal of fixed assets	(18,854)	(11,662)
	(947,921)	821,647
	24,298,184	25,339,822
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,922,858)	(2,353,403)
Net investment in held for trading securities	(65,720)	(228,651)
Advances - net	17,200,723	(2,848,569)
Other assets - net	(60,395)	(2,127,442)
	15,151,750	(7,558,065)
Increase / (decrease) in operating liabilities		
Bills payable	1,711,818	(784,241)
Borrowings	(63,971,586)	45,471,049
Deposits and other accounts	39,230,781	50,446,724
Other liabilities	(2,453,518)	(2,543,710)
	(25,482,505)	92,589,822
	13,967,429	110,371,579
Defined benefits withdrawal / (paid)	14,410,682	(248,630)
Income tax paid	(7,844,510)	(10,407,479)
Net cash flows from operating activities	20,533,601	99,715,470
Cash flows from investing activities		
Net investments in available-for-sale securities	(8,368,831)	(94,561,140)
Net investments in held-to-maturity securities	147,663	1,064,959
Investment in subsidiary company	-	4,963
Dividend income received	518,105	784,848
Sale proceeds of property and equipment disposed off	133,186	18,724
Investment in operating fixed assets - net of disposals	(3,008,964)	(3,061,857)
Net cash flows from investing activities	(10,578,841)	(95,749,503)
Cash flows from financing activities		
Dividend paid	(9,461,663)	(7,564,658)
Net cash flows from financing activities	(9,461,663)	(7,564,658)
Exchange difference on translation of net investment in foreign branches and subsidiaries	232,989	(131,003)
Increase in cash and cash equivalents	726,086	(3,729,694)
Cash and cash equivalents at January 1	57,828,024	55,369,506
Cash and cash equivalents at September 30	58,554,110	51,639,812

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.



Imran Maqbool
President / CEO



Tariq Rafi
Director



Mian Umer Mahsha
Director



Sarmad Amin
Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2013

	Share capital	Reserve for issue of bonus shares	Capital Reserves		Statutory reserve	Revenue Reserves		Sub total	Minority interest	Total
			Share premium	Exchange translation reserve		General reserve	Unappropriated profit			
(Rupees in '000)										
Balance as at December 31, 2011	8,362,365	-	9,924,438	431,260	13,456,890	18,600,000	30,259,449	81,034,402	492,497	81,526,899
Effect of change in accounting policy - note 5.1	-	-	-	-	-	-	357,757	357,757	-	357,757
Balance as at December 31, 2011 -restated	8,362,365	-	9,924,438	431,260	13,456,890	18,600,000	30,617,206	81,392,159	492,497	81,884,656
Change in equity for nine months ended September 30, 2012										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	27,044	27,044	193	27,237
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	(131,147)	-	-	-	(131,147)	144	(131,003)
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	381,183	381,183	-	381,183
Profit after taxation for nine months period ended September 30, 2012 - restated	-	-	-	-	-	-	16,890,137	16,890,137	-	16,890,137
Profit attributable to minority interest	-	-	-	-	-	-	(68,187)	(68,187)	68,187	-
Total comprehensive income for the period ended September 30, 2012	-	-	-	(131,147)	-	-	17,203,133	17,071,966	68,331	17,140,317
Transferred to statutory reserve	-	-	-	-	1,667,271	-	(1,667,271)	-	-	-
Transfer to reserve for issue of bonus shares	-	836,236	-	-	-	-	(836,236)	-	-	-
Issue of bonus shares - December 31, 2011	836,236	(836,236)	-	-	-	-	-	-	-	-
Proceeds from issue of shares to minority interest	-	-	-	-	-	-	-	-	4,963	4,963
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(78,847)	(78,847)
Final cash dividend - December 31, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
Interim cash dividend - March 31, 2012	-	-	-	-	-	-	(2,759,581)	(2,759,581)	-	(2,759,581)
Interim cash dividend - June 30, 2012	-	-	-	-	-	-	(3,679,440)	(3,679,440)	-	(3,679,440)
Balance as at September 30, 2012 -restated	9,198,601	-	9,924,438	300,113	15,124,161	18,600,000	36,396,146	89,543,459	487,137	90,030,596
Change in equity for three months ended December 31, 2012										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	9,011	9,011	61	9,072
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	110,517	-	-	-	110,517	195	110,712
Share of exchange translation reserve of associate	-	-	-	134,900	-	-	-	134,900	-	134,900
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	248,637	248,637	-	248,637
Profit after taxation for three months ended December 31, 2012 - restated	-	-	-	-	-	-	4,077,404	4,077,404	-	4,077,404
Profit attributable to minority interest	-	-	-	-	-	-	(13,863)	(13,863)	13,863	-
Total comprehensive income for three months ended December 31, 2012	-	-	-	245,417	-	-	4,312,178	4,557,595	14,058	4,571,653
Transferred to statutory reserve	-	-	-	-	426,799	-	(426,799)	-	-	-
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	-	-
Interim cash dividend - September 30, 2012	-	-	-	-	-	-	(2,759,581)	(2,759,581)	-	(2,759,581)
Balance as at December 31, 2012 -restated	9,198,601	-	9,924,438	545,530	15,550,960	18,600,000	37,530,955	91,350,484	501,256	91,851,740
Change in equity for nine months ended September 30, 2013										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	27,035	27,035	183	27,218
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	232,177	-	-	-	232,177	812	232,989
Share of exchange translation reserve of associate	-	-	-	32,042	-	-	-	32,042	-	32,042
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	165,960	165,960	-	165,960
Profit after taxation for nine months period ended September 30, 2013	-	-	-	-	-	-	17,670,002	17,670,002	-	17,670,002
Profit attributable to minority interest	-	-	-	-	-	-	(53,860)	(53,860)	53,860	-
Total comprehensive income for the period ended September 30, 2013	-	-	-	264,219	-	-	17,782,102	18,046,321	54,672	18,100,993
Transferred to statutory reserve	-	-	-	-	1,718,213	-	(1,718,213)	-	-	-
Transfer to reserve for issue of bonus shares	-	919,860	-	-	-	-	(919,860)	-	-	-
Issue of bonus shares - December 31, 2012	919,860	(919,860)	-	-	-	-	-	-	-	-
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(52,565)	(52,565)
Final cash dividend - December 31, 2012	-	-	-	-	-	-	(2,759,581)	(2,759,581)	-	(2,759,581)
Interim cash dividend - March 31, 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)	-	(3,541,461)
Interim cash dividend - June 30, 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)	-	(3,541,461)
Balance as at September 30, 2013	10,118,461	-	9,924,438	809,749	17,269,173	18,600,000	42,859,616	99,581,337	503,546	100,084,883

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Tariq Rafi
Director

Mian Umer Mahsha
Director

Sarmad Amin
Director

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company
- MCB Bank Limited

"Percentage holding of
MCB Bank Limited"

Subsidiary Companies
- MCB Financial Services Limited
- MNET Services (Private) Limited
- MCB Trade Services Limited
- "MCB Leasing" Closed Joint Stock Company
- MCB - Arif Habib Savings and Investments Limited
(formerly Arif Habib Investments Limited)

99.99%
99.95%
100.00%
95.00%
51.329%

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,188 branches including 27 Islamic banking branches (December 31, 2012: 1,179 branches including 27 Islamic banking branches) within Pakistan and 9 (December 31, 2012: 8) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

2.2 The financial results of the Islamic banking branches have been consolidated in these consolidated condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 20 to these consolidated condensed interim financial statements.

2.3 The consolidated condensed financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.

a) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the unaudited financial statements for the period ended September 30, 2013 and the carrying value of investments held by the Group is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.

b) Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost, thereafter adjusted for the post-acquisition change in the Group's share of net assets of the associates. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associates have been accounted for based on the financial statements for the period ended September 30, 2013.

c) Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

3 STATEMENT OF COMPLIANCE

3.1 These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.3 The disclosures made in these consolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for annual financial statements and these consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Group for the year ended December 31, 2012.

4 BASIS OF MEASUREMENT

4.1 These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and certain investments and commitments in respect of certain forward foreign exchange contracts have been marked to market and are carried at fair value.

4.2 These consolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

5.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2012 except for given below:

During the current year, the Bank has changed its accounting policy in respect of post retirement defined benefits plans as required under International Accounting Standard (IAS) 19, 'Employee Benefits'. According to new policy actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior periods financial statements have been summarised below:

	September 30, 2013	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----		
Impact on statement of financial position			
Increase in other assets	1,948,150	1,175,705	549,069
Increase / (decrease) in other liabilities	585,315	68,192	(1,327)
Increase in deferred tax liabilities	476,992	387,629	192,638
Increase in Un-appropriated profit	885,843	719,883	357,757
		September 30, 2013	September 30, 2012
		----- (Rupees in '000) -----	
Impact on profit and loss account			
Increase in administrative expenses		255,323	184,314
Decrease in profit before tax		255,323	184,314
Decrease in profit after tax		165,960	119,804
Decrease in earning per share	Rupees	0.164	0.118

5.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2012.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for significant accounting estimates and judgments adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2012.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

7. LENDINGS TO FINANCIAL INSTITUTIONS

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
Call money lendings	-	-
Repurchase agreement lendings	3,474,330	1,551,472
	3,474,330	1,551,472

September 30, 2013

8 INVESTMENTS - NET

8.1 Investments by types

		Held by bank	Given as collateral	Total
		----- (Rupees in '000) -----		
Held-for-trading securities		639,301	-	639,301
Available-for-sale securities	8.2	398,229,905	-	398,229,905
Held-to-maturity securities	8.2	7,490,652	56,441	7,547,093
		406,359,858	56,441	406,416,299
Associates				
Adamjee Insurance Company Limited	8.3	5,158,594	-	5,158,594
Euronet Pakistan (Private) Limited	8.4	57,490	-	57,490
First Women Bank Limited	8.5	63,300	-	63,300
		5,279,384	-	5,279,384
Investments at cost		411,639,242	56,441	411,695,683
Less: Provision for diminution in the value of investments		(2,576,369)	-	(2,576,369)
Investments (net of provisions)		409,062,873	56,441	409,119,314
Surplus on revaluation of available for sale securities - net		521,309	-	521,309
Surplus on revaluation of held-for-trading securities - net		11,138	-	11,138
Investments at revalued amounts - net of provisions		409,595,320	56,441	409,651,761

December 31, 2012

		Held by bank	Given as collateral	Total
		----- (Rupees in '000) -----		
Held-for-trading securities		543,296	-	543,296
Available-for-sale securities	8.2	326,983,673	63,100,246	390,083,919
Held-to-maturity securities	8.2	7,626,932	67,824	7,694,756
		335,153,901	63,168,070	398,321,971
Associates				
Adamjee Insurance Company Limited	8.3	4,176,476	-	4,176,476
Euronet Pakistan (Private) Limited	8.4	55,679	-	55,679
First Women Bank Limited	8.5	63,300	-	63,300
		4,295,455	-	4,295,455
Investments at cost		339,449,356	63,168,070	402,617,426
Less: Provision for diminution in the value of investments		(2,783,347)	-	(2,783,347)
Investments (net of provisions)		336,666,009	63,168,070	399,834,079
Surplus on revaluation of available for sale securities - net		5,691,769	45,180	5,736,949
Surplus on revaluation of held-for-trading securities - net		30,285	-	30,285
Investments at revalued amounts - net of provisions		342,388,063	63,213,250	405,601,313

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2012: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2012: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013**

8.3 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at September 30, 2013 amounted to Rs.2,670.817 million (December 31, 2012: Rs. 2,455.336 million).

Investment in Adamjee Insurance Company Limited under equity method - holding 29.13%

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
Opening balance	4,176,476	3,101,352
Share of profit for the period / year before tax	539,602	293,349
Dividend from associate	(36,034)	(54,051)
Share of tax	(37,977)	(34,637)
	465,591	204,661
Share of other comprehensive income	516,527	870,463
Closing balance	5,158,594	4,176,476

8.4 Investment of the Group in Euronet Pakistan Private Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

Investment in Euronet Pakistan Private Limited under equity method - holding 30%

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
Opening balance	55,679	53,917
Share of profit for the period / year before tax	2,101	3,296
Share of tax	(290)	(1,534)
	1,811	1,762
Closing balance	57,490	55,679

8.5 The Group's investment in First Women Bank Limited is carried at cost and have not been accounted for under equity method of accounting as the Group does not have significant influence over the entity.

9 ADVANCES - NET

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	208,723,574	227,634,242
- Outside Pakistan	12,126,510	12,176,644
	220,850,084	239,810,886
Islamic Financing and related assets	10,559,645	10,289,436
Net Investment in finance lease		
- In Pakistan	1,082,096	924,122
- Outside Pakistan	798,894	850,254
	1,880,990	1,774,376
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	1,143,056	830,471
- Payable outside Pakistan	11,030,531	9,892,365
	12,173,587	10,722,836
Advances - gross	245,464,306	262,597,534
Less: Provision against loans and advances		
- Specific provision	(20,541,342)	(22,380,087)
- General provision	(245,257)	(257,457)
- General provision against consumer loans & Small Enterprise Finance	(205,140)	(145,568)
- General Provision for potential lease losses (in Sri Lanka operations)	(24,238)	(25,911)
	(21,015,977)	(22,809,023)
Advances - net of provision	224,448,329	239,788,511

**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013**

9.1 Advances include Rs.24,936.093 million (December 31, 2012: Rs. 25,561.774 million) which have been placed under non-performing status as detailed below:

		September 30, 2013			Specific Provision Required	Specific Provision Held
Category of Classification		Classified Advances				
		Domestic	Overseas	Total	----- (Rupees in '000) -----	
Other Assets Especially Mentioned (OAEM)		31,444	-	31,444	2,066	2,066
Substandard		1,558,683	9,003	1,567,686	231,207	231,207
Doubtful		891,264	-	891,264	445,074	445,074
Loss		17,433,235	5,012,464	22,445,699	19,862,995	19,862,995
		19,914,626	5,021,467	24,936,093	20,541,342	20,541,342
		----- (Rupees in '000) -----				
		December 31, 2012			Specific Provision Required	Specific Provision Held
Category of Classification		Classified Advances				
		Domestic	Overseas	Total	----- (Rupees in '000) -----	
Other Assets Especially Mentioned (OAEM)		-	-	-	-	-
Substandard		285,883	-	285,883	36,090	36,090
Doubtful		845,875	4,024	849,899	423,853	423,853
Loss		19,829,029	4,596,963	24,425,992	21,920,144	21,920,144
		20,960,787	4,600,987	25,561,774	22,380,087	22,380,087

9.1.1 This represents non-performing portfolio of agricultural financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural Financing issued by the SBP.

10 OTHER ASSETS - NET

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
Income / mark-up accrued on advances and investments - local currency	6,120,923	8,019,107
Income / mark-up accrued on advances and investments - foreign currencies	116,341	98,249
Advances, deposits, advance rent and other prepayments	1,438,045	975,662
Advance taxation (payments less provisions)	10,525,367	10,969,681
Compensation for delayed income tax refunds	44,802	44,802
Branch adjustment account	183,872	-
Non-banking assets acquired in satisfaction of claims	1,658,416	1,398,703
Unrealised gain on derivative financial instruments	1,180,637	134,339
Stationery and stamps on hand	74,396	43,067
Prepaid exchange risk fee	2,152	169
Receivable from the pension fund	5,634,516	18,428,483
Others	2,797,437	2,735,476
	29,776,904	42,847,738
Less: Provision held against other assets	(1,081,138)	(1,131,977)
	28,695,766	41,715,761

11 BORROWINGS

	September 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
In Pakistan	11,155,113	76,644,529
Outside Pakistan	4,559,067	2,419,822
	15,714,180	79,064,351

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

September 30, 2013 December 31, 2012
----- (Rupees in '000) -----

11.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan
Export refinance scheme
Long term financing facility
Long term financing - export oriented projects scheme
Financing Facility for Storage of Agricultural Produce

6,160,260	8,780,720
3,967,930	3,448,638
319,451	555,277
707,471	768,806
11,155,112	13,553,441

Borrowings from other financial institutions
Repurchase agreement borrowings

294,654	405,853
56,441	63,158,913
351,095	63,564,766

Unsecured

Call borrowings
Overdrawn nostro accounts

11,506,207	77,118,207
2,757,635	1,117,221
1,450,338	828,923
4,207,973	1,946,144
15,714,180	79,064,351

12 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits
Savings deposits
Current accounts
Margin accounts

60,430,957	80,649,846
308,972,166	268,923,547
202,794,483	183,107,714
4,148,687	3,520,404
576,346,293	536,201,511

Financial institutions

Remunerative deposits
Non-remunerative deposits

4,936,914	6,090,878
2,935,665	2,695,702
7,872,579	8,786,580
584,218,872	544,988,091

September 30, 2013 December 31, 2012
----- (Rupees in '000) -----
Restated

13 DEFERRED TAX LIABILITY / (ASSET) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

Taxable temporary differences on:

Surplus on revaluation of operating fixed assets
Accelerated tax depreciation
Receivable from pension fund
Investment in associates
Surplus on revaluation of securities

753,989	768,800
1,122,190	1,142,867
7,128,245	6,449,968
260,163	213,604
-	1,501,042
9,264,587	10,076,281

Deductible temporary differences on:

Surplus on revaluation of securities
Provision for bad debts
Taxable losses
Provision for retirement benefits

(126,494)	-
(81,646)	(12,632)
(11,632)	(11,632)
(422,592)	(283,146)
(642,364)	(307,410)
8,622,223	9,768,871

14 SHARE CAPITAL

The Bank has increased its Authorised Share Capital from Rs. 10,000 million to Rs. 15,000 million.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

September 30, 2013 December 31, 2012
----- (Rupees in '000) -----

15 CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring
- Government
- Banks and financial institutions
- Others

6,693,370	5,129,432
2,168,783	3,585,501
16,057,957	13,956,922
24,920,110	22,671,855

15.2 Transaction-related contingent liabilities

Guarantees in favour of:
- Others
Suppliers credit / payee guarantee

905,740	686,615
2,878,933	2,600,833
3,784,673	3,287,448

15.3 Trade-related contingent liabilities

15.4 Other contingencies

Claims against the Bank not acknowledged as debts

84,664,971	69,500,795
3,073,612	620,416

These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.

15.5 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

15.6 Commitments in respect of forward foreign exchange contracts

Purchase

72,946,359	25,546,035
------------	------------

Sale

66,134,474	21,697,634
------------	------------

15.7 Commitments for the acquisition of fixed assets

367,861	555,398
---------	---------

15.8 Other commitments

Forward outright purchase of government securities

950	-
-----	---

Forward outright sale of government securities

100,000	-
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15.9 Taxation

For assessment year 1988-89 through tax year 2011, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs.3,091 million (2012: Rs.9,639 million) which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. No provision has been made in the financial statements regarding the aforesaid additional tax demand and already issued favourable decisions where the department is in appeal, as the management is of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities.

For tax years 2003 through 2006 and tax year 2011, aggregate liability of Rs 584 million has been adjudged under section 161 of the Income Tax Ordinance, 2001 on the grounds that Bank failed to deduct applicable withholding tax while making payments on certain accounts. Such liability has not been provided for in these financial statements as Bank's management is of the view that while departmental action for tax years 2003 through 2006 is barred by applicable limitation of time, the liability for tax year 2011 has been adjudged on an arbitrary basis.

Nine months ended
September 30, 2013 September 30, 2012
----- (Rupees in '000) -----

16 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

Profit after taxation

17,616,142	16,821,950
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Weighted average number of shares outstanding during the period

1,011,846,135	1,011,846,135
---------------	---------------

Basic and diluted Earnings per share - after tax

17.41	16.63
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17 CREDIT RATING

PACRA through its notification dated February 04, 2013, has upgraded bank's long term credit rating from AA+ [double A plus] to AAA [Triple A] and maintained short-term credit rating of A1+ [A one plus].

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Nine months ended September 30, 2013						
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination	Total
	(Rupees in '000)						
Total income	105,943	32,753,389	9,806,571	15,006,332	333,551	(64,197)	57,941,589
Total expenses	(33,136)	(2,585,109)	(26,190,358)	(2,648,179)	(184,679)	64,197	(31,577,264)
Income tax expense	-	-	-	-	-	-	(8,694,323)
Net income	72,807	30,168,280	(16,383,787)	12,358,153	148,872	-	17,670,002
Segment assets - (Gross of NPLs Provisions)	63,309	444,512,754	134,770,265	182,503,715	1,441,295	(1,185,915)	762,105,423
Advance taxation (payment less provision)	-	-	-	-	-	-	10,457,285
Total assets	63,309	444,512,754	134,770,265	182,503,715	1,441,295	(1,185,915)	772,562,708
Segment non performing loans	-	-	8,303,245	16,632,848	-	-	24,936,093
Segment specific provision required	-	-	6,839,876	13,701,466	-	-	20,541,342
Segment liabilities	10,535	12,734,771	585,485,807	34,649,009	127,621	(1,185,915)	631,821,828
Deferred tax liabilities - net	-	-	-	-	-	-	8,622,223
Total liabilities - net	10,535	12,734,771	585,485,807	34,649,009	127,621	(1,185,915)	640,444,051
Segment return on assets (ROA) (%)	-	9.82%	10.22%	11.85%	30.86%	-	-
Segment cost of fund (%)	-	8.71%	3.88%	6.07%	-	-	-
	Nine months ended September 30, 2012						
Total income	98,064	31,233,451	10,138,539	17,741,579	374,245	(66,576)	59,519,302
Total expenses	(34,341)	(3,554,933)	(27,279,421)	(2,835,684)	(185,649)	66,576	(33,823,452)
Income tax expense	-	-	-	-	-	-	(8,805,713)
Net income	63,723	27,678,518	(17,140,882)	14,905,895	188,596	-	16,890,137
Segment assets - (Gross of NPLs provision)	55,509	454,653,149	119,109,742	204,844,359	1,478,806	(1,142,376)	778,999,189
Advance taxation (payment less provision)	-	-	-	-	-	-	8,323,592
Total assets	55,509	454,653,149	119,109,742	204,844,359	1,478,806	(1,142,376)	787,322,781
Segment non performing loans	-	-	7,071,892	19,020,133	-	-	26,092,025
Segment specific provision required	-	-	5,950,733	16,004,730	-	-	21,955,463
Segment liabilities	12,093	81,471,563	542,903,889	29,631,346	231,403	(1,142,376)	653,107,918
Deferred tax liabilities - net	-	-	-	-	-	-	8,740,019
Total liabilities - net	12,093	81,471,563	542,903,889	29,631,346	231,403	(1,142,376)	661,847,937
Segment return on assets (ROA) (%)	-	9.16%	11.95%	12.53%	33.74%	-	-
Segment cost of fund (%)	-	10.87%	4.46%	5.85%	-	-	-

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2013

19 RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its associates, employee benefit plans and its key management personnel (including their associates) and companies with common directors. The Group enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them as at the period-end were as follows:

	Directors		Associates		Other Related Parties		Key management personnel	
	Nine months ended September 30, 2013	Year ended Dec 31, 2012	Nine months ended September 30, 2013	Year ended Dec 31, 2012	Nine months ended September 30, 2013	Year ended Dec 31, 2012	Nine months ended September 30, 2013	Year ended Dec 31, 2012
	(Rupees in '000)							
Deposits	2,863,874	4,398,756	976,642	766,387	26,850,559	25,393,804	46,039	50,178
Opening balance	2,201,039	4,888,505	13,523,665	11,121,938	40,237,745	38,267,581	771,204	1,168,053
Received during the period / year	(4,164,899)	(6,423,387)	(13,599,717)	(10,911,683)	(52,393,238)	(36,810,826)	(756,379)	(1,172,192)
Withdrawn during the period / year	900,014	2,863,874	900,590	976,642	14,695,066	26,850,559	60,864	46,039
Closing balance	2,795	3,367	-	-	98,056	81,302	53,865	49,743
Advances (secured)	(425)	(572)	-	-	333,360	415,889	29,283	12,436
Opening balance	2,370	2,795	-	-	122,293	(399,135)	(10,691)	(8,314)
Additions / adjustments during the period / year	598	852	-	-	5,634,516	18,428,483	929	951
Repaid during the period / year	-	-	-	-	-	-	-	-
Closing balance	2,370	2,795	-	-	98,056	98,056	72,457	53,865
Outstanding Balance of credit card	598	852	-	-	-	-	929	951
Receivable from Pension Fund	-	-	-	-	5,634,516	18,428,483	-	-
	Directors		Associates		Other Related Parties		Key management personnel	
	September 30, 2013	September 30 / December 31, 2012	September 30, 2013	September / December 31, 2012	September 30, 2013	September / December 31, 2012	September 30, 2013	September / December 31, 2012
Outstanding commitments and contingent liabilities	-	-	8,337	8,365	561,830	819,873	-	-
Forward foreign exchange contracts (Notional)	-	-	24,538	24,538	5,673,825	-	-	-
Unrealized gain on forward foreign exchange contracts	-	-	26,977	14,321	7,767	7,019	-	-
Trade payable	68	504	247	12,645	190,473	1,045,622	215	541
Markup payable	-	-	779	-	35,408	20,000	-	-
Advance receivable	-	-	-	-	1,861	2,237	-	-
Markup Receivable	-	-	-	-	-	4,050,000	-	-
Outstanding investments in mutual funds	-	-	-	-	-	300,000	-	-
Divestment in Khushali Bank Limited	-	-	-	-	-	-	-	-
Insurance premium paid-net of refund	-	-	-	-	-	-	-	-
Insurance claim settled	-	-	-	-	-	-	-	-
Markup income on advances	-	-	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-	-	-
Capital gain / (loss)	-	-	-	-	-	-	-	-
Commission income	-	-	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-
Gain / (loss) on sale of assets	-	-	-	-	-	-	-	-
Brokerage expense	-	-	-	-	-	-	-	-
ATM Outsourcing Expense	-	-	-	-	-	-	-	-
Cash sorting expenses	-	-	-	-	-	-	-	-
Stationery Expenses	-	-	-	-	-	-	-	-
Security guard expenses	-	-	-	-	-	-	-	-
Remuneration and non-executive directors fee	67,090	65,648	-	-	389	313	-	-
Mark-up paid on deposits	89,252	269,828	-	-	36,892	29,705	-	-
Clearing expenses paid to NIFT	-	-	-	-	151,379	145,425	-	-
Contribution to provident fund	-	-	-	-	218,405	190,518	-	-
Gas Charges	-	-	-	-	1,827,113	2,917,293	-	-
Rent Paid	-	-	-	-	92,076	87,704	-	-
Miscellaneous expenses and payments	-	-	-	-	148,875	142,495	-	-
	-	-	3,880	-	7,509	9,207	-	-
	-	-	-	-	74,826	28,378	-	-

The Chairman has been provided with free use of the Bank maintained car. The Chief Executives and certain executives are provided with free use of the Group's maintained cars and household equipment in accordance with the terms of their employment.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months period ended September 30, 2013

20 ISLAMIC BANKING BUSINESS

The Bank is operating 28 Islamic banking branches including 1 overseas branch (December 31, 2012: 28 branches including 1 overseas). The statement of financial position of the Bank's Islamic Banking Branches as at September 30, 2013 is as follows:

	Note	September 30, 2013 ----- (Rupees in '000) -----	December 31, 2012
Assets			
Cash and balance with treasury banks		493,789	708,174
Balance with other banks		-	-
Due from Financial Institution		-	-
Investments - net		1,817,915	1,955,421
Islamic Financing & Related Assets	20.1	10,466,424	10,212,292
Operating fixed assets		1,548,759	1,308,436
Deferred Tax Assets		-	-
Other Assets		397,107	608,973
		14,723,994	14,793,296
Liabilities			
Bill payable		78,257	88,464
Due to Financial Institution		41,600	581,051
Deposits and other accounts			
- Current Accounts		1,240,845	1,557,227
- Saving Accounts		2,122,336	2,979,011
- Term Deposits		3,340,227	3,324,085
- Others		43,257	4,826
Deposits from Financial Institution - Remunerative		1,835,879	2,516,102
Deposits from Financial Institution - Non Remunerative		12	21
Due to head Office		3,823,202	1,889,975
Deferred tax liability		-	-
Other liabilities		632,234	499,071
		13,157,849	13,439,833
		1,566,145	1,353,463
Net assets			
Represented by:			
Islamic Banking Fund		1,500,000	1,300,000
Other Reserves		110	186
Unappropriated profit		63,275	44,371
		1,563,385	1,344,557
Surplus / (deficit) on revaluation of assets		2,760	8,906
		1,566,145	1,353,463

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months period ended September 30, 2013

	Note	September 30, 2013 ----- (Rupees in '000) -----	December 31, 2012
20.1 Islamic Financing and Related Assets			
Murabaha	20.1.1	8,468,703	8,540,479
Ijarah	20.1.2	128,026	109,330
Diminishing Musharaka	20.1.3	1,962,916	1,639,627
Gross Advances		10,559,645	10,289,436
Provision held		(93,221)	(77,144)
Advance - net of provision		10,466,424	10,212,292
20.1.1 Murabaha			
Financing/Investments/Receivables		4,974,687	3,826,171
Advances		32,506	1,394,444
Assets/Inventories		3,461,509	3,319,864
		8,468,702	8,540,479
20.1.2 Ijarah			
Financing/Investments/Receivables		61,675	83,551
Advances		66,351	25,779
		128,026	109,330
20.1.3 Diminishing Musharakah			
Financing/Investments/Receivables		1,781,373	1,443,949
Advances		181,543	195,678
		1,962,916	1,639,627
CHARITY FUND			
Opening balance		6,892	782
Additions during the year			
Received from customers on delayed payments		8,128	7,739
Return on charity saving account		236	296
		8,364	8,035
Payments / utilization during the year			
Social Welfare		(6,000)	(1,300)
Health		(500)	(625)
Education		(1,000)	-
Relief and disaster recovery		-	-
		(7,500)	(1,925)
Closing balance		7,756	6,892

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

The profit and loss account of the Bank's Islamic banking business for the nine months ended September 30, 2013 is as follows:

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	----- (Rupees in '000) -----	
Income / return / profit earned	950,671	979,039
Income / return / profit expensed	753,279	775,849
Net Income / Profit	197,392	203,190
Provision / (reversal) against loans and advances - net	13,962	170
Provision for diminution in the value of investments	(12,123)	-
Bad debts written off directly	-	-
	1,839	170
Net profit / income after provisions	195,553	203,020
Other income		
Fees, commission and brokerage income	304,327	168,527
Dividend income	-	-
Income from dealing in foreign currencies	13,874	8,113
Other Income	7,141	3,548
Total other income	325,342	180,188
	520,895	383,208
Other expenses		
Administrative expenses	456,605	322,617
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	1,015	1,196
Total other expenses	457,620	323,813
Extra ordinary / unusual items	-	-
Profit before taxation	63,275	59,395
Remuneration to Shariah Advisor / Board	1,458	1,458

21 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- No significant reclassification / restatement has been made in corresponding figures except as disclosed in note 5.1 of these consolidated condensed interim financial statements.

22 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 24, 2013 has announced cash dividend in respect of the nine months period ended September 30, 2013 of Rs. 3.50 per share (September 30, 2012: Rs. 3.00 per share). These consolidated condensed interim financial statements for the nine months period ended September 30, 2013 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

23 DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on October 24, 2013 .



Imran Maqbool
President / CEO



Tariq Rafi
Director



Mian Umer Mahsha
Director



Sarmad Amin
Director