



MCB Bank Limited

Un-consolidated Condensed Interim Financial Statements
for nine months period ended September 30, 2009

MCB Bank Limited
Unconsolidated Condensed Interim Balance Sheet (Un-audited)
As at September 30, 2009

	<i>Note</i>	Unaudited September 30, 2009	Audited December 31, 2008
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		39,232,967	39,631,172
Balances with other banks		2,918,341	4,043,100
Lendings to financial institutions	7	4,813,908	4,100,079
Investments - net	8	142,936,518	96,256,874
Advances - net	9	238,292,022	262,510,470
Operating fixed assets		17,651,844	17,263,733
Deferred tax assets - net		-	-
Other assets - net		22,956,559	19,810,476
		468,802,159	443,615,904
Liabilities			
Bills payable		8,391,834	10,551,468
Borrowings	10	12,792,927	22,663,840
Deposits and other accounts	11	362,116,406	330,274,155
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	22,951	437,137
Other liabilities		17,881,842	21,253,250
		401,205,960	385,179,850
Net assets		67,596,199	58,436,054
Represented by:			
Share capital		6,911,045	6,282,768
Reserves		37,995,746	36,768,765
Un-appropriated profit		14,179,402	9,193,332
		59,086,193	52,244,865
Surplus on revaluation of assets - net of tax		8,510,006	6,191,189
		67,596,199	58,436,054

Contingencies and commitments

13

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.4.

President and Chief Executive

Director

Director

Director

MCB Bank Limited

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

For the nine months period ended September 30, 2009

Note	Quarter ended September 30, 2009	Nine months ended September 30, 2009	Quarter ended September 30, 2008	Nine months ended September 30, 2008
----- (Rupees in '000) -----				
Mark-up / return / interest earned	12,350,121	38,288,522	11,150,243	28,084,861
Mark-up / return / interest expensed	<u>3,830,445</u>	<u>11,661,518</u>	<u>3,432,428</u>	<u>7,780,322</u>
Net mark-up / interest income	8,519,676	26,627,004	7,717,815	20,304,539
Provision against loans and advances - net	<u>854,575</u>	<u>4,228,337</u>	<u>754,723</u>	<u>1,996,410</u>
Provision for diminution in the value of investments - net	<u>232,426</u>	<u>751,079</u>	<u>-</u>	<u>209,209</u>
Bad debts written off directly	<u>33,305</u>	<u>34,525</u>	<u>690</u>	<u>1,487</u>
	<u>1,120,306</u>	<u>5,013,941</u>	<u>755,413</u>	<u>2,207,106</u>
Net mark-up / interest income after provisions	<u>7,399,370</u>	<u>21,613,063</u>	<u>6,962,402</u>	<u>18,097,433</u>
Non mark-up / interest income				
Fee, commission and brokerage income	<u>797,323</u>	<u>2,527,485</u>	<u>632,674</u>	<u>2,228,757</u>
Dividend income	<u>153,589</u>	<u>343,613</u>	<u>283,556</u>	<u>492,958</u>
Income from dealing in foreign currencies	<u>(37,122)</u>	<u>264,157</u>	<u>581,440</u>	<u>533,292</u>
Gain / (loss) on sale of securities - net	<u>114,001</u>	<u>237,104</u>	<u>(34,037)</u>	<u>717,143</u>
Unrealized gain / (loss) on revaluation of investments classified as held for trading	<u>(1,360)</u>	<u>-</u>	<u>2,354</u>	<u>(43,678)</u>
Other income	<u>156,618</u>	<u>551,247</u>	<u>173,974</u>	<u>564,889</u>
Total non mark-up / interest income	<u>1,183,049</u>	<u>3,923,606</u>	<u>1,639,961</u>	<u>4,493,361</u>
	<u>8,582,419</u>	<u>25,536,669</u>	<u>8,602,363</u>	<u>22,590,794</u>
Non-mark-up / interest expenses				
Administrative expenses	<u>2,418,335</u>	<u>7,329,623</u>	<u>2,705,066</u>	<u>5,746,195</u>
Other provisions	<u>5,240</u>	<u>113,156</u>	<u>5,001</u>	<u>13,103</u>
Other charges	<u>194,551</u>	<u>440,894</u>	<u>225,337</u>	<u>535,474</u>
Total non mark-up/interest expenses	<u>2,618,126</u>	<u>7,883,673</u>	<u>2,935,404</u>	<u>6,294,772</u>
	<u>5,964,293</u>	<u>17,652,996</u>	<u>5,666,959</u>	<u>16,296,022</u>
Extra ordinary / unusual item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit before taxation	<u>5,964,293</u>	<u>17,652,996</u>	<u>5,666,959</u>	<u>16,296,022</u>
Taxation - current period	<u>2,272,629</u>	<u>6,878,139</u>	<u>1,940,004</u>	<u>5,505,487</u>
- prior years	<u>-</u>	<u>(85,600)</u>	<u>(204,500)</u>	<u>(834,769)</u>
- deferred	<u>(356,963)</u>	<u>(944,659)</u>	<u>(15,007)</u>	<u>1,945</u>
	<u>1,915,666</u>	<u>5,847,880</u>	<u>1,720,497</u>	<u>4,672,663</u>
Profit after taxation	<u>4,048,627</u>	<u>11,805,116</u>	<u>3,946,462</u>	<u>11,623,359</u>
Earnings per share - basic and diluted - Rupees	<u>11</u> <u>5.86</u>	<u>17.08</u>	<u>5.71</u>	<u>16.82</u>

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.4.

President and Chief Executive

Director

Director

Director

MCB Bank Limited

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2009

	September 30, 2009	September 30, 2008
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	17,652,996	16,296,022
Less: Dividend income	(343,613)	(492,958)
	<u>17,309,383</u>	<u>15,803,064</u>
Adjustments for non-cash charges		
Depreciation	673,925	610,806
Amortization	114,637	104,443
Provision against loans and advances - net	4,228,337	1,996,410
Provision for diminution in the value of investments - net	751,079	210,431
Other provisions	113,156	13,103
Bad debts written off directly	34,525	1,487
Gain on disposal of fixed assets	(20,337)	(20,132)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	43,678
	<u>5,895,322</u>	<u>2,960,226</u>
	<u>23,204,705</u>	<u>18,763,290</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(713,829)	(17,649,835)
Net investment in held for trading securities	94,176	39,861
Advances - net	19,955,586	(31,833,428)
Other assets - net	(3,253,187)	(2,644,462)
	<u>16,082,746</u>	<u>(52,087,864)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(2,159,634)	(3,164,672)
Borrowings	(9,870,913)	(21,002)
Deposits and other accounts	31,842,251	31,869,852
Other liabilities	(8,728,830)	13,715,149
	<u>11,082,874</u>	<u>42,399,327</u>
	<u>50,370,325</u>	<u>9,074,753</u>
Income tax paid	(1,525,543)	(4,127,555)
Net cash flows from operating activities	<u>48,844,782</u>	<u>4,947,198</u>
Cash flows from investing activities		
Net investments in available-for-sale securities	(48,063,574)	22,491,019
Net investments in held-to-maturity securities	3,403,955	(5,119,610)
Dividend income received	280,358	244,600
Investment in operating fixed assets - net of disposals	(1,156,336)	(1,480,143)
Net cash flows from investing activities	<u>(45,535,597)</u>	<u>16,135,866</u>
Cash flows from financing activities		
Payment of sub-ordinated loan	-	(479,232)
Dividend paid	(4,878,618)	(6,828,565)
Net cash flows from financing activities	<u>(4,878,618)</u>	<u>(7,307,797)</u>
Exchange difference on translation of net investment in foreign branches	46,469	269,662
Increase in cash and cash equivalents	<u>(1,522,964)</u>	<u>14,044,929</u>
Cash and cash equivalents at January 1	<u>43,674,272</u>	<u>43,491,402</u>
Cash and cash equivalents at September 30	<u><u>42,151,308</u></u>	<u><u>57,536,331</u></u>

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

President and Chief Executive

Director

Director

Director

MCB Bank Limited
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2009

	Capital Reserves			Other Reserves		Unappropriated profit	Total
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	General reserve		
(Rupees in '000)							
Balance as at January 01, 2008	6,282,768	9,702,528	(41,981)	6,740,091	17,600,000	5,130,750	45,414,156
Change in equity for nine months ended September 30, 2008							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	15,524	15,524
Exchange differences on translation of net investment in foreign branches	-	-	269,662	-	-	-	269,662
Net income recognised directly in equity	-	-	269,662	-	-	15,524	285,186
Profit after taxation for nine months period ended September 30, 2008	-	-	-	-	-	11,623,359	11,623,359
Total comprehensive income for the period ended September 30, 2008	-	-	269,662	-	-	11,638,883	11,908,545
Transferred to statutory reserve	-	-	-	1,162,336	-	(1,162,336)	-
Transferred to general reserve	-	-	-	-	1,000,000	(1,000,000)	-
Final cash dividend - December 31, 2007	-	-	-	-	-	(3,141,384)	(3,141,384)
Interim cash dividend - March 31, 2008	-	-	-	-	-	(1,884,831)	(1,884,831)
Interim cash dividend - June 30, 2008	-	-	-	-	-	(1,884,831)	(1,884,831)
Balance as at September 30, 2008	6,282,768	9,702,528	227,681	7,902,427	18,600,000	7,696,251	50,411,655
Change in equity for three months ended December 31, 2008							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,795	5,795
Exchange differences on translation of net investment in foreign branches	-	-	(38,995)	-	-	-	(38,995)
Net income recognised directly in equity	-	-	(38,995)	-	-	5,795	(33,200)
Profit after taxation for three months period ended December 31, 2008	-	-	-	-	-	3,751,241	3,751,241
Total comprehensive income for the period ended December 31, 2008	-	-	(38,995)	-	-	3,757,036	3,718,041
Transferred to statutory reserve	-	-	-	375,124	-	(375,124)	-
Interim cash dividend - September 30, 2008	-	-	-	-	-	(1,884,831)	(1,884,831)
Balance as at December 31, 2008	6,282,768	9,702,528	188,686	8,277,551	18,600,000	9,193,332	52,244,865
Change in equity for nine months ended September 30, 2009							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	15,989	15,989
Exchange differences on translation of net investment in foreign branches	-	-	46,469	-	-	-	46,469
Net income recognised directly in equity	-	-	46,469	-	-	15,989	62,458
Profit after taxation for nine months period ended September 30, 2009	-	-	-	-	-	11,805,116	11,805,116
Total comprehensive income for the period ended September 30, 2009	-	-	46,469	-	-	11,821,105	11,867,574
Transferred to statutory reserve	-	-	-	1,180,512	-	(1,180,512)	-
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	(628,277)	-
Final cash dividend - December 31, 2008	-	-	-	-	-	(1,570,692)	(1,570,692)
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)	(1,727,781)
Interim cash dividend - June 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Balance as at September 30, 2009	6,911,045	9,702,528	235,155	9,458,063	18,600,000	14,179,402	59,086,193

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

President and Chief Executive

Director

Director

Director

MCB Bank Limited**Un-Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)***For the nine months period ended September 30, 2009*

	Quarter ended September 30, 2009	Nine months ended September 30, 2009	Quarter ended September 30, 2008	Nine months ended September 30, 2008
	------(Rupees '000') -----			
Profit after tax for the period	4,048,627	11,805,116	3,946,462	11,623,359
Other comprehensive income				
Effect of translation of net investment in foreign branches	36,941	46,469	156,459	269,662
Surplus on revaluation of fixed assets relating to incremental depreciation	8,198	24,598	1,022	23,883
Income tax relating to incremental depreciation on revaluation of fixed assets	(2,869)	(8,609)	(358)	(8,359)
Total comprehensive income for the period	4,090,897	11,867,574	4,103,585	11,908,545

Surplus/ deficit on revaluation of 'Available for sale' securities and 'fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated 04 August 2000 and BSD circular 10 dated 13 July 2004 and Companies Ordinance, 1984 respectively.

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

President and Chief Executive

Director

Director

Director

MCB Bank Limited

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

For the nine months period ended September 30, 2009

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 Depositary 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 Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg, Lahore, respectively. The Bank operates 1,052 branches including 11 Islamic banking branches (December 31, 2008: 1,040 branches including 11 Islamic banking branches) with in Pakistan and 7 (December 31, 2008: 7) 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 utilised 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 18 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 26 August 2002. 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 statements required for full 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, 2008.

3.4 During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standards has resulted in certain increased disclosures only.

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, certain investments, commitments in respect of certain forward foreign exchange contracts and derivative financial instruments 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 polices 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, 2008.

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, 2008.

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, 2008.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
Call money lendings	1,100,000	1,700,000
Repurchase agreement lendings	3,713,908	2,400,079
	<u>4,813,908</u>	<u>4,100,079</u>

September 30, 2009

8 INVESTMENTS - NET

8.1 Investments by types

		Held by bank	Given as collateral	Total
		----- Rupees in 000 -----		
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	130,828,665	919,023	131,747,688
Held-to-maturity securities	8.2	13,141,591	-	13,141,591
		<u>143,970,256</u>	<u>919,023</u>	<u>144,889,279</u>
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		377,532	-	377,532
		<u>1,384,432</u>	<u>-</u>	<u>1,384,432</u>
Investments at cost		145,354,688	919,023	146,273,711
Less: Provision for diminution in the value of investments		(3,438,855)	-	(3,438,855)
Investments (net of provisions)		141,915,833	919,023	142,834,856
Surplus / (deficit) on revaluation of available for sale securities - net		110,330	(8,668)	101,662
Investments at revalued amounts - net of provisions		142,026,163	910,355	142,936,518

December 31, 2008

		Held by bank	Given as collateral	Total
		----- Rupees in 000 -----		
Held-for-trading securities		197,374	-	197,374
Available-for-sale securities	8.2	77,753,664	6,287,636	84,041,300
Held-to-maturity securities	8.2	16,545,546	-	16,545,546
		<u>94,496,584</u>	<u>6,287,636</u>	<u>100,784,220</u>
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		377,532	-	377,532
		<u>1,384,432</u>	<u>-</u>	<u>1,384,432</u>
Investments at cost		95,881,016	6,287,636	102,168,652
Less: Provision for diminution in the value of investments		(3,044,962)	-	(3,044,962)
Investments (net of provisions)		92,836,054	6,287,636	99,123,690
Deficit on revaluation of available for sale securities - net		(2,761,998)	(1,620)	(2,763,618)
Deficit on revaluation of held-for-trading securities - net		(103,198)	-	(103,198)
Investments at revalued amounts - net of provisions		89,970,858	6,286,016	96,256,874

- 8.2** Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2008: 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, 2008: 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, 2008: Rs. 943.600 million) as at September 30, 2009 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, 2009 amounted to Rs. 3,615.162 million (December 31, 2008: Rs. 3,032.786 million).
- 8.4** The impairment loss recognized in the profit and loss account has been measured in accordance with State Bank of Pakistan BSD Circular No. 4 dated February 13, 2009 and BSD Circular No. 08 dated August 01, 2009.

The recognition of impairment loss based on the market values as at September 30, 2009 would have had the following effect on these unconsolidated condensed interim financial statements:

	September 30, 2009
	(Rupees in '000)
Increase in 'Impairment Loss' in Profit and Loss Account	611,877
Decrease in tax charge for the year	214,157
	<hr/>
Decrease in profit for the year - after tax	397,720
	<hr/> <hr/>
	Rupees
Decrease in earnings per share -after tax	0.58
	<hr/> <hr/>

9 ADVANCES - NET

	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	234,564,031	252,387,594
- Outside Pakistan	6,590,189	8,910,253
	241,154,220	261,297,847
Net Investment in finance lease		
- In Pakistan	4,295,782	5,358,475
- Outside Pakistan	74,250	90,733
	4,370,032	5,449,208
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	3,438,669	2,364,211
- Payable outside Pakistan	4,205,286	4,111,059
	7,643,955	6,475,270
Advances - gross	253,168,207	273,222,325
Less: Provision against loans and advances		
- Specific provision	(14,048,363)	(9,895,889)
- General provision	(253,168)	(273,222)
- General provision against consumer loans	(544,386)	(533,693)
- General Provision for potential lease losses (in Srilanka Operations)	(30,268)	(9,051)
	(14,876,185)	(10,711,855)
Advances - net of provision	238,292,022	262,510,470

9.1

9.1 Advances include Rs. 21,854.131 million (December 31, 2008: Rs. 18,268.877 million) which have been placed under non-performing status as detailed below:

September 30, 2009					
Category of Classification	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Other Assets Especially Mentioned (OAEM)	227,357	-	227,357	-	-
Substandard	3,543,046	15,092	3,558,138	841,952	841,952
Doubtful	3,193,928	1,231	3,195,159	1,444,738	1,444,738
Loss	10,959,390	3,914,087	14,873,477	11,761,673	11,761,673
	<u>17,923,721</u>	<u>3,930,410</u>	<u>21,854,131</u>	<u>14,048,363</u>	<u>14,048,363</u>

December 31, 2008					
Category of Classification	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Other Assets Especially Mentioned (OAEM)	100,447	-	100,447	-	-
Substandard	5,440,860	-	5,440,860	897,768	897,768
Doubtful	2,595,782	501	2,596,283	1,186,556	1,186,556
Loss	6,457,011	3,674,276	10,131,287	7,811,565	7,811,565
	<u>14,594,100</u>	<u>3,674,777</u>	<u>18,268,877</u>	<u>9,895,889</u>	<u>9,895,889</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.

10 BORROWINGS

September 30, 2009	December 31, 2008
----- (Rupees in '000) -----	
In Pakistan	11,272,152
Outside Pakistan	17,742,776
<u>1,520,775</u>	<u>4,921,064</u>
<u>12,792,927</u>	<u>22,663,840</u>

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan

Export refinance scheme	7,450,709	9,217,004
Long term financing - export oriented products scheme	2,110,958	2,100,751
	<u>9,561,667</u>	<u>11,317,755</u>

Borrowings from other financial institutions

Repurchase agreement borrowings	634,053	-
	<u>995,866</u>	<u>6,325,021</u>
	<u>1,629,919</u>	<u>6,325,021</u>
	<u>11,191,586</u>	<u>17,642,776</u>

Unsecured

Overdrawn nostro accounts

Call borrowings	468,748	4,418,990
	<u>1,132,593</u>	<u>602,074</u>
	<u>1,601,341</u>	<u>5,021,064</u>
	<u>12,792,927</u>	<u>22,663,840</u>

	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
11 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	58,339,860	61,680,332
Savings deposits	171,514,313	150,927,938
Current accounts - non remunerative	122,752,871	105,403,393
Margin accounts	2,809,449	3,137,434
Others	514	563
	<u>355,417,007</u>	<u>321,149,660</u>
Financial institutions		
Remunerative deposits	1,828,497	5,197,969
Non-remunerative deposits	4,870,902	3,926,526
	<u>6,699,399</u>	<u>9,124,495</u>
	<u>362,116,406</u>	<u>330,274,155</u>
	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	

12 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	507,932	516,543
Accelerated tax depreciation	681,235	678,001
Net investment in finance lease	301,189	436,823
Others	8,769	2,444
	<u>1,499,125</u>	<u>1,633,811</u>

Deductible temporary differences on:

Deficit on revaluation of securities	(131,492)	(661,966)
Provision for contributory benevolent scheme	(51,722)	(79,121)
Provision for post retirement medical benefits	(411,464)	(455,587)
Provision for bad debts	(881,496)	-
	<u>(1,476,174)</u>	<u>(1,196,674)</u>
	<u>22,951</u>	<u>437,137</u>

- 12.1** The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable up to a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances can be carried over to succeeding years. However the management, based on the projections prepared by the Bank, is of the view that it would be able to get deduction of provision in excess of 1% of total advances and accordingly has recognised deferred tax amounting to Rs. 881.496 million on such provisions.

	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

- Government	5,415,466	5,743,838
- Banks and financial institutions	13,770	36,030
- Others	14,958,014	15,148,692
Suppliers credit / payee guarantee	2,341,416	2,255,011
	<u>22,728,666</u>	<u>23,183,571</u>

13.2 Trade-related contingent liabilities

55,061,938 54,869,480

	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
13.3 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>469,040</u>	<u>226,246</u>
13.4 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.		
13.5 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>38,832,015</u>	<u>69,708,932</u>
Sale	<u>34,355,140</u>	<u>67,476,228</u>
13.6 Commitments for the acquisition of fixed assets	<u>-</u>	<u>557,810</u>
13.7 Other commitments		
Cross currency swaps (notional amount)	<u>287,972</u>	<u>346,254</u>
Interest rate swaps (notional amount)	<u>250,000</u>	<u>2,410,797</u>
Forward outright sale of Government Securities	<u>-</u>	<u>20,827,530</u>
Outright purchase of Government Securities from SBP	<u>-</u>	<u>26,644,450</u>
13.8 Taxation		

The income tax assessments of the Bank have been finalised upto and including the Tax Year 2008. For the Tax Years 2003 to 2007, the department has amended the assessments on certain issues against which the Bank has filed appeal before the Commissioner of Income Tax (Appeals). In respect of the Tax Year 2003 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided the matter in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). The management and Bank's legal counsel are 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 Year 2007, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 716.713 million against which the legal/appellate course from the Bank has reached ITAT level.

Total disallowances for the assessment years 1994-95 to 1997-98 on account of interest in suspense amounted to Rs. 722.682 million out of which an amount of Rs. 317.289 million has been allowed in the assessment years 1998-1999 to 2000-2001. It is expected that the pending appeals in this regard in the Honourable Sindh High Court shall be decided in favour of the Bank as allowed in assessment years 1992-1993 and 1993-1994. Subsequent to the favourable order of the Honourable Sindh High Court, the management considers that provision is not necessary for the remaining tax liability for interest in suspense of Rs. 244.781 million as the Bank has been subjected to tax far exceeding its normal tax liability and is hopeful of favourable decisions in appeals. Accordingly, no provision has been made in these financial statements for the above amount.

	Nine months ended	
	September 30, 2009	September 30, 2008
	---- (Rupees in '000) ----	
14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	<u>11,805,116</u>	<u>11,623,359</u>
	<i>Number of shares</i>	
Weighted average number of shares outstanding during the period	<u>691,104,527</u>	<u>691,104,527</u>
	<i>Rupees</i>	
Basic and diluted Earnings per share - after tax	<u>17.08</u>	<u>16.82</u>

15 CREDIT RATING

PACRA has assigned long-term credit rating of AA+ (double A plus) and short-term credit rating of A1+ (A one plus) to the Bank.

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Nine months ended September 30, 2009					Total
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Eliminations	
	------(Rupees in '000)-----					
Total income	73,243	7,511,429	21,579,404	13,071,255	(23,203)	42,212,128
Total expenses	(15,628)	(1,829,318)	(20,242,599)	(2,494,790)	23,203	(24,559,132)
Income tax expense	-	-	-	-	-	(5,847,880)
Net income	57,615	5,682,111	1,336,805	10,576,465	-	11,805,116
Segment assets - (Gross of NPLs Provisions)	-	163,559,604	118,735,466	200,555,452		482,850,522
Total assets	-	163,559,604	118,735,466	200,555,452	-	482,850,522
Segment non performing loans	-	-	7,807,295	14,046,836	-	21,854,131
Segment specific provision required	-	-	5,018,718	9,029,645	-	14,048,363
Segment liabilities	-	143,781,819	87,406,399	164,727,794	-	395,916,012
Deferred tax liabilities - net	-	-	-	-	-	22,951
Provision for taxation	-	-	-	-	-	5,266,997
Total liabilities - net	-	143,781,819	87,406,399	164,727,794	-	401,205,960
Segment return on assets (ROA) (%)	-	4.63%	1.57%	7.36%	-	3.36%
Segment cost of fund (%)	-	2.01%	3.80%	4.54%	-	3.82%
	Nine months ended September 30, 2008					
Total income	67,651	7,701,854	14,851,106	10,133,611	(176,000)	32,578,222
Total expenses	(10,584)	(892,546)	(13,302,750)	(2,252,320)	176,000	(16,282,200)
Income tax expense	-	-	-	-	-	(4,672,663)
Net income	57,067	6,809,308	1,548,356	7,881,291	-	11,623,359
Segment assets - (Gross of NPLs provision)	-	126,259,271	146,856,708	189,495,602	-	462,611,581
Total assets	-	126,259,271	146,856,708	189,495,602	-	462,611,581
Segment non performing loans	-	-	5,256,233	8,064,083	-	13,320,316
Segment specific provision required	-	-	3,569,811	5,476,785	-	9,046,596
Segment liabilities	-	112,929,469	122,620,065	159,339,852	-	394,889,386
Deferred tax assets	-	-	-	-	-	271,478
Provision for taxation	-	-	-	-	-	1,888,476
Total liabilities - net	-	112,929,469	122,620,065	159,339,852	-	397,049,340
Segment return on assets (ROA) (%)	-	7.19%	1.44%	5.71%	-	3.42%
Segment cost of fund (%)	-	4.72%	2.61%	3.86%	-	2.76%

17 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, companies with common directors, Bank's directors and key management personnel including their associates.

Transactions between the bank and its related parties are carried out at an arm's length basis under the comparable uncontrolled price method. However, the transactions between the bank and one of its subsidiary MNET Services (Private) Limited are carried out on 'cost plus' method. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. There are no transactions with key management personnel other than under their terms of employment. Remuneration to the executives and key management personnel are determined in accordance with the terms of their employment.

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

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	Nine months ended September 30, 2009	Year ended Dec 31, 2008	Nine months ended September 30, 2009	Year ended Dec 31, 2008	Nine months ended September 30, 2009	Year ended Dec 31, 2008	Nine months ended September 30, 2009	Year ended Dec 31, 2008
----- (Rupees in '000) -----								
Deposits								
Deposits at beginning of the period / year	425,898	17,980	301,929	275,826	29,774	9,719	7,060,632	209,716
Deposits received during the period / year	13,989,280	10,910,613	51,727,629	302,979,123	410,440	687,935	27,243,469	50,640,762
Deposits repaid during the period / year	(14,367,895)	(10,502,695)	(51,776,386)	(302,953,020)	(421,556)	(667,880)	(23,463,235)	(43,789,846)
Deposits at the end of the period / year	47,283	425,898	253,172	301,929	18,658	29,774	10,840,866	7,060,632

Advances (secured)

Balance at beginning of the period / year	-	-	-	-	1,640	2,116	-	1,661,869
Loan granted during the period / year	-	-	-	-	-	-	-	524,153
Repayment during the period / year	-	-	-	-	(368)	(476)	-	(2,186,022)
Balance at end of the period / year	-	-	-	-	1,272	1,640	-	-

	September 30, 2009	December 31, 2008
Receivable from Pension Fund	8,213,275	5,399,019
----- (Rupees in '000) -----		

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
----- (Rupees in '000) -----								

Adamjee Insurance Company Limited

Insurance premium paid	-	-	182,058	74,624	-	-	-	-
Insurance claim settled	-	-	76,061	72,897	-	-	-	-
Dividend income	-	-	78,917	44,670	-	-	-	-
Rent income received	-	-	8,846	5,625	-	-	-	-

Mayban International Trust (Labuan) Berhad

Dividend paid	-	-	942,415	376,966	-	-	-	-
Bonus shares issued	-	-	125,655	-	-	-	-	-
Forward foreign exchange contracts (Notional)	-	-	4,142,157	1,423,891	-	-	-	-
Unrealized loss on forward foreign exchange contracts	-	-	40,589	6,399	-	-	-	-

MNET Services (Private) Limited

Dividend received	-	-	-	-	-	4,998	-	-
Outsourcing service expenses	-	-	-	-	69,477	64,755	-	-
Networking service expenses	-	-	-	-	2,840	499	-	-
Receivable from holding company	-	-	-	-	12,700	-	-	-
Payable for trade debts	-	-	-	-	42,488	-	-	-

MCB Asset Management Company Limited

- Dividend received	-	-	-	-	-	29,998	-	-
- Markup paid	-	-	-	-	69	1,295	-	-
- Markup payable	-	-	-	-	18	339	-	-
- Others	-	-	-	-	897	681	-	-

MCB Trade Services

- Dividend received	-	-	-	-	11,315	10,918	-	-
---------------------	---	---	---	---	--------	--------	---	---

MCB Employees Foundation

- Service expenses	-	-	-	-	-	-	12,462	13,257
- Cash sorting expenses	-	-	-	-	-	-	14,840	12,999
- Cash in transit expenses	-	-	-	-	-	-	780	5,863

Others

- Remuneration of key management personnel	52,326	34,863	-	-	-	-	188,477	185,056
- Miscellaneous expenses	-	-	-	-	-	-	31,888	56,827
- Contribution to provident fund	-	-	-	-	-	-	111,174	99,440

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.

18 ISLAMIC BANKING BUSINESS

The balance sheet of the bank's Islamic Banking Branches as at September 30, 2009 is as follows:

	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	334,588	185,177
Investments - net	1,699,313	1,781,727
Financing and receivables		
- Murabaha	1,213,137	2,573,116
- Ijara	837,281	1,197,762
- Islamic export refinance	847,253	978,303
Deferred tax assets	1,778	-
Other assets	2,472,893	2,561,843
	7,406,243	9,277,928
Liabilities		
Bills payable	18,689	73,540
Deposits and other accounts		
- Current accounts	224,007	175,350
- Saving accounts	1,261,365	1,110,499
- Term deposits	273,067	75,740
- Others	1,974	2,681
Borrowing from SBP	845,200	966,500
Due to head office	3,100,000	5,750,000
Deferred tax liability	-	6,650
Other liabilities	655,126	244,697
	6,379,428	8,405,657
Net assets	1,026,815	872,271
Represented by:		
Islamic Banking Fund	850,000	650,000
Unappropriated profit	180,118	209,921
	1,030,118	859,921
Surplus / (deficit) on revaluation of assets - net of tax	(3,303)	12,350
	1,026,815	872,271
Remuneration to Shariah Advisor / Board	623	560
Charity fund		
Opening balance	2,093	4,227
Additions during the period / year	1,287	1,566
Payments/ utilization during the period / year	(1,500)	(3,700)
Closing balance	1,880	2,093

The profit and loss account of the bank's Islamic banking Branches for the nine months period ended September 30, 2009 is as follows:

	Nine months ended September 30, 2009	Nine months ended September 30, 2008
	----- (Rupees in '000) -----	
Income / return / profit earned	799,493	596,076
Income / return / profit expensed	526,066	395,888
Net Income / Profit	<u>273,427</u>	<u>200,188</u>
Provision against loans and advances - net	37,756	9,361
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>37,756</u>	<u>9,361</u>
Net profit / income after provisions	<u>235,671</u>	<u>190,827</u>
Other income		
Fees, commission and brokerage income	6,419	4,359
Dividend income	-	-
Income from dealing in foreign currencies	4,785	1,156
Other Income	41,936	11,574
Total other income	<u>53,140</u>	<u>17,089</u>
	<u>288,811</u>	<u>207,916</u>
Other expenses		
Administrative expenses	108,472	54,807
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	221	666
Total other expenses	<u>108,693</u>	<u>55,473</u>
Extra ordinary / unusual items	-	-
Profit before taxation	<u>180,118</u>	<u>152,443</u>

19 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Comparative figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 23, 2009 has announced cash dividend in respect of the nine months period ended September 30, 2009 of Rs. 2.50 per share (September 30, 2008: Rs 3.00 per share). These unconsolidated condensed interim financial statements for the nine months period ended September 30, 2009 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

21 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on October 23, 2009 .

President and Chief Executive

Director

Director

Director