



MCB Bank Limited

Un-consolidated Condensed Interim Financial Statements  
for three months period ended March 31, 2010

**MCB Bank Limited**  
**Unconsolidated Condensed Interim Balance Sheet**  
*As at March 31, 2010*

	<i>Note</i>	<b>Unaudited March 31, 2010</b>	<b>Audited December 31, 2009</b>
----- (Rupees in '000) -----			
<b>Assets</b>			
Cash and balances with treasury banks		<b>37,963,458</b>	38,774,871
Balances with other banks		<b>11,284,319</b>	6,009,993
Lendings to financial institutions	7	<b>5,459,525</b>	3,000,000
Investments - net	8	<b>157,031,820</b>	167,134,465
Advances - net	9	<b>242,214,593</b>	253,249,407
Operating fixed assets		<b>18,017,329</b>	18,014,896
Deferred tax assets - net		-	-
Other assets - net		<b>25,553,582</b>	23,040,095
		<b>497,524,626</b>	509,223,727
<b>Liabilities</b>			
Bills payable		<b>6,564,245</b>	8,201,090
Borrowings	10	<b>11,455,380</b>	44,662,088
Deposits and other accounts	11	<b>391,565,252</b>	367,604,711
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	<b>3,420,567</b>	3,196,743
Other liabilities		<b>12,466,924</b>	15,819,082
		<b>425,472,368</b>	439,483,714
<b>Net assets</b>		<b>72,052,258</b>	69,740,013
<b>Represented by:</b>			
Share capital		<b>7,602,150</b>	6,911,045
Reserves		<b>38,798,175</b>	38,385,760
Un-appropriated profit		<b>16,401,640</b>	15,779,127
		<b>62,801,965</b>	61,075,932
Surplus on revaluation of assets - net of tax		<b>9,250,293</b>	8,664,081
		<b>72,052,258</b>	69,740,013

**Contingencies and commitments**

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

\_\_\_\_\_  
**President and Chief Executive**

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**Director**

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**Director**

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**Director**

# MCB Bank Limited

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

For the three months period ended March 31, 2010

<i>No te</i>	<b>Quarter ended March 31, 2010</b>	Quarter ended March 31, 2009
	----- (Rupees in '000) -----	
Mark-up / return / interest earned	13,100,812	12,982,895
Mark-up / return / interest expensed	4,377,043	3,885,763
Net mark-up / interest income	<b>8,723,769</b>	9,097,132
Provision against loans and advances - net	<b>864,533</b>	1,791,347
Provision for diminution in the value of investments - net	<b>123,979</b>	(49,024)
Bad debts written off directly	<b>13,760</b>	453
	<b>1,002,272</b>	1,742,776
Net mark-up / interest income after provisions	<b>7,721,497</b>	7,354,356
<b>Non mark-up / interest income</b>		
Fee, commission and brokerage income	<b>971,590</b>	846,390
Dividend income	<b>112,999</b>	97,463
Income from dealing in foreign currencies	<b>117,299</b>	436,540
Gain on sale of securities - net	<b>28,175</b>	93,727
Unrealized loss on revaluation of investments classified as held for trading	-	(3,381)
Other income	<b>170,358</b>	204,317
Total non mark-up / interest income	<b>1,400,421</b>	1,675,056
	<b>9,121,918</b>	9,029,412
<b>Non-mark-up / interest expenses</b>		
Administrative expenses	<b>2,650,192</b>	2,613,799
Other provisions	<b>37</b>	3,108
Other charges	<b>220,539</b>	174,536
Total non mark-up/interest expenses	<b>2,870,768</b>	2,791,443
	<b>6,251,150</b>	6,237,969
Extra ordinary / unusual item	-	-
<b>Profit before taxation</b>	<b>6,251,150</b>	6,237,969
Taxation - current period	<b>1,983,291</b>	2,154,151
- prior years	-	(62,500)
- deferred	<b>126,708</b>	11,347
	<b>2,109,999</b>	2,102,998
<b>Profit after taxation</b>	<b>4,141,151</b>	4,134,971
Earnings per share - basic and diluted - Rupees	<b>5.45</b>	5.44

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

# MCB Bank Limited

## Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the three months period ended March 31, 2010

	March 31, 2010	March 31, 2009
	----- (Rupees in '000) -----	
<b>Cash flows from operating activities</b>		
Profit before taxation	6,251,150	6,237,969
Less: Dividend income	(112,999)	(97,463)
	<u>6,138,151</u>	<u>6,140,506</u>
Adjustments for non-cash charges		
Depreciation	243,338	242,714
Amortization	31,590	48,000
Provision against loans and advances - net	864,533	1,791,347
Provision for diminution in the value of investments - net	123,979	(49,024)
Other provisions	37	3,108
Bad debts written off directly	13,760	453
Gain on disposal of fixed assets	(115)	(7,510)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	12,326
	<u>1,277,122</u>	<u>2,041,414</u>
	<b>7,415,273</b>	<b>8,181,920</b>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,459,525)	(7,187,804)
Net investment in held for trading securities	-	(133,076)
Advances - net	10,156,521	16,570,019
Other assets - net	(2,480,127)	807,831
	<u>5,216,869</u>	<u>10,056,970</u>
Increase / (decrease) in operating liabilities		
Bills payable	(1,636,845)	(3,111,619)
Borrowings	(33,206,708)	7,583,092
Deposits and other accounts	23,960,541	8,036,696
Other liabilities	562,244	(5,759,897)
	<u>(10,320,768)</u>	<u>6,748,272</u>
	<b>2,311,374</b>	<b>24,987,162</b>
Income tax paid	(6,200,372)	(261,930)
	<u>(3,888,998)</u>	<u>24,725,232</u>
<b>Net cash flows from operating activities</b>	<b>(3,888,998)</b>	<b>24,725,232</b>
<b>Cash flows from investing activities</b>		
Net investments in available-for-sale securities	10,430,732	(17,953,619)
Net investments in held-to-maturity securities	320,849	(9,229,331)
Investment in subsidiary companies	(84,139)	-
Dividend income received	79,602	47,453
Investment in operating fixed assets - net of disposals	(277,246)	(551,232)
	<u>10,469,798</u>	<u>(27,686,729)</u>
<b>Net cash flows from investing activities</b>	<b>10,469,798</b>	<b>(27,686,729)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(2,116,187)	(1,577,939)
	<u>(2,116,187)</u>	<u>(1,577,939)</u>
<b>Net cash flows from financing activities</b>	<b>(2,116,187)</b>	<b>(1,577,939)</b>
Exchange difference on translation of net investment in foreign branches	(1,700)	(16,894)
	<u>(1,700)</u>	<u>(16,894)</u>
<b>Increase in cash and cash equivalents</b>	<b>4,462,913</b>	<b>(4,556,330)</b>
Cash and cash equivalents at January 1	44,784,864	43,674,272
Cash and cash equivalents at March 31	<u>49,247,777</u>	<u>39,117,942</u>

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

\_\_\_\_\_  
President and Chief Executive

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Director

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Director

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Director

**MCB Bank Limited**  
**Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)**  
For the three months period ended March 31, 2010

	Capital Reserves			Revenue Reserves		Total	
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	General reserve		Unappropriated profit
	(Rupees in '000)						
<b>Balance as at January 01, 2009</b>	<b>6,282,768</b>	<b>9,702,528</b>	<b>188,686</b>	<b>8,277,551</b>	<b>18,600,000</b>	<b>9,193,332</b>	<b>52,244,865</b>
<b>Change in equity for three months ended March 31, 2009</b>							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,330	5,330
Exchange differences on translation of net investment in foreign branches	-	-	(16,894)	-	-	-	(16,894)
Net income recognised directly in equity	-	-	(16,894)	-	-	5,330	(11,564)
Profit after taxation for Three months period ended March 31, 2009	-	-	-	-	-	4,134,971	4,134,971
Total comprehensive income for the period ended March 31, 2009	-	-	(16,894)	-	-	4,140,301	4,123,407
Transferred to statutory reserve	-	-	-	413,497	-	(413,497)	-
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	(628,277)	-
Final cash dividend - December 31, 2008	-	-	-	-	-	(1,570,692)	(1,570,692)
<b>Balance as at March 31, 2009</b>	<b>6,911,045</b>	<b>9,702,528</b>	<b>171,792</b>	<b>8,691,048</b>	<b>18,600,000</b>	<b>10,721,167</b>	<b>54,797,580</b>
<b>Change in equity for nine months ended December 31, 2009</b>							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	16,994	16,994
Exchange differences on translation of net investment in foreign branches	-	-	84,359	-	-	-	84,359
Net income recognised directly in equity	-	-	84,359	-	-	16,994	101,353
Profit after taxation for nine months period ended December 31, 2009	-	-	-	-	-	11,360,326	11,360,326
Total comprehensive income for the period ended December 31, 2009	-	-	84,359	-	-	11,377,320	11,461,679
Transferred to statutory reserve	-	-	-	1,136,033	-	(1,136,033)	-
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)	(1,727,781)
Interim cash dividend - June 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Interim cash dividend - September 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
<b>Balance as at December 31, 2009</b>	<b>6,911,045</b>	<b>9,702,528</b>	<b>256,151</b>	<b>9,827,081</b>	<b>18,600,000</b>	<b>15,779,127</b>	<b>61,075,932</b>
<b>Change in equity for three months ended March 31, 2010</b>							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,448	5,448
Exchange differences on translation of net investment in foreign branches	-	-	(1,700)	-	-	-	(1,700)
Net income recognised directly in equity	-	-	(1,700)	-	-	5,448	3,748
Profit after taxation for three months period ended March 31, 2010	-	-	-	-	-	4,141,151	4,141,151
Total comprehensive income for the period ended March 31, 2010	-	-	(1,700)	-	-	4,146,599	4,144,899
Transferred to statutory reserve	-	-	-	414,115	-	(414,115)	-
Issue of bonus shares - December 31, 2009	691,105	-	-	-	-	(691,105)	-
Final cash dividend - December 31, 2009	-	-	-	-	-	(2,418,866)	(2,418,866)
<b>Balance as at March 31, 2010</b>	<b>7,602,150</b>	<b>9,702,528</b>	<b>254,451</b>	<b>10,241,196</b>	<b>18,600,000</b>	<b>16,401,640</b>	<b>62,801,965</b>

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

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President and Chief Executive

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Director

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Director

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Director

**MCB Bank Limited****Un-Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)***For the three months period ended March 31, 2010*

	<b>Quarter ended March 31, 2010</b>	<b>Quarter ended March 31, 2009</b>
	-----( <b>Rupees '000'</b> ) -----	
Profit after tax for the period	<b>4,141,151</b>	4,134,971
<b>Other comprehensive income</b>		
Effect of translation of net investment in foreign branches	<b>(1,700)</b>	(16,894)
Surplus on revaluation of fixed assets relating to incremental depreciation	<b>8,382</b>	8,200
Income tax relating to incremental depreciation on revaluation of fixed assets	<b>(2,934)</b>	(2,870)
<b>Total comprehensive income for the period</b>	<b>4,144,899</b>	<b>4,123,407</b>

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.

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**President and Chief Executive**

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**Director**

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**Director**

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**Director**

# MCB Bank Limited

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

For the three months period ended March 31, 2010

### **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 1,072 branches including 11 Islamic banking branches (December 31, 2009: 1,074 branches including 11 Islamic banking branches) with in Pakistan and 7 (December 31, 2009: 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 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 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, 2009.

### **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 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, 2009.

**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, 2009.

## 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, 2009.

## 7. LENDINGS TO FINANCIAL INSTITUTIONS

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Call money lendings	1,221,280	3,000,000
Repurchase agreement lendings	4,238,245	-
	<u>5,459,525</u>	<u>3,000,000</u>

March 31, 2010

8 INVESTMENTS - NET	Held by bank	Given as collateral	Total
	----- Rupees in 000 -----		
<b>8.1 Investments by types</b>			
Held-for-trading securities	-	-	-
Available-for-sale securities	144,784,204	-	144,784,204
Held-to-maturity securities	13,458,393	-	13,458,393
	<u>158,242,597</u>	-	<u>158,242,597</u>
Associates	1,006,900	-	1,006,900
Subsidiaries	462,065	-	462,065
	<u>1,468,965</u>	-	<u>1,468,965</u>
<b>Investments at cost</b>	<u>159,711,562</u>	-	<u>159,711,562</u>
Less: Provision for diminution in the value of investments	(3,673,652)	-	(3,673,652)
<b>Investments (net of provisions)</b>	<u>156,037,910</u>	-	<u>156,037,910</u>
Surplus on revaluation of available for sale securities - net	993,910	-	993,910
<b>Investments at revalued amounts - net of provisions</b>	<u>157,031,820</u>	-	<u>157,031,820</u>

December 31, 2009

	Held by bank	Given as collateral	Total
	----- Rupees in 000 -----		
Held-for-trading securities	-	-	-
Available-for-sale securities	123,838,258	31,513,525	155,351,783
Held-to-maturity securities	13,643,204	136,038	13,779,242
	<u>137,481,462</u>	<u>31,649,563</u>	<u>169,131,025</u>
Associates	1,006,900	-	1,006,900
Subsidiaries	377,926	-	377,926
	<u>1,384,826</u>	-	<u>1,384,826</u>
Investments at cost	<u>138,866,288</u>	<u>31,649,563</u>	<u>170,515,851</u>
Less: Provision for diminution in the value of investments	(3,686,520)	-	(3,686,520)
Investments (net of provisions)	<u>135,179,768</u>	<u>31,649,563</u>	<u>166,829,331</u>
Deficit on revaluation of available for sale securities - net	331,588	(26,454)	305,134
Investments at revalued amounts - net of provisions	<u>135,511,356</u>	<u>31,623,109</u>	<u>167,134,465</u>



- 8.2** Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2009: 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, 2009: 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, 2009: Rs. 943.600 million) as at March 31, 2010 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 March 31, 2010 amounted to Rs. 3,998.757 million (December 31, 2009: Rs. 4,039.049 million).

**9 ADVANCES - NET**

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	237,883,181	247,718,210
- Outside Pakistan	7,310,501	7,788,234
	<b>245,193,682</b>	255,506,444
Net Investment in finance lease		
- In Pakistan	3,460,601	3,867,943
- Outside Pakistan	66,072	65,492
	<b>3,526,673</b>	3,933,435
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	5,924,893	4,519,520
- Payable outside Pakistan	4,904,474	5,762,777
	<b>10,829,367</b>	10,282,297
Advances - gross	<b>259,549,722</b>	269,722,176
Less: Provision against loans and advances		
- Specific provision	9.1 (16,591,854)	(15,678,345)
- General provision	(259,550)	(269,722)
- General provision against consumer loans	(453,457)	(494,434)
- General Provision for potential lease losses (in Srilanka Operations)	(30,268)	(30,268)
	<b>(17,335,129)</b>	(16,472,769)
Advances - net of provision	<b>242,214,593</b>	253,249,407

- 9.1** Advances include Rs. 23,311.987 million (December 31, 2009: Rs. 23,238.723 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 2010				
	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Other Assets Especially Mentioned (OAEM)	9.1.1 71,049	-	71,049	-	-
Substandard	1,729,231	46,832	1,776,063	402,438	402,438
Doubtful	4,424,754	21,982	4,446,736	2,097,596	2,097,596
Loss	13,056,771	3,961,368	17,018,139	14,091,820	14,091,820
	<b>19,281,805</b>	<b>4,030,182</b>	<b>23,311,987</b>	<b>16,591,854</b>	<b>16,591,854</b>

Category of Classification	December 31, 2009				
	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Other Assets Especially Mentioned (OAEM) 9.1.1	76,933	-	76,933	-	-
Substandard	2,960,881	24,728	2,985,609	696,740	696,740
Doubtful	4,242,845	-	4,242,845	1,920,370	1,920,370
Loss	11,965,808	3,967,528	15,933,336	13,061,235	13,061,235
	<u>19,246,467</u>	<u>3,992,256</u>	<u>23,238,723</u>	<u>15,678,345</u>	<u>15,678,345</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

March 31,      December 31,  
2010              2009  
----- (Rupees in '000) -----

In Pakistan	<b>10,704,984</b>	43,658,408
Outside Pakistan	<b>750,396</b>	1,003,680
	<u><b>11,455,380</b></u>	<u>44,662,088</u>

### 10.1 Details of borrowings (secured / unsecured)

#### Secured

Borrowings from State Bank of Pakistan

Export refinance scheme	<b>8,664,037</b>	8,829,527
Long term financing facility	-	80,220
Long term financing - export oriented projects scheme	<b>2,040,947</b>	2,018,330
	<b>10,704,984</b>	10,928,077

Borrowings from other financial institutions

Repurchase agreement borrowings	<b>420,911</b>	452,398
	<b>115,009</b>	31,606,331
	<b>535,920</b>	32,058,729
	<b>11,240,904</b>	42,986,806

#### Unsecured

Overdrawn nostro accounts

Call borrowings	<b>214,476</b>	1,146,092
	<b>0</b>	529,190
	<b>214,476</b>	1,675,282
	<b>11,455,380</b>	44,662,088

March 31,      December 31,  
2010              2009  
----- (Rupees in '000) -----

## 11 DEPOSITS AND OTHER ACCOUNTS

#### Customers

Fixed deposits	<b>65,676,915</b>	62,651,531
Savings deposits	<b>188,521,860</b>	173,797,078
Current accounts - non remunerative	<b>130,159,872</b>	123,898,324
Margin accounts	<b>2,851,256</b>	2,910,655
Others	<b>10</b>	767
	<b>387,209,913</b>	363,258,355

#### Financial institutions

Remunerative deposits	<b>2,241,062</b>	2,258,295
Non-remunerative deposits	<b>2,114,277</b>	2,088,061
	<b>4,355,339</b>	4,346,356
	<b>391,565,252</b>	367,604,711

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
<b>12 DEFERRED TAX LIABILITY / (ASSET) - NET</b>		
The details of the tax effect of taxable and deductible temporary differences are as follows:		
<b>Taxable temporary differences on:</b>		
Surplus on revaluation of operating fixed assets	500,714	503,649
Accelerated tax depreciation	749,945	749,828
Receivable from pension fund	3,569,161	3,262,911
Net investment in finance lease receivable	184,090	301,189
Surplus on revaluation of securities	7,062	-
	<u>5,010,972</u>	<u>4,817,577</u>
<b>Deductible temporary differences on:</b>		
Deficit on revaluation of securities	-	(90,053)
Provision for bad debts	(1,160,238)	(1,084,757)
Provision for contributory benevolent scheme	(41,227)	(46,604)
Provision for post retirement medical benefits	(388,940)	(399,420)
	<u>(1,590,405)</u>	<u>(1,620,834)</u>
	<u>3,420,567</u>	<u>3,196,743</u>

**12.1** The Finance Act, 2010 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. 1,160.238 million on such provisions.

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
<b>13 CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Transaction-related contingent liabilities / commitments</b>		
Guarantees in favour of:		
- Government	4,325,627	6,027,243
- Banks and financial institutions	7,416,149	11,312,597
- Others	6,376,276	4,755,380
Suppliers credit / payee guarantee	2,363,716	2,421,640
	<u>20,481,768</u>	<u>24,516,860</u>
<b>13.2 Trade-related contingent liabilities</b>	<u>51,732,855</u>	<u>47,577,037</u>
	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
<b>13.3 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>541,469</u>	<u>542,415</u>

**March 31,**      December 31,  
**2010**            2009  
 ----- (Rupees in '000) -----

**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	<b>30,886,382</b>	23,832,214
Sale	<b>36,557,378</b>	23,037,004

**13.6 Commitments for the acquisition of fixed assets**

	-	-
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**13.7 Other commitments**

Cross currency swaps (notional amount)	<b>239,690</b>	249,690
Interest rate swaps (notional amount)	<b>166,667</b>	166,667
FX Option (notional amount)	<b>1,085,737</b>	-

Forward outright sale of Government Securities	<b>50,000</b>	-
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**13.8 Taxation**

The income tax assessments of the Bank have been finalized upto and including the Tax Year 2009. For the Tax Years 2003 to 2008, 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 the 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 Honorable Sindh High Court shall be decided in favour of the Bank as allowed in assessment years 1992-1993 and 1993-1994. Subsequent to the favorable order of the Honorable Sindh High Court, the management considers that provision is not necessary for the remaining balance of Rs.405.393 million resulting in tax liability for interest in suspense for Rs. 244.781 million as the Bank has been subjected to tax far exceeding its normal tax liability and is hopeful of favorable decisions in appeals. Accordingly, no provision has been made in these financial statements for the above amount.

**Three months ended**  
**March 31,**      **March 31,**  
**2010**            **2009**  
 ---- (Rupees in '000) ----

**14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX**

Profit after taxation	<b>4,141,151</b>	4,134,971
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	<i>Number of shares</i>	
Weighted average number of shares outstanding during the period	<b>760,214,980</b>	760,214,980

	<i>Rupees</i>	
Basic and diluted Earnings per share - after tax	<b>5.45</b>	5.44

**15 CREDIT RATING**

PACRA through its notification in June 2009, 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:

	Three months ended March 31, 2010				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	------(Rupees in '000)-----				
Total income	8,676	3,748,459	5,957,247	4,786,851	14,501,233
Total expenses	(2,885)	(472,710)	(7,246,511)	(527,977)	(8,250,083)
Income tax expense	-	-	-	-	(2,109,999)
<b>Net income</b>	<b>5,791</b>	<b>3,275,749</b>	<b>(1,289,264)</b>	<b>4,258,874</b>	<b>4,141,151</b>
Segment assets - (Gross of NPLs Provisions)	-	183,583,106	116,054,510	211,358,056	510,995,672
Provision for taxation	-	-	-	-	3,120,808
<b>Total assets</b>	<b>-</b>	<b>183,583,106</b>	<b>116,054,510</b>	<b>211,358,056</b>	<b>514,116,480</b>
Segment non performing loans	-	-	7,422,330	15,889,657	23,311,987
Segment specific provision required	-	-	5,282,699	11,309,155	16,591,854
Segment liabilities	-	157,811,541	92,097,917	172,142,343	422,051,801
Deferred tax liabilities - net	-	-	-	-	3,420,567
<b>Total liabilities - net</b>	<b>-</b>	<b>157,811,541</b>	<b>92,097,917</b>	<b>172,142,343</b>	<b>425,472,368</b>
Segment return on assets (ROA) (%)	-	7.14%	-4.66%	8.52%	3.35%
Segment cost of fund (%)	-	11.56%	3.84%	3.58%	4.15%
	Three months ended March 31, 2009				
Total income	7,344	2,122,039	9,354,298	3,174,270	14,657,951
Total expenses	(4,455)	(525,396)	(6,910,201)	(979,930)	(8,419,982)
Income tax expense	-	-	-	-	(2,102,998)
<b>Net income</b>	<b>2,889</b>	<b>1,596,643</b>	<b>2,444,097</b>	<b>2,194,340</b>	<b>4,134,971</b>
Segment assets - (Gross of NPLs provision)	-	127,284,144	143,578,853	197,172,707	468,035,704
<b>Total assets</b>	<b>-</b>	<b>127,284,144</b>	<b>143,578,853</b>	<b>197,172,707</b>	<b>468,035,704</b>
Segment non performing loans	-	-	7,408,079	12,082,025	19,490,104
Segment specific provision required	-	-	4,411,337	7,194,025	11,605,362
Segment liabilities	-	111,392,656	116,263,840	163,827,242	391,483,738
Deferred tax assets	-	-	-	-	917,681
Provision for taxation	-	-	-	-	1,772,520
<b>Total liabilities - net</b>	<b>-</b>	<b>111,392,656</b>	<b>116,263,840</b>	<b>163,827,242</b>	<b>394,173,939</b>
Segment return on assets (ROA) (%)	-	5.02%	7.25%	4.80%	5.61%

## 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	
	Three months ended	Year ended	Three months ended	Year ended	Three months ended	Year ended	Three months ended	Year ended
	March 31, 2010	Dec 31, 2009	March 31, 2010	Dec 31, 2009	March 31, 2010	Dec 31, 2009	March 31, 2010	Dec 31, 2009
----- (Rupees in '000) -----								
<b>Deposits</b>								
Deposits at beginning of the period / year	1,388,118	425,898	886,744	286,055	38,067	29,774	17,509,967	10,490,252
Deposits received during the period / year	10,939,436	19,095,688	21,079,997	69,703,084	137,292	737,261	36,826,025	59,816,048
Deposits repaid during the period / year	(9,882,081)	(18,133,468)	(21,245,932)	(69,102,395)	(130,992)	(728,968)	(34,963,418)	(52,796,333)
Deposits at the end of the period / year	2,445,473	1,388,118	720,809	886,744	44,367	38,067	19,372,574	17,509,967

### Advances (secured)

Balance at beginning of the period / year	-	-	-	-	1,141	1,640	-	-
Loan granted during the period / year	-	-	-	-	-	-	-	-
Repayment during the period / year	-	-	-	-	(134)	(499)	-	-
Balance at end of the period / year	-	-	-	-	1,007	1,141	-	-

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Receivable from Pension Fund	10,197,304	9,322,304

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	March 31, 2010	March / December 31, 2009	March 31, 2010	March / December 31, 2009	March 31, 2010	March / December 31, 2009	March 31, 2010	March / December 31, 2009
	----- (Rupees in '000) -----							

### Adamjee Insurance Company Limited

Insurance claim settled	-	-	16,930	18,613	-	-	-	-
Dividend income	-	-	-	29,780	-	-	-	-

### Mayban International Trust (Labuan) Berhad

Dividend paid	-	-	483,773	314,138	-	-	-	-
Bonus shares issued	-	-	138,221	125,655	-	-	-	-
Forward foreign exchange contracts (Notional)	-	-	1,384,467	3,408,431	-	-	-	-
Unrealized loss on forward foreign exchange contracts	-	-	7,482	36,213	-	-	-	-

### MNET Services (Private) Limited

Outsourcing service expenses	-	-	-	-	18,587	16,651	-	-
Networking service expenses	-	-	-	-	3,583	-	-	-
Switch revenue	-	-	-	-	32	157	-	-
Payment system managed service revenue (PSM)	-	-	-	-	6,680	7,232	-	-
Payable for trade debts	-	-	-	-	33,157	34,932	-	-

### "MCB Leasing" Closed Joint Stock Company

- Capital injection	-	-	-	-	84,138	394	-	-
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### MCB Asset Management Company Limited

- Bank balance	-	-	-	-	994	1,653	-	-
- Markup payable	-	-	-	-	51	51	-	-

### MCB Employees Foundation

- Service expenses	-	-	-	-	-	-	4,430	4,279
- Cash sorting expenses	-	-	-	-	-	-	6,499	4,890
- Stationary expenses	-	-	-	-	-	-	30,197	28,685
- Cash in transit expenses	-	-	-	-	-	-	218	673

### MCB Employees Security System & Services (Private) Limited

- Security guard expenses	-	-	-	-	-	-	37,561	31,209
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### Others

- Remuneration of key management personnel	12,526	11,419	-	-	-	-	35,797	26,299
- Miscellaneous expenses	-	-	-	-	-	-	39,586	25,931
- Contribution to provident fund	-	-	-	-	-	-	37,450	35,540

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 business as at March 31, 2010 is as follows:

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
<b>Assets</b>		
Cash and balances with treasury banks	333,476	315,766
Investments - net	1,601,047	1,671,364
Financing and receivables		
- Murabaha	2,364,035	1,466,368
- Ijara	648,529	771,734
- Islamic export refinance	1,366,739	1,239,498
Deferred tax assets	2,484	1,352
Other assets	1,888,541	2,725,991
	<b>8,204,851</b>	<b>8,192,073</b>
<b>Liabilities</b>		
Bills payable	14,828	15,779
Deposits and other accounts		
- Current accounts	242,116	231,793
- Saving accounts	1,931,398	1,450,493
- Term deposits	439,020	271,760
- Others	4,497	2,790
Borrowing from SBP	1,344,000	1,137,307
Due to head office	3,000,000	3,600,000
Other liabilities	316,173	420,598
	<b>7,292,032</b>	<b>7,130,520</b>
<b>Net assets</b>	<b>912,819</b>	<b>1,061,553</b>
<b>Represented by:</b>		
Islamic Banking Fund	850,000	850,000
Unappropriated profit	67,432	214,064
	<b>917,432</b>	<b>1,064,064</b>
Surplus / (deficit) on revaluation of assets - net of tax	(4,613)	(2,511)
	<b>912,819</b>	<b>1,061,553</b>
<b>Charity fund</b>		
Opening balance	1,998	2,093
Additions during the period / year	461	1,405
Payments/ utilization during the period / year	-	(1,500)
Closing balance	<b>2,459</b>	<b>1,998</b>

The profit and loss account of the Bank's Islamic banking business for the three months period ended March 31, 2010 is as follows:

	<b>Quarter ended March 31, 2010</b>	Quarter ended March 31, 2009
	----- (Rupees in '000) -----	
Income / return / profit earned	273,068	312,277
Income / return / profit expensed	<u>184,744</u>	<u>186,055</u>
Net Income / Profit	<u>88,324</u>	<u>126,222</u>
Provision against loans and advances - net	<u>(20)</u>	<u>35,888</u>
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>(20)</u>	<u>35,888</u>
Net profit / income after provisions	<u>88,344</u>	<u>90,334</u>
<b>Other income</b>		
Fees, commission and brokerage income	<u>7,852</u>	<u>2,196</u>
Dividend income	-	-
Income from dealing in foreign currencies	<u>1,620</u>	<u>1,091</u>
Other Income	<u>14,412</u>	<u>2,957</u>
Total other income	<u>23,884</u>	<u>6,244</u>
	<u>112,228</u>	<u>96,578</u>
<b>Other expenses</b>		
Administrative expenses	<u>44,796</u>	<u>23,243</u>
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	-	-
Total other expenses	<u>44,796</u>	<u>23,243</u>
Extra ordinary / unusual items	-	-
Profit before taxation	<u>67,432</u>	<u>73,335</u>
Remuneration to Shariah Advisor / Board	<u>316</u>	<u>310</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 April 21, 2010 has announced cash dividend in respect of the three months period ended March 31, 2010 of Rs 2.50 per share (March 31, 2009: Rs 2.50 per share). These unconsolidated condensed interim financial statements for the three months period ended March 31, 2010 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

## 21 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 April 21, 2010 .

\_\_\_\_\_  
President and Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director