

Bank for Life



Half Yearly 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



MCB Bank Limited

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
Datuk Abdul Farid Bin Alias	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 - JUNE 2013

I am pleased to place before you, on behalf of the Board of Directors, the financial statements of the MCB Bank Limited for the half year ended June 30, 2013.

Financial Highlights

	Rs. in Million
Profit Before Taxation	17,700
Taxation	5,813
Profit After Taxation	11,887
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)	18
	35,609
Profit Available for Appropriation	47,496
Appropriations:	
Statutory Reserve	1,189
Final Cash Dividend – December 2012	2,760
Issue of Bonus Shares – December 2012	920
Interim Cash Dividend – March 2013	3,541
Total Appropriations	8,410
Un-appropriated Profit Carried Forward	39,086

Performance Review

Despite the challenging operating and economic environment, MCB has achieved commendable results by posting the highest ever quarterly profit before tax in its history (April – June 2013), outperforming the profit before tax reported in the first quarter of 2013. The growth in profitability is reflective of the underlying financial strength of the Bank in such an operating environment.

The Bank registered profit before tax of Rs. 17.700 billion in the first half of 2013 with an increase of 4% and profit after tax of Rs. 11.887 billion with an increase of 6% over June 30, 2012. The gross markup income decreased by 4% over corresponding period last year which was off-set by the lower cost of funds achieved by strategically managing the CASA base. The Bank focused on improving its non-markup income proportion and registered a growth of 12% over the corresponding period last year. On the operating expense side, the Bank reported a decrease of 3% in its administrative expense block. The reduction was primarily on the back of synergies attained through centralization of approvals and focused negotiations. The reversal in provision charge in the first half of 2013 is reflective of the prudent and aggressive provision strategy coupled with the refined risk management framework adopted by the Bank in the past.

The Bank's total asset base stood at Rs. 775.156 billion which increased by 1% from Rs. 767.075 billion as of December 31, 2012. Net investments increased by Rs. 8.153 billion to Rs. 410.222 billion whereas gross advances were reported at Rs. 244.616 billion. The NPL base of the Bank further contracted by Rs. 796 million in the first half of 2013 with major recoveries in "loss" categorized classified advances. On the liabilities side, the deposit base of the Bank registered an increase of 65 billion, translating into 12% increase over December 31, 2012. The Bank continued with its strategy of shifting its base to low cost current and saving accounts, each growing by 17% and 14% respectively over December 31, 2012 and taking the total CASA base to an all-time high of 88%. Convergent with the declining interest rate scenario, the Bank strategically reduced its high cost fixed deposit base bringing the fixed deposit concentration level to an all-time low of 12% of the total deposit base.

Earnings per share (EPS) for the period was reported at Rs. 11.75 compared to Rs. 11.07 for June 30, 2012. Return on assets improved to 3.08% and return on equity came to 25.91% with book value per share improving to Rs. 93.56.

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

With the PML-N government taking charge during the quarter, the country entered a new phase with anticipation of macro-economic reforms. During the second quarter, inflationary pressures saw a further relief with inflation touching a five year low of 5.13% (YoY). Anemic growth rate and lower inflation led the State Bank of Pakistan to slash the discount rate (DR) by 50 basis points to 9% in June. However the impact of DR cut on private sector credit demand is yet to be seen though the current discount rate levels should bode well for the private sector.

The concerns over balance of payments with decreasing capital and financial inflows remained high during the second quarter as well due to which central bank refrained from slashing interest rate more aggressively. The equity markets reached new highs, due to positive sentiment regarding the new government and continued local and foreign investor participation. The financial results of the banking industry are expected to come under additional pressure on the back of reduction in discount rate and no change in the minimum rate on saving accounts leading to a further contraction of banking spreads.

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

August 16, 2013

INDEPENDENT AUDITORS' REPORT ON REVIEW OF UN-CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying un-consolidated condensed interim statement of financial position of MCB Bank Limited as at June 30, 2013 and the related un-consolidated condensed interim profit and loss account, un-consolidated condensed interim statement of comprehensive income, un-consolidated condensed interim cash flow statement, un-consolidated condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "un-consolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this un-consolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this un-consolidated condensed interim financial information based on our review. The figures of the un-consolidated condensed interim profit and loss account and un-consolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2013. The un-consolidated condensed interim financial information incorporate the returns received from overseas branches which have not been reviewed by the auditors of these branches.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying un-consolidated condensed interim financial information as of and for the half year ended June 30, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Chartered Accountants

Name of engagement partner: Imran Farooq Mian
Lahore.

August 19, 2013

Unconsolidated Condensed Interim Statement of Financial Position As at June 30, 2013

Note	Unaudited June 30, 2013	Audited December 31, 2012 Restated ----- (Rupees in '000) -----
Assets		
	62,562,602	57,420,129
Cash and balances with treasury banks	1,920,179	1,191,974
Balances with other banks	6,411,993	1,551,472
Lendings to financial institutions	7	8
Investments - net	410,221,889	402,068,916
Advances - net	9	239,583,320
Operating fixed assets	24,912,710	23,738,454
Deferred tax assets - net	-	-
Other assets - net	46,036,983	41,520,432
	775,156,395	767,074,697
Liabilities		
Bills payable	9,587,901	9,896,284
Borrowings	10	18,397,081
Deposits and other accounts	11	610,340,800
Sub-ordinated loan	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	12	10,439,508
Other liabilities	17,726,018	21,166,166
	666,491,308	664,604,008
Net assets	108,665,087	102,470,689
Represented by:		
Share capital	13	10,118,461
Reserves	45,461,053	44,253,270
Un-appropriated profit	39,086,419	35,424,921
	94,665,933	88,876,792
Surplus on revaluation of assets - net of tax	13,999,154	13,593,897
	108,665,087	102,470,689
Contingencies and commitments		
14		

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.


Imran Maqbool
President / CEO


Shahzad Saleem
Director


Mian Raza Mansha
Director


Tariq Rafi
Director

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

For the half year ended June 30, 2013

	Quarter ended June 30, 2013	Half year ended June 30, 2013	Quarter ended June 30, 2012	Half year ended June 30, 2012
Note				Restated
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	16,259,629	32,974,914	16,947,195	34,492,401
Mark-up / return / interest expensed	7,172,627	14,165,224	6,740,462	13,587,284
Net mark-up / interest income	9,087,002	18,809,690	10,206,733	20,905,117
Provision / (reversal) against loans and advances - net	(468,869)	(1,279,800)	333,186	407,718
Provision / (reversal) for diminution in the value of investments - net	(5,296)	(34,773)	(8,471)	(7,880)
Bad debts written off directly	-	-	43	163
	(474,165)	(1,314,573)	324,758	400,001
Net mark-up / interest income after provisions	9,561,167	20,124,263	9,881,975	20,505,116
Non mark-up / interest income				
Fee, commission and brokerage income	1,737,856	3,265,203	1,476,652	2,987,706
Dividend income	129,210	506,900	291,608	796,725
Income from dealing in foreign currencies	155,804	296,370	246,017	501,285
Gain on sale of securities - net	1,347,341	1,552,989	669,122	724,558
Unrealized gain / (loss) on revaluation of investments classified as held for trading	3,173	2,241	1,277	(209)
Other income	118,294	218,378	97,253	185,363
Total non mark-up / interest income	3,491,678	5,842,081	2,781,929	5,195,428
	13,052,845	25,966,344	12,663,904	25,700,544
Non-mark-up / interest expenses				
Administrative expenses	3,906,100	7,944,215	4,157,875	8,394,540
Other provisions / (reversals)	(72,302)	(62,122)	35,200	50,975
Other charges	196,301	384,245	(60,997)	180,139
Total non mark-up / interest expenses	4,030,099	8,266,338	4,132,078	8,625,654
	9,022,746	17,700,006	8,531,826	17,074,890
Extraordinary / unusual item	-	-	-	-
Profit before taxation	9,022,746	17,700,006	8,531,826	17,074,890
Taxation - current period	2,657,515	5,518,291	2,412,565	5,182,040
- prior years	-	-	116,725	116,725
- deferred	245,909	294,442	367,284	570,292
	2,903,424	5,812,733	2,896,574	5,869,057
Profit after taxation	6,119,322	11,887,273	5,635,252	11,205,833
Earnings per share - basic and diluted - Rupees	15	6.05	5.57	11.07

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended June 30, 2013

	Quarter ended June 30, 2013	Half year ended June 30, 2013	Quarter ended June 30, 2012	Half year ended June 30, 2012
				Restated
	----- (Rupees in '000) -----			
Profit after tax for the period	6,119,322	11,887,273	5,635,252	11,205,833
Other comprehensive income				
Remeasurement of defined benefit plans - net of tax	96,341	165,960	307,623	381,183
Effect of translation of net investment in foreign branches	(40,771)	19,056	28,790	(216,150)
Comprehensive income transferred to equity	6,174,892	12,072,289	5,971,665	11,370,866
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	2,808,117	949,126	(672,955)	65,831
Deferred tax	(1,096,594)	(525,975)	117,257	116,272
	1,711,523	423,151	(555,698)	182,103
Total comprehensive income for the period	7,886,415	12,495,440	5,415,967	11,552,969

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.



Imran Maqbool
President / CEO



Shahzad Saleem
Director



Mian Raza Mansha
Director



Tariq Rafi
Director



Imran Maqbool
President / CEO



Shahzad Saleem
Director



Mian Raza Mansha
Director



Tariq Rafi
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited) For the half year ended June 30, 2013

Cash flows from operating activities

Profit before taxation
Less: Dividend income

Adjustments for:

Depreciation
Amortization
Provision / (reversal) against loans and advances - net
Provision / (reversal) for diminution in the value of investments - net
Other provisions / (reversals)
Bad debts written off directly
Provision for Workers' Welfare Fund
Charge / (reversal) for defined benefit plan
Unrealized gain / (loss) on revaluation of investments classified as held for trading
Gain on disposal of fixed assets

(Increase) / decrease in operating assets
Lendings to financial institutions
Net investment in held for trading securities
Advances - net
Other assets - net

Increase / (decrease) in operating liabilities
Bills payable
Borrowings
Deposits and other accounts
Other liabilities

Defined benefits paid

Income tax paid

Net cash flows from operating activities

Cash flows from investing activities

Net investments in available-for-sale securities
Net investments in held-to-maturity securities
Dividend income received
Sale proceeds of property and equipment disposed off
Investment in operating fixed assets - net of disposals

Net cash flows from investing activities

Cash flows from financing activities

Dividend paid

Net cash flows from financing activities

Exchange difference on translation of net investment in foreign branches

Increase in cash and cash equivalents

Cash and cash equivalents at January 1

Cash and cash equivalents at June 30

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the half year ended June 30, 2013

Balance as at December 31, 2011

Effect of change in accounting policy - note 5.1

Balance as at December 31, 2011 - restated

Change in equity for six months ended June 30, 2012

Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Exchange differences on translation of net investment in foreign branches

Remeasurement of defined benefit plans - net of tax

Profit after taxation for half year ended June 30, 2012 - restated

Total comprehensive income for the period ended June 30, 2012

Transferred to statutory reserve

Transfer to reserve for issue of bonus shares

Issue of bonus shares - December 31, 2011

Final cash dividend - December 31, 2011

Interim cash dividend - March 31, 2012

Balance as at June 30, 2012 - restated

Change in equity for six months ended December 31, 2012

Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Exchange differences on translation of net investment in foreign branches

Remeasurement of defined benefit plans - net of tax

Profit after taxation for half year ended December 31, 2012 - restated

Total comprehensive income for six months ended December 31, 2012

Transferred to statutory reserve

Interim cash dividend - June 30, 2012

Interim cash dividend - September 30, 2012

Balance as at December 31, 2012 - restated

Change in equity for six months ended June 30, 2013

Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Exchange differences on translation of net investment in foreign branches

Remeasurement of defined benefit plans - net of tax

Profit after taxation for half year ended June 30, 2013

Total comprehensive income for the period ended June 30, 2013

Transferred to statutory reserve

Transfer to reserve for issue of bonus shares

Issue of bonus shares - December 31, 2012

Final cash dividend - December 31, 2012

Interim cash dividend - March 31, 2013

Balance as at June 30, 2013

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

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)							
8,362,365	-	9,702,528	427,049	13,456,890	18,600,000	28,366,171	78,915,003
-	-	-	-	-	-	357,757	357,757
8,362,365	-	9,702,528	427,049	13,456,890	18,600,000	28,723,928	79,272,760
-	-	-	-	-	-	17,894	17,894
-	-	-	(216,150)	-	-	-	(216,150)
-	-	-	-	-	-	381,183	381,183
-	-	-	-	-	-	11,205,833	11,205,833
-	-	-	(216,150)	-	-	11,587,016	11,370,866
-	-	-	-	1,132,564	-	(1,132,564)	-
-	836,236	-	-	-	-	(836,236)	-
836,236	(836,236)	-	-	-	-	-	-
-	-	-	-	-	-	(2,508,709)	(2,508,709)
-	-	-	-	-	-	(2,759,581)	(2,759,581)
9,198,601	-	9,702,528	210,899	14,589,454	18,600,000	33,091,748	85,393,230
-	-	-	-	-	-	17,895	17,895
-	-	-	188,883	-	-	-	188,883
-	-	-	-	-	-	248,637	248,637
-	-	-	-	-	-	9,467,169	9,467,169
-	-	-	188,883	-	-	9,715,806	9,904,689
-	-	-	-	961,506	-	(961,506)	-
-	-	-	-	-	-	(3,679,441)	(3,679,441)
-	-	-	-	-	-	(2,759,581)	(2,759,581)
9,198,601	-	9,702,528	399,782	15,550,960	18,600,000	35,424,921	88,876,792
-	-	-	-	-	-	17,894	17,894
-	-	-	19,056	-	-	-	19,056
-	-	-	-	-	-	165,960	165,960
-	-	-	-	-	-	11,887,273	11,887,273
-	-	-	19,056	-	-	12,053,233	12,072,289
-	-	-	-	1,188,727	-	(1,188,727)	-
-	919,860	-	-	-	-	(919,860)	-
919,860	(919,860)	-	-	-	-	-	-
-	-	-	-	-	-	(2,759,581)	(2,759,581)
-	-	-	-	-	-	(3,541,461)	(3,541,461)
10,118,461	-	9,702,528	418,838	16,739,687	18,600,000	39,086,419	94,665,933

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.


Imran Maqbool
President / CEO


Shahzad Saleem
Director


Mian Raza Mansha
Director


Tariq Rafi
Director


Imran Maqbool
President / CEO


Shahzad Saleem
Director


Mian Raza Mansha
Director


Tariq Rafi
Director

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 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 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 -15 Main Gulberg, Lahore. The Bank operates 1,183 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 19 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 Information (Un-audited) For the half year ended June 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:

	June 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

	June 30, 2013	June 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

	June 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
Call money lendings	1,479,380	-
Repurchase agreement lendings	4,932,613	1,551,472
	6,411,993	1,551,472

8 INVESTMENTS - NET

8.1 Investments by types

		June 30, 2013		December 31, 2012	
		----- (Rupees in 000) -----			
		Held by bank	Given as collateral	Total	
		----- Rupees in 000 -----			
Held-for-trading securities		794,800	-	794,800	
Available-for-sale securities	8.2	392,657,695	2,394,218	395,051,913	
Held-to-maturity securities	8.2	8,636,643	63,329	8,699,972	
		402,089,138	2,457,547	404,546,685	
Associates	8.3	1,059,421	-	1,059,421	
Subsidiaries		576,507	-	576,507	
		1,635,928	-	1,635,928	
Investments at cost		403,725,066	2,457,547	406,182,613	
Less: Provision for diminution in the value of investments		(2,591,684)	-	(2,591,684)	
Investments (net of provisions)		401,133,382	2,457,547	403,590,929	
Surplus / (deficit) on revaluation of available for sale securities - net		6,629,477	(758)	6,628,719	
Surplus on revaluation of held-for-trading securities - net		2,241	-	2,241	
Investments at revalued amounts - net of provisions		407,765,100	2,456,789	410,221,889	

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 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
		334,368,672	63,168,070	397,536,742
Associates	8.3	1,059,421	-	1,059,421
Subsidiaries		576,507	-	576,507
		1,635,928	-	1,635,928
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)		333,221,253	63,168,070	396,389,323
Surplus on revaluation of available for sale securities - net		5,634,413	45,180	5,679,593
Investments at revalued amounts - net of provisions		338,855,666	63,213,250	402,068,916

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 June 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 June 30, 2013 amounted to Rs.2,741.443 million (December 31, 2012: Rs. 2,455.336 million).

9 ADVANCES - NET

		June 30, 2013	December 31, 2012
		----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc			
- In Pakistan		212,496,890	227,634,242
- Outside Pakistan		11,625,101	12,659,510
		224,121,991	240,293,752
Islamic Financing and related assets	19.1	8,243,472	10,289,436
Net Investment in finance lease			
- In Pakistan		1,053,636	924,122
- Outside Pakistan		135,999	162,197
		1,189,635	1,086,319
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		986,204	830,471
- Payable outside Pakistan		10,075,037	9,892,365
		11,061,241	10,722,836
Advances - gross		244,616,339	262,392,343
Less: Provision against loans and advances			
- Specific provision	9.1	(21,118,197)	(22,380,087)
- General provision		(244,616)	(257,457)
- General provision against consumer loans		(139,622)	(145,568)
- General Provision for potential lease losses (in Sri Lanka operations)		(23,865)	(25,911)
		(21,526,300)	(22,809,023)
Advances - net of provision		223,090,039	239,583,320

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2013

9.1 Advances include Rs.24,765.738 million (December 31, 2012: Rs. 25,561.774 million) which have been placed under non-performing status as detailed below:

		June 30, 2013			Specific Provision Required	Specific Provision Held
		Classified Advances				
		Domestic	Overseas	Total		
		----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM)	9.1.1	6,999	-	6,999	-	-
Substandard		874,372	139	874,511	218,160	218,160
Doubtful		896,874	-	896,874	447,883	447,883
Loss		18,274,178	4,713,176	22,987,354	20,452,154	20,452,154
		20,052,423	4,713,315	24,765,738	21,118,197	21,118,197
		December 31, 2012			Specific Provision Required	Specific Provision Held
		Classified Advances				
		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
		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 BORROWINGS

	June 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
In Pakistan	15,945,144	76,644,529
Outside Pakistan	2,451,937	2,306,574
	18,397,081	78,951,103

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	8,163,285	8,780,720
Long term financing facility	4,063,987	3,448,638
Long term financing - export oriented projects scheme	373,894	555,277
Financing Facility for Storage of Agricultural Produce	751,757	768,806
	13,352,923	13,553,441
Borrowings from other financial institutions	-	292,605
Repurchase agreement borrowings	2,455,551	63,158,913
	2,455,551	63,451,518
	15,808,474	77,004,959

Unsecured

Call borrowings	2,292,849	1,117,221
Overdrawn nostro accounts	295,758	828,923
	2,588,607	1,946,144
	18,397,081	78,951,103

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2013

	June 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
11 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	75,742,993	80,649,846
Savings deposits	305,946,218	268,927,052
Current accounts	215,385,396	183,176,846
Margin accounts	3,208,330	3,520,404
	600,282,937	536,274,148
Financial institutions		
Remunerative deposits	6,738,601	6,090,878
Non-remunerative deposits	3,319,262	2,695,702
	10,057,863	8,786,580
	610,340,800	545,060,728
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	754,071	763,706
Accelerated tax depreciation	1,067,716	1,109,270
Receivable from pension fund	7,101,994	6,449,968
Surplus on revaluation of securities	2,027,017	1,501,042
	10,950,798	9,823,986
Deductible temporary differences on:		
Provision for bad debts	(76,356)	(12,632)
Provision for retirement benefits	(434,934)	(281,627)
	(511,290)	(294,259)
	10,439,508	9,529,727
13 SHARE CAPITAL		
The Bank has increased its Authorised Share Capital from Rs. 10,000 million to Rs. 15,000 million.		
	June 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
14 CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring		
- Government	6,317,680	5,129,432
- Banks and financial institutions	1,958,991	3,585,501
- Others	15,976,757	13,956,922
	24,253,428	22,671,855
14.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Others	514,413	686,615
Suppliers credit / payee guarantee	2,619,999	2,600,833
	3,134,412	3,287,448
14.3 Trade-related contingent liabilities		
	58,853,487	69,423,741

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2013

	June 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
14.4 Other contingencies		
Claims against the Bank not acknowledged as debts	2,208,384	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.		
14.5 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.		
14.6 Commitments in respect of forward foreign exchange contracts		
Purchase	41,157,910	25,546,035
Sale	36,745,428	21,697,634
14.7 Commitments for the acquisition of fixed assets	296,798	555,398
14.8 Other commitments		
Outright sale of Government Securities from the SBP	100,000	-
14.9 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.8,501 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.		
15 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	11,887,273	11,205,833
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	11.75	11.07
16 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 Information (Un-audited) For the half year ended June 30, 2013

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Six months ended June 30, 2013				
Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
(Rupees in '000)				
Total income	54,748	21,865,724	6,554,725	10,341,798
Total expenses	(11,181)	(1,779,226)	(17,679,834)	(1,646,748)
Income tax expense	-	-	-	-
Net income	43,567	20,086,498	(11,125,109)	8,695,050
Segment assets - (Gross of NPLs Provisions)	-	465,206,087	137,437,636	182,133,251
Advance taxation (payment less provision)	-	-	-	-
Total assets	-	465,206,087	137,437,636	182,133,251
Segment non performing loans	-	-	8,344,325	16,421,413
Segment specific provision required	-	-	7,115,358	14,002,839
Segment liabilities	-	12,514,951	610,263,248	33,273,601
Deferred tax liabilities - net	-	-	-	-
Total liabilities - net	-	12,514,951	610,263,248	33,273,601
Segment return on assets (ROA) (%)	-	9.40%	10.06%	12.30%
Segment cost of fund (%)	-	8.76%	4.06%	6.13%
Six months ended June 30, 2012				
Total income	56,893	20,804,071	7,086,678	11,740,187
Total expenses	(15,698)	(2,742,162)	(18,150,112)	(1,704,967)
Income tax expense	-	-	-	-
Net income	41,195	18,061,909	(11,063,434)	10,035,220
Segment assets - (Gross of NPLs provision)	-	355,682,414	136,262,633	206,355,674
Advance taxation (payment less provision)	-	-	-	-
Total assets	-	355,682,414	136,262,633	206,355,674
Segment non performing loans	-	-	7,866,567	18,503,500
Segment specific provision required	-	-	6,637,509	15,612,550
Segment liabilities	-	22,014,331	534,227,477	28,286,991
Deferred tax assets	-	-	-	-
Total liabilities - net	-	22,014,331	534,227,477	28,286,991
Segment return on assets (ROA) (%)	-	11.70%	10.93%	12.31%
Segment cost of fund (%)	-	11.33%	4.50%	5.97%

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 30, 2013

	Directors		Associates		Subsidiary companies		Other Related Parties		Key management personnel	
	Six months ended June 30, 2013	Year ended Dec 31, 2012	Six months ended June 30, 2013	Year ended Dec 31, 2012	Six months ended June 30, 2013	Year ended Dec 31, 2012	Six months ended June 30, 2013	Year ended Dec 31, 2012	Six months ended June 30, 2013	Year ended Dec 31, 2012
(Rupees in '000)										
Deposits	2,863,874	4,398,756	976,642	766,387	74,461	43,854	26,850,559	25,393,804	46,039	50,178
Opening balance	1,551,428	4,888,505	10,357,225	11,121,938	589,525	1,531,424	20,351,421	38,267,581	514,665	1,168,053
Received during the period / year	(2,703,480)	(6,423,387)	(10,458,994)	(10,911,683)	(647,659)	(1,500,817)	(19,308,280)	(36,810,826)	(487,655)	(1,172,192)
Withdrawn during the period / year	1,711,822	2,863,874	874,873	976,642	16,327	74,461	27,893,700	26,850,559	73,049	46,039
Closing balance	2,795	3,367	-	-	485,749	449,729	98,056	81,302	53,865	49,743
Advances (secured)	(363)	(672)	-	-	12,549	36,020	(263,055)	(395,135)	16,746	12,436
Opening balance	2,432	2,785	-	-	498,236	465,749	67,659	95,056	61,169	53,666
Added during the period / year	564	852	-	-	-	-	20,291,414	18,428,483	1,376	951
Repaid during the period / year	-	-	-	-	-	-	-	-	-	-
Closing balance	2,996	3,637	-	-	-	-	20,291,414	18,428,483	1,376	951
Outstanding Balance of credit card Receivable from Pension Fund	564	852	-	-	-	-	-	-	-	-
(Rupees in '000)										
Outstanding commitments and contingent liabilities	50,354	48,742	265,490	245,411	5,704	11,166	64,211	819,873	-	-
Trade payable	-	-	8,337	8,365	27,589	12,177	29	7,019	-	-
Markup payable	-	-	20,447	14,321	156	156	1,836,543	1,045,622	110	541
Advance receivable	-	504	9,847	12,645	-	-	38,830	20,000	-	-
Markup Receivable	-	-	779	-	4,373	4,448	1,207	2,237	-	-
Receivable for other expenses	-	-	-	-	2,145	2,145	-	-	-	-
Commission Receivable	-	-	-	-	13,015	9,826	-	-	-	-
Outstanding Investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Divestment in Khushali Bank Limited	-	-	-	-	-	-	-	-	-	-
Insurance premium paid-net of refund	-	-	265,490	245,411	-	-	-	-	-	-
Insurance claim settled	-	-	41,007	24,186	-	-	-	-	-	-
Markup income on advances	-	-	-	-	-	-	-	-	-	-
Rent Income Received	-	-	1,215	1,215	5,704	11,166	3,237	4,567	1,201	1,435
Dividend Income	-	-	36,034	-	55,435	27,718	125,288	384,677	-	-
Commission income	-	-	359,782	240,740	19,034	21,386	382	26	-	-
Reimbursement of expenses	-	-	-	-	6,581	5,554	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of assets	-	-	-	-	-	-	-	-	-	-
Brokerage expense	-	-	-	-	-	-	-	-	-	-
ATM Outsourcing Expense	-	-	-	-	-	-	-	-	-	-
Outsourcing service expenses	-	-	-	-	-	-	-	-	-	-
Switch Expense	-	-	-	-	23,776	33,313	-	-	-	-
Cash sorting expenses	-	-	-	-	19,407	-	-	-	-	-
Stationery Expenses	-	-	-	-	-	-	-	-	-	-
Security guard expenses	-	-	-	-	-	-	-	-	-	-
Remuneration and non-executive directors fee	-	-	-	-	-	-	-	-	-	-
Mark-up paid on deposits	-	-	-	-	554	1,118	1,341,079	1,442,008	922	1,761
Clearing expenses paid to NIFT	-	-	25,530	28,137	-	-	60,505	59,550	-	-
Contribution to provident fund	-	-	-	-	-	-	99,636	95,501	-	-
Gas Charges	-	-	-	-	-	-	5,180	6,122	-	-
Rent Paid	-	-	2,400	-	-	-	105	154	-	-
Miscellaneous expenses and payments	-	-	-	-	-	-	42,089	25,755	-	-

The Bank enters into transactions 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:

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2013

19 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 June 30, 2013 is as follows:

	Note	June 30, 2013 ----- (Rupees in '000) -----	December 31, 2012
Assets			
Cash and balance with treasury banks		383,276	708,174
Balance with other banks		-	-
Due from Financial Institution		-	-
Investments - net		1,829,523	1,955,421
Islamic Financing & Related Assets	19.1	8,150,838	10,212,292
Operating fixed assets		1,518,137	1,308,436
Deferred Tax Assets		-	-
Other Assets		340,221	608,973
		12,221,995	14,793,296
Liabilities			
Bill payable		231,214	88,464
Due to Financial Institution		756,854	581,051
Deposits and other accounts			
- Current Accounts		1,791,303	1,557,227
- Saving Accounts		2,509,536	2,979,011
- Term Deposits		3,241,969	3,324,085
- Others		48,948	4,826
Deposits from Financial Institution - Remunerative		1,441,052	2,516,102
Deposits from Financial Institution - Non Remunerative		6,858	21
Due to head Office		290,264	1,889,975
Deferred tax liability		-	-
Other liabilities		556,366	499,071
		10,874,364	13,439,833
Net assets		1,347,631	1,353,463
Represented by:			
Islamic Banking Fund		1,300,000	1,300,000
Other Reserves		(17)	186
Unappropriated profit		45,196	44,371
		1,345,179	1,344,557
Surplus / (deficit) on revaluation of assets		2,452	8,906
		1,347,631	1,353,463

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2013

	Note	June 30, 2013 ----- (Rupees in '000) -----	December 31, 2012
19.1 Islamic Financing and Related Assets			
Murabaha	19.1.1	6,263,445	8,540,479
Ijarah	19.1.2	90,429	109,330
Diminishing Musharaka	19.1.3	1,889,598	1,639,627
Gross Advances		8,243,472	10,289,436
Provision held		(92,634)	(77,144)
Advance - net of provision		8,150,838	10,212,292
19.1.1 Murabaha			
Financing/Investments/Receivables		3,957,892	3,826,171
Advances		135,351	1,394,444
Assets/Inventories		2,170,202	3,319,864
		6,263,445	8,540,479
19.1.2 Ijarah			
Financing/Investments/Receivables		68,761	83,551
Advances		21,668	25,779
		90,429	109,330
19.1.3 Diminishing Musharakah			
Financing/Investments/Receivables		1,768,653	1,443,949
Advances		120,945	195,678
		1,889,598	1,639,627
CHARITY FUND			
Opening balance		6,892	782
Additions during the year			
Received from customers on delayed payments		7,227	7,739
Return on charity saving account		152	296
		7,379	8,035
Payments / utilization during the year			
Social Welfare		(6,000)	(1,300)
Health		-	(625)
Education		(1,000)	-
Relief and disaster recovery		-	-
		(7,000)	(1,925)
Closing balance		7,271	6,892



Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2013

The profit and loss account of the Bank's Islamic banking business for the half year ended June 30, 2013 is as follows:

	Half year ended June 30, 2013	Half year ended June 30, 2012
	----- (Rupees in '000) -----	
Income / return / profit earned	670,187	696,879
Income / return / profit expensed	519,372	534,042
Net Income / Profit	150,815	162,837
Provision / (reversal) against loans and advances - net	13,962	(121)
Provision for diminution in the value of investments	(12,551)	-
Bad debts written off directly	-	-
	1,411	(121)
Net profit / income after provisions	149,404	162,958
Other income		
Fees, commission and brokerage income	189,796	90,904
Dividend income	-	-
Income from dealing in foreign currencies	5,793	5,185
Other Income	4,067	2,378
Total other income	199,656	98,467
	349,060	261,425
Other expenses		
Administrative expenses	303,410	205,684
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	454	971
Total other expenses	303,864	206,655
Extraordinary / unusual items	-	-
Profit before taxation	45,196	54,770
Remuneration to Shariah Advisor / Board	972	972

20 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.

21 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on August 16, 2013 has announced cash dividend in respect of the half year ended June 30, 2013 of Rs. 3.5 per share (June 30, 2012: Rs. 4.00 per share). These unconsolidated condensed interim financial statements for the half year ended June 30, 2013 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

22 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 August 16, 2013 .


Imran Maqbool
President / CEO


Shahzad Saleem
Director


Mian Raza Mansha
Director


Tariq Rafi
Director



MCB BANK LIMITED

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

Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2013

	Note	Unaudited June 30, 2013	Audited December 31, 2012 Restated
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		62,562,688	57,420,211
Balances with other banks		1,979,472	1,236,736
Lendings to financial institutions	7	6,411,993	1,551,472
Investments - net	8	414,463,906	405,601,313
Advances - net	9	223,342,787	239,788,511
Operating fixed assets		25,313,224	24,144,242
Deferred tax assets - net		-	-
Other assets - net		46,237,704	41,715,761
		780,311,774	771,458,246
Liabilities			
Bills payable		9,587,901	9,896,284
Borrowings	10	18,509,473	79,064,351
Deposits and other accounts	11	610,327,901	544,988,091
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	10,719,115	9,768,871
Other liabilities		17,858,227	21,265,639
		667,002,617	664,983,236
Net assets		113,309,157	106,475,010
Represented by:			
Share capital	13	10,118,461	9,198,601
Reserves		45,861,831	44,620,928
Un-appropriated profit		41,511,555	37,530,955
		97,491,847	91,350,484
Minority interest		485,650	501,256
		97,977,497	91,851,740
Surplus on revaluation of assets - net of tax		15,331,660	14,623,270
		113,309,157	106,475,010

Contingencies and commitments

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.



Imran Maqbool
President / CEO



Shahzad Saleem
Director



Mian Raza Mansha
Director



Tariq Rafi
Director

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

For the half year ended June 30, 2013

	Note	Quarter ended June 30, 2013	Half year ended June 30, 2013	Quarter ended June 30, 2012	Half year ended June 30, 2012 Restated
----- (Rupees in '000) -----					
Mark-up / return / interest earned		16,288,961	33,029,122	16,966,576	34,527,250
Mark-up / return / interest expensed		7,175,867	14,171,662	6,741,200	13,587,437
Net mark-up / interest income		9,113,094	18,857,460	10,225,376	20,939,813
Provision / (reversal) against loans and advances - net		(468,869)	(1,279,800)	333,186	407,718
Provision / (reversal) for diminution in the value of investments - net		(5,296)	(34,773)	(8,471)	(7,880)
Bad debts written off directly		-	-	43	163
		(474,165)	(1,314,573)	324,758	400,001
Net mark-up / interest income after provisions		9,587,259	20,172,033	9,900,618	20,539,812
Non mark-up / interest income					
Fee, commission and brokerage income		1,849,927	3,482,250	1,594,036	3,210,901
Dividend income		93,176	415,431	291,608	769,007
Income from dealing in foreign currencies		155,995	296,687	246,374	501,893
Gain on sale of securities - net		1,351,723	1,537,585	670,066	713,988
Unrealized gain on revaluation of investments classified as held for trading		11,622	45,541	11,609	35,082
Other income		119,842	221,640	104,611	196,476
Total non mark-up / interest income		3,582,285	5,999,134	2,918,304	5,427,347
		13,169,544	26,171,167	12,818,922	25,967,159
Non-mark-up / interest expenses					
Administrative expenses		4,009,430	8,129,587	4,251,386	8,569,684
Other provisions / (reversals)		(72,302)	(62,122)	35,200	50,975
Other charges		196,333	384,314	(60,997)	180,139
Total non mark-up / interest expenses		4,133,461	8,451,779	4,225,589	8,800,798
Share of profit of associates		266,656	451,687	38,446	168,755
		9,302,739	18,171,075	8,631,779	17,335,116
Extraordinary / unusual item		-	-	-	-
Profit before taxation		9,302,739	18,171,075	8,631,779	17,335,116
Taxation - current period		2,668,822	5,544,191	2,417,953	5,197,127
- prior years		-	-	116,256	116,256
- deferred		268,600	335,167	381,358	604,577
Share of tax of associates		25,297	48,862	(13,286)	(6,406)
		2,962,719	5,928,220	2,902,281	5,911,554
Profit after taxation		6,340,020	12,242,855	5,729,498	11,423,562
Profit attributable to minority interest		(18,925)	(36,613)	(21,430)	(41,139)
Profit attributable to ordinary shareholders		6,321,095	12,206,242	5,708,068	11,382,423
Earnings per share - basic and diluted - Rupees	15	6.25	12.06	5.64	11.25

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.



Imran Maqbool
President / CEO



Shahzad Saleem
Director



Mian Raza Mansha
Director



Tariq Rafi
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the half year ended June 30, 2013

	Quarter ended June 30, 2013	Half year ended June 30, 2013	Quarter ended June 30, 2012	Half year ended June 30, 2012
	Restated ----- (Rupees in '000) -----			
Profit after tax for the period	6,340,020	12,242,855	5,729,498	11,423,562
Other comprehensive income				
Remeasurement of defined benefit plans - net of tax	96,341	165,960	307,623	381,183
Effect of translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the bank	(38,619)	23,270	30,537	(214,072)
- Minority interest	112	220	86	103
	(38,507)	23,490	30,623	(213,969)
Share of exchange translation reserve of associate	24,345	28,906	-	-
Comprehensive income transferred to equity	6,422,199	12,461,211	6,067,744	11,590,776
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	2,825,664	969,983	(647,144)	91,642
Deferred tax	(1,096,594)	(525,975)	117,257	116,272
	1,729,070	444,008	(529,887)	207,914
Total comprehensive income for the period	8,151,269	12,905,219	5,537,857	11,798,690

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.



Imran Maqbool
President / CEO



Shahzad Saleem
Director



Mian Raza Mansha
Director



Tariq Rafi
Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended June 30, 2013

	June 30, 2013	June 30, 2012 Restated
	----- (Rupees in '000) -----	
Cash flows from operating activities	18,171,075	17,335,116
Profit before taxation	(867,118)	(937,762)
Less: Dividend income and share of profit of associates	17,303,957	16,397,354
Adjustments for:		
Depreciation	727,736	632,910
Amortization	126,637	123,696
Provision / (reversal) against loans and advances - net	(1,279,800)	407,718
Provision / (reversal) for diminution in the value of investments - net	(34,773)	(7,880)
Other provisions / (reversals)	(62,122)	50,975
Bad debts written off directly	-	163
Provision for Workers' Welfare Fund	354,000	345,184
Charge / (reversal) for defined benefit plan	(863,991)	(717,944)
Unrealized gain on revaluation of investments classified as held for trading	(45,541)	(35,082)
Gain on disposal of fixed assets	(15,310)	(9,429)
	(1,093,164)	790,311
	16,210,793	17,187,665
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,860,521)	923,263
Net investment in held for trading securities	(779,102)	(593,479)
Advances - net	17,725,524	(15,732,454)
Other assets - net	(1,995,915)	400,252
	10,089,986	(15,002,418)
Increase / (decrease) in operating liabilities		
Bills payable	(308,383)	212,356
Borrowings	(60,021,713)	(12,029,680)
Deposits and other accounts	65,339,810	38,205,370
Other liabilities	(4,790,659)	(886,270)
	219,055	25,501,776
	26,519,834	27,687,023
Defined benefits paid	(224,647)	(181,021)
Income tax paid	(6,153,456)	(10,046,985)
Net cash flows from operating activities	20,141,731	17,459,017
Cash flows from investing activities		
Net investments in available-for-sale securities	(5,349,746)	(11,065,387)
Net investments in held-to-maturity securities	(1,005,216)	787,858
Dividend income received	442,279	680,258
Sale proceeds of property and equipment disposed off	44,062	21,040
Investment in operating fixed assets - net of disposals	(2,052,107)	(2,398,855)
Net cash flows from investing activities	(7,920,728)	(11,975,086)
Cash flows from financing activities		
Dividend paid	(5,826,115)	(5,304,263)
Net cash flows from financing activities	(5,826,115)	(5,304,263)
Exchange difference on translation of net investment in foreign branches and subsidiaries	23,490	(213,969)
Increase in cash and cash equivalents	6,418,378	(34,301)
Cash and cash equivalents at January 1	57,828,024	55,369,506
Cash and cash equivalents at June 30	64,246,402	55,335,205

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.



Imran Maqbool
President / CEO



Shahzad Saleem
Director



Mian Raza Mansha
Director



Tariq Rafi
Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the half year ended June 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	30,259,449	81,034,402	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	30,617,206	81,392,159	81,884,656
Change in equity for six months ended June 30, 2012								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	18,033	18,033	18,165
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	(214,072)	-	-	(214,072)	(213,969)
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	381,183	381,183	381,183
Profit after taxation for half year ended June 30, 2012 - restated	-	-	-	-	-	11,423,562	11,423,562	11,423,562
Profit attributable to minority interest	-	-	-	-	-	(41,139)	(41,139)	-
Total comprehensive income for the period ended June 30, 2012	-	-	-	(214,072)	-	11,763,606	11,549,534	11,590,776
Transferred to statutory reserve	-	-	-	-	1,132,564	(1,132,564)	-	-
Transfer to reserve for issue of bonus shares	-	836,236	-	-	-	(836,236)	-	-
Issue of bonus shares - December 31, 2011	836,236	(836,236)	-	-	-	-	-	-
Share of dividend attributable to minority interest	-	-	-	-	-	-	(26,282)	(26,282)
Final cash dividend - December 31, 2011	-	-	-	-	-	(2,508,709)	-	(2,508,709)
Interim cash dividend - March 31, 2012	-	-	-	-	-	(2,759,581)	-	(2,759,581)
Balance as at June 30, 2012 -restated	9,198,601	-	9,924,438	217,188	14,589,454	35,161,755	87,691,436	88,199,025
Change in equity for six months ended December 31, 2012								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	18,023	18,023	18,145
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	193,442	-	-	193,442	193,678
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 half year ended December 31, 2012 - restated	-	-	-	-	-	9,543,979	9,543,979	9,543,979
Profit attributable to minority interest	-	-	-	-	-	(40,911)	(40,911)	-
Total comprehensive income for six months ended December 31, 2012	-	-	-	328,342	-	9,751,705	10,080,047	10,121,194
Transferred to statutory reserve	-	-	-	-	961,506	(961,506)	-	-
Proceeds from issue of shares to minority interest	-	-	-	-	-	-	4,963	4,963
Share of dividend attributable to minority interest	-	-	-	-	-	-	(52,565)	(52,565)
Interim cash dividend - June 30, 2012	-	-	-	-	-	(3,679,441)	-	(3,679,441)
Interim cash dividend - September 30, 2012	-	-	-	-	-	(2,759,581)	-	(2,759,581)
Balance as at December 31, 2012 - restated	9,198,601	-	9,924,438	545,530	15,550,960	37,530,955	91,350,484	91,851,740
Change in equity for six months ended June 30, 2013								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	18,027	18,027	18,153
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	23,270	-	-	23,270	23,490
Share of exchange translation reserve of associate	-	-	-	28,906	-	-	28,906	28,906
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	165,960	165,960	165,960
Profit after taxation for half year ended June 30, 2013	-	-	-	-	-	12,242,855	12,242,855	12,242,855
Profit attributable to minority interest	-	-	-	-	-	(36,613)	(36,613)	-
Total comprehensive income for the period ended June 30, 2013	-	-	-	52,176	-	12,372,202	12,424,378	12,461,211
Transferred to statutory reserve	-	-	-	-	1,188,727	(1,188,727)	-	-
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)
Interim cash dividend - March 31, 2013	-	-	-	-	-	(3,541,461)	-	(3,541,461)
Balance as at June 30, 2013	10,118,461	-	9,924,438	597,706	16,739,687	41,511,555	97,491,847	97,977,497

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.


Imran Maqbool
President / CEO


Shahzad Saleem
Director


Mian Raza Mansha
Director


Tariq Rafi
Director

Notes to the Consolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 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 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 -15 Main Gulberg, Lahore. The Bank operates 1,183 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 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 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 June 30, 2013 except for MCB-Arif Habib Savings and Investment Limited which are based on audited financial statements for the year ended June 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 June 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 Information (Un-audited)

For the half year ended June 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:

	June 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
		June 30, 2013	June 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.

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

For the half year ended June 30, 2013

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.

7 LENDINGS TO FINANCIAL INSTITUTIONS

	June 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
Call money lendings	1,479,380	-
Repurchase agreement lendings	4,932,613	1,551,472
	6,411,993	1,551,472

8 INVESTMENTS - NET

8.1 Investments by types

		June 30, 2013	December 31, 2012
		----- (Rupees in '000) -----	
Held-for-trading securities		1,352,683	-
Available-for-sale securities	8.2	392,882,557	2,394,218
Held-to-maturity securities	8.2	8,636,643	63,329
		402,871,883	2,457,547
Associates			
Adamjee Insurance Company Limited	8.3	4,856,042	-
Euronet Pakistan (Private) Limited	8.4	54,344	-
First Women Bank Limited	8.5	63,300	-
		4,973,686	4,973,686
Investments at cost		407,845,569	2,457,547
Less: Provision for diminution in the value of investments		(2,591,684)	-
Investments (net of provisions)		405,253,885	2,457,547
Surplus / (deficit) on revaluation of available for sale securities - net		6,707,690	(758)
Surplus on revaluation of held-for-trading securities - net		45,542	-
Investments at revalued amounts - net of provisions		412,007,117	2,456,789

		December 31, 2012	
		----- (Rupees in '000) -----	
Held-for-trading securities		543,296	-
Available-for-sale securities	8.2	326,983,673	63,100,246
Held-to-maturity securities	8.2	7,626,932	67,824
		335,153,901	63,168,070
Associates			
Adamjee Insurance Company Limited	8.3	4,176,476	-
Euronet Pakistan (Private) Limited	8.4	55,679	-
First Women Bank Limited	8.5	63,300	-
		4,295,455	4,295,455
Investments at cost		339,449,356	63,168,070
Less: Provision for diminution in the value of investments		(2,783,347)	-
Investments (net of provisions)		336,666,009	63,168,070
Surplus on revaluation of available for sale securities - net		5,691,769	45,180
Surplus on revaluation of held-for-trading securities - net		30,285	-
Investments at revalued amounts - net of provisions		342,388,063	63,213,250

Notes to the Consolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 30, 2013

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 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 June 30, 2013 amounted to Rs.2,741.443 million (December 31, 2012: Rs. 2,455.336 million).

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

	June 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	452,839	293,349
Dividend from associate	(36,034)	(54,051)
Share of tax	(48,679)	(34,637)
	368,126	204,661
Share of other comprehensive income	311,440	870,463
Closing balance	4,856,042	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%

	June 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
Opening balance	55,679	53,917
Share of (loss) / profit for the period / year before tax	(1,152)	3,296
Share of tax	(183)	(1,534)
	(1,335)	1,762
Closing balance	54,344	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.

Notes to the Consolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 30, 2013

9 ADVANCES - NET

		June 30, 2013	December 31, 2012
		----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc			
- In Pakistan		212,496,890	227,634,242
- Outside Pakistan		11,126,803	12,176,644
		223,623,693	239,810,886
Islamic Financing and related assets	19.1	8,243,472	10,289,436
Net Investment in finance lease			
- In Pakistan		1,053,636	924,122
- Outside Pakistan		887,045	850,254
		1,940,681	1,774,376
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		986,204	830,471
- Payable outside Pakistan		10,075,037	9,892,365
		11,061,241	10,722,836
Advances - gross		244,869,087	262,597,534
Less: Provision against loans and advances			
- Specific provision	9.1	(21,118,197)	(22,380,087)
- General provision		(244,616)	(257,457)
- General provision against consumer loans		(139,622)	(145,568)
- General Provision for potential lease losses (in Sri Lanka operations)		(23,865)	(25,911)
		(21,526,300)	(22,809,023)
Advances - net of provision		223,342,787	239,788,511

9.1 Advances include Rs.24,765.738 million (December 31, 2012: Rs. 25,561.774 million) which have been placed under non-performing status as detailed below:

		June 30, 2013				
		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
		----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAE)	9.1.1	6,999	-	6,999	-	-
Substandard		874,372	139	874,511	218,160	218,160
Doubtful		896,874	-	896,874	447,883	447,883
Loss		18,274,178	4,713,176	22,987,354	20,452,154	20,452,154
		20,052,423	4,713,315	24,765,738	21,118,197	21,118,197
		December 31, 2012			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
		----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAE)	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
		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 OAE as per the requirements of the Prudential Regulation for Agricultural Financing issued by the SBP.

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2013

10 BORROWINGS

	June 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
In Pakistan	15,945,144	76,644,529
Outside Pakistan	2,564,329	2,419,822
	18,509,473	79,064,351

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	8,163,285	8,780,720
Long term financing facility	4,063,987	3,448,638
Long term financing - export oriented projects scheme	373,894	555,277
Financing Facility for Storage of Agricultural Produce	751,757	768,806
	13,352,923	13,553,441
Borrowings from other financial institutions	112,392	405,853
Repurchase agreement borrowings	2,455,551	63,158,913
	2,567,943	63,564,766
	15,920,866	77,118,207

Unsecured

Call borrowings	2,292,849	1,117,221
Overdrawn nostro accounts	295,758	828,923
	2,588,607	1,946,144
	18,509,473	79,064,351

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	75,742,993	80,649,846
Savings deposits	305,942,008	268,923,547
Current accounts	215,376,707	183,107,714
Margin accounts	3,208,330	3,520,404
	600,270,038	536,201,511

Financial institutions

Remunerative deposits	6,738,601	6,090,878
Non-remunerative deposits	3,319,262	2,695,702
	10,057,863	8,786,580
	610,327,901	544,988,091

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	758,879	768,800
Accelerated tax depreciation	1,104,065	1,142,867
Receivable from pension fund	7,101,994	6,449,968
Investment in associates	250,417	213,604
Surplus on revaluation of securities	2,027,017	1,501,042
	11,242,372	10,076,281

Deductible temporary differences on:

Provision for bad debts	(76,356)	(12,632)
Taxable losses	(11,632)	(11,632)
Provision for retirement benefits	(435,269)	(283,146)
	(523,257)	(307,410)
	10,719,115	9,768,871

13 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 Information (Un-audited)
For the half year ended June 30, 2013

14 CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring

- Government	6,317,680	5,129,432
- Banks and financial institutions	1,958,991	3,585,501
- Others	15,976,757	13,956,922
	24,253,428	22,671,855

14.2 Transaction-related contingent liabilities

Guarantees in favour of:

- Others	514,413	686,615
Suppliers credit / payee guarantee	2,619,999	2,600,833
	3,134,412	3,287,448
	58,931,629	69,500,795

14.3 Trade-related contingent liabilities

14.4 Other contingencies

Claims against the Bank not acknowledged as debts

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.

14.5 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.

14.6 Commitments in respect of forward foreign exchange contracts

Purchase	41,157,910	25,546,035
Sale	36,745,428	21,697,634
	296,798	555,398

14.7 Commitments for the acquisition of fixed assets

14.8 Other commitments

Outright sale of Government Securities from the SBP

	100,000	-
--	---------	---

14.9 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.8,501 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.

15 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

	Six months ended June 30, 2013	June 30, 2012
	---- (Rupees in '000) ----	
Profit after taxation attributable to ordinary shareholders	12,206,242	11,382,423
	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	12.06	11.25

16 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 Information (Un-audited) For the half year ended June 30, 2013

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Six months ended June 30, 2013					
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination
	(Rupees in '000)					
Total income	71,372	22,071,712	6,662,241	10,511,432	223,854	(60,668)
Total expenses	(22,056)	(1,814,191)	(17,712,663)	(1,698,545)	(122,081)	60,668
Income tax expense	-	-	-	-	-	(5,928,220)
Net income	49,316	20,257,521	(11,050,422)	8,812,887	101,773	-
Segment assets - (Gross of NPLs Provisions)	64,829	468,113,730	138,287,334	183,239,763	1,411,537	(1,173,533)
Advance taxation (payment less provision)	-	-	-	-	-	11,486,311
Total assets	64,829	468,113,730	138,287,334	183,239,763	1,411,537	(1,173,533)
Segment non performing loans	-	-	8,344,325	16,421,413	-	-
Segment specific provision required	-	-	7,115,358	14,002,839	-	-
Segment liabilities	10,198	13,264,173	610,483,467	33,560,689	138,508	(1,173,533)
Deferred tax liabilities - net	-	-	-	-	-	10,719,115
Total liabilities - net	10,198	13,264,173	610,483,467	33,560,689	138,508	(1,173,533)
Segment return on assets (ROA) (%)	-	9.43%	10.16%	12.42%	31.72%	-
Segment cost of fund (%)	-	8.76%	4.06%	6.13%	-	-

	Six months ended June 30, 2012					
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination
Total income	68,861	20,889,528	7,139,852	11,828,281	242,146	(45,316)
Total expenses	(25,993)	(2,764,959)	(18,172,539)	(1,742,117)	(127,944)	45,316
Income tax expense	-	-	-	-	-	(5,911,554)
Net income	42,868	18,124,569	(11,032,687)	10,086,164	114,202	-

Segment assets - (Gross of NPLs provision)	66,985	357,039,679	136,789,895	207,131,336	1,409,130	(1,011,090)
Advance taxation (payment less provision)	-	-	-	-	-	10,698,847
Total assets	66,985	357,039,679	136,789,895	207,131,336	1,409,130	(1,011,090)
Segment non performing loans	-	-	7,579,565	18,790,502	-	-
Segment specific provision required	-	-	6,395,348	15,854,711	-	-
Segment liabilities	8,410	22,540,329	534,364,173	28,572,792	125,655	(1,011,090)
Deferred tax assets	-	-	-	-	-	7,048,716
Total liabilities - net	8,410	22,540,329	534,364,173	28,572,792	125,655	(1,011,090)
Segment return on assets (ROA) (%)	-	11.70%	10.97%	12.35%	34.37%	-
Segment cost of fund (%)	-	11.33%	4.50%	5.97%	-	-

Notes to the Consolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 30, 2013

18 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	
	Six months ended June 30, 2013	Year ended Dec 31, 2012	Six months ended June 30, 2013	Year ended Dec 31, 2012	Six months ended June 30, 2013	Year ended Dec 31, 2012	Six months ended June 30, 2013	Year ended Dec 31, 2012
Deposits	2,863,874	4,398,756	976,642	766,387	26,850,559	25,363,804	46,039	50,178
Opening balance	1,551,428	4,889,506	10,357,225	11,121,938	20,351,421	36,267,581	514,665	1,168,063
Received during the period / year	(2,703,480)	(6,423,387)	(10,456,994)	(10,911,683)	(19,306,280)	(36,810,820)	(487,835)	(1,172,192)
Withdrawn during the period / year	-	-	-	-	-	-	-	-
Closing balance	1,711,822	2,863,874	874,873	976,642	27,893,700	26,850,559	73,049	46,039
Advances (secured)	2,795	3,367	-	-	98,056	81,302	53,865	49,743
Opening balance	-	4,889,506	-	-	232,598	415,889	16,746	12,436
Additions / adjustments during the period / year	(363)	(572)	-	-	(263,055)	(399,135)	(9,422)	(8,314)
Repaid during the period / year	2,432	2,795	-	-	67,599	98,056	61,189	53,865
Closing balance	2,795	3,367	-	-	98,056	81,302	53,865	49,743
Outstanding Balance of credit card	564	852	-	-	-	-	1,376	951
Receivable from Pension Fund	-	-	-	-	20,291,414	18,428,483	-	-
Outstanding commitments and contingent liabilities	8,337	8,365	20,447	14,321	64,211	819,873	-	-
Trade payable	-	-	-	-	29	7,019	-	-
Markup payable	-	504	9,847	12,645	1,836,543	1,045,622	110	541
Advance receivable	-	-	779	-	38,830	20,000	-	-
Markup Receivable	-	-	-	-	1,207	2,237	-	-
Outstanding Investments in mutual funds	-	-	-	-	-	4,050,000	-	-
Divestment in Khushail Bank Limited	-	-	-	-	-	300,000	-	-
Insurance premium paid-net of refund	-	-	265,490	245,411	-	-	-	-
Insurance claim settled	-	-	41,007	24,186	-	-	-	-
Markup income on advances	-	-	-	-	3,237	4,567	1,201	1,435
Rent Income Received	-	-	1,215	1,215	-	-	-	-
Dividend Income	-	-	36,034	240,740	125,288	384,677	-	-
Commission Income	-	-	359,782	-	382	26	-	-
Proceeds from sale of assets	-	-	-	-	-	-	2,787	(2,416)
Gain / (loss) on sale of assets	-	-	-	-	-	-	-	-
Brokerage expense	-	-	76,277	61,479	156	295	-	-
ATM Outsourcing Expense	-	-	-	-	-	-	-	-
Cash sorting expenses	-	-	-	-	-	-	-	-
Stationery Expenses	-	-	-	-	-	-	-	-
Security guard expenses	-	-	-	-	-	-	-	-
Remuneration and non-executive directors fee	-	-	-	-	-	-	-	-
Mark-up paid on deposits	50,354	48,742	-	-	1,341,079	1,442,008	922	204,742
Clearing expenses paid to NIFT	69,471	182,577	25,530	28,137	60,505	59,550	-	1,761
Contribution to provident fund	-	-	-	-	99,636	95,501	-	-
Gas Charges	-	-	-	-	5,180	6,122	-	-
Rent Paid	-	-	2,400	-	105	154	-	-
Miscellaneous expenses and payments	-	-	-	-	42,089	25,755	-	-

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 Consolidated Condensed Interim Financial Information (Un-audited)

For the half year ended June 30, 2013

19 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 June 30, 2013 is as follows:

	Note	June 30, 2013 ----- (Rupees in '000) -----	December 31, 2012
Assets			
Cash and balance with treasury banks		383,276	708,174
Balance with other banks		-	-
Due from Financial Institution		-	-
Investments - net		1,829,523	1,955,421
Islamic Financing & Related Assets	19.1	8,150,838	10,212,292
Operating fixed assets		1,518,137	1,308,436
Deferred Tax Assets		-	-
Other Assets		340,221	608,973
		12,221,995	14,793,296
Liabilities			
Bill payable		231,214	88,464
Due to Financial Institution		756,854	581,051
Deposits and other accounts			
- Current Accounts		1,791,303	1,557,227
- Saving Accounts		2,509,536	2,979,011
- Term Deposits		3,241,969	3,324,085
- Others		48,948	4,826
Deposits from Financial Institution - Remunerative		1,441,052	2,516,102
Deposits from Financial Institution - Non Remunerative		6,858	21
Due to head Office		290,264	1,889,975
Deferred tax liability		-	-
Other liabilities		556,366	499,071
		10,874,364	13,439,833
Net assets		1,347,631	1,353,463
Represented by:			
Islamic Banking Fund		1,300,000	1,300,000
Other Reserves		(17)	186
Unappropriated profit		45,196	44,371
		1,345,179	1,344,557
Surplus / (deficit) on revaluation of assets		2,452	8,906
		1,347,631	1,353,463

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

For the half year ended June 30, 2013

	Note	June 30, 2013 ----- (Rupees in '000) -----	December 31, 2012
19.1 Islamic Financing and Related Assets			
Murabaha	19.1.1	6,263,445	8,540,479
Ijarah	19.1.2	90,429	109,330
Diminishing Musharaka	19.1.3	1,889,598	1,639,627
Gross Advances		8,243,472	10,289,436
Provision held		(92,634)	(77,144)
Advance - net of provision		8,150,838	10,212,292
19.1.1 Murabaha			
Financing/Investments/Receivables		3,957,892	3,826,171
Advances		135,351	1,394,444
Assets/Inventories		2,170,202	3,319,864
		6,263,445	8,540,479
19.1.2 Ijarah			
Financing/Investments/Receivables		68,761	83,551
Advances		21,668	25,779
		90,429	109,330
19.1.3 Diminishing Musharakah			
Financing/Investments/Receivables		1,768,653	1,443,949
Advances		120,945	195,678
		1,889,598	1,639,627
CHARITY FUND			
Opening balance		6,892	782
Additions during the year			
Received from customers on delayed payments		7,227	7,739
Return on charity saving account		152	296
		7,379	8,035
Payments / utilization during the year			
Social Welfare		(6,000)	(1,300)
Health		-	(625)
Education		(1,000)	-
Relief and disaster recovery		-	-
		(7,000)	(1,925)
Closing balance		7,271	6,892

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2013

The profit and loss account of the Bank's Islamic banking business for the half year ended June 30, 2013 is as follows:

	Half year ended June 30, 2013	Half year ended June 30, 2012
	----- (Rupees in '000) -----	
Income / return / profit earned	670,187	696,879
Income / return / profit expensed	519,372	534,042
Net Income / Profit	150,815	162,837
Provision / (reversal) against loans and advances - net	13,962	(121)
Provision for diminution in the value of investments	(12,551)	-
Bad debts written off directly	-	-
	1,411	(121)
Net profit / income after provisions	149,404	162,958
Other income		
Fees, commission and brokerage income	189,796	90,904
Dividend income	-	-
Income from dealing in foreign currencies	5,793	5,185
Other Income	4,067	2,378
Total other income	199,656	98,467
	349,060	261,425
Other expenses		
Administrative expenses	303,410	205,684
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	454	971
Total other expenses	303,864	206,655
Extraordinary / unusual items	-	-
Profit before taxation	45,196	54,770
Remuneration to Shariah Advisor / Board	972	972

20 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.

21 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on August 16, 2013 has announced cash dividend in respect of the half year ended June 30, 2013 of Rs. 3.5 per share (June 30, 2012: Rs. 4.00 per share). These consolidated condensed interim financial statements for the half year ended June 30, 2013 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

22 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 August 16, 2013 .



Imran Maqbool
President / CEO



Shahzad Saleem
Director



Mian Raza Mansha
Director



Tariq Rafi
Director



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