



MCB Bank Ltd &
Subsidiary Companies

Consolidated Condensed
Interim Financial Statement
March 31, 2008

MCB Bank Limited
Consolidated Condensed Interim Balance Sheet
As at March 31, 2008

	<i>Note</i>	Unaudited March 31, 2008	Audited December 31, 2007
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		37,885,070	39,683,883
Balances with other banks		1,620,737	3,867,591
Lendings to financial institutions	7	5,586,228	1,051,372
Investments - net	8	88,144,002	115,358,590
Advances - net	9	229,835,445	218,959,786
Operating fixed assets		16,269,138	16,082,781
Deferred tax assets - net		-	-
Other assets - net		19,823,235	17,896,838
		399,163,855	412,900,841
Liabilities			
Bills payable		9,506,255	10,479,058
Borrowings	10	15,435,553	39,406,831
Deposits and other accounts	11	301,639,525	292,088,347
Sub-ordinated loan		-	479,232
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	1,102,254	1,183,586
Other liabilities		13,107,330	11,716,465
		340,790,917	355,353,519
Net assets		58,372,938	57,547,322
Represented by:			
Share capital		6,282,768	6,282,768
Reserves		34,428,786	34,000,927
Un-appropriated profit		7,527,623	7,054,472
		48,239,177	47,338,167
Monority interest		62	63
		48,239,239	47,338,230
Surplus on revaluation of assets - net of tax		10,133,699	10,209,092
		58,372,938	57,547,322

Contingencies and commitments

13

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

President and Chief Executive

Director

Director

Director

MCB Bank Limited
Consolidated Condensed Interim Profit and Loss Account (Un-audited)
For the three months period ended March 31, 2008

	<i>Note</i>	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Mark-up / return / interest earned		8,189,576	7,617,338
Mark-up / return / interest expensed		1,992,374	1,564,738
Net mark-up / interest income		6,197,202	6,052,600
Provision / (reversal) against loans and advances		615,220	192,900
Bad debts written off directly		-	54
		615,220	192,954
Net mark-up / interest income after provisions		5,581,982	5,859,646
Non mark-up / interest income			
Fee, commission and brokerage income		753,251	578,588
Income earned as trustee to various funds		5,177	228
Dividend income		86,923	111,745
Income from dealing in foreign currencies		146,917	221,345
Gain on sale of securities - net		610,456	236,031
Gain / (loss) on trading in government securities - net		15,268	(33)
Other income		292,304	113,170
Total non mark-up / interest income		1,910,296	1,261,074
		7,492,278	7,120,720
Non-mark-up / interest expenses			
Administrative expenses		1,696,905	1,884,005
Other provisions / (reversal)		-	-
Other charges		75,053	60,043
Total non mark-up/interest expenses		1,771,958	1,944,048
Share of profit of associated undertaking		26,597	157,660
		5,746,917	5,334,332
Extra ordinary / unusual item		-	-
Profit before taxation		5,746,917	5,334,332
Taxation - current period		2,088,956	1,605,523
- prior years		(230,000)	(459,952)
- deferred		(121,646)	356,543
Share of tax of associated undertaking		3,032	15,929
		1,740,342	1,518,043
Profit after taxation		4,006,575	3,816,289
Share of profit attributable to minority interest		(3)	(1)
Profit attributable to ordinary shareholders		4,006,572	3,816,288
Earnings per share - basic and diluted - Rupees	<i>11</i>	6.38	6.07

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

President and Chief Executive

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MCB Bank Limited

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the three months period ended March 31, 2008

	March 31, 2008	March 31, 2007
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	5,746,917	5,334,332
Less: Dividend income	(113,520)	(269,405)
	<u>5,633,397</u>	<u>5,064,927</u>
Adjustments for non-cash charges		
Depreciation	188,236	149,157
Amortisation	48,299	46,500
Provision against loans and advances	615,220	192,900
Bad debts written off directly	-	54
Un realized (gain) / loss on revaluation of 'held-for-trading' securities	(15,690)	(48)
	<u>836,065</u>	<u>388,563</u>
	6,469,462	5,453,490
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,534,856)	4,051,606
Held for trading securities	114,024	(11,765)
Advances - net	(11,490,879)	11,227,012
Other assets - net	(1,858,145)	(2,978,659)
	<u>(17,769,856)</u>	<u>12,288,194</u>
Increase / (decrease) in operating liabilities		
Bills payable	(972,803)	25,538
Borrowings from financial institutions	(23,971,278)	(6,227,039)
Deposits	9,551,178	23,346,495
Other liabilities	(824,137)	(219,230)
	<u>(16,217,040)</u>	<u>16,925,764</u>
	(27,517,434)	34,667,448
Payments of provision against off-balance sheet obligations	-	-
Income tax paid	(1,118,662)	(1,670,873)
Net cash flows from operating activities	<u>(28,636,096)</u>	<u>32,996,575</u>
Cash flows from investing activities		
Net investments in available-for-sale securities	27,010,046	(36,682,113)
Net investments in held-to-maturity securities	69,714	2,542,903
Dividend income received	63,341	51,836
Investment in operating fixed assets - net of disposals	(422,892)	(572,416)
Net cash flows from investing activities	<u>26,720,209</u>	<u>(34,659,790)</u>
Cash flows from financing activities		
Payment of sub-ordinated loan	(479,232)	(638,976)
Dividend paid	(1,667,194)	(539,313)
Net cash flows from financing activities	<u>(2,146,426)</u>	<u>(1,178,289)</u>
Exchange difference on translation of net investment in foreign branches	16,646	(7,103)
Increase in cash and cash equivalents	<u>(4,045,667)</u>	<u>(2,848,607)</u>
Cash and cash equivalents at January 1	<u>43,551,474</u>	<u>39,115,635</u>
Cash and cash equivalents at March 31	<u>39,505,807</u>	<u>36,267,028</u>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

President and Chief Executive

Director

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MCB Bank Limited
Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the three months period ended March 31, 2008

	Capital Reserves			Other Reserves			Sub Total	Minority Interest	Total	
	Share capital	Share premium	Reserve for issue of bonus shares	Exchange translation reserve	Statutory reserve	General reserve				Unappropriated profit
----- (Rupees in '000) -----										
Balance as at January 01, 2007	5,463,276	9,702,528	-	(53,617)	5,213,535	9,800,000	6,278,593	36,404,315	52	36,404,367
Change in Equity										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	5,227	5,227	-	5,227
Exchange differences on translation of net investment in foreign branches	-	-	-	(7,103)	-	-	-	(7,103)	-	(7,103)
Total income recognised directly in equity	-	-	-	(7,103)	-	-	5,227	(1,876)	-	(1,876)
Profit after taxation for three months period ended March 31, 2007	-	-	-	-	-	-	3,816,289	3,816,289	-	3,816,289
Share of profit attributable to minority interest	-	-	-	-	-	-	(1)	(1)	1	-
Total recognised income for the period	-	-	-	(7,103)	-	-	3,821,515	3,814,412	1	3,814,413
Transferred to statutory reserve	-	-	-	-	372,702	-	(372,702)	-	-	-
Transferred to general reserve	-	-	-	-	-	4,800,000	(4,800,000)	-	-	-
Issue of bonus shares - December 31, 2007	819,492	-	-	-	-	-	(819,492)	-	-	-
Final cash dividend - December 31, 2007	-	-	-	-	-	-	(819,492)	(819,492)	-	(819,492)
Balance as at March 31, 2007	6,282,768	9,702,528	-	(60,720)	5,586,237	14,600,000	3,288,422	39,399,235	53	39,399,288
Changes in equity										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	6,633	6,633	-	6,633
Exchange differences on translation of net investment in foreign branches	-	-	-	19,028	-	-	-	19,028	-	19,028
Total expense / income recognised directly in equity	-	-	-	19,028	-	-	6,633	25,661	-	25,661
Profit after taxation for nine months period ended December 31, 2007	-	-	-	-	-	-	12,625,381	12,625,381	-	12,625,381
Share of profit attributable to minority interest	-	-	-	-	-	-	(10)	(10)	10	-
Total recognised income for the period	-	-	-	19,028	-	-	12,632,004	12,651,032	10	12,651,042
Transferred to statutory reserve	-	-	-	-	1,153,854	-	(1,153,854)	-	-	-
Transferred to general reserve	-	-	-	-	-	3,000,000	(3,000,000)	-	-	-
Interim cash dividend - March 31, 2007	-	-	-	-	-	-	(1,570,692)	(1,570,692)	-	(1,570,692)
Interim cash dividend - June 30, 2007	-	-	-	-	-	-	(1,570,704)	(1,570,704)	-	(1,570,704)
Interim cash dividend - September 31, 2007	-	-	-	-	-	-	(1,570,704)	(1,570,704)	-	(1,570,704)
Balance as at December 31, 2007	6,282,768	9,702,528	-	(41,692)	6,740,091	17,600,000	7,054,472	47,338,167	63	47,338,230
Changes in equity										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	19,176	19,176	-	19,176
Exchange differences on translation of net investment in foreign branches	-	-	-	16,646	-	-	-	16,646	-	16,646
Total expense / income recognised directly in equity	-	-	-	16,646	-	-	19,176	35,822	-	35,822
Profit after taxation for three months period ended March 31, 2008	-	-	-	-	-	-	4,006,575	4,006,575	-	4,006,575
Share of profit attributable to minority interest	-	-	-	-	-	-	(3)	(3)	3	-
Total recognised income for the period	-	-	-	16,646	-	-	4,025,748	4,042,394	3	4,042,397
Transferred to statutory reserve	-	-	-	-	411,213	-	(411,213)	-	-	-
Interim cash dividend	-	-	-	-	-	-	-	-	(2)	(2)
Final cash dividend - December 31, 2007	-	-	-	-	-	-	(3,141,384)	(3,141,384)	(2)	(3,141,386)
Balance as at March 31, 2008	6,282,768	9,702,528	-	(25,046)	7,151,304	17,600,000	7,527,623	48,239,177	62	48,239,241

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

President and Chief Executive

Director

Director

Director

MCB Bank Limited
Notes to the Consolidated Condensed Interim Financial statements (Un-audited)
As at March 31, 2008

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company		
- MCB Bank Limited		"Percentage holding of MCB Bank Limited"
Subsidiary Companies		
- Muslim Commercial Financial Services (Private) Limited		99.99%
- MNET Services (Private) Limited		99.95%
- MCB Trade Services Limited		100%
- MCB Asset Management Company Limited		99.99%

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (each representing four ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. However, effective from April 10, 2008, each GDR represents two ordinary equity shares of the bank. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB - 15 Main, Gulberg Lahore respectively. The Bank operates 1,020 branches including 8 Islamic banking branches (March 31, 2007: 988 branches) inside Pakistan and 6 (March 31, 2007: 6) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

- a) 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 condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- b) The financial results of the Islamic banking branches have been consolidated in these condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 18 to these condensed interim financial statements.
- c) The consolidated condensed financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.
- d) 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 March 31, 2008 and the carrying value of investments held by the bank is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.
- e) 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 associate. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associate has been accounted for based on the financial statements for the period ended March 31, 2008.
- f) 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

These consolidated condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these 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.

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 information required for full 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, 2007.

4 BASIS OF MEASUREMENT

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

5 SIGNIFICANT ACCOUNTING POLICIES

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 Bank for the year ended December 31, 2007.

6 SIGNIFICANT ACCOUNTING ESTIMATES

The basis for accounting estimates 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 Bank for the year ended December 31, 2007.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	March 31, 2008	December 31, 2007
	----- (Rupees in '000) -----	
Call money lendings	2,149,424	1,051,372
Repurchase agreement lendings	3,436,804	-
	<u>5,586,228</u>	<u>1,051,372</u>

8 INVESTMENTS - Net

8.1 Investments by types

		Held by bank	Given as collateral	Total
		----- March 31, 2008 -----		
Held-for-trading securities		405,065	-	405,065
Available-for-sale securities	8.2	68,420,992	3,683,388	72,104,380
Held-to-maturity securities		11,032,309	-	11,032,309
		<u>79,858,366</u>	<u>3,683,388</u>	<u>83,541,754</u>
Associates	8.3	3,398,494	-	3,398,494
Subsidiaries		-	-	-
		<u>3,398,494</u>	<u>-</u>	<u>3,398,494</u>
		<u>83,256,860</u>	<u>3,683,388</u>	<u>86,940,248</u>
Less:				
Provision for diminution in the value on investments		(468,288)	-	(468,288)
Surplus / (deficit) on revaluation of available for sale securities - net		1,665,760	(6,079)	1,659,681
Deficit on revaluation of held-for-trading securities - net		12,361	-	12,361
Investments - net		<u>84,466,693</u>	<u>3,677,309</u>	<u>88,144,002</u>
		Held by bank	Given as collateral	Total
		----- December 31, 2007 -----		
Held-for-trading securities		519,089	-	519,089
Available-for-sale securities	8.2	72,117,556	26,996,870	99,114,426
Held-to-maturity securities		11,102,023	-	11,102,023
		<u>83,738,668</u>	<u>26,996,870</u>	<u>110,735,538</u>
Associates		3,277,157	-	3,277,157
Adamjee Insurance Company Limited	8.3	63,300	-	63,300
First Women Bank Limited		3,340,457	-	3,340,457
		<u>87,079,125</u>	<u>26,996,870</u>	<u>114,075,995</u>
Less:				
Provision for diminution in the value of investments		(468,288)	-	(468,288)
Surplus / (deficit) on revaluation of available for sale securities - net		1,790,202	(35,990)	1,754,212
Deficit on revaluation of held-for-trading securities - net		(3,329)	-	(3,329)
Investments - net		<u>88,397,710</u>	<u>26,960,880</u>	<u>115,358,590</u>

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2007: 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, 2007: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account. Further Euro bonds issued by Government of Pakistan amounting to US\$ 29 Million (face value) are earmarked by Mashreqbank PSC against loan obtained by the Bank.

- 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 as at March 31, 2008 amounted to Rs. 11,375.926 million (December 31, 2007: Rs. 10,671.631 million).

	March 31, 2008	December 31, 2007
	Rs. in '000	
Opening Balance	3,277,157	2,259,550
Share of profits	26,597	1,223,633
Dividend from Associate	(44,670)	(98,274)
Share of tax	(3,032)	(15,769)
	(21,105)	1,109,590
Share of unrealised surplus on investments	79,142	(91,983)
Closing balance	<u>3,335,194</u>	<u>3,277,157</u>

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

9 ADVANCES - net

	March 31, 2008	December 31, 2007
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	220,151,661	208,588,318
- Outside Pakistan	6,761,004	6,989,947
	<u>226,912,665</u>	<u>215,578,265</u>
Net Investment in Finance Lease		
- In Pakistan	6,633,370	6,902,283
- Outside Pakistan	66,265	67,710
	<u>6,699,635</u>	<u>6,969,993</u>
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	2,873,767	2,949,228
- Payable outside Pakistan	4,526,074	4,234,574
	<u>7,399,841</u>	<u>7,183,802</u>
Advances - gross	<u>241,012,141</u>	<u>229,732,060</u>
Less: Provision against loans and advances		
- Specific provision	9.1 (7,868,726)	(7,326,953)
- General provision	(2,572,726)	(2,749,815)
- General provision against consumer loans	(726,283)	(688,665)
- General Provision for potential lease losses (in Srilanka Operations)	(8,961)	(6,841)
	<u>(11,176,696)</u>	<u>(10,772,274)</u>
Advances - net of provision	<u>229,835,445</u>	<u>218,959,786</u>

- 9.1 Advances include Rs. 11,655.780 million (December 31, 2007: Rs. 10,725.308 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 2008				
	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Other Assets Especially					
Mentioned (OAEM)	9.1.1 111,851	-	111,851	-	-
Substandard	1,109,512	-	1,109,512	261,651	261,651
Doubtful	2,037,114	5,016	2,042,130	1,005,219	1,005,219
Loss	5,689,159	2,703,128	8,392,287	6,601,856	6,601,856
	<u>8,947,636</u>	<u>2,708,144</u>	<u>11,655,780</u>	<u>7,868,726</u>	<u>7,868,726</u>
December 31, 2007					
Category of Classification	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Other Assets Especially					
Mentioned (OAEM)	9.1.1 101,910	-	101,910	-	-
Substandard	842,804	11,438	854,242	205,291	205,291
Doubtful	1,691,207	8,373	1,699,580	836,809	836,809
Loss	5,374,166	2,695,410	8,069,576	6,284,853	6,284,853
	<u>8,010,087</u>	<u>2,715,221</u>	<u>10,725,308</u>	<u>7,326,953</u>	<u>7,326,953</u>

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

10 BORROWINGS FROM FINANCIAL INSTITUTIONS

March 31, 2008 December 31, 2007

----- (Rupees in '000) -----

In Pakistan	15,183,678	35,497,881
Outside Pakistan	251,875	3,908,950
	<u>15,435,553</u>	<u>39,406,831</u>

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan

Export refinance scheme

Long term financing - export oriented products scheme

5,117,639	5,593,462
2,347,495	2,473,077
<u>7,465,134</u>	<u>8,066,539</u>

Borrowings from other financial institutions

Repurchase agreement borrowings

-	2,932,600
3,434,404	26,931,342
<u>3,434,404</u>	<u>29,863,942</u>

10,899,538 37,930,481

Unsecured

Overdrawn nostro accounts

Call borrowings

240,754	976,350
4,295,261	500,000
<u>4,536,015</u>	<u>1,476,350</u>

15,435,553 39,406,831

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits

Savings deposits

Current accounts - non remunerative

Margin accounts

Others

28,518,637 32,202,230

163,387,654 151,554,958

97,135,598 95,957,918

4,060,199 2,589,309

2,178 4,288

293,104,266 282,308,703

Financial institutions

Remunerative deposits

Non-remunerative deposits

6,929,854	9,233,602
1,605,405	546,042
<u>8,535,259</u>	<u>9,779,644</u>

301,639,525 292,088,347

12 DEFERRED TAX ASSETS / (LIABILITY) - 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

On net investment in finance lease

Accelerated tax depreciation

Difference in tax base of associated undertaking

Surplus on revaluation of Securities

Others

(465,286) (469,482)

(499,174) (599,216)

(561,852) (568,718)

(81,005) -

(190,968) (156,767)

(2,441) -

(1,800,726) (1,794,183)

Deductible temporary differences on:

Provision for contributory benevolent scheme

Provision for bad debts

Provision for gratuity

Provision for employees compensated absences

Others

98,706	98,706
90,468	-
	1,197

509,298 509,298

- 1,396

698,472 610,597

(1,102,254) (1,183,586)

13 CONTINGENCIES AND COMMITMENTS

March 31, December 31,
2008 2007
----- (Rupees in '000) -----

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

- Government

- Banks and financial institutions

- Others

Suppliers credit / payee guarantee

6,159,580	5,283,799
79,970	376,773
7,750,079	7,247,043
1,965,540	1,809,117
15,955,169	14,716,732

13.2 Trade-related contingent liabilities

63,825,465 61,677,285

13.3 Other contingencies

Claims against the Bank not acknowledged as debts

135,080 134,079

13.4 Commitments to extend credit

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

13.5 Commitments in respect of forward foreign exchange contracts

Purchase

78,155,715 62,077,338

Sale

83,863,498 69,362,417

13.6 Commitments for the acquisition of fixed assets

107,520 78,670

13.7 Other commitments

Cross currency swaps (notional amount)

1,790,874 1,845,484

FX Options (notional amount)

- Purchase

121,528 351,702

- Sale

121,528 351,702

Interest rate swaps (notional amount)

1,031,623 2,721,698

Forward outright sale of Government Securities

71,769 -

Three months ended

March 31, March 31,

2008 2007

---- (Rupees in '000) ----

14 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation attributable to ordinary shareholders

4,006,575 3,816,289

Weighted average number of shares outstanding during the period

Number of shares
628,276,843 628,276,843

Earnings per share

Rupees
6.38 6.07

15 CREDIT RATING

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

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Three months period ended March 31, 2008						Total
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Eliminations	
	------(Rupees in '000)-----						
Total income	31,939	2,300,700	5,864,423	1,952,054	66,094	(88,741)	10,126,469
Total expenses	(8,848)	(173,806)	(3,874,517)	(380,602)	(30,520)	88,741	(4,379,552)
Income tax expense	-	-	-	-	-	-	(1,740,342)
Net income	23,091	2,126,894	1,989,906	1,571,452	35,574	-	4,006,575
Segment assets - (Gross of NPLs Provisions)	22,792	108,520,850	153,265,796	145,305,740	379,739	(462,336)	407,032,581
Total assets	22,792	108,520,850	153,265,796	145,305,740	379,739	(462,336)	407,032,581
Segment non performing loans	-	-	5,656,911	5,998,869	-	-	11,655,780
Segment specific provision required	-	-	3,818,937	4,049,789	-	-	7,868,726
Segment liabilities	-	91,263,935	125,260,654	121,494,700	28,450	(462,336)	337,585,403
Deferred tax liabilities - net	-	-	-	-	-	-	1,102,254
Provision for taxation	-	-	-	-	-	-	2,103,260
Total liabilities - net	-	91,263,935	125,260,654	121,494,700	-	(462,336)	340,790,917
Segment return on assets (ROA) (%)	-	7.84%	5.33%	4.45%	37.47%	-	5.65%
Segment cost of fund (%)	-	9.62%	2.06%	3.06%	-	-	2.16%
	Three months period ended March 31, 2007						
Total income	46,906	1,899,186	5,112,156	2,047,279	15,739	(85,194)	9,036,072
Total expenses	(8,925)	(226,928)	(3,216,416)	(322,672)	(11,993)	85,194	(3,701,740)
Income tax expense	-	-	-	-	-	-	(1,518,043)
Net income	37,981	1,672,258	1,895,740	1,724,607	3,746	-	3,816,289
Segment assets - (Gross of NPLs provision)	14,764	133,104,489	125,588,630	110,353,657	300,279	(617,897)	368,743,922
Total assets	14,764	133,104,489	125,588,630	110,353,657	300,279	(617,897)	368,743,922
Segment non performing loans	-	-	4,385,277	4,307,236	-	-	8,692,513
Segment specific provision required	-	-	2,982,827	2,929,745	-	-	5,912,572
Segment liabilities	-	115,880,631	105,219,273	94,711,148	(1,835)	(617,897)	315,191,320
Deferred tax assets	-	-	-	-	-	-	172,010
Provision for taxation	-	-	-	-	-	-	1,843,175
Total liabilities - net	-	115,880,631	105,219,273	94,711,148	(1,835)	(617,897)	317,206,505
Segment return on assets (ROA) (%)	-	5.03%	6.04%	6.25%	4.99%	-	4.14%
Segment cost of fund (%)	-	1.09%	1.82%	2.34%	-	-	1.91%

17 RELATED PARTY TRANSACTIONS

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

Transactions between the Group and its related parties are carried out at an arm's length basis under the comparable uncontrolled price method. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. There are no transactions with key management personnel other than under their terms of employment. Remuneration to the executives and key management personnel are determined in accordance with the terms of their employment.

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

Type of related party	Directors		Associated companies		Other Related Parties	
	Quarter ended	Year ended	Quarter ended	Year ended	Quarter ended	Year ended
	March 31, 2008	Dec 31, 2007	March 31, 2008	Dec 31, 2007	March 31, 2008	Dec 31, 2007

(Rupees in '000)

Deposits

Deposits at beginning of the period / year	17,980	19,099	275,826	522,641	209,716	314,045
Deposits received during the period / year	77,823	447,772	20,574,522	124,757,792	3,179,379	14,776,866
Deposits repaid during the period / year	(79,499)	(448,891)	(20,445,138)	(125,004,607)	(3,210,651)	(14,881,195)
Deposits at the end of the period / year	16,304	17,980	405,210	275,826	178,444	209,716

Advances (secured)

Balance at beginning of the period / year	-	-	-	-	1,661,869	2,240,038
Loan granted during the period / year	-	-	-	-	246,000	1,442,020
Repayment during the period / year	-	-	-	-	(264,324)	(2,020,189)
Balance at end of the period / year	-	-	-	-	1,643,545	1,661,869

Profit rates on advances to Pension Fund at 6 month KIBOR + 0.3% and to the Provident Fund at 6 month KIBOR +0.3% (December,31 2007: Pension Fund at 6 month KIBOR + 0.3% and Provident Fund at 6 month KIBOR +0.3%) per annum. As at March 31, 2008, interest receivable from the above funds amounted to Rs. NIL million (December 31, 2007: 37.636 million).

	March 31, 2008	December 31, 2007
Receivable from Pension Fund	11,971,047	10,651,047

(Rupees in '000)

	Directors		Associated companies		Other Related Parties	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007

(Rupees in '000)

Adamjee Insurance Company Limited

Insurance premium paid	-	-	-	556	-	-
Insurance claim settled	-	-	21,367	7,206	-	-
Dividend received	-	-	44,670	53,604	-	-
Rent income received	-	-	292	588	-	-

MCB Employees Foundation

- Service expenses	-	-	-	-	4,462	4,902
- Cash sorting expenses	-	-	-	-	4,141	4,121
- Cash in transit expenses	-	-	-	-	1,028	-

Others

- Remuneration of key management personnel	1,694	406	-	-	117,330	84,813
- Miscellaneous expenses	-	-	-	-	16,259	11,971
- Contribution / (expense) on provident fund	-	-	-	-	172,971	26,391

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

18 ISLAMIC BANKING BUSINESS

March 31, December 31,
2008 2007

Assets

----- (Rupees in '000) -----

Cash and balances with treasury banks	140,531	601,665
Investments - net	1,419,000	1,419,000
Financing and receivables		
- Murabaha	3,199,893	2,406,402
- Ijara	1,398,447	1,585,202
- Islamic export refinance	806,732	738,178
Other Assets	298,892	764,036
	7,263,495	7,514,483

Liabilities

Bills payable	306,783	47,115
Deposits and other accounts		
- Current Accounts	292,047	440,567
- Saving Accounts	518,881	907,283
- Term Deposits	72,254	76,382
- Others	6,921	30,256
Borrowing from SBP	651,000	593,000
Due to head office	4,750,000	4,750,000
Deferred tax liability	4,988	4,988
Other liabilities	210,989	113,598
	6,813,863	6,963,189
Net assets	449,632	551,294

Represented by:

Islamic Banking Fund	400,000	400,000
Reserves		
Unappropriated profit	35,620	137,282
	435,620	537,282
Surplus on revaluation of assets - net of tax	14,012	14,012
	449,632	551,294
Remuneration to Shariah Advisor / Board	1,422	1,179

Charity Fund

Opening Balance	4,227	3,244
Additions during the period / year	543	983
Payments/ utilization during the period / year	-	-
Closing Balance	4,770	4,227

19 General and Non-Adjusting event

19.1 The Board of Directors in its meeting held on April 25, 2008 has announced cash dividend in respect of the three months period year ended March 31, 2008 of Rs. 3 per share (March 31, 2007: Rs 2.50 per share). In addition, the board of directors has also approved appropriations to General Reserve amounting to Rs. 1,000 Million (March 31, 2007: nil). These consolidated condensed interim financial statements for the three months period ended March 31, 2008 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

19.2 Figures have been rounded to the nearest thousand rupees whereas corresponding figures have been re-arranged and re-classified, wherever necessary for the purpose of comparison.

20 DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on April 25, 2008 by the Board of Directors of the Bank.

President and Chief Executive

Director

Director

Director