

MCB Bank Limited and Subsidiary Companies

Condensed Interim Balance Sheet

As at September 30, 2006

	(Unaudited) September 30, 2006	(Audited) December 31, 2005 (Restated)
ASSETS		
Cash and balances with treasury banks	29,822,237	23,665,549
Balances with other banks	1,762,444	1,522,483
Lendings to financial institutions	19,348,756	9,998,828
Investments - net	7 66,323,929	70,356,782
Advances - net	8 183,581,850	180,322,753
Other assets - net	9,241,569	5,466,420
Operating fixed assets	8,713,631	8,182,454
Deferred tax assets - net	154,380	192,362
	318,948,796	299,707,631
LIABILITIES		
Bills payable	8,223,506	8,536,674
Borrowings from financial institutions	14,719,098	27,377,502
Deposits and other accounts	251,085,017	229,339,867
Sub-ordinated loan	1,597,440	1,598,080
Liabilities against assets subject to finance lease	-	-
Other liabilities	11,430,999	8,182,270
Deferred tax liabilities - net	-	-
	287,056,060	275,034,393
NET ASSETS	31,892,736	24,673,238
REPRESENTED BY:		
Shareholders Equity		
Share capital	5,118,392	4,265,327
Reserves	15,925,395	9,054,940
Unappropriated profit	4,136,665	5,339,402
	25,180,452	18,659,669
Minority Interest	50	29
	25,180,502	18,659,698
Surplus on revaluation of assets - net of tax	6,712,234	6,013,540
	31,892,736	24,673,238

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Mohammad Aftab Manzoor
President and
Chief Executive

Director

Director

Director

MCB Bank Limited and Subsidiary Companies
Condensed Interim Profit and Loss Account (Unaudited)

For the nine months period ended September 30, 2006

	Note	Quarter ended Sep 30, 2006	Nine months ended Sep 30, 2006	Quarter ended Sep 30, 2005 (Restated)	Nine months ended Sep 30, 2005 (Restated)
----- (Rupees in '000) -----					
Mark-up / return / interest earned		6,559,068	18,571,712	5,036,353	12,223,765
Mark-up / return / interest expensed		1,145,785	3,046,755	805,022	1,945,963
Net mark-up / interest income		5,413,283	15,524,957	4,231,331	10,277,802
Provision against non-performing loans and advances - net		144,956	285,582	309,082	739,916
Provision / (reversal) for diminution in the value of investments		100,347	121,198	(91,000)	(91,000)
Bad debts written off directly		6	1,135	102	1,983
		245,309	407,915	218,184	650,899
Net mark-up / interest income after provisions		5,167,974	15,117,042	4,013,147	9,626,903
NON MARK-UP/INTEREST INCOME					
Fee, commission and brokerage income		570,593	1,689,184	640,231	1,783,949
Income earned as trustees to various funds		177	307	295	10,094
Dividend income		338,150	479,687	204,825	314,277
Income from dealing in foreign currencies		109,416	503,469	165,180	381,044
Income / gain on investments		105,203	540,958	84,995	646,063
Gain on trading in government securities		-	33	514	852
Other income	11	112,463	393,689	115,159	343,501
Total non mark-up / interest income		1,236,002	3,607,327	1,211,199	3,479,780
		6,403,976	18,724,369	5,224,346	13,106,683
NON MARK-UP/INTEREST EXPENSE					
Administrative expenses	12	2,135,164	5,754,122	1,690,925	5,431,166
Other provisions		-	9,910	4,919	(87,593)
Other charges - net		380	3,025	20,711	24,981
Total non mark-up/interest expenses		2,135,544	5,767,057	1,716,555	5,368,554
Share of Profit of Associated Undertaking		62,996	389,273	53,684	211,181
		4,331,428	13,346,585	3,561,475	7,949,310
Exceptional Item		-	-	-	-
PROFIT BEFORE TAXATION		4,331,428	13,346,585	3,561,475	7,949,310
Taxation - current		1,390,916	4,138,766	1,153,435	2,587,301
- prior years		407	174,105	-	-
- deferred		2,070	52,936	10,813	(233,179)
Share of tax of Associated undertaking		1,385	24,762	(8,000)	23,346
		1,394,778	4,390,569	1,156,248	2,377,468
PROFIT AFTER TAXATION		2,936,650	8,956,016	2,405,227	5,571,842
Share of profit attributable to minority interest		(1)	(1)	-	-
		2,936,649	8,956,015	2,405,227	5,571,842
Unappropriated profit brought forward		3,512,753	5,339,402	1,462,991	559,559
Transfer from surplus on revaluation of fixed assets - net of tax		1,108	32,486	4,482	31,512
		3,513,861	5,371,888	1,467,473	591,071
Profit available for appropriation		6,450,510	14,327,903	3,872,700	6,162,913
APPROPRIATIONS					
Transfer to:					
Statutory reserve		290,166	864,282	234,326	538,287
Capital reserves		-	-	-	-
General reserve		1,000,000	6,000,000	1,000,000	2,000,000
Reserve for issue of bonus shares 2005 @ 20% (2004: 10%)		-	853,065	-	337,180
Final cash dividend 2005 @ Re. 1 per share - (2004: Re. Nil)		-	426,533	-	-
Interim cash dividend - March 2006 @ Rs 2 per share - (2005: Rs 1.75)		-	1,023,679	-	649,072
Interim cash dividend - June 2006 @ Rs 2 per share		1,023,679	1,023,679	-	-
		2,313,845	10,191,238	1,234,326	3,524,539
Unappropriated profit carried forward		4,136,665	4,136,665	2,638,374	2,638,374
Earnings per share - Basic and Diluted	13	5.74	17.50	4.70	10.89

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Mohammad Aftab Manzoor
President and
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MCB Bank Limited and Subsidiary Companies
Condensed Interim Cash Flow Statement (Unaudited)

For the nine months period ended September 30, 2006

	September 30, 2006	September 30, 2005 (Restated)
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	13,346,585	7,949,310
Less: Dividend income and share of profit in associated undertaking	<u>(868,960)</u>	<u>(525,458)</u>
	12,477,625	7,423,852
Adjustments for non-cash charges		
Depreciation / Amortization	577,613	452,941
Provision against non-performing loans and advances	285,582	739,916
Provision for diminution in the value of investments	121,198	(91,000)
Provision against fixed assets	-	22,610
Provision / (Reversal) of provision on other assets	9,910	(87,593)
Bad debts written off directly	1,135	1,983
Gain on disposal of fixed assets	(20,605)	(5,789)
Surplus on revaluation of held-for-trading securities	8,421	-
	<u>983,254</u>	<u>1,033,068</u>
	13,460,879	8,456,920
(Increase) / decrease in operating assets		
Lendings to financial institutions	(9,349,928)	7,271,456
Held-for-trading securities	4,869	(19,841)
Advances - net	(3,545,814)	(11,320,506)
Other assets -net	(3,395,950)	(576,930)
	<u>(16,286,823)</u>	<u>(4,645,821)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(313,168)	1,307,943
Borrowings from financial institutions	(12,658,404)	7,788,344
Deposits	21,745,150	4,832,314
Other liabilities	1,213,890	330,869
	<u>9,987,468</u>	<u>14,259,470</u>
	7,161,524	18,070,569
Income tax paid	<u>(2,353,321)</u>	<u>(330,206)</u>
Net cash flows from operating activities	4,808,203	17,740,363
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(16,411,586)	(32,295,635)
Net investments in held-to-maturity securities	21,328,120	11,875,773
Dividend income received	197,948	252,849
Investments in operating fixed assets - net of disposals	(1,088,185)	(733,674)
Net cash flows from investing activities	4,026,297	(20,900,687)
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of sub-ordinated loan	(640)	(640)
Proceed from issue of right shares	-	1,390,868
Proceed from issue of shares to minority interest	20	-
Dividend paid	<u>(2,443,404)</u>	<u>(263,627)</u>
Net cash flows from financing activities	(2,444,024)	1,126,601
Exchange difference on translation of net investments in foreign branches	<u>6,173</u>	<u>6,194</u>
Increase in cash and cash equivalents	6,396,649	(2,027,529)
Cash and cash equivalents at beginning of the period	<u>25,188,032</u>	<u>29,593,632</u>
Cash and cash equivalents at end of the period	<u><u>31,584,681</u></u>	<u><u>27,566,103</u></u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

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MCB Bank Limited and Subsidiary Companies
Condensed Interim Statement of Changes in Equity (Unaudited)
For the nine months period ended September 30, 2006

	Capital Reserves			Other Reserves		Unappropriated profit	Sub Total	Minority Interest	Total	
	Share capital	Share premium	Reserve for issue of bonus shares	Exchange translation reserve	Statutory reserve					General reserve
----- (Rupees in'000) -----										
Balance as at January 01, 2005 - restated	3,371,800	473,673	337,180	(56,354)	3,107,054	1,800,000	222,379	9,255,732	28	9,255,760
Effect of change in accounting policy										
Transferred to reserve for issue of bonus shares - final	-	-	(337,180)	-	-	-	337,180	-	-	-
Balance as at January 01, 2005 - restated	3,371,800	473,673	-	(56,354)	3,107,054	1,800,000	559,559	9,255,732	28	9,255,760
Effect of change in accounting policy										
Transferred to reserve for issue of bonus shares - final	-	-	337,180	-	-	-	(337,180)	-	-	-
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	31,512	31,512	-	31,512
Profit after taxation for nine months period ended September 30, 2005	-	-	-	-	-	-	5,571,842	5,571,842	-	5,571,842
Exchange difference on translation of net investments in foreign branches	-	-	-	6,194	-	-	-	6,194	-	6,194
Total recognised income and expense for the period	-	-	-	6,194	-	-	5,603,354	5,609,548	-	5,609,548
Transferred to statutory reserve	-	-	-	-	538,287	-	(538,287)	-	-	-
Transferred to general reserve	-	-	-	-	-	2,000,000	(2,000,000)	-	-	-
Issue of bonus shares	337,180	-	(337,180)	-	-	-	-	-	-	-
Interim cash dividend - March 2005	-	-	-	-	-	-	(649,072)	(649,072)	-	(649,072)
Issue of right shares	556,347	834,521	-	-	-	-	-	1,390,868	-	1,390,868
Balance as at September 30, 2005 - restated	4,265,327	1,308,194	-	(50,160)	3,645,341	3,800,000	2,638,374	15,607,076	28	15,607,104
Interim cash dividend - September 2005	-	-	-	-	-	-	(639,799)	(639,799)	-	(639,799)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	52,237	52,237	-	52,237
Profit after taxation for three months period ended December 31, 2005	-	-	-	-	-	-	3,642,545	3,642,545	-	3,642,545
Share of profit attributable to minority interest	-	-	-	-	-	-	(1)	(1)	1	-
Exchange difference on translation of net investments in foreign branches	-	-	-	(2,389)	-	-	-	(2,389)	-	(2,389)
Total recognised income and expense for the period	-	-	-	(2,389)	-	-	3,694,781	3,692,392	1	3,692,393
Transferred to statutory reserve	-	-	-	-	353,954	-	(353,954)	-	-	-
Transferred to general reserve	-	-	-	-	-	-	-	-	-	-
Interim cash dividend	-	-	-	-	-	-	-	-	-	-
Transferred to reserve for issue of bonus shares - final	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2005 - restated	4,265,327	1,308,194	-	(52,549)	3,999,295	3,800,000	5,339,402	18,659,669	29	18,659,698
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	32,486	32,486	-	32,486
Profit after taxation for nine months period ended September 30, 2006	-	-	-	-	-	-	8,956,016	8,956,016	-	8,956,016
Share of profit attributable to minority interest	-	-	-	-	-	-	(1)	(1)	1	-
Issue of shares to minority interest	-	-	-	-	-	-	-	-	20	20
Exchange difference on translation of net investments in foreign branches	-	-	-	6,173	-	-	-	6,173	-	6,173
Total recognised income and expense for the period	-	-	-	6,173	-	-	8,988,501	8,994,674	21	8,994,695
Transferred to statutory reserve	-	-	-	-	864,282	-	(864,282)	-	-	-
Transferred to general reserve	-	-	-	-	-	6,000,000	(6,000,000)	-	-	-
Issue of bonus shares	853,065	-	-	-	-	-	(853,065)	-	-	-
Final cash dividend	-	-	-	-	-	-	(426,533)	(426,533)	-	(426,533)
Interim cash dividend - March 2006	-	-	-	-	-	-	(1,023,679)	(1,023,679)	-	(1,023,679)
Interim cash dividend - June 2006	-	-	-	-	-	-	(1,023,679)	(1,023,679)	-	(1,023,679)
Balance as at September 30, 2006	5,118,392	1,308,194	-	(46,376)	4,863,577	9,800,000	4,136,665	25,180,452	50	25,180,502

The annexed notes 1 to 19 form an integral part of these financial statements.

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MCB Bank Limited and Subsidiary Companies
Notes to the Condensed Interim Financial Statements (Unaudited)
For the nine months period ended September 30, 2006

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 is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all the stock exchanges in Pakistan. The bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB Tower, I.I. Chundrigar Road, Karachi respectively. The bank operates 973 branches including 5 Islamic banking branches (September 30, 2005: 942) inside Pakistan and 5 (September 30, 2005: 5) branches outside Pakistan (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 financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereof.
- b) The consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.
- c) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the unaudited financial statements for the period ended September 30, 2006 and the carrying value of investments held by the bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Material intra-Group balances and transactions have been eliminated.

- d) 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 reviewed financial statements for the period ended September 30, 2006.
- e) 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.
- f) The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material intra bank transactions/balances. Key financial figures of the Islamic Banking branches are disclosed in note 15 to these financial statements.

3. STATEMENT OF COMPLIANCE

These 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 and the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Approved accounting standards comprise of such International Accounting Standards 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 Securities and Exchange Commission of Pakistan and the State Bank of Pakistan 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 disclosures made in these condensed interim financial statements have, however, been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, 'Interim Financial Reporting'.

4. BASIS OF MEASUREMENT

These 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 and certain staff retirement benefits are carried at present value.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these 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, 2005 except for the following:

During the period the institute of Chartered Accountants of Pakistan issued a circular number 06-2006 dated June 19, 2006 which requires that all declarations of dividend to holders of equity instruments including declaration of bonus issues and other appropriations except appropriations which are required by law after the balance sheet date should not be recognised as liabilities or change in reserves at the balance sheet date. Previously all declarations of dividends to holders of equity instruments and transfers to reserves relating to profit for the year although declared subsequent to year end, were accounted for in the year to which those related. This change has been applied retrospectively and comparatives have been restated. The change in accounting policy had following impact on these condensed interim financial statements:

The effect for changes in accounting policy is tabulated below:

	September 30, 2006	December 31, 2005
	(Rupees in '000)	
- Decrease in General Reserve	-	3,500,000
- Decrease in Reserve for Issue of Bonus Shares	-	853,065
- Increase in unappropriated profit	-	4,779,598
- Decrease in other liabilities (proposed cash dividend)	-	426,533

The effect of change in accounting policy has been reflected in the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit for the current period.

6. SIGNIFICANT ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these 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, 2005.

7. INVESTMENTS - NET

		Held by bank	Given as collateral	Total
----- (Rupees in '000) -----				
As on September 30, 2006	7.1	60,658,114	5,665,815	66,323,929
As on December 31, 2005		50,838,315	19,518,467	70,356,782

7.1 INVESTMENTS BY TYPES

----- September 30, 2006 -----				
Held-for-trading securities		61,187	-	61,187
Available-for-sale securities	7.2	43,552,540	5,679,920	49,232,460
Held-to-maturity securities		12,681,771	-	12,681,771
		56,295,498	5,679,920	61,975,418
Associate				
Adamjee Insurance Company Limited	7.3	2,271,839	-	2,271,839
First Women Bank Limited		63,300	-	63,300
		2,335,139	-	2,335,139
		58,630,637	5,679,920	64,310,557
Less: Provision for diminution in the value of investments		(363,019)	-	(363,019)
Surplus on revaluation of investments		2,397,283	(14,105)	2,383,178
Deficit on revaluation of held-for-trading investments		(6,787)	-	(6,787)
Investments - net		60,658,114	5,665,815	66,323,929

7.2 Investments include Pakistan Investment bonds amounting to Rs. 232.600 million (December 31, 2005: 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 by the bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2005: 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 Dollar 29 Million (Face Value) are earmarked by Mashreqbank PSC against loan obtained by the bank.

7.3 Investment of the group in Adamjee Insurance Company Limited has been accounted for under equity method of accounting as at September 30, 2006 in accordance with the treatment specified in International Accounting Standard 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at September 30, 2006 amounted to Rs. 3,320.911 million (December 31, 2005: 3,296.847 million).

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

	September 30, 2006	December 31, 2005
Rupees in '000		
Opening Balance	1,869,045	1,041,800
Share of profits	389,273	349,019
Dividend from associate	(62,568)	(36,097)
Share of tax	(24,762)	(25,357)
	301,943	287,565
Share of unrealised surplus on investments	100,851	539,680
Closing balance	2,271,839	1,869,045

8. ADVANCES - NET

September 30, December 31,
2006 2005
(Rupees in '000)

Loans, cash credits, running finances, etc

- In Pakistan	174,807,595	174,625,232
- Outside Pakistan	4,168,082	3,755,036
	178,975,677	178,380,268

Net Investment in finance Lease

- In Pakistan	5,908,307	3,897,184
- Outside Pakistan	89,248	93,330
	5,997,555	3,990,514

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan	2,066,965	2,386,952
- Payable outside Pakistan	4,417,475	3,381,943
	6,484,440	5,768,895

191,457,672 188,139,677

Less: Provision for non - performing loans and advances

- Specific provision	(5,172,000)	(5,534,376)
- General provision	(2,391,084)	(2,098,053)
- Potential lease losses	(3,934)	(3,941)
General provision against consumer loans	(308,804)	(180,554)
	(7,875,822)	(7,816,924)

183,581,850 180,322,753

8.1 Advances include Rs. 8,142.891 million (December 31, 2005: Rs 8,395.989 million) which have been placed under non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision required	Provision held
----- Rupees in '000 -----					
Other Assets Especially Mentioned	99,354	-	99,354	-	-
Substandard	276,392	-	276,392	62,612	62,612
Doubtful	450,113	-	450,113	212,941	212,941
Loss	4,639,938	2,677,094	7,317,032	4,896,447	4,896,447
	5,465,797	2,677,094	8,142,891	5,172,000	5,172,000

8.1.1 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 State Bank of Pakistan.

9. CONTINGENCIES AND COMMITMENTS	September 30, 2006	December 31, 2005
	(Rupees in '000)	
9.1 Transaction-related Contingent Liabilities / Commitments		
Guarantees in favour of:		
- Government	3,764,580	3,864,070
- Banks and financial institutions	20,881	37,673
- Others	3,051,970	1,901,102
Suppliers credit / payee guarantee	1,554,430	1,428,642
	8,391,861	7,231,487
9.2 Trade-related Contingent Liabilities	42,274,395	39,189,177
9.3 Other Contingencies	218,625	492,420
9.4 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.		
9.5 Commitments in respect of forward foreign exchange contracts		
Purchase	34,148,545	13,646,165
Sale	38,483,033	16,263,722
	72,631,578	29,909,887
9.6 Commitments for the acquisition of operating fixed assets	2,631,102	587,242
9.7 Commitments in respect of:		
Forward Lending	-	-
Forward Borrowing	-	-
	-	-
10. 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.		
11. OTHER INCOME		
Other income includes claim of the bank amounting to Rs 44.802 million (September 2005: Rs Nil) in respect of compensation on delayed tax refunds under section 171 of the Income Tax Ordinance, 2001 (parallel to section 102 of the repealed Income Tax Ordinance, 1979) for the assessment years 1992-93 to 2002-03 and tax year 2004. This compensation has been calculated at the rate of 6-15 percent per annum on the amount of the refund for the period commencing at the end of three months of refund becoming due to the bank and ending on the date of payment / adjustment by the income tax authorities.		
12. STAFF RETRENCHMENT COST		
During the period 689 employees in the Non-clerical staff cadre were retrenched with effect from June 01, 2006. The group has incurred an expense of Rs 443.620 million, in addition to payments under the staff retirement funds.		
13. EARNINGS PER SHARE - BASIC AND DILUTED	September 30, 2006	September 30, 2005
	(Rupees in '000)	
Profit after taxation attributable to ordinary shareholders	8,956,015	5,571,842
	(Number of shares)	
Weighted average number of shares outstanding during the period	511,839,290	511,839,290
	(Rupees)	
Earnings per share	17.50	10.89

14. RELATED PARTY TRANSACTIONS

The group has related party relationship with its associated undertakings, employee benefit plans, and its directors and executive officers (including their associates).

Transactions between the group and its related parties are carried out at 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 the key management other than under their terms of employment. Remuneration to the executives are determined in accordance with the terms of their appointment.

Details of transactions with related parties except those under the terms of employment and balances with them as at the

Type of related party	Directors		Associated companies		Other Related Parties	
	Nine months period ended September 30, 2006	Year ended Dec 31, 2005	Nine months period ended September 30, 2006	Year ended Dec 31, 2005	Nine months period ended September 30, 2006	Year ended Dec 31, 2005
----- (Rupees in '000) -----						
Deposits						
Deposits at the beginning of the period / year	61,996	2,030	785,634	227,631	211,409	270,188
Deposits received during the period / year	235,849	697,586	10,170,069	7,274,635	12,547,154	23,140,725
Deposits repaid during the period / year	(286,282)	(637,620)	(10,497,478)	(6,716,632)	(12,442,423)	(23,199,504)
Deposits at the end of the period / year	11,563	61,996	458,225	785,634	316,140	211,409
					September 30, 2006	December 31, 2005
					(Rupees in '000)	
Receivable from Pension Fund					3,348,267	1,973,998
	Directors		Associated companies		Other Related Parties	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
----- (Rupees '000) -----						
Adamjee Insurance Company Ltd.						
-Insurance premium paid	-	-	71,599	75,504	-	-
-Insurance claim settled	-	-	15,264	6,712,234	-	-
-Dividend Received	-	-	62,568	-	-	-
-Rent Income Received	-	-	1,564	1,264	-	-
MCB Employees Foundation						
- Service expenses	-	-	-	-	11,582	10,195
- Cash sorting expenses	-	-	-	-	5,799	5,282
- Cash in transit expenses	-	-	-	-	2,502	2,760
MCB Employees Security System & Services (Private) Limited						
- Security guard expenses	-	-	-	-	62,110	55,672

Details of remuneration, including all benefits to key management personnels i.e. Chief Executive, Directors and Senior Management, as at the period-end were as follows:

	Nine months period ended September 30, 2006		
	Chief Executive	Directors	Senior Management
	----- (Rupees in '000)-----		
Fees	15	75	-
Managerial remuneration	13,650	1,076	67,036
Retirement benefits	498	-	2,808
Rent and house maintenance	2,871	-	15,167
Utilities	598	-	3,371
Medical	332	-	491
Conveyance	289	-	2,595
	<u>18,253</u>	<u>1,151</u>	<u>91,468</u>
Number of persons	<u>1</u>	<u>9</u>	<u>11</u>

The Chief Executive and Senior Management are provided with free use of the bank's maintained cars and household equipment in accordance with the terms of their appointment.

15. ISLAMIC BANKING BRANCHES

September 30, 2006 **December 31, 2005**
(Rupees in '000)

ASSETS

Cash and balances with treasury banks	89,942	87,027
Investments	800,000	-
Advances - net	2,287,201	2,287,561
Other assets - net	635,786	63,484
Operating fixed assets	-	21,019
	3,812,929	2,459,091

LIABILITIES

Bills payable	22,761	4,644
Borrowings from MCB Bank Ltd	2,827,636	1,600,000
Deposits and other accounts	524,172	443,501
Other liabilities	143,272	163,484
	3,517,841	2,211,629

NET ASSETS

	295,088	247,462
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REPRESENTED BY

Islamic Banking Fund	230,000	230,000
Retained earnings	65,088	17,462
	295,088	247,462
Surplus on revaluation of assets - net of tax	-	-
	295,088	247,462

16. POST BALANCE SHEET EVENT

Subsequent to the period end, the Bank has raised US\$ 149.9 million, through the issue of 8,622,100 Global Depository Receipts (GDRs) listed on the London Stock Exchange. Each GDR represents four underlying equity shares and is priced at US\$ 17.397 equivalent to Rs 1,056 of underlying four equity shares (PKR 264 per equity share). As a result of this transaction, the paid-up capital, share premium reserve and equity of the Bank shall be increased to Rs 5,463.3 million, Rs 10,068.3 million and Rs 34,286.5 million respectively.

The event does not provide evidence of conditions that existed at the balance sheet date hence condensed interim financial statements have not been adjusted to reflect non-adjusting event after the balance sheet date.

17. CORRESPONDING FIGURES

Comparative information has been resated to give effect to the change in accounting policy as disclosed in note 5 to these condensed interim financial statements. Further, certain other corresponding figures have been reclassified for the purpose of comparison.

18. GENERAL

18.1 The Board of Directors in its meeting held on October 26, 2006 has approved third interim cash dividend at Rs 2.00 per share (September 30, 2005: cash dividend of Rs 1.5 per share) resulting in total distribution of Rs 1,092.655 million. The condensed interim financial statements for the nine months period ended September 30, 2006 do not include the effect of these appropriations which will be accounted for in the annual financial statements for the year ending December 31, 2006.

18.2 Figures have been rounded off to the nearest thousand rupees.

19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on October 26, 2006 by the Board of Directors of the bank.

Mohammad Aftab Manzoor

**President and
Chief Executive**

Director

Director

Director