



***Vision***

***Challenging and Changing the way you bank***

***Mission***

***MCB Bank's team of committed professionals is dedicated to maintaining long term customer relationships through outstanding service and convenience***

***Core Values***

***Trust  
Customer Focus  
Innovation  
Teamwork  
Achievement  
Social Responsibility***

***Credit Rating  
Long - Term AA+(double A plus)  
Short-Term A1+(A one plus)  
By PACRA***

**BOARD OF DIRECTORS**

Mian Mohammad Mansha

Chairman

S.M. Muneer

Vice Chairman

Tariq Rafi

Shahzad Saleem

Sarmad Amin

Aftab Ahmad Khan

Atif Yaseen

Dr. Muhammad Yaqub

Mian Raza Mansha

Atif Bajwa

President & Chief Executive Officer

**AUDIT COMMITTEE**

Dr. Muhammad Yaqub - Chairman

Tariq Rafi - Member

Atif Yaseen - Member

Mian Raza Mansha - Member

**CHIEF FINANCIAL OFFICER**

Tahir Hassan Qureshi

**COMPANY SECRETARY**

Abdus S. Sami

**AUDITORS**

KPMG Taseer Hadi & Co.

Chartered Accountants

Riaz Ahmad & Co.

Chartered Accountants

**LEGAL ADVISORS**

Mandviwalla & Zafar

Advocates & Legal Consultants

**REGISTERED OFFICE**

MCB Building F-6/G-6,

Jinnah Avenue, Islamabad.

**PRINCIPAL OFFICE**

MCB

15 Main Gulberg, Lahore.

**REGISTRAR'S AND SHARE REGISTRATION OFFICE**

M/s THK Associates (Pvt) Ltd.

State Life Building No. 3,

Dr. Ziauddin Ahmed Road,

Karachi



**DIRECTORS' REPORT MARCH 2008**

I am pleased to present, on behalf of the Board of Directors, the financial statements of MCB Bank Limited for the first quarter ended March 31, 2008.

**FINANCIAL HIGHLIGHTS**

The profit before and after taxation, available for appropriation together with recommended appropriations is as under:

	----- (Rs. in '000) -----
Profit before taxation	5,758,587
Taxation	1,646,454
Profit after taxation	4,112,133
Un-appropriated profit brought forward	5,130,750
Transfer from surplus on revaluation of fixed assets (net of tax)	19,162
Profit available for appropriation	9,262,045
<b>Appropriations:</b>	
Transferred to Statutory Reserve	411,213
Cash dividends – Dec 31, 2007	3,141,384
Total appropriations	3,552,597
Un-appropriated profit carried forward	5,709,448
	<b>Rupees</b>
Earning per share	6.55

**PERFORMANCE REVIEW**

During the first quarter of calendar year 2008 MCB continued to perform well. The bank showed a healthy growth of 10.13% and 10.33% in profit before and after tax respectively which closed at Rs. 5.76 billion and Rs. 4.11 billion respectively as compared to Rs. 5.229 billion and Rs. 3.73 billion for the first three months period of 2007. This translates into EPS of Rs. 6.55 as compared to Rs. 5.93 reported for the similar period last year.

During the period under review the bank's gross loans and advances grew by 5% from Rs. 230 billion as at Dec 31, 2007 and closed at Rs. 241 billion. Deposit on the other hand showed a moderate growth of 3.3% from Dec 31, 2007 and closed at Rs. 302 billion. Due to this Bank's loans to deposit ratio has increased to 79.89%.



There has been a change in conversion ratio of Bank's Global Depository Receipts (GDR) and now every GDR holder is entitled to get 2 Ordinary Shares. The change in the ratio would take effect with the open of business April 10, 2008. As a result there will be a distribution of 1 additional GDR for every 1 held as of record date. The Bank has obtained all required regulatory approvals in this regard.

**RATINGS**

Moody's has upgraded BFSRs ratings by one notch from D- to D and assigned Baa3/Prime-3 rating to Global Local Currency Deposit. PACRA has maintained long term and short term ratings of AA+ & A1+ respectively which show bank's stable outlook.

**ECONOMY**

As per State Bank of Pakistan's apprehensions there exist great economic challenges for the new government due to number of factors like rising international food inflation, slow down in large scale manufacturing, soaring oil prices, heavy government borrowings. All the key economic targets including GDP growth, monetary growth, inflation and current account deficit are unlikely to be achieved during the current fiscal year. The continuous widening fiscal & current account deficit is going to create more complications in growth and would add more inflationary pressure. Due to these factors SBP estimates that real Gross Domestic Product growth would be in the range of 6 percent against target of 7.2 percent.

**FUTURE OUTLOOK**

Going forward the bank will continue to focus on the diversification of its revenue stream and will expand its business in consumer, SMEs and agricultural sectors to further leverage its balance sheet. Given the bank's vibrant business strategy and its extensive outreach with established franchise value, the bank is expected to maintain its performance trend.

**ACKNOWLEDGEMENT**

In the end the Board would like to thank all shareholders and customers for their trust, our staff for their continuous hard work and dedication, and the Government of Pakistan and State Bank of Pakistan for their support.

April 25, 2008

On behalf of Directors

Mian Mohammad Mansha  
Chairman

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

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


	Note	Unaudited March 31, 2008	Audited December 31, 2007
----- (Rupees in '000) -----			
<b>Assets</b>			
Cash and balances with treasury banks		37,885,071	39,683,883
Balances with other banks		1,565,124	3,807,519
Lendings to financial institutions	7	5,586,228	1,051,372
Investments - net	8	85,831,943	113,089,261
Advances - net	9	229,835,976	218,960,598
Operating fixed assets		16,210,788	16,024,123
Deferred tax assets - net		-	-
Other assets - net		19,770,952	17,868,761
		<b>396,686,082</b>	<b>410,485,517</b>
<b>Liabilities</b>			
Bills payable		9,506,255	10,479,058
Borrowings	10	15,435,553	39,406,831
Deposits and other accounts	11	301,670,698	292,098,066
Sub-ordinated loan		-	479,232
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	962,178	1,180,162
Other liabilities		13,082,270	11,722,493
		<b>340,656,954</b>	<b>355,365,842</b>
<b>Net assets</b>		<b>56,029,128</b>	<b>55,119,675</b>
<b>Represented by:</b>			
Share capital		6,282,768	6,282,768
Reserves		34,428,261	34,000,638
Un-appropriated profit		5,709,448	5,130,750
		<b>46,420,477</b>	<b>45,414,156</b>
Surplus on revaluation of assets - net of tax		9,608,651	9,705,519
		<b>56,029,128</b>	<b>55,119,675</b>
<b>Contingencies and commitments</b>	13		

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

	Note	Quarter ended March 31, 2008	Quarter ended March 31, 2007
----- (Rupees in '000) -----			
Mark-up / return / interest earned		8,188,185	7,615,771
Mark-up / return / interest expensed		1,992,374	1,568,554
Net mark-up / interest income		<b>6,195,811</b>	<b>6,047,217</b>
Provision / (reversal) against loans and advances		615,220	192,900
Bad debts written off directly		-	54
		<b>615,220</b>	<b>192,954</b>
Net mark-up / interest income after provisions		<b>5,580,591</b>	<b>5,854,263</b>
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		753,251	572,753
Dividend income		166,589	163,511
Income from dealing in foreign currencies		146,917	221,345
Gain on sale of securities - net		610,456	235,241
Gain / (loss) on trading in government securities - net		10,913	(33)
Other income		228,362	113,170
Total non mark-up / interest income		<b>1,916,488</b>	<b>1,305,987</b>
		<b>7,497,079</b>	<b>7,160,250</b>
<b>Non-mark-up / interest expenses</b>			
Administrative expenses		1,662,210	1,871,368
Other provisions / (reversal)		-	-
Other charges		76,282	60,043
Total non mark-up/interest expenses		<b>1,738,492</b>	<b>1,931,411</b>
		<b>5,758,587</b>	<b>5,228,839</b>
Extra ordinary / unusual item		-	-
		<b>5,758,587</b>	<b>5,228,839</b>
<b>Profit before taxation</b>			
Taxation - current period		2,077,240	1,603,929
- prior years		(230,000)	(459,952)
- deferred		(200,786)	357,839
		<b>1,646,454</b>	<b>1,501,816</b>
		<b>4,112,133</b>	<b>3,727,023</b>
Earnings per share - basic and diluted - Rupees	11	<b>6.55</b>	<b>5.93</b>

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

 Atif Bajwa  
President and Chief Executive



 Sarmad Amin  
Director



 Shahzad Saleem  
Director



 Mian Raza Mansha  
Director



 Atif Bajwa  
President and Chief Executive



 Sarmad Amin  
Director



 Shahzad Saleem  
Director



 Mian Raza Mansha  
Director

**MCB Bank Limited**
**Unconsolidated 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	5,758,587	5,228,839
Less: Dividend income	(166,589)	(163,511)
	<b>5,591,998</b>	<b>5,065,328</b>

**Adjustments for non-cash charges**

Depreciation	186,746	149,157
Amortisation	48,000	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	(11,335)	-
	<b>838,631</b>	<b>388,611</b>
	<b>6,430,629</b>	<b>5,453,939</b>

**(Increase) / decrease in operating assets**

Lendings to financial institutions	(4,534,856)	4,051,606
Held for trading securities	93,990	-
Advances - net	(11,490,598)	11,227,105
Other assets - net	(1,833,939)	(2,883,373)
	<b>(17,765,403)</b>	<b>12,395,338</b>

**Increase / (decrease) in operating liabilities**

Bills payable	(972,803)	25,538
Borrowings from financial institutions	(23,971,278)	(6,227,039)
Deposits	9,572,632	23,268,222
Other liabilities	(846,095)	(223,158)
	<b>(16,217,544)</b>	<b>16,843,563</b>
	<b>(27,552,318)</b>	<b>34,692,840</b>

**Payments of provision against off-balance sheet obligations**

Income tax paid	(1,115,563)	(1,669,213)
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**Net cash flows from operating activities**

	<b>(28,667,881)</b>	<b>33,023,626</b>
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**Cash flows from investing activities**

Net investments in available-for-sale securities	27,010,046	(36,439,409)
Net investments in held-to-maturity securities	69,714	2,542,903
Investments in subsidiary companies	-	(250,000)
Dividend income received	98,337	49,998
Investment in operating fixed assets - net of disposals	(421,411)	(568,721)
	<b>26,756,686</b>	<b>(34,665,229)</b>

**Net cash flows from investing activities**

	<b>(7,908,543)</b>	<b>(1,082,303)</b>
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**Cash flows from financing activities**

Payment of sub-ordinated loan	(479,232)	(638,976)
Dividend paid	(1,667,190)	(539,313)
	<b>(2,146,422)</b>	<b>(1,178,289)</b>

**Net cash flows from financing activities**

	<b>16,410</b>	<b>(7,069)</b>
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**Increase in cash and cash equivalents**

Cash and cash equivalents at January 1	43,491,402	39,042,993
Cash and cash equivalents at March 31	<b>39,450,195</b>	<b>36,216,033</b>

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

 Atif Bajwa  
President and Chief Executive



 Sarmad Amin  
Director



 Shahzad Saleem  
Director



 Mian Raza Mansha  
Director



 Atif Bajwa  
President and Chief Executive



 Sarmad Amin  
Director



 Shahzad Saleem  
Director



 Mian Raza Mansha  
Director

**MCB Bank Limited**
**Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)**

For the three months period ended March 31, 2008



	Capital Reserves			Other Reserves			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	-	(53,637)	5,213,535	9,800,000	5,530,973	35,656,675
<b>Change in Equity</b>								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	5,227	5,227
Exchange differences on translation of net investment in foreign branches	-	-	-	(7,069)	-	-	-	(7,069)
Total income recognised directly in equity	-	-	-	(7,069)	-	-	5,227	(1,842)
Profit after taxation for three months period ended March 31, 2007	-	-	-	-	-	-	3,727,023	3,727,023
Total recognised income for the period	-	-	-	(7,069)	-	-	3,732,250	3,725,181
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)
Balance as at March 31, 2007	6,282,768	9,702,528	-	(60,706)	5,586,237	14,600,000	2,451,537	38,562,364
<b>Changes in equity</b>								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	6,628	6,628
Exchange differences on translation of net investment in foreign branches	-	-	-	18,725	-	-	-	18,725
Total expense / income recognised directly in equity	-	-	-	18,725	-	-	6,628	25,353
Profit after taxation for nine months period ended December 31, 2007	-	-	-	-	-	-	11,538,539	11,538,539
Total recognised income for the period	-	-	-	18,725	-	-	11,545,167	11,563,892
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)
Interim cash dividend - June 30, 2007	-	-	-	-	-	-	(1,570,704)	(1,570,704)
Interim cash dividend - September 31, 2007	-	-	-	-	-	-	(1,570,704)	(1,570,704)
Balance as at December 31, 2007	6,282,768	9,702,528	-	(41,981)	6,740,091	17,600,000	5,130,750	45,414,156
<b>Changes in equity</b>								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	19,162	19,162
Exchange differences on translation of net investment in foreign branches	-	-	-	16,410	-	-	-	16,410
Total expense / income recognised directly in equity	-	-	-	16,410	-	-	19,162	35,572
Profit after taxation for three months period ended March 31, 2008	-	-	-	-	-	-	4,112,133	4,112,133
Total recognised income for the period	-	-	-	16,410	-	-	4,131,295	4,147,705
Transferred to statutory reserve	-	-	-	-	411,213	-	(411,213)	-
Final cash dividend - December 31, 2007	-	-	-	-	-	-	(3,141,384)	(3,141,384)
Balance as at March 31, 2008	6,282,768	9,702,528	-	(25,571)	7,151,304	17,600,000	5,709,448	46,420,477

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

# MCB Bank Limited

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

As at March 31, 2008



# MCB Bank Limited

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

As at March 31, 2008



## 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) (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

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 this unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

2.2 The financial results of the Islamic banking branches have been consolidated in this unconsolidated condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 18 to this unconsolidated condensed interim financial statements.

## 3 STATEMENT OF COMPLIANCE

These unconsolidated 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 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.

The disclosures made in these unconsolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the statements required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2007.

## 4 BASIS OF MEASUREMENT

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments, commitments in respect of certain forward 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 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, 2007.

## 6 SIGNIFICANT ACCOUNTING ESTIMATES

The basis for accounting estimates 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, 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	8.2	136,762	-	136,762
Available-for-sale securities		68,405,992	3,683,388	72,089,380
Held-to-maturity securities		11,032,309	-	11,032,309
		<u>79,575,063</u>	<u>3,683,388</u>	<u>83,258,451</u>
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		377,532	-	377,532
		<u>1,384,432</u>	<u>-</u>	<u>1,384,432</u>
		<u>80,959,495</u>	<u>3,683,388</u>	<u>84,642,883</u>
Less:				
Provision for diminution in the value on investments		(468,288)	-	(468,288)
Surplus / (deficit) on revaluation of available for sale securities - net		1,665,197	(6,079)	1,659,118
Deficit on revaluation of held-for-trading securities - net		(1,770)	-	(1,770)
<b>Investments - net</b>		<u>82,154,634</u>	<u>3,677,309</u>	<u>85,831,943</u>

		Held by bank	Given as collateral	Total
----- December 31, 2007 -----				
Held-for-trading securities	8.2	230,752	-	230,752
Available-for-sale securities		72,102,556	26,996,870	99,099,426
Held-to-maturity securities		11,102,023	-	11,102,023
		<u>83,435,331</u>	<u>26,996,870</u>	<u>110,432,201</u>
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		377,532	-	377,532
		<u>1,384,432</u>	<u>-</u>	<u>1,384,432</u>
		<u>84,819,763</u>	<u>26,996,870</u>	<u>111,816,633</u>
Less:				
Provision for diminution in the value of investments		(468,288)	-	(468,288)
Surplus / (deficit) on revaluation of available for sale securities - net		1,790,011	(35,990)	1,754,021
Deficit on revaluation of held-for-trading securities - net		(13,105)	-	(13,105)
<b>Investments - net</b>		<u>86,128,381</u>	<u>26,960,880</u>	<u>113,089,261</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 in Adamjee Insurance Company Limited has been carried at cost amounting to Rs. 943.600 million (December 31, 2007: Rs. 943.600 million). 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).

## 9 ADVANCES - net

		March 31, 2008	December 31, 2007
----- (Rupees in '000) -----			
Loans, cash credits, running finances, etc			
- In Pakistan		220,152,192	208,587,014
- Outside Pakistan		6,761,004	6,989,947
		<u>226,913,196</u>	<u>215,576,961</u>
Net Investment in Finance Lease			
- In Pakistan		6,633,370	6,904,399
- Outside Pakistan		66,265	67,710
		<u>6,699,635</u>	<u>6,972,109</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>241,012,672</u>	<u>229,732,872</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 Sri Lanka Operations)		(8,961)	(6,841)
		<u>(11,176,696)</u>	<u>(10,772,274)</u>
<b>Advances - net of provision</b>		<u>229,835,976</u>	<u>218,960,598</u>

# MCB Bank Limited

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

As at March 31, 2008



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			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Other Assets Especially Mentioned (OAEM)	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>
----- Rupees in '000 -----					
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)	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>
----- Rupees in '000 -----		
<b>10.1 Details of borrowings (secured / unsecured)</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
Export refinance scheme	5,117,639	5,593,462
Long term financing - export oriented products scheme	2,347,495	2,473,077
	<u>7,465,134</u>	<u>8,066,539</u>
Borrowings from other financial institutions	-	2,932,600
Repurchase agreement borrowings	3,434,404	26,931,342
	<u>3,434,404</u>	<u>29,863,942</u>
	<u>10,899,538</u>	<u>37,930,481</u>
<b>Unsecured</b>		
Overdrawn nostro accounts	240,754	976,350
Call borrowings	4,295,261	500,000
	<u>4,536,015</u>	<u>1,476,350</u>
	<u>15,435,553</u>	<u>39,406,831</u>

## 11 DEPOSITS AND OTHER ACCOUNTS

	March 31, 2008	December 31, 2007
<b>Customers</b>		
Fixed deposits	28,518,637	32,202,230
Savings deposits	163,392,838	151,555,718
Current accounts - non remunerative	97,161,587	95,966,877
Margin accounts	4,060,199	2,589,309
Others	2,178	4,288
	<u>293,135,439</u>	<u>282,318,422</u>
<b>Financial institutions</b>		
Remunerative deposits	6,929,854	9,233,602
Non-remunerative deposits	1,605,405	546,042
	<u>8,535,259</u>	<u>9,779,644</u>
	<u>301,670,698</u>	<u>292,098,066</u>

# MCB Bank Limited

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

As at March 31, 2008



## 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  
Surplus on revaluation of Securities  
Others

### Deductible temporary differences on:

Provision for contributory benevolent scheme  
Provision for bad debts  
Provision for employees compensated absences

	March 31, 2008	December 31, 2007
----- (Rupees in '000) -----		
Surplus on revaluation of operating fixed assets	(458,598)	(468,916)
On net investment in finance lease	(499,174)	(599,174)
Accelerated tax depreciation	(561,852)	(561,852)
Surplus on revaluation of Securities	(139,502)	(156,700)
Others	(1,524)	(1,524)
	<u>(1,660,650)</u>	<u>(1,788,166)</u>
Provision for contributory benevolent scheme	98,706	98,706
Provision for bad debts	90,468	-
Provision for employees compensated absences	509,298	509,298
	<u>698,472</u>	<u>608,004</u>
	<u>(962,178)</u>	<u>(1,180,162)</u>

## 13 CONTINGENCIES AND COMMITMENTS

### 13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

- Government  
- Banks and financial institutions  
- Others  
Suppliers credit / payee guarantee

Government	6,159,580	5,283,799
Banks and financial institutions	79,970	376,773
Others	7,750,079	7,247,043
Suppliers credit / payee guarantee	1,965,540	1,809,117
	<u>15,955,169</u>	<u>14,716,732</u>

### 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, 2008 March 31, 2007

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

## 14 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation attributable to ordinary shareholders

4,112,133 3,727,023

Number of shares

Weighted average number of shares outstanding during the period

628,276,843 628,276,843

Rupees

Earnings per share

6.55 5.93

## 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						
Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Eliminations	Total	
------(Rupees in '000)-----						
Total income	26,902	2,313,740	5,861,411	1,959,476	(56,856)	<b>10,104,673</b>
Total expenses	(4,688)	(173,728)	(3,851,604)	(372,922)	56,856	<b>(4,346,086)</b>
Income tax expense	-	-	-	-	-	<b>(1,646,454)</b>
<b>Net income</b>	<b>22,214</b>	<b>2,140,012</b>	<b>2,009,807</b>	<b>1,586,554</b>	<b>-</b>	<b>4,112,133</b>
Segment assets - (Gross of NPLs Provisions)	-	107,836,344	152,294,691	144,423,773	-	<b>404,554,808</b>
<b>Total assets</b>	<b>-</b>	<b>107,836,344</b>	<b>152,294,691</b>	<b>144,423,773</b>	<b>-</b>	<b>404,554,808</b>
Segment non performing loans	-	-	<b>5,656,911</b>	<b>5,998,869</b>	-	<b>11,655,780</b>
Segment specific provision required	-	-	<b>3,818,937</b>	<b>4,049,789</b>	-	<b>7,868,726</b>
Segment liabilities	-	91,159,987	125,105,373	121,352,426	-	<b>337,617,786</b>
Deferred tax liabilities - net	-	-	-	-	-	<b>962,178</b>
Provision for taxation	-	-	-	-	-	<b>2,076,990</b>
<b>Total liabilities - net</b>	<b>-</b>	<b>91,159,987</b>	<b>125,105,373</b>	<b>121,352,426</b>	<b>-</b>	<b>340,656,954</b>
Segment return on assets (ROA) (%)	-	<b>7.94%</b>	<b>5.41%</b>	<b>4.52%</b>	-	<b>5.69%</b>
Segment cost of fund (%)	-	<b>9.62%</b>	<b>2.06%</b>	<b>3.06%</b>	-	<b>2.16%</b>

Three months period ended March 31, 2007						
Total income	47,366	1,850,006	5,067,981	2,018,980	(62,575)	8,921,758
Total expenses	(6,184)	(225,736)	(3,205,322)	(318,252)	62,575	(3,692,919)
Income tax expense	-	-	-	-	-	(1,501,816)
<b>Net income</b>	<b>41,182</b>	<b>1,624,270</b>	<b>1,862,659</b>	<b>1,700,728</b>	<b>-</b>	<b>3,727,023</b>
Segment assets - (Gross of NPLs provision)	-	132,481,517	124,980,802	109,844,222	-	367,306,541
<b>Total assets</b>	<b>-</b>	<b>132,481,517</b>	<b>124,980,802</b>	<b>109,844,222</b>	<b>-</b>	<b>367,306,541</b>
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	-	115,719,510	105,075,572	94,586,038	-	315,381,120
Deferred tax assets	-	-	-	-	-	175,810
Provision for taxation	-	-	-	-	-	1,842,338
<b>Total liabilities - net</b>	<b>-</b>	<b>115,719,510</b>	<b>105,075,572</b>	<b>94,586,038</b>	<b>-</b>	<b>317,399,268</b>
Segment return on assets (ROA) (%)	-	4.90%	6.11%	6.36%	-	4.06%
Segment cost of fund (%)	-	1.09%	1.82%	2.34%	-	1.91%

**17 RELATED PARTY TRANSACTIONS**

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

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

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

Type of related party	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	Quarter ended March 31, 2008	Year ended Dec 31, 2007	Quarter ended March 31, 2008	Year ended Dec 31, 2007	Quarter ended March 31, 2008	Year ended Dec 31, 2007	Quarter ended March 31, 2008	Year ended Dec 31, 2007
------(Rupees in '000)-----								
<b>Deposits</b>								
Deposits at beginning of the period / year	17,980	19,099	275,826	522,641	9,719	279,729	209,716	314,045
Deposits received during the period / year	77,823	447,772	20,574,522	124,757,792	159,934	699,420	3,179,379	14,776,866
Deposits repaid during the period / year	(79,499)	(448,891)	(20,445,138)	(125,004,607)	(138,480)	(969,430)	(3,210,651)	(14,881,195)
Deposits at the end of the period / year	16,304	17,980	405,210	275,826	31,173	9,719	178,444	209,716
<b>Advances (secured)</b>								
Balance at beginning of the period / year	-	-	-	-	2,116	2,473	1,661,869	2,240,038
Loan granted during the period / year	-	-	-	-	-	-	246,000	1,442,020
Repayment during the period / year	-	-	-	-	(140)	(357)	(264,324)	(2,020,189)
Balance at end of the period / year	-	-	-	-	1,976	2,116	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. At March 31, 2008, interest receivable from the above funds amounted to Rs. NIL ( December 31, 2007: 37.636 million).							March 31, 2008	December 31, 2007
Receivable from Pension Fund							11,971,047	10,651,047

**Adamjee Insurance Company Limited**

	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
Insurance premium paid	-	-	-	556	-	-	-	-
Insurance claim settled	-	-	21,367	7,206	-	-	-	-
Dividend received	-	-	44,670	53,604	-	-	-	-
Rent income received	-	-	292	588	-	-	-	-

**MNET Services (Private) Limited**

	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
Dividend received	-	-	-	-	4,997	-	-	-
Outsourcing service expenses	-	-	-	-	31,368	15,320	-	-
Networking service expenses	-	-	-	-	445	-	-	-

**MCB Asset Management Company Limited**

	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
- Dividend received	-	-	-	-	29,998	-	-	-
- Markup paid	-	-	-	-	-	6,667	-	-
- Sale of Property	-	-	-	-	-	1,600	-	-
- Sale of car	-	-	-	-	-	432	-	-
- Markup payable to	-	-	-	-	209	-	-	-
- Others	-	-	-	-	-	27	-	-

**MCB Employees Foundation**

	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
- Service expenses	-	-	-	-	-	-	4,462	4,902
- Cash sorting expenses	-	-	-	-	-	-	4,141	11,971
- Cash in transit expenses	-	-	-	-	-	-	1,028	-

**Others**

	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
- 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, 2008	December 31, 2007
	----- (Rupees in '000) -----	
<b>Assets</b>		
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
	<b>7,263,495</b>	<b>7,514,483</b>
<b>Liabilities</b>		
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
	<b>6,813,863</b>	<b>6,963,189</b>
<b>Net assets</b>	<b>449,632</b>	<b>551,294</b>
<b>Represented by:</b>		
Islamic Banking Fund	400,000	400,000
Reserves		
Unappropriated profit	35,620	137,282
	<b>435,620</b>	<b>537,282</b>
Surplus on revaluation of assets - net of tax	14,012	14,012
	<b>449,632</b>	<b>551,294</b>
Remuneration to Shariah Advisor / Board	1,422	1,179
<b>Charity Fund</b>		
Opening Balance	4,227	3,244
Additions during the period / year	543	983
Payments/ utilization during the period / year	-	-
Closing Balance	<b>4,770</b>	<b>4,227</b>

**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 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**

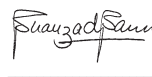
These unconsolidated condensed interim financial statements were authorised for issue on April 25, 2008 by the Board of Directors of the Bank.



Atif Bajwa  
President and Chief Executive



Sarmad Amin  
Director



Shahzad Saleem  
Director



Mian Raza Mansha  
Director

## MCB Bank Limited and Subsidiary Companies



### Consolidated Condensed Interim Balance Sheet

As at March 31, 2008

	Note	Unaudited March 31, 2008	Audited December 31, 2007
----- (Rupees in '000) -----			
<b>Assets</b>			
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
		<b>399,163,855</b>	<b>412,900,841</b>
<b>Liabilities</b>			
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
		<b>340,790,917</b>	<b>355,353,519</b>
<b>Net assets</b>		<b>58,372,938</b>	<b>57,547,322</b>
<b>Represented by:</b>			
Share capital		6,282,768	6,282,768
Reserves		34,428,786	34,000,927
Un-appropriated profit		7,527,623	7,054,472
		<b>48,239,177</b>	<b>47,338,167</b>
Monority interest		62	63
		<b>48,239,239</b>	<b>47,338,230</b>
Surplus on revaluation of assets - net of tax		10,133,699	10,209,092
		<b>58,372,938</b>	<b>57,547,322</b>

#### Contingencies and commitments

13

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

Atif Bajwa  
President and Chief Executive

Sarmad Amin  
Director

Shahzad Saleem  
Director

Mian Raza Mansha  
Director



(Consolidated Accounts of MCB Bank Limited and its Subsidiary Companies)

**MCB Bank Limited and Subsidiary Companies**

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

**MCB Bank Limited and Subsidiary Companies**

 Consolidated Condensed Interim Cash Flow Statement (Un-audited)  
 For the three months period ended March 31, 2008


Note	Quarter ended March 31, 2008 ----- (Rupees in '000) -----	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
Net mark-up / interest income after provisions	5,581,982	5,859,646
<b>Non mark-up / interest income</b>		
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
<b>Non-mark-up / interest expenses</b>		
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	-	-
<b>Profit before taxation</b>	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
<b>Profit after taxation</b>	4,006,575	3,816,289
Share of profit attributable to minority interest	(3)	(1)
<b>Profit attributable to ordinary shareholders</b>	4,006,572	3,816,288
Earnings per share - basic and diluted - Rupees	11 6.38	6.07

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

Atif Bajwa  
President and Chief Executive

Sarmad Amin  
Director

Shahzad Saleem  
Director

Mian Raza Mansha  
Director

	March 31, 2008 ----- (Rupees in '000) -----	March 31, 2007
<b>Cash flows from operating activities</b>		
Profit before taxation	5,746,917	5,334,332
Less: Dividend income	(113,520)	(269,405)
	5,633,397	5,064,927
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)
	836,065	388,563
	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)
	(17,769,856)	12,288,194
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)
	(16,217,040)	16,925,764
	(27,517,434)	34,667,448
Payments of provision against off-balance sheet obligations	-	-
Income tax paid	(1,118,148)	(1,670,873)
<b>Net cash flows from operating activities</b>	(28,635,582)	32,996,575
<b>Cash flows from investing activities</b>		
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)
<b>Net cash flows from investing activities</b>	26,720,209	(34,659,790)
<b>Cash flows from financing activities</b>		
Payment of sub-ordinated loan	(479,232)	(638,976)
Dividend paid	(1,667,194)	(539,313)
<b>Net cash flows from financing activities</b>	(2,146,426)	(1,178,289)
Exchange difference on translation of net investment in foreign branches	16,646	(7,103)
<b>Increase in cash and cash equivalents</b>	(4,045,667)	(2,848,607)
Cash and cash equivalents at January 1	43,551,474	39,115,635
Cash and cash equivalents at March 31	39,505,807	36,267,028

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

Atif Bajwa  
President and Chief Executive

Sarmad Amin  
Director

Shahzad Saleem  
Director

Mian Raza Mansha  
Director

# MCB Bank Limited and Subsidiary Companies



# MCB Bank Limited and Subsidiary Companies



## Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the three months period ended March 31, 2008

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

As at 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
<b>Change in Equity</b>										
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
<b>Changes in equity</b>										
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
<b>Changes in equity</b>										
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	-	-	-	-	-	-	-	-	-	-
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.

Atif Bajwa  
President and Chief Executive

Sarmad Amin  
Director

Shahzad Saleem  
Director

Mian Raza Mansha  
Director

### 1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company  
- MCB Bank Limited

Subsidiary Companies

- Muslim Commercial Financial Services (Private) Limited  
- MNET Services (Private) Limited  
- MCB Trade Services Limited  
- MCB Asset Management Company Limited

"Percentage holding of  
MCB Bank Limited"

99.99%  
99.95%  
100%  
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.

## MCB Bank Limited and Subsidiary Companies

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



## MCB Bank Limited and Subsidiary Companies

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



### 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	68,420,992	3,683,388	72,104,380
Held-to-maturity securities	11,032,309	-	11,032,309
	79,858,366	3,683,388	83,541,754
Associates	3,398,494	-	3,398,494
Subsidiaries	-	-	-
	3,398,494	-	3,398,494
	83,256,860	3,683,388	86,940,248
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
<b>Investments - net</b>	<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	72,117,556	26,996,870	99,114,426
Held-to-maturity securities	11,102,023	-	11,102,023
	83,738,668	26,996,870	110,735,538
Associates	3,277,157	-	3,277,157
Adamjee Insurance Company Limited	63,300	-	63,300
First Women Bank Limited	3,340,457	-	3,340,457
	87,079,125	26,996,870	114,075,995
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)
<b>Investments - net</b>	<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
	----- (Rupees 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
	226,912,665	215,578,265
Net Investment in Finance Lease		
- In Pakistan	6,633,370	6,902,283
- Outside Pakistan	66,265	67,710
	6,699,635	6,969,993
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
	7,399,841	7,183,802
Advances - gross	241,012,141	229,732,060
Less: Provision against loans and advances		
- Specific provision	(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)
	(11,176,696)	(10,772,274)
<b>Advances - net of provision</b>	<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)	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>



Category of Classification	December 31, 2007			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
Doubtful		1,691,207	8,373	1,699,580	836,809
Loss		5,374,166	2,695,410	8,069,576	6,284,853
		<u>8,010,087</u>	<u>2,715,221</u>	<u>10,725,308</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.					
<b>10 BORROWINGS FROM FINANCIAL INSTITUTIONS</b>				<b>March 31, 2008</b>	<b>December 31, 2007</b>
				<b>----- (Rupees in '000) -----</b>	
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>
<b>10.1 Details of borrowings (secured / unsecured)</b>					
<b>Secured</b>					
Borrowings from State Bank of Pakistan					
Export refinance scheme				5,117,639	5,593,462
Long term financing - export oriented products scheme				2,347,495	2,473,077
				<u>7,465,134</u>	<u>8,066,539</u>
Borrowings from other financial institutions				-	2,932,600
Repurchase agreement borrowings				3,434,404	26,931,342
				<u>3,434,404</u>	<u>29,863,942</u>
				<u>10,899,538</u>	<u>37,930,481</u>
<b>Unsecured</b>					
Overdrawn nostro accounts				240,754	976,350
Call borrowings				4,295,261	500,000
				<u>4,536,015</u>	<u>1,476,350</u>
				<u>15,435,553</u>	<u>39,406,831</u>
<b>11 DEPOSITS AND OTHER ACCOUNTS</b>					
<b>Customers</b>					
Fixed deposits				28,518,637	32,202,230
Savings deposits				163,387,654	151,554,958
Current accounts - non remunerative				97,135,598	95,957,918
Margin accounts				4,060,199	2,589,309
Others				2,178	4,288
				<u>293,104,266</u>	<u>282,308,703</u>
<b>Financial institutions</b>					
Remunerative deposits				6,929,854	9,233,602
Non-remunerative deposits				1,605,405	546,042
				<u>8,535,259</u>	<u>9,779,644</u>
				<u>301,639,525</u>	<u>292,088,347</u>
<b>12 DEFERRED TAX ASSETS / (LIABILITY) - net</b>					
The details of the tax effect of taxable and deductible temporary differences are as follows:					
<b>Taxable temporary differences on:</b>					
Surplus on revaluation of operating fixed assets				(465,286)	(469,482)
On net investment in finance lease				(499,174)	(599,216)
Accelerated tax depreciation				(561,852)	(568,718)
Difference in tax base of associated undertaking				(81,005)	-
Surplus on revaluation of Securities				(190,968)	(156,767)
Others				(2,441)	-
				<u>(1,800,726)</u>	<u>(1,794,183)</u>
<b>Deductible temporary differences on:</b>					
Provision for contributory benevolent scheme				98,706	98,706
Provision for bad debts				90,468	-
Provision for gratuity				-	1,197
Provision for employees compensated absences				509,298	509,298
Others				-	1,396
				<u>698,472</u>	<u>610,597</u>
				<u>(1,102,254)</u>	<u>(1,183,586)</u>

**13 CONTINGENCIES AND COMMITMENTS**

**13.1 Transaction-related contingent liabilities / commitments**

Guarantees in favour of:

- Government
- Banks and financial institutions
- Others
- Suppliers credit / payee guarantee

**13.2 Trade-related contingent liabilities**

**13.3 Other contingencies**

Claims against the Bank not acknowledged as debts

**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

Sale

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

**13.7 Other commitments**

- Cross currency swaps (notional amount)
- FX Options (notional amount)
  - Purchase
  - Sale
- Interest rate swaps (notional amount)
- Forward outright sale of Government Securities

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

Profit after taxation attributable to ordinary shareholders

Weighted average number of shares outstanding during the period

Earnings per share

**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.

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

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

63,825,465

135,080

78,155,715

83,863,498

107,520

1,790,874

121,528

121,528

1,031,623

71,769

Three months ended

March 31, 2008

March 31, 2007

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

4,006,575

Number of shares

628,276,843

Rupees

6.38

6.07

## MCB Bank Limited and Subsidiary Companies

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



## MCB Bank Limited and Subsidiary Companies

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



### 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)
<b>Net income</b>	<b>23,091</b>	<b>2,126,894</b>	<b>1,989,906</b>	<b>1,571,452</b>	<b>35,574</b>	<b>-</b>	<b>4,006,575</b>
Segment assets - (Gross of NPLs Provisions)	22,792	108,520,850	153,265,796	145,305,740	379,739	(462,336)	407,032,581
<b>Total assets</b>	<b>22,792</b>	<b>108,520,850</b>	<b>153,265,796</b>	<b>145,305,740</b>	<b>379,739</b>	<b>(462,336)</b>	<b>407,032,581</b>
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
<b>Total liabilities - net</b>	<b>-</b>	<b>91,263,935</b>	<b>125,260,654</b>	<b>121,494,700</b>	<b>-</b>	<b>(462,336)</b>	<b>340,790,917</b>
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
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Eliminations	
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)
<b>Net income</b>	<b>37,981</b>	<b>1,672,258</b>	<b>1,895,740</b>	<b>1,724,607</b>	<b>3,746</b>	<b>-</b>	<b>3,816,289</b>
Segment assets - (Gross of NPLs provision)	14,764	133,104,489	125,588,630	110,353,657	300,279	(617,897)	368,743,922
<b>Total assets</b>	<b>14,764</b>	<b>133,104,489</b>	<b>125,588,630</b>	<b>110,353,657</b>	<b>300,279</b>	<b>(617,897)</b>	<b>368,743,922</b>
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
<b>Total liabilities - net</b>	<b>-</b>	<b>115,880,631</b>	<b>105,219,273</b>	<b>94,711,148</b>	<b>(1,835)</b>	<b>(617,897)</b>	<b>317,206,505</b>
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 March 31, 2008	Year ended Dec 31, 2007	Quarter ended March 31, 2008	Year ended Dec 31, 2007	Quarter ended March 31, 2008	Year ended Dec 31, 2007
	(Rupees in '000)					
<b>Deposits</b>						
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
<b>Advances (secured)</b>						
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

	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)					
<b>Adamjee Insurance Company Limited</b>						
Insurance premium paid	-	-	-	556	-	-
Insurance claim settled	-	-	21,367	7,206	-	-
Dividend received	-	-	44,670	53,604	-	-
Rent income received	-	-	292	588	-	-
<b>MCB Employees Foundation</b>						
- Service expenses	-	-	-	-	4,462	4,902
- Cash sorting expenses	-	-	-	-	4,141	4,121
- Cash in transit expenses	-	-	-	-	1,028	-
<b>Others</b>						
- 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.

## MCB Bank Limited and Subsidiary Companies



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

### 18 ISLAMIC BANKING BUSINESS

#### Assets

Cash and balances with treasury banks  
Investments - net  
Financing and receivables  
- Murabaha  
- Ijara  
- Islamic export refinance  
Other Assets

	March 31, 2008	December 31, 2007
	----- (Rupees in '000) -----	
	140,531	601,665
	1,419,000	1,419,000
	3,199,893	2,406,402
	1,398,447	1,585,202
	806,732	738,178
	298,892	764,036
	7,263,495	7,514,483

#### Liabilities

Bills payable  
Deposits and other accounts  
- Current Accounts  
- Saving Accounts  
- Term Deposits  
- Others  
Borrowing from SBP  
Due to head office  
Deferred tax liability  
Other liabilities

	306,783	47,115
	292,047	440,567
	518,881	907,283
	72,254	76,382
	6,921	30,256
	651,000	593,000
	4,750,000	4,750,000
	4,988	4,988
	210,989	113,598
	6,813,863	6,963,189
	449,632	551,294

#### Net assets

#### Represented by:

Islamic Banking Fund  
Reserves  
Unappropriated profit

	400,000	400,000
	35,620	137,282
	435,620	537,282
	14,012	14,012
	449,632	551,294

Surplus on revaluation of assets - net of tax

Remuneration to Shariah Advisor / Board

	1,422	1,179
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#### Charity Fund

Opening Balance  
Additions during the period / year  
Payments/ utilization during the period / year  
Closing Balance

	4,227	3,244
	543	983
	-	-
	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 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.

Atif Bajwa  
President and Chief Executive

Sarmad Amin  
Director

Shahzad Saleem  
Director

Mian Raza Mansha  
Director