

MCB Bank Limited
Interim Balance Sheet
As at March 31, 2007

	<i>Note</i>	(Unaudited) March 31, 2007	(Audited) December 31, 2006
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		30,055,109	32,465,976
Balances with other banks		6,160,924	6,577,017
Lendings to financial institutions		17,030,194	21,081,800
Investments - net	7	97,873,090	63,486,316
Advances - net	8	186,819,096	198,239,155
Other assets - net		14,028,336	11,031,450
Operating fixed assets		9,427,220	9,054,156
Deferred tax assets - net		-	172,373
		361,393,969	342,108,243
LIABILITIES			
Bills payable		7,115,217	7,089,679
Borrowings from financial institutions		17,716,437	23,943,476
Deposits and other accounts		280,730,060	257,461,838
Sub-ordinated loan		958,464	1,597,440
Liabilities against assets subject to finance lease		-	-
Other liabilities		10,703,280	11,171,496
Deferred tax liabilities - net		175,810	-
		317,399,268	301,263,929
NET ASSETS		43,994,701	40,844,314
REPRESENTED BY:			
Share capital		6,282,768	5,463,276
Reserves		29,828,059	24,662,426
Unappropriated profit		2,451,537	5,530,973
		38,562,364	35,656,675
Surplus on revaluation of assets - net of tax		5,432,337	5,187,639
		43,994,701	40,844,314

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

 Mohammad Aftab Manzoor
 President and Chief Executive

 S. M. Muneer
 Director

 Aftab Ahmad Khan
 Director

 Sarmad Amin
 Director

MCB Bank Limited
Interim Profit and Loss Account (Unaudited)
For the three months period ended March 31, 2007

Note **Quarter ended** **Quarter ended**
March 31, 2007 **March 31, 2006**

	----- (Rupees in '000) -----	
Mark-up / return / interest earned	7,615,771	5,830,907
Mark-up / return / interest expensed	<u>1,568,554</u>	<u>862,850</u>
Net mark-up / interest income	6,047,217	4,968,057
Provision against non-performing loans and advances	192,900	233,035
Provision against potential lease losses	-	-
Provision / (Reversal) for diminution in the value of investments	-	-
Bad debts written off directly	<u>54</u>	<u>54</u>
	192,954	233,089
Net mark-up / interest income after provisions	5,854,263	4,734,968
NON MARK-UP/INTEREST INCOME		
Fee, commission and brokerage income	572,753	595,964
Dividend income	163,511	140,095
Income from dealing in foreign currencies	221,345	142,042
Income / gain on investments	235,241	331,375
Gain / (loss) on trading in government securities	(33)	35
Other income	113,170	111,736
Total non mark-up / interest income	<u>1,305,987</u>	<u>1,321,247</u>
	7,160,250	6,056,215
NON MARK-UP/INTEREST EXPENSE		
Administrative expenses	1,871,368	1,841,344
Other provisions	-	-
Other charges - net	60,043	1,210
Total non mark-up/interest expenses	<u>1,931,411</u>	<u>1,842,554</u>
PROFIT BEFORE TAXATION	5,228,839	4,213,661
Taxation - current	1,603,929	1,245,794
- prior years	(459,952)	-
- deferred	357,839	(34,933)
	<u>1,501,816</u>	<u>1,210,861</u>
PROFIT AFTER TAXATION	3,727,023	3,002,800
Unappropriated profit brought forward	5,530,973	4,990,260
Transfer from surplus on revaluation of fixed assets - net of tax	<u>5,227</u>	<u>27,189</u>
	5,536,200	5,017,449
Profit available for appropriation	9,263,223	8,020,249
APPROPRIATIONS		
Transfer to:		
Statutory reserve	372,702	300,280
Capital reserves	-	-
General reserve	4,800,000	3,500,000
Issue of bonus shares - Dec 31, 2006 @ 15% (2005: 20%)	819,492	853,065
Final cash dividend - Dec 31, 2006 @ Rs. 1.5 per share - (2005: Re. 1)	819,492	426,533
	<u>6,811,686</u>	<u>5,079,878</u>
Unappropriated profit carried forward	<u>2,451,537</u>	<u>2,940,371</u>
Earnings per share - Basic and Diluted	5.93	4.78

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The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

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 Director

MCB Bank Limited
Interim Cash Flow Statement (Unaudited)
For the three months period ended March 31, 2007

	Quarter ended March 31, 2007	Quarter ended March 31, 2006
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	5,228,839	4,213,661
Less: Dividend income	<u>(163,511)</u>	<u>(140,095)</u>
	5,065,328	4,073,566
Adjustments for non-cash charges		
Depreciation / Amortization	195,657	166,690
Provision against non-performing loans and advances	192,900	233,035
Bad debts written off directly	54	54
Loss/(Gain) on disposal of fixed assets	-	2,408
Surplus on revaluation of held-for-trading securities	-	6,858
	388,611	409,045
	5,453,939	4,482,611
(Increase) / decrease in operating assets		
Lendings to financial institutions	4,051,606	(589,888)
Held-for-trading securities	-	(665,076)
Advances - net	11,227,105	5,173,922
Other assets -net	(2,883,373)	(1,164,975)
	12,395,338	2,753,983
Increase / (decrease) in operating liabilities		
Bills payable	25,538	285,517
Borrowings from financial institutions	(6,227,039)	(16,485,646)
Deposits	23,268,222	12,993,326
Other liabilities	(223,158)	235,861
	16,843,563	(2,970,942)
	34,692,840	4,265,652
Income tax paid	(1,669,213)	(749,410)
Net cash flows from operating activities	33,023,627	3,516,242
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(36,439,409)	(6,219,607)
Net investments in held-to-maturity securities	2,542,903	4,929,044
Net investments in subsidiary companies & associated companies	(250,000)	(299,980)
Dividend income received	49,998	31,644
Investments in operating fixed assets - net of disposals	(568,721)	(329,570)
Net cash flows from investing activities	(34,665,229)	(1,888,469)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of sub-ordinated loan	(638,976)	(320)
Dividend paid	(539,313)	(66,239)
Net cash flows from financing activities	(1,178,289)	(66,559)
Exchange difference on translation of net investments in foreign branches	(7,069)	2,610
Increase in cash and cash equivalents	(2,826,960)	1,563,824
Cash and cash equivalents at beginning of the period	39,042,993	25,134,882
Cash and cash equivalents at end of the period	36,216,033	26,698,706

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

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MCB Bank Limited
Interim Statement of Changes in Equity (Unaudited)
For the three months period ended March 31, 2007

	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, 2006	4,265,327	1,308,194	853,065	(52,549)	3,999,295	7,300,000	210,662	17,883,994
Effect of change in accounting policy								
Transferred to reserve for issue of bonus shares - final	-	-	(853,065)	-	-	-	853,065	-
Final cash dividend - December 31, 2005	-	-	-	-	-	-	426,533	426,533
Transfer to General Reserve	-	-	-	-	-	(3,500,000)	3,500,000	-
Balance as at January 01, 2006 - restated	4,265,327	1,308,194	-	(52,549)	3,999,295	3,800,000	4,990,260	18,310,527
Effect of change in accounting policy								
Issuance of bonus shares	853,065	-	-	-	-	-	(853,065)	-
Final cash dividend - December 31, 2005	-	-	-	-	-	-	(426,533)	(426,533)
Transfer to General Reserve	-	-	-	-	-	3,500,000	(3,500,000)	-
Change in Equity								
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	27,189	27,189
Profit after taxation for three months period ended March 31, 2006	-	-	-	-	-	-	3,002,800	3,002,800
Exchange difference on translation of net investments in foreign branches	-	-	-	2,610	-	-	-	2,610
Total recognised income and expense for the period	-	-	-	2,610	-	-	3,029,989	3,032,599
Transferred to statutory reserve	-	-	-	-	300,280	-	(300,280)	-
Balance as at March 31, 2006 - Restated	5,118,392	1,308,194	-	(49,939)	4,299,575	7,300,000	2,940,371	20,916,593
Changes in equity								
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	4,977	4,977
Profit after taxation for nine months period ended December 31, 2006	-	-	-	-	-	-	9,139,598	9,139,598
Exchange difference on translation of net investments in foreign branches	-	-	-	(3,698)	-	-	-	(3,698)
Total recognised income and expense for the period	-	-	-	(3,698)	-	-	9,144,575	9,140,877
Transferred to statutory reserve	-	-	-	-	913,960	-	(913,960)	-
Transferred to general reserve	-	-	-	-	-	2,500,000	(2,500,000)	-
Interim cash dividend - March 31, 2006	-	-	-	-	-	-	(1,023,679)	(1,023,679)
Interim cash dividend - June 30, 2006	-	-	-	-	-	-	(1,023,679)	(1,023,679)
Interim cash dividend - September 30, 2006	-	-	-	-	-	-	(1,092,655)	(1,092,655)
Issuance of Global Depository Receipts (GDRs)	344,884	8,760,054	-	-	-	-	-	9,104,938
GDRs issuance Expenses	-	(365,720)	-	-	-	-	-	(365,720)
Balance as at December 31, 2006	5,463,276	9,702,528	-	(53,637)	5,213,535	9,800,000	5,530,973	35,656,675
Changes in equity								
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	5,227	5,227
Profit after taxation for three months period ended March 31, 2007	-	-	-	-	-	-	3,727,023	3,727,023
Exchange difference on translation of net investments in foreign branches	-	-	-	(7,069)	-	-	-	(7,069)
Total recognised income and expense 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 - Final	819,492	-	-	-	-	-	(819,492)	-
Final cash dividend - December 31, 2006	-	-	-	-	-	-	(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

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Mohammad Aftab Manzoor
President and Chief Executive

S. M. Muneer
Director

Aftab Ahmad Khan
Director

Sarmad Amin
Director

MCB Bank Limited

Notes to the Interim Financial Statements (Unaudited)

For the three months period ended March 31, 2007

1. STATUS AND NATURE OF BUSINESS

MCB Bank Limited 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 GDRs are traded on the International Order Book (IOB) system of the London Stock Exchange. The bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB Tower, I.I. Chundrigar Road, Karachi respectively. The bank operates 988 including 5 Islamic banking branches (March 31, 2006: 947) inside Pakistan and 6 (March 31, 2006: 5) branches outside the country (including the Karachi Export Processing Zone Branch).

2. BASIS OF PRESENTATION

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 thereon.

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 13 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

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 bank for the year ended December 31, 2006.

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, 2006.

7. INVESTMENTS - NET

		Held by bank	Given as collateral	Total
----- (Rupees in '000) -----				
As on March 31, 2007	7.1	93,927,912	3,945,178	97,873,090
As on December 31, 2006		52,202,966	11,283,350	63,486,316

7.1 INVESTMENTS BY TYPES

----- March 31, 2007 -----				
Held-for-trading securities		-	-	-
Available-for-sale securities	7.2	78,635,284	3,951,625	82,586,909
Held-to-maturity securities		12,123,243	-	12,123,243
		90,758,527	3,951,625	94,710,152
Associates	7.3	1,256,900	-	1,256,900
Subsidiaries		357,532	-	357,532
		1,614,432	-	1,614,432
		92,372,959	3,951,625	96,324,584
Less: Provision for diminution in the value of investments		(363,019)	-	(363,019)
Surplus on revaluation of investments		1,917,972	(6,447)	1,911,525
Deficit on revaluation of held-for-trading investments		-	-	-
Investments - net		93,927,912	3,945,178	97,873,090

7.2 Investments include Pakistan Investment bonds amounting to Rs 232.600 million (December 31, 2006: 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, 2006: 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.

7.3 Investment in Adamjee Insurance Company Limited and MCB Dynamic Stock Fund have been carried at cost

amounting to Rs 943.600 million (Dec 31, 2006: Rs 943.600 million) and Rs. 250.000 million (Dec 31, 2006: Rs nil) respectively as at March 31, 2007 . The market value of the investment as at March 31, 2007 amounted to Rs 5,911.313 million (Dec 31, 2006: Rs 4,481.877 million) and Rs. 251.825 million (Dec 31, 2006: Rs. Nil) respectively.

8. ADVANCES - net

	March 31, 2007	December 31, 2006
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
- In Pakistan	177,610,592	189,472,034
- Outside Pakistan	5,233,276	5,172,803
	182,843,868	194,644,837
Net Investment in finance lease		
- In Pakistan	6,240,752	6,082,806
- Outside Pakistan	79,934	85,865
	6,320,686	6,168,671
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	2,033,836	1,761,803
- Payable outside Pakistan	4,211,963	4,272,188
	6,245,799	6,033,991
	195,410,353	206,847,499
Less: Provision for non - performing loans and advances		
- Specific provision	(5,912,572)	(5,953,234)
- General provision	(2,243,120)	(2,277,467)
- Potential lease losses	(3,767)	(3,820)
General provision against consumer loans	(431,798)	(373,823)
	(8,591,257)	(8,608,344)
	186,819,096	198,239,155

8.1 Advances include Rs. 8,692.513 million (December 31, 2006: Rs 8,570.813 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	83,781	-	83,781	-	-
Substandard	606,735	15,913	622,648	145,110	145,110
Doubtful	610,253	490	610,743	295,731	295,731
Loss	4,692,714	2,682,627	7,375,341	5,471,731	5,471,731
	5,993,483	2,699,030	8,692,513	5,912,572	5,912,572

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	March 31, 2007	December 31, 2006
9.1 Transaction-related contingent liabilities	(Rupees in '000)	
Guarantees in favour of:		
- Government	4,044,070	3,810,101
- Banks and financial institutions	803,781	13,441
- Others	2,767,250	2,570,648
Suppliers' credit / payee guarantee	1,605,942	1,605,942
	9,221,043	8,000,132
9.2 Trade-related contingent liabilities	39,996,645	42,035,977
9.3 Other Contingencies		
Claims against the Bank not acknowledged as debts	137,582	197,848
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	41,371,004	41,288,941
Sale	50,233,201	50,420,861
	91,604,205	91,709,802
9.6 Commitments for the acquisition of fixed assets	1,897,620	1,366,761
9.7 Commitments in respect of:		
Forward Lending	-	1,853,460
9.8 Other commitments		
Cross currency swaps (notional amount)	456,667	95,000
FX Options (notional amount)		
-Purchase	117,125	155,641
-Sale	117,125	155,641
Interest rate swaps (notional amount)	1,881,233	3,223,485
Forward outright sale of Government Securities	-	5,107,030
Outright purchase of Government Securities from the SBP	-	6,942,230
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. EARNINGS PER SHARE - BASIC AND DILUTED	March 31, 2007	March 31, 2006
Profit after taxation attributable to ordinary shareholders	<u>3,727,023</u>	<u>3,002,800</u>
	(Number of shares)	
Weighted average number of shares outstanding during the period	<u>628,276,843</u>	<u>628,276,843</u>
	(Rupees)	
Earnings per share	<u>5.93</u>	<u>4.78</u>

12. RELATED PARTY TRANSACTIONS

The bank has related party relationship with its associated undertakings, subsidiary companies, mutual funds, employee benefit plans and its directors and executive officers (including their associates).

Banking transactions between the bank and its related parties are executed substantially on commercial terms.

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 appointment.

Details of transactions with related parties except those under the terms of employment 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 Mar 31, 2007	Year ended Dec 31, 2006	Quarter ended Mar 31, 2007	Year ended Dec 31, 2006	Quarter ended Mar 31, 2007	Year ended Dec 31, 2006	Quarter ended Mar 31, 2007	Year ended Dec 31, 2006
----- (Rupees in '000) -----								
Deposits								
Deposits at the beginning of the period / year	19,099	61,996	522,641	785,634	279,729	5,311	314,045	214,191
Deposits received during the period / year	166,778	572,767	20,803,672	33,568,048	456,790	653,980	2,663,457	17,714,493
Deposits repaid during the period / year	(144,351)	(615,664)	(20,783,744)	(33,831,041)	(538,063)	(379,562)	(2,805,337)	(17,614,639)
Deposits at the end of the period / year	41,526	19,099	542,569	522,641	198,456	279,729	172,165	314,045
Advances (secured)								
Balance at the beginning of the period / year	-	-	-	-	2,473	-	2,240,038	1,297,320
Loan granted during the period / year	-	-	-	-	-	2,810	839,534	2,062,460
Repayment received during the period / year	-	-	-	-	(93)	(337)	(1,224,898)	(1,119,742)
Balance at end of the year	-	-	-	-	2,380	2,473	1,854,674	2,240,038
							March 31, 2007	December 31, 2006
							(Rupees '000)	
Receivable from Pension Fund							5,481,348	4,881,483
	Directors		Associated companies		Subsidiary companies		Other related parties	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
----- (Rupees '000) -----								
Adamjee Insurance Company Limited								
- Insurance premium paid	-	-	556	422	-	-	-	-
- Insurance claim settled	-	-	7,206	5,893	-	-	-	-
- Dividend received	-	-	53,604	36,097	-	-	-	-
- Rent Income received	-	-	588	581	-	-	-	-
MCB Dynamic Stock Fund								
- Purchase of units	-	-	250,000	-	-	-	-	-
- Markup paid	-	-	15,919	-	-	-	-	-
MNET Services (Private) Limited								
- Outsourcing service expenses	-	-	-	-	15,320	7,133	-	-
- Networking service expenses	-	-	-	-	-	1,735	-	-
Muslim Commercial Financial Services (Private) Limited								
- Custodian charges	-	-	-	-	-	-	-	-
MCB Asset Management Company Limited								
- Capital injection	-	-	-	-	-	299,980	-	-
- Markup paid	-	-	-	-	6,667	-	-	-
- Sale of car	-	-	-	-	1,600	-	-	-
- Others	-	-	-	-	432	-	-	-
MCB Trade Services								
- Markup Paid	-	-	-	-	27	-	-	-
MCB Employees Foundation								
- Service expenses	-	-	-	-	-	-	4,902	3,739
- Cash sorting expenses	-	-	-	-	-	-	4,121	4,005
- Cash in transit expenses	-	-	-	-	-	-	-	839
MCB Employees Security System & Services (Private) Limited								
- Security guard expenses	-	-	-	-	-	-	21,942	18,999
Others								
- Miscellaneous expenses	-	-	-	-	-	-	11,971	14,652

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:

	Three months period ended March 31, 2007		
	Chief Executive	Directors	Senior Management
	----- (Rupees in '000)-----		
Fees	-	25	-
Managerial remuneration	8,539	381	67,252
Retirement benefits	171	-	863
Rent and house maintenance	921	-	4,660
Utilities	205	-	1,036
Medical	36	-	115
Conveyance	190	-	825
	<u>10,062</u>	<u>406</u>	<u>74,751</u>
Number of persons	<u>1</u>	<u>9</u>	<u>10</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.

13. ISLAMIC BANKING BRANCHES

	March 31, 2007	December 31, 2006
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	105,540	92,053
Investments	800,000	800,000
Advances - net	3,620,826	2,933,380
Other assets - net	653,127	505,909
	5,179,493	4,331,342
LIABILITIES		
Bills payable	13,968	14,517
Borrowings from financial institutions	3,690,614	3,066,782
Deposits and other accounts	619,311	447,777
Other liabilities	424,974	434,076
	4,748,867	3,963,152
NET ASSETS	430,626	368,190
REPRESENTED BY		
Islamic Banking Fund	400,000	280,000
Retained earnings	30,626	88,190
	430,626	368,190

14. General & Non-adjusting event

14.1 The Board of Directors in its meeting held on April 27, 2007 has approved cash dividend for the three months period ended March 31, 2007 of Rs. 2.50 per share (March 31, 2006: cash dividend of Rs. 2.00 per share). In addition, the Board of Directors has also approved total appropriations to general reserves amounting to Rs.Nil (March 31, 2006 Rs.1,500 million)

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

15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 27, 2007 by the Board of Directors of the Bank.

 Mohammad Aftab Manzoor
 President and Chief Executive

 S. M. Muneer
 Director

 Aftab Ahmad Khan
 Director

 Sarmad Amin
 Director

MCB Bank Limited and Subsidiary Companies

Condensed Interim Balance Sheet

As at March 31, 2007

	(Unaudited) March 31, 2007	(Audited) December 31, 2006
(Rupees in '000)		
ASSETS		
Cash and balances with treasury banks	30,055,109	32,465,976
Balances with other banks	6,211,919	6,649,659
Lendings to financial institutions	17,030,194	21,081,800
Investments - net	7 99,130,286	64,450,761
Advances - net	8 186,816,716	198,236,682
Other assets - net	14,137,091	11,044,909
Operating fixed assets	9,450,035	9,073,276
Deferred tax assets - net	-	174,886
	362,831,350	343,177,949
LIABILITIES		
Bills payable	7,115,217	7,089,679
Borrowings from financial institutions	17,716,437	23,943,476
Deposits and other accounts	280,531,605	257,185,110
Sub-ordinated loan	958,464	1,597,440
Liabilities against assets subject to finance lease	-	-
Other liabilities	10,712,772	11,177,125
Deferred tax liabilities - net	172,010	-
	317,206,505	300,992,830
NET ASSETS	45,624,845	42,185,119
REPRESENTED BY:		
Shareholders Equity		
Share capital	6,282,768	5,463,276
Reserves	29,828,045	24,662,446
Unappropriated profit	3,288,422	6,278,593
	39,399,235	36,404,315
Minority Interest	53	52
	39,399,288	36,404,367
Surplus on revaluation of assets - net of tax	6,225,557	5,780,752
	45,624,845	42,185,119

CONTINGENCIES AND COMMITMENTS

9

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

 Mohammad Aftab Manzoor
 President and Chief Executive

 S. M. Muneer
 Director

 Aftab Ahmad Khan
 Director

 Sarmad Amin
 Director

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

For the three months period ended March 31, 2007

Note	Quarter ended March 31, 2007	Quarter ended March 31, 2006
	----- (Rupees in '000) -----	
Mark-up / return / interest earned	7,617,338	5,831,709
Mark-up / return / interest expensed	<u>1,564,738</u>	<u>862,850</u>
Net mark-up / interest income	6,052,600	4,968,859
Provision against non-performing loans and advances - net	<u>192,900</u>	<u>233,035</u>
Provision / (reversal) for diminution in the value of investments	-	-
Bad debts written off directly	<u>54</u>	<u>54</u>
	<u>192,954</u>	<u>233,089</u>
Net mark-up / interest income after provisions	5,859,646	4,735,770
NON MARK-UP/INTEREST INCOME		
Fee, commission and brokerage income	<u>578,588</u>	<u>598,253</u>
Income earned as trustees to various funds	228	-
Dividend income	111,745	105,135
Income from dealing in foreign currencies	221,345	142,042
Income / gain on investments	236,031	331,375
Gain on trading in government securities	(33)	35
Other income	<u>113,170</u>	<u>111,796</u>
Total non mark-up / interest income	<u>1,261,074</u>	<u>1,288,636</u>
	7,120,720	6,024,406
NON MARK-UP/INTEREST EXPENSE		
Administrative expenses	<u>1,884,005</u>	<u>1,840,332</u>
Other provisions	-	-
Other charges - net	<u>60,043</u>	<u>1,210</u>
Total non mark-up/interest expenses	<u>1,944,048</u>	<u>1,841,542</u>
Share of Profit of Associated Undertaking	<u>157,660</u>	<u>234,153</u>
	5,334,332	4,417,017
Exceptional Item	-	-
PROFIT BEFORE TAXATION	<u>5,334,332</u>	<u>4,417,017</u>
Taxation - current	<u>1,605,523</u>	<u>1,247,322</u>
- prior years	(459,952)	-
- deferred	356,543	(34,933)
Share of tax of Associated undertaking	<u>15,929</u>	<u>4,076</u>
	<u>1,518,043</u>	<u>1,216,465</u>
PROFIT AFTER TAXATION	<u>3,816,289</u>	<u>3,200,552</u>
Share of profit attributable to minority interest	<u>(1)</u>	<u>-</u>
	3,816,288	3,200,552
Unappropriated profit brought forward	<u>6,278,593</u>	<u>5,339,402</u>
Transfer from surplus on revaluation of fixed assets - net of tax	<u>5,227</u>	<u>27,189</u>
Profit available for appropriation	<u>6,283,820</u>	<u>5,366,591</u>
	10,100,108	8,567,143
APPROPRIATIONS		
Transfer to:		
Statutory reserve	<u>372,702</u>	<u>300,280</u>
Capital reserves	-	-
General reserve	4,800,000	3,500,000
Issue of bonus shares - Dec 31, 2006 @ 15% (2005: 20%)	819,492	853,065
Final cash dividend - Dec 31, 2006 @ Rs. 1.5 per share - (2005: Re. 1)	<u>819,492</u>	<u>426,533</u>
	<u>6,811,686</u>	<u>5,079,878</u>
Unappropriated profit carried forward	<u>3,288,422</u>	<u>3,487,265</u>
Earnings per share - Basic and Diluted	<u>6.07</u>	<u>5.09</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Mohammad Aftab Manzoor
President and Chief Executive

S. M. Muneer
Director

Aftab Ahmad Khan
Director

Sarmad Amin
Director

MCB Bank Limited and Subsidiary Companies
Condensed Interim Statement of Changes in Equity (Unaudited)
For the three months period ended March 31, 2007

	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, 2006	4,265,327	1,308,194	853,065	(52,549)	3,999,295	7,300,000	559,804	18,233,136	29	18,233,165
Effect of change in accounting policy										
Transferred to reserve for issue of bonus shares - final	-	-	(853,065)	-	-	-	853,065	-	-	-
Final cash dividend - December 31, 2005	-	-	-	-	-	-	426,533	426,533	-	426,533
Transfer to General Reserve	-	-	-	-	-	(3,500,000)	3,500,000	-	-	-
Balance as at January 01, 2006 - 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
Effect of change in accounting policy										
Issuance of bonus shares	853,065	-	-	-	-	-	(853,065)	-	-	-
Final cash dividend - December 31, 2005	-	-	-	-	-	-	(426,533)	(426,533)	-	(426,533)
Transfer to General Reserve	-	-	-	-	-	3,500,000	(3,500,000)	-	-	-
Change in Equity										
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	27,189	27,189	-	27,189
Profit after taxation for three months period ended March 31, 2006	-	-	-	-	-	-	3,200,552	3,200,552	-	3,200,552
Profit attributable to minority interest	-	-	-	-	-	-	-	-	-	-
Exchange difference on translation of net investments in foreign branches	-	-	-	2,620	-	-	-	2,620	-	2,620
Total recognised income and expense for the period	-	-	-	2,620	-	-	3,227,741	3,230,361	-	3,230,361
Transferred to statutory reserve	-	-	-	-	300,280	-	(300,280)	-	-	-
Balance as at March 31, 2006 - Restated	5,118,392	1,308,194	-	(49,929)	4,299,575	7,300,000	3,487,265	21,463,497	29	21,463,526
Changes in Equity										
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	4,977	4,977	-	4,977
Profit after taxation for nine months period ended December 31, 2006	-	-	-	-	-	-	9,340,327	9,340,327	-	9,340,327
Profit attributable to minority interest	-	-	-	-	-	-	(3)	(3)	3	-
Exchange difference on translation of net investments in foreign branches	-	-	-	(3,688)	-	-	-	(3,688)	-	(3,688)
Total recognised income and expense for the period	-	-	-	(3,688)	-	-	9,345,301	9,341,613	3	9,341,616
Transferred to statutory reserve	-	-	-	-	913,960	-	(913,960)	-	-	-
Transferred to general reserve	-	-	-	-	-	2,500,000	(2,500,000)	-	-	-
Interim cash dividend - March 31, 2006	-	-	-	-	-	-	(1,023,679)	(1,023,679)	-	(1,023,679)
Interim cash dividend - June 30, 2006	-	-	-	-	-	-	(1,023,679)	(1,023,679)	-	(1,023,679)
Interim cash dividend - September 30, 2006	-	-	-	-	-	-	(1,092,655)	(1,092,655)	-	(1,092,655)
Issuance of Global Depository Receipts (GDRs)	344,884	8,760,054	-	-	-	-	-	9,104,938	-	9,104,938
GDRs issuance Expenses	-	(365,720)	-	-	-	-	-	(365,720)	-	(365,720)
Issue of shares to minority interest	-	-	-	-	-	-	-	-	20	20
Balance as at December 31, 2006	5,463,276	9,702,528	-	(53,617)	5,213,535	9,800,000	6,278,593	36,404,315	52	36,404,367
Changes in equity										
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	5,227	5,227	-	5,227
Profit after taxation for three months period ended March 31, 2007	-	-	-	-	-	-	3,816,289	3,816,289	-	3,816,289
Profit attributable to minority interest	-	-	-	-	-	-	(1)	(1)	1	-
Exchange difference on translation of net investments in foreign branches	-	-	-	(7,103)	-	-	-	(7,103)	-	(7,103)
Total recognised income and expense 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 - Final	819,492	-	-	-	-	-	(819,492)	-	-	-
Final cash dividend - December 31, 2006	-	-	-	-	-	-	(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

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Mohammad Afiab Manzoor
President and Chief Executive

S. M. Muneer
Director

Aftab Ahmad Khan
Director

Sarmad Amin
Director

MCB Bank Limited and Subsidiary Companies
Condensed Interim Cash Flow Statement (Unaudited)

For the three months period ended March 31, 2007

	March 31, 2007	March 31, 2006
	(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	5,334,332	4,417,017
Less: Dividend income and share of profit in associated undertaking	<u>(269,405)</u>	<u>(339,288)</u>
	5,064,927	4,077,729
Adjustments for non-cash charges		
Depreciation / Amortization	195,657	166,690
Provision against non-performing loans and advances	192,900	233,035
Bad debts written off directly	54	54
Loss/(Gain) on disposal of fixed assets	-	2,408
Surplus on revaluation of held-for-trading securities	<u>(48)</u>	<u>6,858</u>
	388,563	409,045
	5,453,490	4,486,774
(Increase) / decrease in operating assets		
Lendings to financial institutions	4,051,606	(589,888)
Held-for-trading securities	(11,765)	(665,076)
Advances - net	11,227,012	5,173,922
Other assets -net	<u>(2,978,659)</u>	<u>(1,130,030)</u>
	12,288,194	2,788,928
Increase / (decrease) in operating liabilities		
Bills payable	25,538	285,517
Borrowings from financial institutions	(6,227,039)	(16,485,646)
Deposits	23,346,495	12,694,912
Other liabilities	<u>(219,230)</u>	<u>236,355</u>
	16,925,764	(3,268,862)
	34,667,448	4,006,840
Income tax paid	<u>(1,670,873)</u>	<u>(749,410)</u>
Net cash flows from operating activities	<u>32,996,575</u>	<u>3,257,430</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(36,432,113)	(6,219,608)
Net investments in held-to-maturity securities	2,542,903	4,929,045
Net investments in associated companies	(250,000)	-
Dividend income received	51,836	(3,316)
Investments in operating fixed assets - net of disposals	<u>(572,416)</u>	<u>(329,570)</u>
Net cash flows from investing activities	<u>(34,659,790)</u>	<u>(1,623,449)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of sub-ordinated loan	(638,976)	(320)
Proceeds from issue of shares to minority interest	-	20
Dividend paid	<u>(539,313)</u>	<u>(66,239)</u>
Net cash flows from financing activities	<u>(1,178,289)</u>	<u>(66,539)</u>
Exchange difference on translation of net investments in foreign branches	<u>(7,103)</u>	<u>2,620</u>
Increase in cash and cash equivalents	<u>(2,848,607)</u>	<u>1,570,062</u>
Cash and cash equivalents at beginning of the period	<u>39,115,635</u>	<u>25,188,032</u>
Cash and cash equivalents at end of the period	<u>36,267,028</u>	<u>26,758,094</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

 Mohammad Aftab Manzoor
 President and Chief Executive

 S. M. Muneer
 Director

 Aftab Ahmad Khan
 Director

 Sarmad Amin
 Director

MCB Bank Limited and Subsidiary Companies

Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended March 31, 2007

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's ordinary shares are listed on all the stock exchanges in Pakistan whereas its GDRs are traded on the International Order Book (IOB) system of the London Stock Exchange. The bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB Tower, I.I. Chundrigar Road, Karachi respectively. The bank operates 988 including 5 Islamic banking branches (March 31, 2006: 947) inside Pakistan and 6 (March 31, 2006: 5) 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 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 March 31, 2007 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 March 31, 2007.
- 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 13 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, 2006.

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 Group for the year ended December 31, 2006.

7. INVESTMENTS - NET

		Held by bank	Given as collateral	Total
----- (Rupees in '000) -----				
As on March 31, 2007	7.1	95,185,108	3,945,178	99,130,286
As on December 31, 2006		52,202,966	11,283,350	63,486,316

7.1 INVESTMENTS BY TYPES

----- March 31, 2007 -----				
Held-for-trading securities		11,765	-	11,765
Available-for-sale securities	7.2	78,635,284	3,951,625	82,586,909
Held-to-maturity securities		12,123,243	-	12,123,243
		90,770,292	3,951,625	94,721,917
Associate				
Adamjee Insurance Company Limited	7.3	2,544,690	-	2,544,690
MCB Dynamic Stock Fund	7.4	251,825	-	251,825
First Women Bank Limited	7.5	63,300	-	63,300
		2,859,815	-	2,859,815
		93,630,107	3,951,625	97,581,732
Less: Provision for diminution in the value of investments		(363,019)	-	(363,019)
Surplus on revaluation of investments		1,917,972	(6,447)	1,911,525
Deficit on revaluation of held-for-trading investments		48	-	48
Investments - net		95,185,108	3,945,178	99,130,286

7.2 Investments include Pakistan Investment bonds amounting to Rs 232.600 million (December 31, 2006: 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, 2006: 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.

7.3 Investment in Adamjee Insurance Company Limited has been accounted for under equity method of accounting as at March 31, 2007 in accordance with the treatment specified in International Accounting Standard 28 "Accounting for Investments in Associates" carried at cost amounting to Rs 943.600 million as at March 31, 2007 (December 31, 2006: Rs 943.600 million). The market value of the investment as at March 31, 2007 amounted to Rs 5,911.313 million (December 31, 2006: Rs 4,481.877 million).

	March 31, 2007	December 31, 2006
Rupees in '000		
Opening Balance	2,259,550	1,869,045
Share of profits	155,835	474,030
Dividend from associate	(53,604)	(62,568)
Share of tax	(15,929)	(25,675)
	86,302	385,787
Share of unrealised surplus on investments	198,838	4,718
Closing balance	2,544,690	2,259,550

7.4 Investment in MCB Dynamic Stock Fund has been accounted for under equity method of accounting as at March 31, 2007 in accordance with the treatment specified in International Accounting Standard 28 "Accounting for Investments in Associates" carried at cost amounting to Rs 250.000 million as at March 31, 2007 (December 31, 2006: Rs nil). The market value of the investment as at March 31, 2007 amounted to Rs 251.825 million (December 31, 2006: Rs nil).

	March 31, 2007	December 31, 2006
	Rupees in '000	
Opening Balance	250,000	
Share of profits	1,825	
Dividend from associate	-	-
Share of tax	-	-
	1,825	-
Share of unrealised surplus on investments	-	-
Closing balance	<u>251,825</u>	<u>-</u>

7.5 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.

8. ADVANCES - NET

	March 31, 2007	December 31, 2006
	(Rupees in '000)	
Loans, cash credits, running finances, etc		
- In Pakistan	177,610,592	189,472,034
- Outside Pakistan	5,233,276	5,172,803
	182,843,868	194,644,837
Net Investment in finance Lease		
- In Pakistan	6,221,397	6,080,333
- Outside Pakistan	96,909	85,865
	6,318,306	6,166,198
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	1,630,122	1,761,803
- Payable outside Pakistan	4,615,677	4,272,188
	6,245,799	6,033,991
	195,407,973	206,845,026
Less: Provision for non - performing loans and advances		
- Specific provision	<i>8.1</i> (5,912,572)	(5,953,234)
- General provision	(2,243,120)	(2,277,467)
- Potential lease losses	(3,767)	(3,820)
General provision against consumer loans	(431,798)	(373,823)
	(8,591,257)	(8,608,344)
	186,816,716	198,236,682

8.1 Advances include Rs. 8,692.513 million (December 31, 2006: Rs 8,570.813 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	<i>8.1.1</i> 83,781	-	83,781	-	-
Substandard	606,735	15,913	622,648	145,110	145,110
Doubtful	610,253	490	610,743	295,731	295,731
Loss	4,692,714	2,682,627	7,375,341	5,471,731	5,471,731
	<u>5,993,483</u>	<u>2,699,030</u>	<u>8,692,513</u>	<u>5,912,572</u>	<u>5,912,572</u>

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	March 31, 2007	December 31, 2006
	(Rupees in '000)	
9.1 Transaction-related Contingent Liabilities / Commitments		
Guarantees in favour of:		
- Government	4,044,070	3,810,101
- Banks and financial institutions	803,781	13,441
- Others	2,767,250	2,570,648
Suppliers credit / payee guarantee	1,605,942	1,605,942
	9,221,043	8,000,132
9.2 Trade-related Contingent Liabilities	39,996,645	42,035,977
9.3 Other Contingencies	137,582	197,848
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	41,371,004	41,288,941
Sale	50,233,201	50,420,861
	91,604,205	91,709,802
9.6 Commitments for the acquisition of fixed assets	1,931,473	1,400,787
9.7 Commitments in respect of:		
Forward Lending	-	1,853,460
9.8 Other commitments		
Cross currency swaps (notional amount)	456,667	95,000
FX Options (notional amount)		
-Purchase	117,125	155,641
-Sale	117,125	155,641
Interest rate swaps (notional amount)	1,881,233	3,223,485
Forward outright sale of Government Securities	-	5,107,030
Outright purchase of Government Securities from the SBP	-	6,942,230
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. EARNINGS PER SHARE - BASIC AND DILUTED	March 31, 2007	March 31, 2006
	(Rupees in '000)	
Profit after taxation attributable to ordinary shareholders	3,816,288	3,200,552
	(Number of shares)	
Weighted average number of shares outstanding during the period	628,276,843	628,276,843
	(Rupees)	
Earnings per share	6.07	5.09

12. 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	
	Three months period ended March 31, 2007	Year ended Dec 31, 2006	Three months period ended March 31, 2007	Year ended Dec 31, 2006	Three months period ended March 31, 2007	Year ended Dec 31, 2006
----- (Rupees in '000) -----						
Deposits						
Deposits at the beginning of the period / year	19,099	61,996	522,641	785,634	314,045	214,191
Deposits received during the period / year	166,778	572,767	20,803,672	33,568,048	2,663,457	17,714,493
Deposits repaid during the period / year	(144,351)	(615,664)	(20,783,744)	(33,831,041)	(2,805,337)	(17,614,639)
Deposits at the end of the period / year	<u>41,526</u>	<u>19,099</u>	<u>542,569</u>	<u>522,641</u>	<u>172,165</u>	<u>314,045</u>
Advances (secured)						
Balance at the beginning of the period / year	-	-	-	-	2,240,038	1,297,320
Loan granted during the period / year	-	-	-	-	839,534	2,062,460
Repayment received during the period / year	-	-	-	-	(1,224,898)	(1,119,742)
Balance at end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,854,674</u>	<u>2,240,038</u>
					March 31, 2007	December 31, 2006
					(Rupees in '000)	
Receivable from Pension Fund					5,481,348	4,881,483
	Directors		Associated companies		Other Related Parties	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
----- (Rupees '000) -----						
Adamjee Insurance Company Ltd.						
-Insurance premium paid	-	-	556	422	-	-
-Insurance claim settled	-	-	7,206	5,893	-	-
-Dividend Received	-	-	53,604	36,097	-	-
-Rent Income Received	-	-	588	581	-	-
MCB Dynamic Stock Fund						
- Purchase of units	-	-	250,000	-	-	-
- Markup paid	-	-	15,919	-	-	-
MCB Employees Foundation						
- Service expenses	-	-	-	-	4,902	3,739
- Cash sorting expenses	-	-	-	-	4,121	4,005
- Cash in transit expenses	-	-	-	-	-	839
MCB Employees Security System & Services (Private) Limited						
- Security guard expenses	-	-	-	-	21,942	18,999
Others						
- Miscellaneous expenses	-	-	-	-	11,971	14,652

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:

	Three months period ended March 31, 2007		
	Chief Executive	Directors	Senior Management
	----- (Rupees in '000)'-----		
Fees	-	25	-
Managerial remuneration	8,539	381	67,252
Retirement benefits	171	-	863
Rent and house maintenance	921	-	4,660
Utilities	205	-	1,036
Medical	36	-	115
Conveyance	190	-	825
	10,062	406	74,751
Number of persons	1	9	10

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.

13. ISLAMIC BANKING BRANCHES

	March 31, 2007	December 31, 2006
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	105,540	92,053
Investments	800,000	800,000
Advances - net	3,620,826	2,933,380
Other assets - net	653,127	505,909
Operating fixed assets	-	-
	5,179,493	4,331,342
LIABILITIES		
Bills payable	13,968	14,517
Borrowings from MCB Bank Ltd	3,690,614	3,066,782
Deposits and other accounts	619,311	447,777
Other liabilities	424,974	434,076
	4,748,867	3,963,152
NET ASSETS	430,626	368,190
REPRESENTED BY		
Share Capital	400,000	280,000
Retained earnings	30,626	88,190
	430,626	368,190
Surplus on revaluation of assets - net of tax	-	-
	430,626	368,190

14. General & Non-adjusting event

14.1 The Board of Directors in its meeting held on April 27, 2007 has approved cash dividend for the three months period ended March 31, 2007 of Rs. 2.50 per share (March 31, 2006: cash dividend of Rs. 2.00 per share). In addition, the Board of Directors has also approved appropriations to general reserves amounting to Rs.nil (March 31, 2006 Rs.1,500 million). The condensed interim financial statements for the three months period ended March 31, 2007 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

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

15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 27, 2007 by the Board of Directors of the bank

Mohammad Aftab Manzoor
President and Chief Executive

S. M. Muneer
Director

Aftab Ahmad Khan
Director

Sarmad Amin
Director