

Annual Report 2008

Depend On Us



EBBY | THE D'HAMDI PARTNERSHIP (ADVERTISING)

Principal Office:
MCB BANK LIMITED

MCB 15 Main Gulberg, Lahore. UAN: (042) 111-000-111
PABX: (042) 6041998-9, Website: www.mcb.com.pk

Depend on us for achievement.

MCB Bank continues to earn your admiration and patronage by consistently demonstrating a record of both national and international accolades, year on year so that you can continue to depend on us.

2000 **Euromoney:** Best Bank in Pakistan
2001 **Euromoney:** Best Bank in Pakistan
2003 **Euromoney:** Best Bank in Pakistan
2004 **Asiamoney:** Best Domestic Bank in Pakistan
2004 **Euromoney:** Best Bank in Pakistan
2005 **Euromoney:** Best Bank in Pakistan
2005 **Asiamoney:** Best Domestic Bank in Pakistan
2006 **Euromoney:** Best Bank in Pakistan
2006 **Asiamoney:** Best Domestic Bank in Pakistan
2008 **Asiamoney:** Best Domestic Bank in Pakistan
2008 **Euromoney:** Best Bank in Pakistan
2008 **Euromoney:** Best Bank in Asia





Depend on us for stability.



MCB Bank is committed to building on its strengths. Our strong balance sheet, favorable capital adequacy ratio, geographical and financial spread, and sheer presence in numbers of all stakeholders help us ground your immovable faith.

Depend on us for advice.

MCB Bank understands. We listen to your most determined ambitions and your most private intentions. Between these two directions, we have a wealth of products designed to cater to your every need administered by highly qualified and committed relationship managers who insist on excellence, service and advice.





Depend on us for reach.



That undeniable fact that MCB Bank is just around the corner is not a testament to convenience, but to inspiration. The fact that we are there for you with over 1000 branches, stretching from the smallest towns and villages to the country's largest cities, is proof of our ever-expanding loyalty to you.

Depend on us for peace of mind.

Our legendary stability has stood the test of time as the bedrock of financial security for millions of customers. By working for your financial and lifestyle security, we ensure your peace of mind. A state of being so well-empowered, you are well-equipped to accept life's challenges with spirit and resolve.





Depend on us for relationships.



Before we invest in portfolios and funds, before we invest in local, regional or international markets, before we invest in new products and services, we invest — most importantly — in the two of us. An equation which, over generations, has translated into millions of satisfied relationships, and growing.

Depend on our Vision & Mission.

Vision

To be the leading financial services provider, partnering with our customers for a more prosperous and secure future.

Mission

We are a team of committed professionals, providing innovative and efficient financial solutions to create and nurture long-term relationships with our customers. In doing so, we ensure that our shareholders can invest with confidence in us.





Depend on our beliefs.

Integrity

We are the trustees of public funds and serve our community with integrity. We believe in being the best at always doing the right thing. We deliver on our responsibilities and commitments to our customers as well as our colleagues.

Innovation

We encourage and reward people who challenge the status quo and think beyond the boundaries of the conventional. Our teams work together for the smooth and efficient implementation of ideas and initiatives.

Excellence

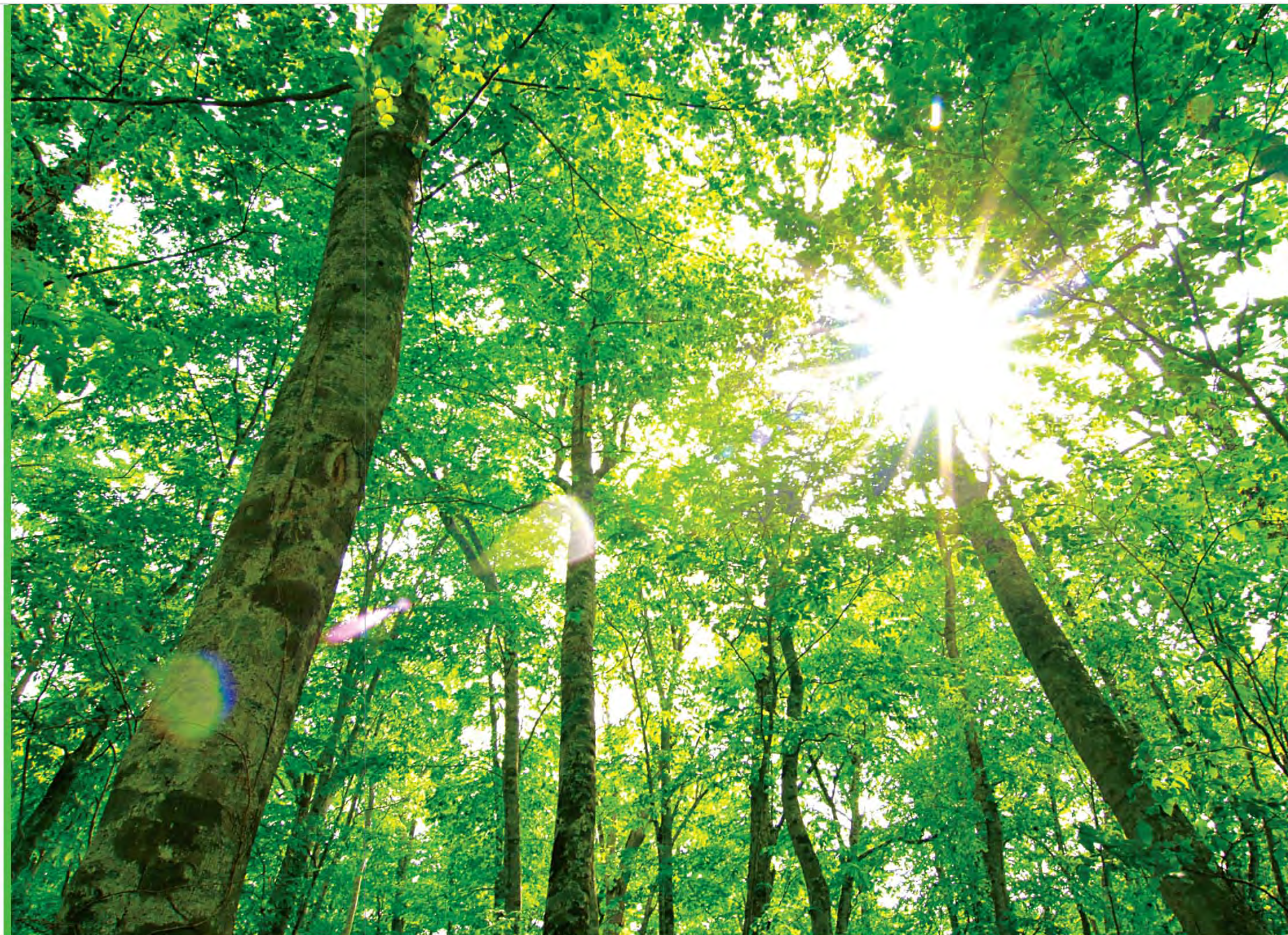
We take personal responsibility for our role as leaders in the pursuit of excellence. We are a performance driven, result oriented organization where merit is the only criterion for reward.

Customer Centricity

Our customers are at the heart of everything we do. We thrive on the challenge of understanding their needs and aspirations, both realized and unrealized. We make every effort to exceed customer expectations through superior services and solutions.

Respect

We respect our customer's values, beliefs, culture and history. We value the equality of gender and diversity of experience and education that our employees bring with them. We create an environment where each individual is enabled to succeed.





Corporate Information

Board of Directors

Mian Mohammad Mansha
Chairman
 S.M. Muneer
Vice Chairman

Atif Bajwa
President & CEO

Members

Tariq Rafi
 Shahzad Saleem
 Sarmad Amin
 Dr. Muhammad Yaqub
 Mian Raza Mansha
 Dato' Mohammed Hussein
 Aftab Ahmad Khan

Audit Committee

Tariq Rafi
Chairman
 Dr. Muhammad Yaqub
Member
 Mian Raza Mansha
Member
 Dato' Mohammed Hussein
Member
 Aftab Ahmad Khan
Member

Chief Financial Officer
 Ali Munir

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
 UAN: (042) 111-000-111
 PABX: (042) 6041998-9
 Website: www.mcb.com.pk

Registrar's & Share Registration Office

M/s. THK Associates (Pvt) Ltd.
 Shares Department,
 Ground Floor,
 State Life Building No.3,
 Dr. Ziauddin Ahmed Road,
 Karachi

Contents

29	Directors' Report to the Members
41	Six Years Progress
43	Value Added Statement
44	Statements of Compliance with the Code of Corporate Governance
46	Auditors' Review Report on Code of Corporate Governance
47	Auditors' Report on ICFR
49	Auditors' Report to the Members
51	Balance Sheet
52	Profit & Loss Account
53	Cash Flow Statements
55	Statement of Changes in Equity
57	Notes to the Financial Statements
146	Branch Network
148	Pattern of Shareholding
151	Categories of Shareholders
152	Notice of Annual General Meeting
156	Directors' Report on Consolidated Financial Statements
157	Auditors' Report to the Members
158	Consolidated Balance Sheet
159	Consolidated Profit & Loss Account
160	Consolidated Cash Flow Statement
162	Consolidated Statement of Changes in Equity
164	Notes to the Consolidated Financial Statements
256	Form of Proxy





Depend on us for teamwork.
Management Committee

Front left to right

Shahid Saeed
Imran Maqbool
Romana Abdullah
Atif Bajwa
Ali Munir
Mehreen Ahmed
Azfar Alam Nomani

Back left to right

Usman Hassan
Salman Zafar Siddiqi
Mohammed Nauman Chughtai
Muhtashim Ashai
Faisal Farooq Khan
Salman Usmani
Munir Ahmed Saleem
Agha Saeed Khan

Depend on us for leadership.

Board of Directors

From left to right

Dato' Mohammed Hussein

Dr. Muhammad Yaqub

Atif Bajwa

Aftab Ahmad Khan

Mian Mohammad Mansha

S.M. Muneer

Mian Raza Mansha

Sarmad Amin

Shahzad Saleem

Tariq Rafi



Depend on us for solutions.



MCB Online Banking

The largest network of over 836 online branches in the country providing customers with 24/7 real time online transaction facilities and still growing.

MCB MNET

MNET is an electronic hub for ATM sharing plus other touch points. Members include 16 local and foreign financial institutions enjoying ATM sharing and bureau services.

MCB 365 Gold

A deposit account for customers with substantial balances, offering profit on a daily basis with the facility of unlimited withdrawals.

MCB Special Rupee Term Deposit

MCB's Special Rupee Term Deposits offer a very attractive short to mid term investment option with ease and convenience. With various tenor options available, you can also avail a credit facility up to 75% of your total deposit.

MCB Remit Express

International remittances with a two-way messaging facility delivered at your doorstep or credited to beneficiary account within 24 hours.

MCB Corporate Financing

Providing access to diversified financing options, including working capital loans, term loans, trade finance services and investment banking.

MCB Business Account

This business solution is all about bringing costs down on your way up. Our Business account is a deposit product that gives Free InterCity deposits and withdrawals, Free Demand Drafts, Purchase Orders, Cheque books every quarter, Free multiple bank statements every month and much much more.

MCB Investment Banking

MCB's Investment Banking products have emerged as market leading solutions in Pakistan's Investment Banking arena. The MCB Investment Banking Team handles advisory, corporate finance and capital markets related transactions.

MCB Business Sarmaya

MCB Business Sarmaya is a Running Finance facility against your residential property. It offers Running Finance up to 20 million with low mark-up and BTF facility at competitive rates.

MCB Islamic Banking

With the help of Shariah Specialists, Lawyers and Professional Commercial Bankers, MCB Islamic Banking provides Riba Free and Shariah Compliant solutions to various customer segments in a growing number of cities.

MCB Smart Savings Account

MCB Smart Savings Account gives you the optimum value you deserve. This is a savings account where not only you get a competitive return but also enjoy a host of fringe benefits.

MCB Call Centre

There's no easier way to bank than the new enhanced MCB Call Center, which blends innovation and convenience to provide you banking services that go beyond your expectations. We make sure your banking needs are met 24/7 from the comfort of your very home because we at MCB, are just a call away!

MCB Virtual Banking

MCB provides the convenience of banking on the internet. Whether at office, home or traveling log on to www.mcb.com.pk and enjoy 24-hour access to all your accounts at MCB for the largest array of services such as Intra Bank Funds Transfer, Utility Bill Payments, Mobile Top-ups and much more.

MCB Cash Management

MCB Cash Management is providing a wide range of value added services to large corporate and commercial customers through its vast network of online branches. Our structured products such as "CollectPlus", "RemitPlus" and "Debit Plus" enable our customers to realize their sales proceeds swiftly supported by customized MIS, facilitating the reconciliation process at the customer's end.

MCB Agri Products

MCB is financing agriculture sector since 1973. Due to large branch network and specialized staff posted in the branches, MCB with its multiple and diversified product range caters to the financing requirement of the farming community spread through out the country and facilitates in achieving increased productivity.

MCB Smart Card

A secure instrument of payment providing Cash Free Convenience. It's more than just an ordinary Debit Card offering customers the peace of mind through unmatched and convenient services including easy bill payments, funds transfer, 24-hours cash withdrawal, balance inquiry and unlimited shopping pleasure.



MCB Rupee Travelers Cheque

A safe and secure way to make payments nationwide. MCB Rupee Travelers Cheque, being the market leader, is the most widely accepted way to pay cash for travel-related purposes.

MCB ATMs

One of the nation's largest ATM networks with over 380 ATMs and still growing. Get 24-hours convenience of cash withdrawal, mini-statement, utility bill payment, funds transfer services and much more.

MCB Mobile ATM

MCB on wheels. Now not only do you get a world class banking service but we make sure of your convenience. Our innovative mobile ATMs ensure that you are given a service closer to you.

MCB Car 4 U

MCB Car4U gets you not only a car of your own choice but leads you to the best in life. It is affordable with competitive mark-up, flexible conditions, easy processing and above all, no hidden costs.

MCB Instant Finance

Get a loan instantly at any MCB branch. Offering same day financing against liquid collateral at competitive pricing.

MCB Easy BillPay

MCB Easy Bill Pay is an easy solution to pay your Utility and Mobile Phone bills. MCB SmartCard holders can easily pay their bills through MCB ATMs, MCB Virtual-Internet Banking and MCB Call Center with security and peace of mind.

MCB Privilege

A first from a local bank, MCB Privilege through its dedicated, world class Privilege Centers offers a higher level of personalized services, more rewarding in-branch experiences and a wider array of deposit and investment products that are tailored to meet the financial expectations of our discerning clientele. As members of MCB Privilege, individuals will possess some of those unparalleled advantages that put them ahead of others. MCB's dedicated Privilege Centers await to welcome you in Karachi, Lahore and Islamabad.

MCB Savings Xtra

Enjoy the fruit of higher growth! MCB Savings Xtra Account offers a wide range of attractive profit rates, the higher your balance...the higher your profit.

MCB Visa

A suite of Classic and Gold Credit Cards focusing primarily on providing convenience, safety, shopping pleasure and security giving a different feel to the world of Credit Cards through Innovative features. These unique features include I-revolve which makes the variable mark-up rate available to you upon revolving and is the first of its kind in Pakistan. Other ad-ons include comprehensive insurance plans, installment plans, reward points, SMS alerts and much more.

MCB Lockers

MCB Lockers are the best protection for your valuables. Lockers of different capacities are available nationwide.

MCB Mobile Banking

Banking at your finger tips: SMS anytime to get information regarding balance and mini statements.

MCB Personal Loan

MCB Personal Loan is simply a clean cash facility extended for personal use. It offers a fixed installment loan that provides you access to cash instantly without any collateral. Financing available is up to 5 years for amount up to Rs. 1 million.

MCB Full Day Banking

Enjoy the convenience of extended banking hours from 9am to 6pm, including Saturdays at MCB FULL Day Banking branches across the country.

MCB Pyara Ghar

Owning your dream home has never been easier. MCB 'Pyara Ghar' offers you a range of financing options for purchasing, building, or renovating your new/existing home while helping you realize your dreams.

MCB Bancassurance

Combining the best of banking and insurance solutions, MCB Bancassurance has created a one-stop shop for all your financial and insurance needs. Whether you want to save for your child's education or marriage, for the security of dignity after retirement or gaining maximum return on savings, MCB Bancassurance has a plan just for you.

MCB Current Life

Offering the coverage you need for the life you lead. With MCB Current Life, individuals can now have a complete peace of mind as now our one of a kind account Current Life offers free life insurance to the account holders.

Directors Report To Members

Directors' Report to Members

On behalf of the Board of Directors, I am pleased to present the 61st annual report of MCB Bank for the year ended December 31, 2008.

Economy

The world economy faced many stresses in 2008. The crash of housing market in the USA adversely affected the liquidity, solvency and profitability of the banking system and the decline in consumer spending fueled a recession that was already in the making due to several other developments in the world economy. The weak regulatory framework and subprime crisis lead to a potential melt down of the banking system which could only be averted through a massive injection of public sector resources by the major industrialized countries. The recessionary tendencies accentuated rapidly leading to a high level of unemployment and a sharp decline in the world stock markets. The declining asset values, rising unemployment and shaky business confidence reinforced the world wide recession which still continues unabated in spite of the introduction of stimulus programs by the US and many other developed countries. Recession has led to negative or low growth in developed countries leading to a weakening of demand for oil and a sharp drop in world oil prices. The International financial system is under severe stress and strain, the world economy is going through the worst recession and banking and financial crisis since the Great Depression, and turbulent conditions continue to prevail in the world economy.

Pakistan was already experiencing economic and financial problems even before the emergence of the world financial crisis and economic recession. Excessive money creation by bulging budget deficits financed through credit creation and excessive consumer lending in the private sector coupled with rising world oil and food prices and electricity shortages in the country had led to a sharp rise in inflation in Pakistan

which in turn placed pressure on the balance of payments leading to a sharp depletion of foreign exchange reserves and depreciation of the exchange rate. The sharply deteriorating external situation compelled the government to enter into a Stand-by arrangement with the IMF in order to avert potential external debt default. The arrangement with the IMF and easing of world food and oil prices following world recession have somewhat eased the inflationary pressures in Pakistan, lent some stability to the exchange rate and improved the foreign exchange reserve position of the country. However, this short term relief should not lead the country to complacency because the underlying structural problems remain acute and need to be addressed on a sustained basis. The key to long term economic growth and price stability lies in reduction in budget deficit and government borrowing from the banking system, promotion of domestic savings and curtailment of domestic consumption, improvement in export competitiveness and adoption of long term policies to ensure adequate power generation, replenishment of water resources and adoption of fiscal, monetary and exchange rate policies that promote sound industrialization and improvement in agricultural production. Good governance, political stability, national security and public safety and reemergence of business confidence are equally vital for sustained economic growth and price stability. This can come about only by sound planning by a stable government, sustained efforts to promote public-private partnership and realization that there are no quick fixes to the structural problems that have plagued the economy for a long time.

As has been demonstrated by the recent developments in the world economy, liquidity, viability and solvency of the banking system is vital for the promotion of economic growth and relative price stability in a modern economy. Fortunately, major reforms introduced in the banking system in Pakistan in the last two decades or so have served the country well and developed its strength to a point that the world banking turmoil did not have a major impact in its functioning. While the world recession has inevitably affected the economy of Pakistan, the banking system continues to function normally. The credit for it

goes to prudent regulatory policies introduced by the State Bank of Pakistan in the last two decades, privatization of banks, non-interference of the government in the banking business and adherence by banks to good international banking practices. It is important that such policies are maintained in the period ahead to further strengthen the banking system that is the life of the modern economies. MCB has been a leader in adhering to sound banking practices and will continue to play a pivotal role in improving governance, following lending practices and protecting depositors' interests in the years to come.

Bank's Performance Review

During the year 2008, the Bank continued to make strong progress in spite of the difficult market conditions. Revenues grew strongly and considerable advancement has been achieved in expanding our asset base. In addition to close focus on P&L and liquidity situation in 2008, the Bank continued to invest in human resources, enhancing customer segments and product portfolios and further strengthening our controls and credit risk management. A number of strategic actions have been taken to ensure that we are well positioned for the future and are able to excel in the years to come. The Bank has reviewed its governance structures and has further strengthened the roles of the Board, management and staff to ensure strict compliance to good governance.

In 2008 MCB was given the award as the Best Bank in Asia by Euromoney. This was a significant milestone for the Bank and reaffirms the efforts and vision of the management to position MCB at par with the best international banks.

Another key development for MCB in 2008 was the acquisition of 20% shareholding in MCB by Malayan Banking Berhad, the largest financial institution in Malaysia. This partnership will further improve and enhance our business processes and will strengthen our footings on domestic and international frontiers.

Commercial Branch Banking Group, with its large network of branches

continued to drive MCB growth in 2008. They enhanced their sales model through the introduction of a direct sales force team and personal bankers in many branches while continuing to strengthen their customer service quality. The year witnessed a successful restructuring of the agriculture division and this led to considerable portfolio growth. Going forward the group will continue to provide support to the Bank in achieving revenue growth and profitability while focusing on retaining strength of credit portfolio.

Wholesale Banking Group has posted strong growth in volumes and revenues in 2008, supported by the increase in Corporate advances by Rs. 47 billion (45%). The focus in 2009 will remain on carefully managing and extending the credit portfolio and driving fee income growth through its Trade Products and Cash Management businesses. Trade products division (TPD) was setup in 2008 to increase Bank's share of local and international trade and will assist in identifying and developing new businesses, supporting existing relationships, offering structured trade finance solutions and launching new products. Cash Management will focus on getting a larger share of home remittances and efficient collection/disbursement.

Consumer Banking Group took the lead in broadening our product and customer suite in 2008, as evidenced by the launch of Bancassurance and Privilege Banking businesses and further strengthening of our alternate distribution channels. Given the high interest environment, growth was carefully managed on consumer assets and credit quality scrupulously monitored. The strategic emphasis for 2009 will remain on closely monitoring NPLs and driving rapid growth of the consumer deposit base, Alternate Delivery Channels and Bancassurance.

Islamic Banking Group has strengthened its outreach through new branches and the development of specialized liability teams. The group remains committed to broaden its reach in new sectors and will offer new products to serve the needs of its customers.



Due to the tough economic environment Treasury maintained a defensive investment strategy in Bank's proprietary securities portfolio. Despite the liquidity constraints faced by the bank in the latter half of 2008, Treasury ensured that the bank's balance sheet was adequately funded. Information Technology group continued to focus on enhancing stability of our current infrastructure. Standardization of equipment was introduced to boost productivity and promote savings. Credit card alerts on mobiles, utility bill payment through Virtual banking were new applications that were introduced as well as rollout of Symbols to 663 branches by the end of 2008 (63% of business coverage).

The Human Resources Group has remained active in its endeavours to attract new employees and develop existing personnel. Recognizing its people as the true 'competitive advantage', steps have been taken to promote employee engagement and satisfaction. Areas of focus for 2009 remain training and development, internal relationship management and an improved performance management system to bring our organization closer to international standards.

Operations Group continued to focus on centralisation of processes and business continuity. Internal Control Division was strengthened and led the Bank wise efforts for compliance to the COSO based internal control framework.

The Board of Directors continued to take steps to improve governance in the Bank. The reform and revision in policies initiated in 2007 on the basis of the guidelines provided by the State Bank of Pakistan were carried further and consolidated. The demarcation between the Board and management functions were further clarified, the Board began to focus on its role in the formulation of policies and monitoring of the progress of the Bank while leaving the operational matters in the hands of the management and staff. The coordination between the staff, management and board was further enhanced to improve effectiveness and cohesiveness of Bank operations. The Board expects to continue to improve governance, strengthen financial controls,

enhance transparency, promote professionalism, increase customer service, promote work efficiency and expand Bank business.

Financials

Despite the slowdown in the economy during 2008, the Bank registered healthy revenues for the year and witnessed a significant growth in Balance Sheet.

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

	Rs. in Million
Profit before taxation	21,868
Taxation	6,493
Profit after taxation	15,375
Un-appropriated profit brought forward	5,131
Transfer from surplus on revaluation of fixed assets (net of tax)	21
	5,152
Profit available for appropriation	20,527

Appropriations

Statutory Reserve	1,537
General Reserve	1,000
Final cash dividend - December 2007	3,141
Interim dividend - March 2008	1,885
Interim dividend - June 2008	1,885
Interim dividend - September 2008	1,885
Total appropriations	11,333
Un-appropriated profit carried forward	9,193

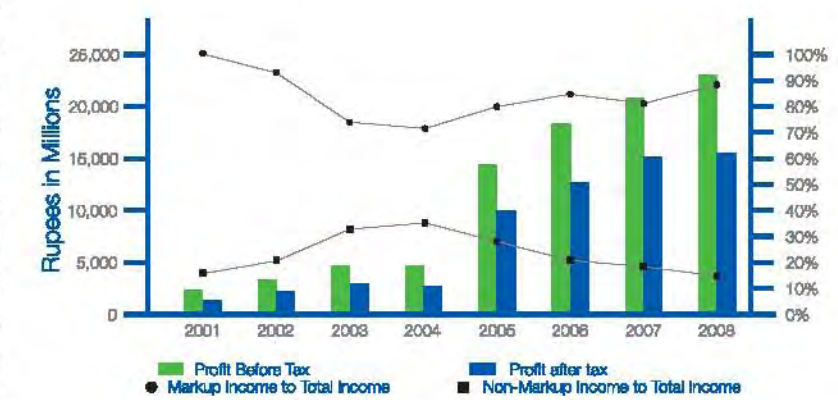
Due to the sudden down turn in the economy and the sharp decline in equity prices, Karachi Stock Exchange (KSE) placed a floor mechanism on individual security prices whereby they could vary within the normal circuit breaker limit but not below the floor price. This mechanism remained in place from August 28, 2008 to December 15, 2008.

Consequent to the removal of floor mechanism the KSE 100-Index fell to the level of 6,037 points against its all time high level of above 15,676 points. This resulted into significant diminution in the value of Bank's investment in equity shares held under "Available for Sale" (AFS) category. Keeping in view this deteriorated situation, SBP & SECP issued instructions whereby they gave the option to companies to charge the diminution directly to equity without routing it through profit & loss account and then while adjusting the future prices, amortize the same on quarterly basis during 2009. Total impairment loss on the basis of market values of December 31, 2008 of all equity shares under AFS came to Rs. 4,893.73 million. However, your management while using their prudence and judgment evaluated the fair values of all securities and booked an impairment of Rs. 2,591.64 million in the profit & loss account. This is because in their opinion taking the full effect of this impairment either in equity or profit & loss account would not reflect the correct financial performance of the Bank. Had the management used market values of all the securities or charged the equity with full amount the profit for the year under review would have been as follows:

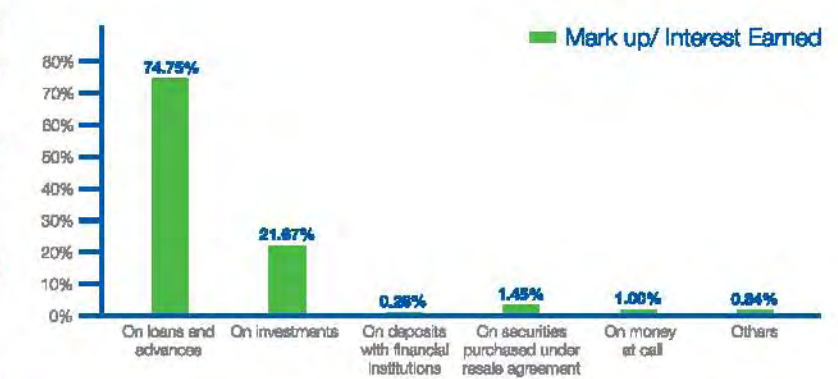
	Through P & L Rs. million	Through Equity Rs. million
Increase/ (decrease) in impairment loss in P/L	2,302.096	(2,591.635)
Increase/ (decrease) in tax charge	(805.734)	907.072
Increase/ (decrease) in profit for the year	(1,496.362)	1,684.563

As far as the current financials under review are concerned, profit before tax has registered an increase of Rs. 560 million over 2007 and is reported at Rs. 21.9 billion for 2008. The Bank's Profit after tax for the year 2008 was Rs.15.4 billion, an increase of Rs. 109 million over the profit reported for the year 2007.

Interest income remained the main contributor towards the Bank's total income. Markup income has gained momentum in 2008 with an increase of 28% over the previous year.



The share of Markup on loans and advances (Rs. 30 billion) continued to dominate the overall composition of the Markup income for the Bank (Rs. 40 billion).

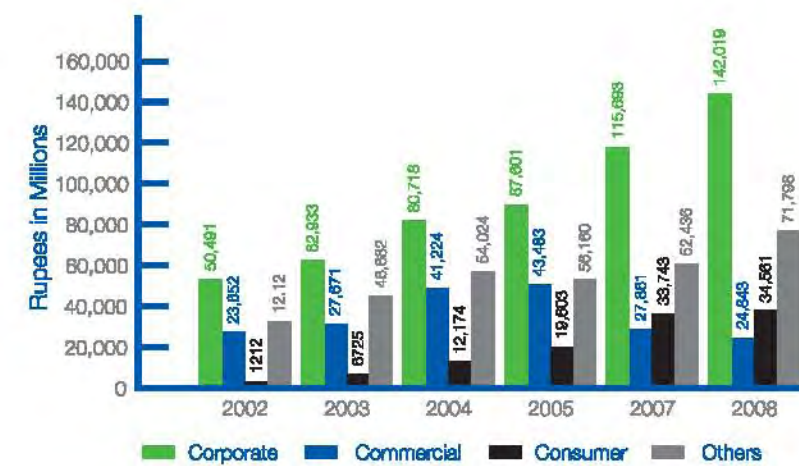


In non-markup income, the major contribution of 2.86 billion was from fee, commission and brokerage income which increased by 8.8 % over 2007. However, the total non-markup income for the Bank registered a decline of Rs. 657 million in 2008 compared to the previous year. This decrease was primarily due to lower returns from equity investments.

Due to high inflation the cost to income ratio has gone up to 24.47% from 18.57% in 2007. However, this ratio still remains one of the lowest in the industry.

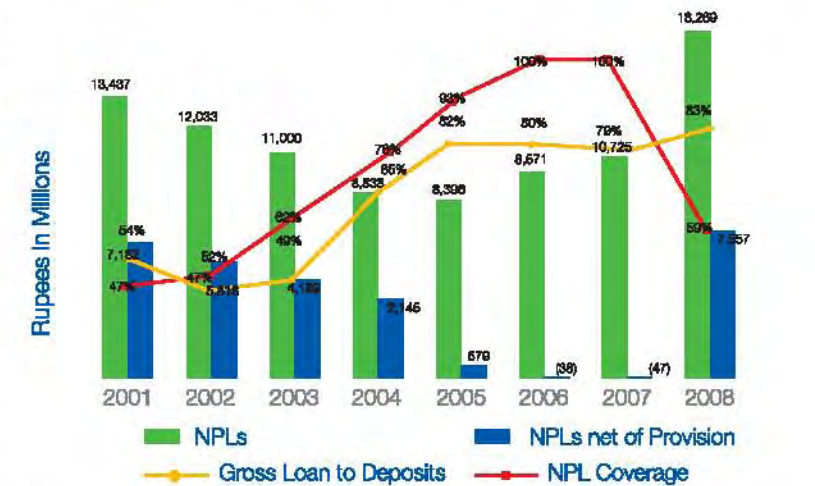
Despite the challenging times faced by the Bank in 2008, the balance sheet has witnessed considerable improvement over 2007. Assets increased by Rs.34 billion - 8% over the previous year whereas liabilities increased by Rs. 30 billion - 8.4% over the previous year. This has resulted in an increase in Shareholder's equity before surplus of Rs.52 billion - up by 15% over 2007.

The increase in assets was driven primarily by the increase in Advances and lending to financial institutions which grew by 19% and 290% respectively. The Advance portfolio showed a remarkable growth with the corporate portfolio taking the lead. Performance was strong both in volumes and rates of return. To ensure optimal segmental diversification, the Bank executed strategic monitoring of portfolio expansion through diversification.

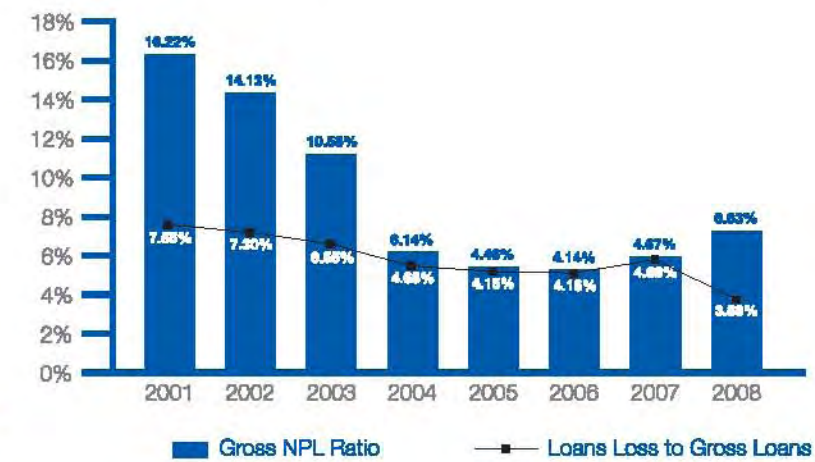


Adverse economic conditions and increased discount rates have contributed to a ramp rise in Non Performing Loans in the overall

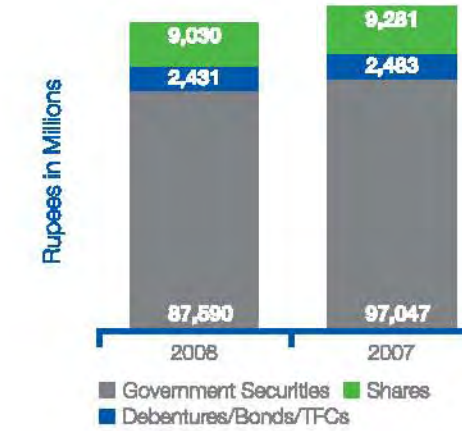
Banking sector. Consequently, Bank's classified portfolio was also adversely affected by a sharp increase in NPLs of 70% from Rs. 10.7 billion in 2007 to Rs. 18.3 billion in 2008



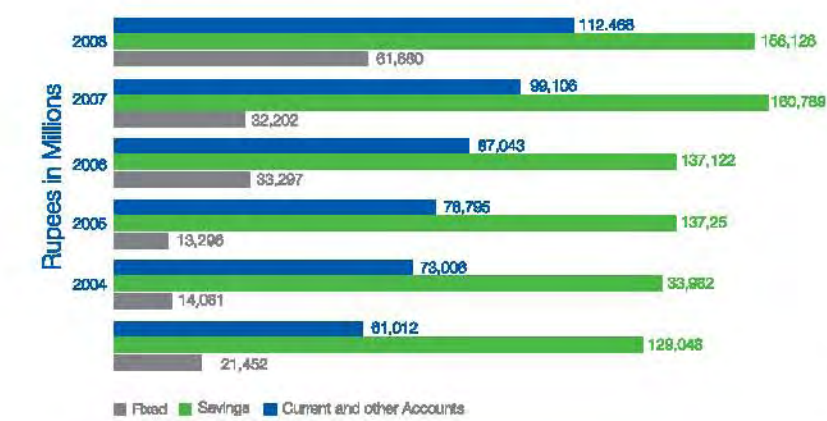
This has also been reflected in the gross NPL to Advances ratio which has increased from 4.67% in 2007 to 6.63% in 2008.



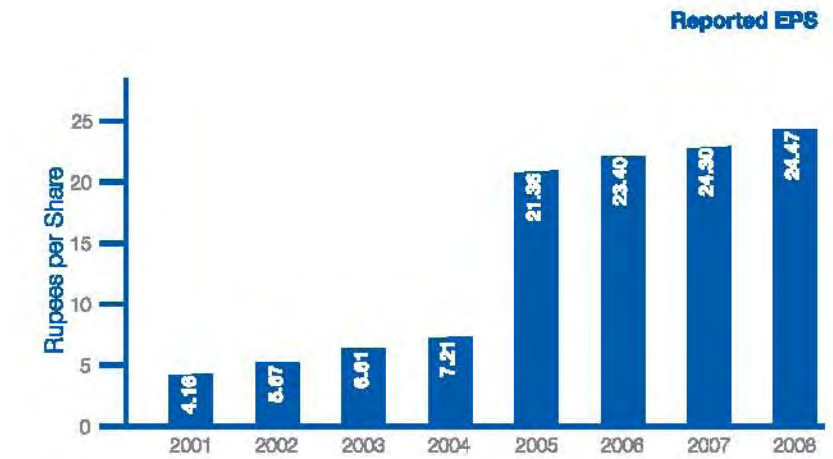
Similar to the previous year, in 2008 Bank's major concentration of investments remained in Government securities, followed by shares in listed companies and a portion in debentures & TFCs.



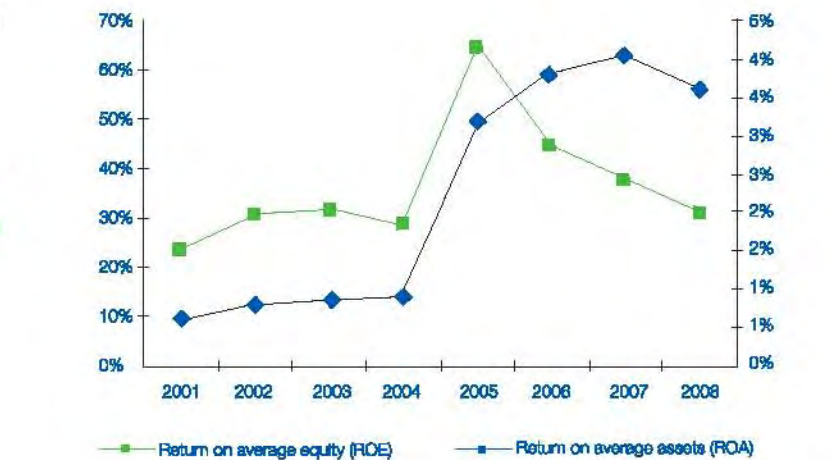
Due to the strong and extensive branch network, deposits of the Bank have registered a growth of Rs. 38 billion. This increase is primarily driven by the growth in current deposits of 13.3% and fixed deposits growth of 92%. The favorable deposits mix has been instrumental in maintaining the cost of funds on the lower side.



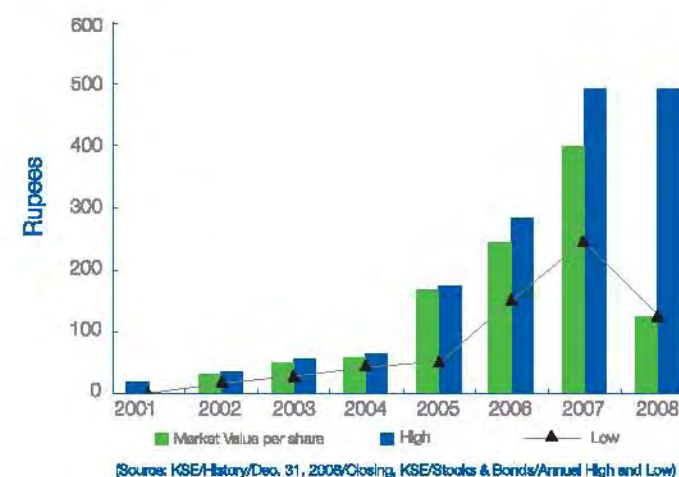
Reported earnings per share grew from 24.30 in 2007 to 24.47 in 2008.



The Return on Equity and Return on Assets have decreased mainly due to the increase in equity (35%) and an increase in assets of 20%.



Due to the collapse of the stock market in 2008, MCB share price registered a blow and closed significantly lower than the same period last year. However, despite these circumstances, the performance of MCB shares was still significantly better than other players in the market reaffirming the trust of its investor base in the bank.



Moody's assigned ratings for BSFRs and Global Local Currency Deposit are D and Baa3/P-3 respectively. PACRA has maintained long term and short term ratings of AA+ & A1+ of the Bank respectively, which supports its stable outlook.

Dividend

The Board has recommended a final cash dividend @ 25% and bonus shares @ 10% for the year ended 31st December 2008. This is in addition to the 90% interim cash dividends announced during the year.

Pattern of Shareholding

The pattern of shareholding as at December 31, 2008 is annexed with the report.

Corporate and Financial Reporting Framework

The Board of Directors recognizes the importance and need for good corporate governance practices in its own functioning and in the management of the Bank and has taken strict measures to ensure compliance to State Bank Guidelines and best international practices. Considerable progress has been made in enhancing corporate governance practices within the Bank and this effort will be continued

in the forthcoming years. Being independent of the influence of the management, the emphasis of the Board remained on policy making and general direction of the affairs of the Bank, without getting involved in operational matters which are best left in the professional hands of the management and staff. The Board intends to continue to evolve and improve the policy framework and move the Bank towards a full adoption of best international practices.

During the year, Board Committees were reconstituted and their ToRs were amended to improve the governance of the Bank and to ensure strict adherence to State Bank Guidelines. Existing Board Committee's were reconstituted to form new Board Committees, namely Risk Management and Portfolio Review Committee and a Committee on Physical Planning, IT System and Contingency Arrangements. These together with the Audit Committee, Human Resource Committee and Business Strategy and Development Committee are aimed at providing assistance to the Board in formulation and revision of policies and guidelines in their respective areas and to monitor the performance of management and staff in relation to those policies and guidelines. These Committees play no operational role, which falls clearly in the defined jurisdiction of Management.

In line with improvement in other areas, particular emphasis has been laid on strengthening internal controls and revamping internal audit functions. Audit Group has been successful in implementing the risk centric audit methodology in the year 2008 through professional staff. With this success, MCB is now one of the few banks in Pakistan that have adopted the risk centric audit methodology. Furthermore, Audit Group has strengthened its IT audit capabilities in line with technological progress of the Bank. Audit Group's commitment for continuous improvement has materialized through establishment of quality assurance wing within the Group. Audit Group is now equipped both in terms of human resource and technology and is committed to optimization of audit operations.

The Directors are pleased to give following statement in respect of Code of Corporate Governance:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, result of its operations, cash flow and change in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied.
- The International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure having material impact there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data is available in the annual report.
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.
- The Board met on 5 occasions and its meetings were attended by the directors as under:

Name	Meetings Attended
Mian Mohammad Mansha	5
S. M. Muneer	3
Tariq Rafi	3
Shahzad Saleem	5
Sarmad Amin	5
Dr. Muhammad Yaqub	4
Mian Raza Mansha	3
Aftab Ahmad Khan *	4
Dato' Mohammed Hussein **	1
Atif Bajwa	5
Atif Yaseen**	3

* Mr. Aftab Ahmad Khan attended 1st two Meetings as an Executive Director and ceased to act as an Executive Director in the 2nd BOD Meeting (March 24, 2008).

** During the year Aftab Ahmad Khan, Director tendered his resignation and Dato' Mohammed Hussein was appointed to fill in the casual vacancy. Atif Yaseen then tendered his resignation and the vacancy was filled by Aftab Ahmad Khan, other than that no casual vacancy occurred in the Board during the year.

Value of investment including accrued income of provident and pension fund as at 30.06.2008 on the basis of audited accounts is:	
Provident Fund Pak Staff	Rs. 8,472 million
Pension Fund Pak Staff	Rs. 5,748 million

The aggregate shares held by followings are:

a) Associated Companies, undertakings & related parties

	No. of Shares
1 Siddiqsons Denim Mills	28,685,082
2 Din Leather (Pvt) Ltd	3,915,381
3 Adamjee Insurance Co. Ltd	19,225,933
4 MCB Employees Pension Fund	9,646,370



		No. of Shares		
5	MCB Provident Fund Pakistan Staff			19,413,198
6	Pak Asian Fund Ltd			93
7	Mayban International Trust (Labuan) Berhad			125,655,369
b)	NIT			1,025,395
c)	ICP			615
d)	Directors	Self	Spouse & Children	Total
	Mian Mohammad Mansha	4,424	3,626,215	3,630,639
	S. M. Munir	1,164	-	1,164
	Tariq Rafi	2,470,383	66,435	2,536,818
	Shahzad Saleem	511	-	511
	Sarmad Amin	1,611	-	1,611
	Dr. Muhammad Yaqub	575	-	575
	Mian Raza Mansha	7,147,197	16,065,700	23,212,897
	Dato' Mohammed Hussein	500	-	500
	Aftab Ahmed Khan	519	-	519
	Atif Bajwa	-	-	-
	Other Executives	18,787	-	18,787

Statement of Internal Controls:

The Bank's internal control structure comprises of the Board of Directors, Senior Management, Risk Management Group, Compliance Group, Financial Control Group, Internal Controls Division, Self Assessment Process within all business groups and Internal Audit. The Management is responsible for establishing and maintaining a system of adequate internal controls and procedures for implementing strategy and policies as approved by the Board of Directors, designed to provide reasonable assurance as to the integrity and reliability of those controls and reports produced there from; developing processes that identify, measure, monitor and control risks incurred by the Bank; maintaining an organizational structure that clearly assigns responsibilities, authority and reporting relationships; ensuring that delegated responsibilities are effectively carried out; setting appropriate internal control policies; monitoring the adequacy and effectiveness of the internal control system through evaluation and validation by internal auditors who have been entrusted the supervisory function with respect to review of internal controls, the internal auditors reporting significant findings directly to Audit Committee of the Board; and taking timely due cognizance of the observations/recommendations concerning the system of internal controls made by the internal auditors, external auditors and the regulators. In view of the above and based on its supervision the Management has evaluated the effectiveness of the Bank's internal controls that encompassed material matters and reports that the System of Internal Control is sound in design and has been effectively implemented and monitored for material aspects.

Keeping in view the risk exposure and identification, evaluation and management of significant risks faced by the Bank and based on regular review of internal controls and reports on their soundness, improvements are brought about by the Management with the approval of Board of Directors in the internal controls and policies. These are being continually reviewed and updated not only to conform to and achieve full compliance with State Bank of Pakistan's Guidelines on Internal Controls, but also to conform, wherever feasible and practicable,

All the trades in the shares carried out by directors, CEO, CFO, Secretary, their spouses and minor children is reported as under:

Name	Sale/Transfer
Mian Raza Mansha	11,635,000 gifted
Shahzad Saleem	1,100 sold
Abdus S Sami	2000 purchased and sold
Aftab Ahmed Khan	8,300 sold

with international best practices and good corporate governance models. However, it needs to be stated that systems are designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute insurance against material mis-statement or loss. In making this assessment, the Bank used criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Bank's assessment included documenting, evaluating and testing of the design and operating effectiveness of its Internal Controls over Financial Reporting (ICFR). The Bank's Internal Controls over Financial Reporting include those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with approved accounting standards, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of Management and Directors of the Bank; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements. Because of its inherent limitations, Internal Controls over Financial Reporting may not prevent or detect mis-statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A separate Issues, Tracking and Monitoring (ITAM) Committee was formed in 2007 with all the Group Heads as part of it. Periodic ITAM meetings are being held with the goal to strengthen internal control processes and proactively identify and resolve identified issues.

The Board of Directors has responsibility for ensuring that Management maintains an effective System of Internal Controls and for reviewing

its effectiveness. The Bank has a System of Internal Controls which provides reasonable assurance in all material respects of efficient and effective operation of controls. Processes are in place for identifying, evaluating and managing the significant risks facing the Bank in accordance with the Risk Management Policy and Internal Control System and Audit Policy, as approved by the Board. The Board regularly reviews these processes through relevant Board Committees.

In compliance with State Bank of Pakistan's BSD Circular No. 6 of 2008 the statutory auditors KPMG Taseer Hadi & Company, Chartered Accountants and Riaz Ahmad & Company, Chartered Accountants, have opined on the effectiveness of MCB's Internal Controls over Financial Reporting as of 31 December 2008, which is included in this annual report.

Risk Management

Keeping with Bank's track record of strong profitability and market leadership, the function of risk management has become a critical fulcrum of the Bank's long term vision and success. The approach of risk management has evolved beyond the classic exercise of balancing risk and reward. We have inculcated modern techniques which will allow business units of the Bank to create more shareholder value through a better understanding of our Bank and our customers.

The Risk Management Group controls the review and administration of lending solutions offered to our clients through a dedicated team of experienced professionals. It also manages the three main areas of risk that are inherent to all activities of the Bank namely credit, market and operational risks.

Credit Review and Credit Risk Control ensure that our lending decisions are in line with the Bank's strategy, our lending decisions are prudent, and that our recoveries are conducted and monitored actively.

Credit Risk Management identifies our target markets through economic

research and data analysis. It defines how we lend to our customers through detailed policies and procedural product manuals, and coordinates with business units to ensure that targeted lending activity is in line with the Bank's overall risk appetite and strategy.

Market Risk Management ensures that the Bank's market risk exposures are actively managed within reasonable limits.

Operational Risk Management helps the Bank understand the risks and improve the mitigating controls so as to minimize operational risks that are inherent in all areas of the Bank.

Basel II Project Team monitors the implementation of various projects in areas of credit, market, and operational risks that have been initiated to allow MCB Bank to adhere to, and adopt, the internationally accepted best practices of Basel II.

In line with SBP requirements and timelines, we are compliant with the basic Basel-II approaches as of Jan 2008 and are progressing towards adoption of intermediate / advanced approaches with increased focus on internal capacity building and automation. Furthermore, in line with SBP's Pillar-II requirements, we are in the process of developing our Internal Capital Adequacy Assessment Process (ICAAP) to provide coverage for Pillar-II risks and establish a system / plan to meet related capital requirements in future.

The Risk Management & Portfolio Review Committee of the Board of Directors provides oversight and direction to the overall risk management activities of the Bank.

These elements of risk management within MCB Bank collectively ensure that the Bank's risk profile is actively monitored and adjusted according to the Bank's strategy and the operating environment in a manner which ensures protection to the depositor and value to the shareholder.

Auditors

The Audit Committee has proposed the name of M/s KPMG Taseer Hadi & Company Chartered Accountants as statutory auditors for the next term in place of retiring auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants and Riaz Ahmed & Company, Chartered Accountants. Riaz Ahmed & Company, Chartered Accountants are being retired in compliance with Code of Corporate Governance. The Board of Directors, on the proposal of Audit Committee recommended the name of KPMG Taseer Hadi & Company being single statutory auditors for the next term. The firm being eligible has offered themselves for appointment till the conclusion of the next AGM.

Acknowledgement

In the end, I would like to avail this opportunity on the behalf of the Board of Directors of MCB to extend sincere appreciation to the State Bank of Pakistan, the Security and Exchange Commission of Pakistan and the Ministry of Finance for their sustained efforts to strengthen the banking and financial system of the country and to improve the regulatory, policy and governance framework for them. I also wish to extend sincere thanks to all our employees for their significant contributions and I am confident that with their continued support and dedication we will be able to face the challenging times that lie ahead. Lastly, I am most grateful to all our clients and shareholders for their constant trust in our ability to provide best possible services.

The Board of Directors, Management and the staff of the Bank are committed in the their strive to take new initiatives, introduce new products, improve service quality and work efficiency, and strengthen the institutional and control framework enabling MCB to remain a leading and well governed bank of the country which is at par with the best international banks.

On behalf of Directors,

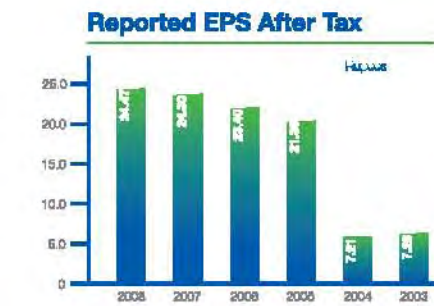
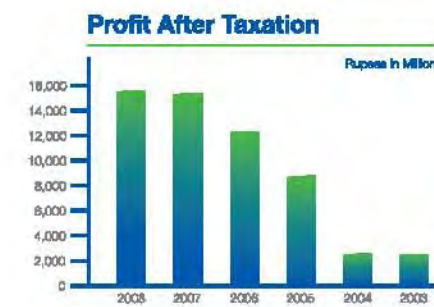
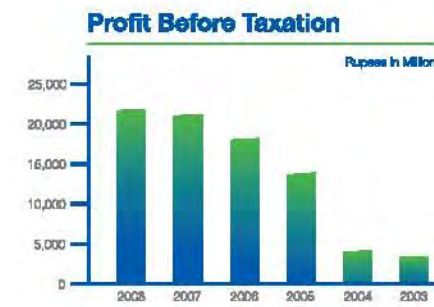


Mian Muhammad Mansha
Chairman

February 16, 2009



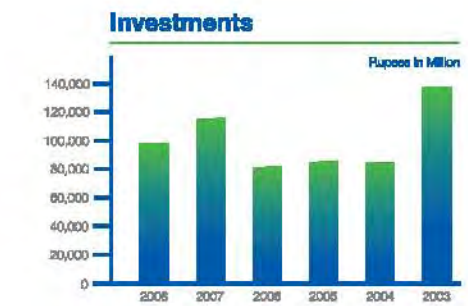
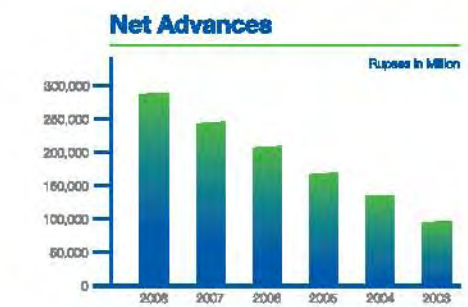
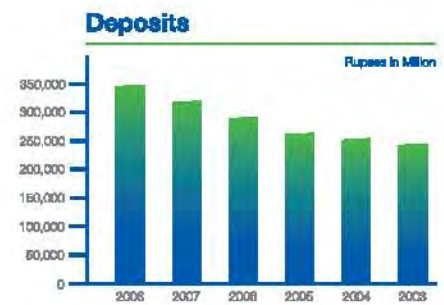
Six Years Progress 2003 to 2008



Operating Results	2008	2007	2006	2005	2004	2003
	Rupees in Million					
Mark up / Return earned	40,044	31,787	25,778	17,756	9,084	10,370
Mark up / Return expensed	11,561	7,866	4,525	2,781	2,058	2,933
Fund Based Income	28,483	23,921	21,253	14,975	7,026	7,437
Fee, Commission, brokerage & FX income	4,537	4,328	3,573	4,406	3,575	2,118
Dividend and capital gains	1,255	2,120	1,418	1,348	1,172	2,414
Total Income	34,275	30,369	26,244	20,728	11,773	11,969
Operating Expense	8,378	6,000	6,549	6,638	7,286	7,525
Operating profit before tax and provision	25,897	24,373	19,683	14,164	4,337	4,394
Provisions/ write-offs	4,029	3,061	1,194	1,072	429	831
Profit before tax	21,867	21,308	18,501	13,018	4,058	3,613
Profit after tax	15,374	15,268	12,142	8,922	2,432	2,230
Dividends	7,225	7,854	3,980	1,715	843	843
Bonus Shares	828	-	819	853	337	307
Balance Sheet						
Authorised capital	10,000	10,000	6,500	6,500	6,500	3,500
Paid up capital	6,283	6,283	5,483	4,265	3,372	3,065
Reserves	36,769	34,001	24,862	9,055	5,662	4,379
Unappropriate Profit	9,183	5,131	5,531	4,990	165	282
Shareholder's equity	52,245	45,414	35,857	18,311	9,199	7,726
Surplus on revaluation of assets - net of tax	6,191	9,706	5,188	5,424	5,354	3,383
Assets	443,616	410,488	342,108	298,781	259,174	272,324
Revaluation reserves	6,191	9,706	5,188	5,424	5,354	3,383
Deposits & other accounts	330,274	292,098	257,482	229,342	221,069	211,511
Borrowings from financial Institutions	22,664	39,407	23,943	27,378	7,591	32,628
Advances - net of provisions	262,510	218,961	198,239	180,323	137,318	97,200
Investments - net of provisions	96,257	113,089	63,486	69,481	67,195	128,277

Financial Ratios	2008	2007	2006	2005	2004	2003
Profit before tax ratio (PBT/total income)	63.80%	70.16%	70.49%	62.80%	34.47%	30.19%
Gross Spread (Net mark-up income/Gross income)	71.13%	75.26%	82.44%	84.34%	77.35%	71.72%
Return on average equity (ROE)	31.49%	37.66%	45.00%	64.87%	28.73%	31.77%
Return on average assets (ROA)	3.80%	4.06%	3.79%	3.20%	0.91%	0.88%
Return on Capital Employed (ROCE)	31.49%	37.22%	42.48%	58.12%	24.17%	25.87%
Income/ expense ratio	2.49 : 1	2.58 : 1	2.78 : 1	2.38 : 1	1.55 : 1	1.58 : 1
Market value per share						
December 31	125.81	399.95	246.10	167.80	58.70	51.40
High - during the year	494.80	434.60	284.50	175.50	65.00	59.65
Low - during the year	125.81	244.05	150.30	50.50	45.35	28.05
Market Capitalisation (Rupees in Million)	79,044	251,279	134,451	71,572	19,792	15,758
Earnings per share (EPS before tax)	34.81	33.92	35.65	31.17	12.03	10.72
Earnings per share (EPS after tax)	24.47	24.30	23.40	21.36	7.21	7.28
Breakup value per share	83.16	72.28	65.27	42.93	27.28	25.21
Book value per share including						
Surplus/ deficit on revaluation	93.01	87.73	78.71	56.82	43.16	32.95
Capital Adequacy Ratio	16.41%	16.75%	18.65%	12.54%	9.64%	0.00%
Price to earning ratio	5.14	16.46	10.52	7.86	8.14	7.06
Cash Dividend Per Share	11.50	12.50	7.25	4.02	2.50	2.75
Dividend yield Ratio	0.08	0.03	0.03	0.02	0.04	0.05
Dividend Payout Ratio	51.08%	51.45%	37.39%	28.19%	48.54%	51.51%
Bonus Shares Issued	10.00%	0.00%	15.00%	20.00%	10.00%	10.02%
Advances/ Deposit ratio	79.48%	74.96%	77.00%	78.83%	62.12%	45.96%
Number of branches*	1,047	1,026	994	952	946	988
Number of permanent employees*	10,160	9,721	9,011	9,377	9,889	10,164
Number of accounts*	3,915,009	3,902,140	4,350,245	4,248,399	4,122,338	4,433,539
Others						
Non-Performing Loans (NPLs)	18,269	10,725	8,571	8,396	8,838	11,000
Imports*	205,927	137,080	135,542	138,047	89,653	64,453
Exports*	87,346	66,066	60,725	54,794	37,796	28,609

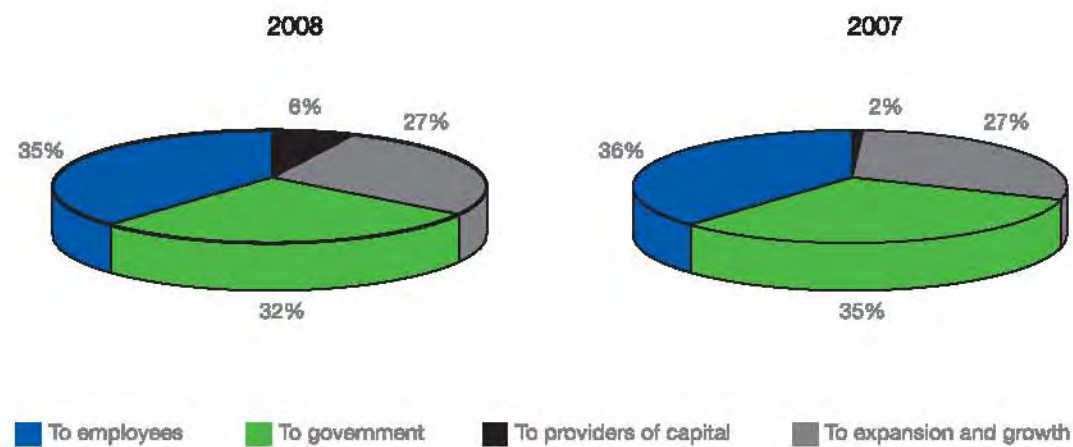
* Absolute numbers



Value Added Statement

For the year ended December 31, 2008

	2008 (Rs '000)		2007 (Rs '000)	
Interest earned and other operating Income	34,237,747		30,356,257	
Direct cost of services	<u>(5,912,975)</u>		<u>(4,814,921)</u>	
Value added by banking services	28,324,772		25,541,336	
Non-Banking Income	36,777		13,032	
Provision against non-performing assets	<u>(4,019,121)</u>		<u>(3,061,308)</u>	
Value Added	<u>24,342,428</u>		<u>22,493,060</u>	
Distributed as follows:				
To employees				
Remuneration, provident funds and other benefits	6,906,851	28.37%	6,164,192	27.40%
Pension Fund Reversal	<u>(5,399,319)</u>	<u>-22.18%</u>	<u>(5,769,564)</u>	<u>-25.65%</u>
	1,507,532	6.19%	394,628	1.75%
To government				
Income Tax	6,492,966	26.68%	6,042,473	26.88%
To providers of capital				
Dividends to shareholders	7,853,461	32.26%	7,853,484	34.92%
To expansion and growth				
Depreciation	815,205		599,196	
Amortization	142,005		191,201	
Retained Earnings	<u>7,531,259</u>		<u>7,412,078</u>	
	8,488,469	34.87%	8,202,475	36.47%
	<u>24,342,428</u>	100%	<u>22,493,060</u>	100%





Statement of Compliance

with the Best Practices of Code of Corporate Governance for year ended December 31, 2008

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 37, chapter XIII and XI of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges (Guarantee) Limited respectively, for the purpose of establishing a framework of good governance, whereby a listed company is in compliance with the best practices of corporate governance.

1. The Bank encourages representation of non-executive directors on its Board of Directors. At present all the directors on the Board are non-executive except for the President and CEO Mr. Atif Bajwa.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mr. Aftab Ahmad Khan, Director tendered his resignation and Mr. Dato Mohammed Hussein was appointed to fill in the casual vacancy. Mr. Atif Yaseen then tendered his resignation and the vacancy was filled by Mr. Aftab Ahmad Khan, other than that no casual vacancy occurred in the Board during the year.
5. The Bank in year 2002 prepared "Statement of Ethics and Business Practices" for directors and employees. It has been signed by the directors and employees. During the year the same has been circulated as required under the code.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated. The Company Secretary and Chief Financial Officer attended the meetings of the Board of Directors.
9. During the year Mr. Tahir Hassan Qureshi tendered his resignation as the Chief Financial Officer and Mr. Ali Munir has been appointed in his place. The appointment of Chief Financial Officer including his remuneration and terms of appointment as determined by the CEO has been approved by the Board. However, no additional new appointments have been made during the year.
10. The Board arranged orientation courses for its directors to apprise them of their duties and responsibilities.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than those disclosed in the annual report.
14. The Bank has complied with all the corporate and financial reporting requirements.

15. The Board has formed an audit committee. It comprises of four members, all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the audit committee are held at least once every quarter prior to approval of interim and final results of the Bank, as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The Board has set up an effective internal audit function. Personnel of Internal Audit Department are suitably qualified and are involved in the internal audit function on full time basis.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of The Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Directors,


Mian Mohammad Mansha
Chairman

February 16, 2009



Auditors' Report to Members

On Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of MCB Bank Limited ("the Bank") for the year ended December 31, 2008, to comply with the Listing Regulations of the respective Stock Exchanges, where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquires of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. Except for the audit of Board of Directors' endorsement regarding efficacy of the Bank's Internal Control over Financial Reporting, we have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December, 31 2008.

KPMG TASEER HADI & CO.
Chartered Accountants
Lahore

February 16, 2009

RIAZ AHMAD & CO.
Chartered Accountants
Lahore



Report of Independent Auditors' on the Board of Directors' endorsement regarding efficacy of MCB Bank Limited's Internal Control over Financial Reporting

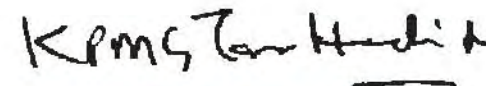
We have audited MCB Bank Limited ("the Bank") Board's endorsement regarding the efficacy of the Bank's internal control over financial reporting (ICFR) as of December 31, 2008, excluding the internal control over financial reporting of foreign operations of the Bank, included in 'Statement on Internal Controls' in the Directors' Report to Members, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Bank's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Board's assessment of internal control relating to internal control over financial reporting based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan and Auditing Standard No. 5 issued by the Public Company Accounting Oversight Board (United States) - An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

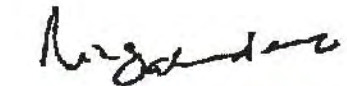
A bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with approved accounting standards, the requirements of the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984. A bank's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the approved accounting standards, the requirements of the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion the Board's assessment presents fairly, in all material respects, that the Bank maintained, effective internal control over financial reporting, as of December 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the International Standards on Auditing as applicable in Pakistan, the balance sheet as at December 31, 2008, the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof for the year then ended and our report dated February 16, 2009 expressed an unqualified opinion on those financial statements.


KPMG TASEER HADI & CO.
Chartered Accountants
Lahore

February 16, 2009


RIAZ AHMAD & CO.
Chartered Accountants
Lahore