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.

- Best Bank in Pakistan (2000 Euromoney)
- Best Bank in Pakistan (2001 Euromoney)
- Best Bank in Pakistan (2003 Euromoney)
- Best Domestic Bank in Pakistan (2004 Euromoney)
- Best Bank in Pakistan (2009 Euromoney)
- Best Domestic Bank in Pakistan (2010 Euromoney)
- Best Bank in Pakistan (2011 Euromoney)
- Best Bank in Asia (2012 Euromoney)
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.
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.
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.
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.
**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.
<table>
<thead>
<tr>
<th>Page</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>Directors’ Report to the Members</td>
</tr>
<tr>
<td>41</td>
<td>Six Years Progress</td>
</tr>
<tr>
<td>43</td>
<td>Value Added Statement</td>
</tr>
<tr>
<td>44</td>
<td>Statements of Compliance with the Code of Corporate Governance</td>
</tr>
<tr>
<td>46</td>
<td>Auditors’ Review Report on Code of Corporate Governance</td>
</tr>
<tr>
<td>47</td>
<td>Auditors’ Report on ICFR</td>
</tr>
<tr>
<td>49</td>
<td>Auditors’ Report to the Members</td>
</tr>
<tr>
<td>51</td>
<td>Balance Sheet</td>
</tr>
<tr>
<td>52</td>
<td>Profit &amp; Loss Account</td>
</tr>
<tr>
<td>53</td>
<td>Cash Flow Statements</td>
</tr>
<tr>
<td>55</td>
<td>Statement of Changes in Equity</td>
</tr>
<tr>
<td>57</td>
<td>Notes to the Financial Statements</td>
</tr>
<tr>
<td>146</td>
<td>Branch Network</td>
</tr>
<tr>
<td>148</td>
<td>Pattern of Shareholding</td>
</tr>
<tr>
<td>151</td>
<td>Categories of Shareholders</td>
</tr>
<tr>
<td>152</td>
<td>Notice of Annual General Meeting</td>
</tr>
<tr>
<td>156</td>
<td>Directors’ Report on Consolidated Financial Statements</td>
</tr>
<tr>
<td>157</td>
<td>Auditors’ Report to the Members</td>
</tr>
<tr>
<td>158</td>
<td>Consolidated Balance Sheet</td>
</tr>
<tr>
<td>159</td>
<td>Consolidated Profit &amp; Loss Account</td>
</tr>
<tr>
<td>160</td>
<td>Consolidated Cash Flow Statement</td>
</tr>
<tr>
<td>162</td>
<td>Consolidated Statement of Changes in Equity</td>
</tr>
<tr>
<td>164</td>
<td>Notes to the Consolidated Financial Statements</td>
</tr>
<tr>
<td>256</td>
<td>Form of Proxy</td>
</tr>
</tbody>
</table>
Depend on us for teamwork.
Management Committee

Front left to right
Shahid Saeed
Imran Maqbool
Romana Abdullah
Adil 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 Muhammad Mansha
S.M. Muneer
Mian Raza Mansha
Saeed Amin
Shahzad Saleem
Tariq Rafi
Directors' Report to Members

On behalf of the Board of Directors, I am pleased to present the 51st 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 led 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 recession threatened accelerated rapid rising 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 crises 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 buying budget deficits financed through credit creation and excessive consumption 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 partly 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 reserves 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 fossil monetary and exchange rate policies that promote sound industrialization and improvement in agricultural production. Good governance, political stability, national security and public safety and re-emphasis 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, solvency and profitability of the banking system is vital for the promotion of economic growth and stable price stability in a modern economy. Fortuitously, major reforms introduced in the banking system in Pakistan in the last few 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 on 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, privatisation of banks, non-intervention 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 achievements have 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 captive 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 2006 MCB was given the award as the Best Bank in Asia by Euromoney. This was a significant milestone for the Bank and reaffirmed the efforts and skills of the management to position MCB as par with the best international banks.

Another key development for MCB in 2006 was the acquisition of 25% in e-holding by MCB by Malay Banking Berhad, the largest financial institution in Malaysia. This partnership will go a long way to serve the needs of our business processes and will strengthen our footings on domestic and international frontiers.

Commercial Bank: Banking Group, with its large network of branches

went on to prudent regulatory policies introduced by the State Bank of Pakistan in the last two decades, privatisation of banks, non-intervention 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 achievements have 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 captive 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 2006 MCB was given the award as the Best Bank in Asia by Euromoney. This was a significant milestone for the Bank and reaffirmed the efforts and skills of the management to position MCB as par with the best international banks.

Another key development for MCB in 2006 was the acquisition of 25% in e-holding by MCB by Malay Banking Berhad, the largest financial institution in Malaysia. This partnership will go a long way to serve the needs of our business processes and will strengthen our footings on domestic and international frontiers.

Commercial Bank: Banking Group, with its large network of branches
Due to the tough economic environment, the 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 the availability of our current infrastructures. Standardization of equipment was introduced to boost productivity and promote savings. Credit card data on mobiles, utility bill payment through Vitatel banking were new applications that were introduced as well as eBills to 600 branches by the end of 2008 (63% of business coverage).

The Human Resources Group has remained active in its endeavors 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 centralization of processes and business continuity. Internal Control Division was strengthened and led the Bank's anti-fraud efforts for compliance with 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 risk in the formation of policies and monitoring of the progress of the Bank while keeping 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 coherence 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:

<table>
<thead>
<tr>
<th>Profit before taxation</th>
<th>Rs. in million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24,669</td>
</tr>
<tr>
<td>Taxation</td>
<td>6,692</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>17,977</td>
</tr>
<tr>
<td>Un-appropriated profit brought forward</td>
<td>1,317</td>
</tr>
<tr>
<td>Transfer from surplus on revaluation of fixed assets (net of tax)</td>
<td>(21)</td>
</tr>
<tr>
<td>Profit available for appropriation</td>
<td>20,627</td>
</tr>
</tbody>
</table>

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

Interest income remained the main contributor to the Bank's total income. Markup income has gained momentum in 2008 with an increase of 25% over the previous year.

Consequent to the removal of floor mechanisms the KSE 100-index fell to the level of 6,207 points against its all-time high level of above 15,618 points. This resulted in significant diminution in the value of Bank’s investment in equity shares held under “Available for Sale” (AFS) category. Keeping in view this destabilized situation, SECP & ECP issued instructions whereby they gave the option to companies to charge this diminution directly to equity without routing it through profit & loss account and then while adjusting the future price, another the same on quantum 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. 4,865.75 million. However, your management while using their prudence and judgment evaluated the fair values of all securities and booked an impairment of Rs. 2,961.64 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 this equity with full amount the profit for the year under review would have been as follows:

| Increase (decrease) in impairment loss in P/L | 2,961.64 |
| Increase (decrease) in tax charge | (906.73) |
| Increase (decrease) in profit for the year | 1,954.91 |

Due to the sudden down turn in the economy and the sharp decline in equity prices, Karachi Stock Exchange (KSE) imposed a five percent margin on individual security price where they could vary within the normal circuit breaker limit but not below the floor prices. This mechanism remained in place from August 28, 2008 to December 18, 2008.

As far as the current financials under review are concerned, profit before tax has registered an increase of Rs. 650 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.
Due to high inflation the cost to income ratio has gone up to 34.47% from 18.07% 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. 20 billion - 5.4% over the previous year. This has resulted in an increase in Shareholders equity before surplus of Rs. 14 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 260% respectively. The Advance portfolio showed a remarkable growth with the corporate portfolio taking the lead. Performance was strong both in volumes and ratios of return. To ensure optimal segmental diversification, the Bank executed strategic monitoring of portfolio expansion through diversification.

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 collaterals & TFCs.

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 6.82% in 2008.

The Return on Equity and Return on Assets have decreased mainly due to the increase in equity (29%) and an increase in assets of 39%.

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 deposit mix has been instrumental in maintaining the cost of funds on the lower side.


Due to the collapse of the stock market in 2008, MCB share price registered a slow 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.
The Directors are pleased to give following statement in respect of Codes of Corporate Governance:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinances, 1962. 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 practices have been consistently applied.
- The International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and no departures 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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Man Mohamad Munshi</td>
<td>5</td>
</tr>
<tr>
<td>S. M. Munir</td>
<td>3</td>
</tr>
<tr>
<td>Tariq Far</td>
<td>5</td>
</tr>
<tr>
<td>Shahid Saeed</td>
<td>6</td>
</tr>
<tr>
<td>Sarmad Arif</td>
<td>4</td>
</tr>
<tr>
<td>Dr. Mohammad Hafeez **</td>
<td>3</td>
</tr>
<tr>
<td>Saeed M.</td>
<td>1</td>
</tr>
<tr>
<td>Aftab Ahmad Khan *</td>
<td>5</td>
</tr>
<tr>
<td>Dato' Mohd. Haji    **</td>
<td>3</td>
</tr>
<tr>
<td>Aftab     **</td>
<td></td>
</tr>
</tbody>
</table>

* Mr. Aftab Ahmad Khan attended 1st two Meetings as an Executive Director and ceased to act as an Executive Director in the 2nd BOC Meeting held on 24-06-2006.
** During the year Aftab Ahmad Khan, Director tendered his resignation and Dato' Mohd. Haji was appointed to fill in the vacant position. Aftab Khan 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 30.06.2006 on the basis of audited accounts is:
  - Provident Fund Participants: Rs. 8,472 million
  - Pension Fund Participants: Rs. 1,418 million

- The aggregate shares held by following are:

  a) Associated Companies, undertakings & related parties

<table>
<thead>
<tr>
<th>No. of Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>28,085,082</td>
</tr>
<tr>
<td>2</td>
<td>3,015,361</td>
</tr>
<tr>
<td>3</td>
<td>16,335,323</td>
</tr>
<tr>
<td>4</td>
<td>9,045,370</td>
</tr>
</tbody>
</table>
Statement of Internal Controls:
The Bank’s internal control structure comprises 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 these controls and reports produced there from; developing processes that identify, measure, monitor and control risk 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 reimbursed 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, 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 internal control 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, 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 assurance against material misstatement or failure. 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 Board’s assessment included documenting, evaluating and testing the design and controlling effectiveness of its Internal Controls over Financial Reporting (ICFR). The Bank’s Internal Controls over Financial Reporting indicate those policies and procedures that the Board has relied 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 function 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 incorporated 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
Auditors

The Audit Committee has proposed the name of Mr. A. Malik as Independent Auditor for the next term. In place of retiring auditors Mr. A. Malik, the Bank is proposing Chartered Accountants Mr. A. Malik, Mr. H. Malik, and Mr. I. Malik. Chartered Accountants Mr. A. Malik, Mr. H. Malik, and Mr. I. Malik are the recommended auditors for the next term. The Bank has appointed them as statutory auditors in compliance with the Companies Act.

Acknowledgement

In the end, I would like to extend my appreciation to all our employees for their dedication and commitment to the Bank. I would also like to thank our customers for their continued support and cooperation.

On behalf of the Board of Directors,

Mian Muhammad Mansha
Chairman

February 18, 2009
Value Added Statement
For the year ended December 31, 2008

2008 (Rs '000)  2007 (Rs '000)
Interest earned and other operating income 34,937,847  33,588,567
Direct cost of services 2,615,579  2,411,851
Value added by leasing services 26,357,772  25,513,396
Non-Banking Income 86,777  10,522
Provisions against non-performing assets (5,019,130)  3,091,366
Value Added 29,420,593  29,848,593

Distributed as follows:

To employees
Remuneration, provident funds and other benefits 8,690,866  8,514,182  39.37%  8,799,564  39.15%  37.43%
(S,354,376)  (31.18%)  (7,950,564)  (31.93%)
To government
Income Tax 1,507,920  6,199  6.19%  384,859  1.73%
6,492,966  26.88%  8,043,473  26.89%
To providers of capital
Dividends to shareholders 7,933,481  32.26%  7,835,494  34.92%
To expansion and growth
Depreciation 1,810,857  588,186  140,856  79,371
7,933,481  32.26%  7,835,494  34.92%
Net Earnings 6,492,966  26.88%  8,206,873  28.47%
27,342,128  100%  22,483,080  100%

Statement of Compliance
with the Best Practices of Code of Corporate Governance for the 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 XII and XII of the Listing Regulations of Karachi, Lahore & Islamabad Stock Exchanges (Shareholders) 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. Ali 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 tax to a banking company, a DFI or an NBFIC or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mr. Atib Ahmed Khan, Director tendered his resignation and Mr. Dais Mohammad Hussain was appointed to fill in the casual vacancy. Mr. Ali Rehman Khan tendered his resignation and the vacancy was filled by Mr. Atib Ahmed Khan, other than the fact 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 aligned 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 report 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 notice of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meeting. 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. Taher Hussain Qureshi tendered his resignation as the Chief Financial Officer and Mr. Ali Murad 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.
### Value Added Statement

**For the year ended December 31, 2008**

<table>
<thead>
<tr>
<th></th>
<th>2008 (IN '000)</th>
<th>2007 (IN '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest earned and other operating income</td>
<td>34,357,147</td>
<td>33,568,267</td>
</tr>
<tr>
<td>Direct cost of services</td>
<td>3,415,875</td>
<td>4,414,821</td>
</tr>
<tr>
<td>Value added by licensing services</td>
<td>26,911,272</td>
<td>25,451,336</td>
</tr>
<tr>
<td>Non-Banking Income</td>
<td>9,177</td>
<td>10,025</td>
</tr>
<tr>
<td>Provision against non-performing assets</td>
<td>3,519,270</td>
<td>3,091,286</td>
</tr>
<tr>
<td><strong>Value Added</strong></td>
<td><strong>32,945,029</strong></td>
<td><strong>28,440,053</strong></td>
</tr>
</tbody>
</table>

**Distributed as follows:**

<table>
<thead>
<tr>
<th></th>
<th>2008 (IN '000)</th>
<th>2007 (IN '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To employees</td>
<td>6,936,051</td>
<td>8,784,182</td>
</tr>
<tr>
<td>Remuneration, provident funds and other benefits</td>
<td>(6,936,051)</td>
<td>(8,784,182)</td>
</tr>
<tr>
<td>Pension Fund Reversion</td>
<td>1,267,002</td>
<td>1,619,093</td>
</tr>
<tr>
<td><strong>To government</strong></td>
<td><strong>7,203,053</strong></td>
<td><strong>10,403,275</strong></td>
</tr>
<tr>
<td>Income Tax</td>
<td>6,490,988</td>
<td>8,043,479</td>
</tr>
<tr>
<td><strong>To providers of capital</strong></td>
<td><strong>13,694,041</strong></td>
<td><strong>28,446,754</strong></td>
</tr>
<tr>
<td>Dividends to shareholders</td>
<td>7,803,481</td>
<td>7,853,484</td>
</tr>
<tr>
<td><strong>To expansion and growth</strong></td>
<td><strong>24,392,029</strong></td>
<td><strong>36,292,029</strong></td>
</tr>
<tr>
<td>Depreciation</td>
<td>815,305</td>
<td>589,186</td>
</tr>
<tr>
<td>Amortisation</td>
<td>140,033</td>
<td>171,237</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>7,361,236</td>
<td>7,410,076</td>
</tr>
<tr>
<td><strong>7,906,573</strong></td>
<td><strong>8,360,500</strong></td>
<td></td>
</tr>
</tbody>
</table>

**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 XII and XI of listing regulations of KSEI, Lahore & Islamabad Stock Exchanges (Quoted) 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. Afzal 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 shareholders and none of them has defaulted in payment of any loan to a banking company, a DFI or any NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mr. Mubashir Ahmed Khan, Director tendered his resignation and Mr. Daud Mohammad Hassan was appointed to fill in the casual vacancy. Mr. Ali Rehman Khan tendered his resignation and the vacancy was filled by Mr. Mubashir Ahmed 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 notice 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. Taher 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 the 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 executive 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.
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.

The members 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.

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.

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.

The statutory auditors or the person 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.

We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Directors,

 Milan Mohammed Mansha
Chairman

February 18, 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 to which 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 inquiries 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' employment regarding 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 TAIBER HAKI & CO.
Chartered Accountants
Lahore
February 18, 2009

RAZ AHMED & CO.
Chartered Accountants
Lahore

February 18, 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 to which 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 inquiries 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’ approval regarding 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.

On behalf of the Directors,

[Signature]

[Name]
Chairman

February 18, 2009

KPMG Tahir Has & Co.
Chartered Accountants
Lahore

February 18, 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 Control” 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 Standards 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, 1992 and the Companies Ordinance, 1994. 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 approved accounting standards, the requirements of the Banking Companies Ordinance, 1992 and the Companies Ordinance, 1994, 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).

KPMG "INSPECTOR" CR. 2009/1005
Chartered Accountants
Lahore
February 16, 2009

KPMG TAIBER HADI & CO.
Chartered Accountants
Lahore

NAZ AHMAD & CO.
Chartered Accountants
Lahore

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.

40 MCB Bank Limited
Annual Report 2008-09