

# **CORPORATE PROFILE**



### BOARD OF DIRECTORS

BUARD OF DIRECTORS
Mian Mohammad Mansha
Chairman
S.M. Muneer
Vice Chairman
Tariq Rafi
Shahzad Saleem
Sarmad Amin
Aftab Ahmad Khan
Atif Yaseen
Dr. Muhammad Yaqub
Mian Raza Mansha
Atif Bajwa
President & Chief Executive Officer
AUDIT COMMITTEE
Dr. Muhammad Yaqub - Chairman
Tariq Rafi - Member
Atif Yaseen - Member
Mian Raza Mansha - Member
CHIEF FINANCIAL OFFICER
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.
REGISTRAR'S AND SHARE REGISTRATION OFFICE
M/s THK Associates (Pyt) I td

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

### **DIRECTORS' REVIEW REPORT**



### **DIRECTORS' REPORT JUNE 2008**

It gives me great pleasure to present, on behalf of the Board of Directors, the financial statements of MCB Bank Limited for the half year ended June 30, 2008.

### **FINANCIAL HIGHLIGHTS**

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

	(Rs. in '000)
Profit before taxation	10,629,063
Taxation	2,952,166
Profit after taxation	7,676,897
Un-appropriated profit brought forward	5,130,750
Transfer from surplus on revaluation of fixed assets (net of tax)	14,860
Profit available for appropriation	12,822,507
Appropriations:	
Transferred to Statutory Reserve	767,690
General Reserves	1,000,000
Interim Cash dividend–March 31, 2008	1,884,831
Final Cash dividend–Dec 31, 2007	3,141,384
Total appropriations	6,793,905
Un-appropriated profit carried forward	6,028,602
	Rupees
Earning per share	12.22

### **PERFORMANCE REVIEW**

Despite the overall slow down and stress in the economy the Bank has performed well both in terms of balance sheet and revenue growth. During the first half of the calendar year 2008, profit after tax has marginally increased by Rs. 14 million and closed at Rs. 7.68 billion as against reported profit of Rs. 7.66 billion for similar period last year. This translates into EPS of Rs. 12.22 as compared to Rs. 12.20 reported for the similar period last year.

Provision against non-performing loans showed a slightly increasing trend whereas there has also been increase in provision against investment due to fall in stock market index. An amount of Rs. 1,242 million and Rs. 210 million against non-performing loans and investment has been charged to profit & loss account.

During the period under review the bank's deposits showed a robust growth of 20% from Dec 31, 2007 and closed at Rs. 351 billion. Compared with December 07, the increase in Deposits was mainly due to increase in savings and current deposits which grew by Rs. 47 billion (29%) and Rs. 14 billion (14%) respectively. Fixed deposits on the other hand decreased by Rs. 2.2 billion (-7%).

Gross loans and advances grew by 4.8% from Rs. 230 billion as at Dec 31, 2007 and closed at Rs. 240 billion. Compared with December 07, Non-performing loans also increased by Rs. 1.26 billion and

**DIRECTORS' REVIEW REPORT** 



closed at Rs. 11.99 billion representing 4.99% of total portfolio [Dec 07: 4.67%] which are still one of the lowest ratio among peer group banks.

There has been a change in conversion ratio of Bank's Global Depository Receipts (GDR) and now every GDR holder is entitled to 2 ordinary shares. The change in the aforementioned ratio has taken effect from April 10, 2008. As a result, there has been a distribution of 1 additional GDR for every 1 held as of record date. The Bank has obtained all required regulatory approvals in this regard.

### **ACHIEVEMENTS**

It brings immense pleasure to announce MCB's achievements reflected by a series of International awards. MCB has been awarded 'Best Bank in Asia' & 'Best Bank in Pakistan' under the Asian Regional Awards for Excellence by EuroMoney for excellent performance in the year 2007 and remarkable sustainability. This is undoubtly a milestone for the Bank and an achievement for the Country on an international level. This was followed by 'The best Domestic Bank - Pakistan' award by The Asset in 'The Asset Triple A Country Awards (Asset Asian Awards 2007)'.

### **RATINGS**

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

### **ECONOMY**

During the first half of 2008, Pakistan's economy remained under pressure due to growing trade deficit, energy shortages and high rising inflation. Due to rising fuel prices and commodity prices over the past few months, inflation in prices of essential food items has reached unprecedented level. There is a grave concern that rising food prices can undermine gains from poverty reduction and human development that the country has achieved over the period. As expected, the Central Bank has pursued a tight monetary policy to curb import demand. There has been couple of upward revisions in discount rates whereas minimum saving rate has been fixed at 5%. In an attempt to stop further devaluation of local currency the state bank also temporarily suspended forward booking of foreign currency for all imports, removing the simplest way for importers to hedge against a weakening rupee.

#### **FUTURE OUTLOOK**

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

### **ACKNOWLEDGEMENT**

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

August 22, 2008

On behalf of Directors

Mian Mohammad Mansha



### **Independent Report on Review of Interim Financial Information**

### **Members of MCB Bank Limited**

### Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of MCB Bank Limited as at 30 June 2008 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity for the half year then ended ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information as at 30 June 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarter ended 30 June 2008 in the unconsolidated condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

KPMG TASEER HADI & CO. Chartered Accountants

RIAZ AHMAD & CO. Chartered Accountants

**Dated: August 22, 2008** 

Lahore

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### **MCB Bank Limited**



### Unconsolidated Condensed Interim Balance Sheet As at June 30, 2008

		Unaudited	Audited
	Note	June 30,	December 31,
		2008	2007
		(Rupees in	'000)
Assets			
Cash and balances with treasury banks		60,649,236	39,683,883
Balances with other banks		14,654,873	3,807,519
Lendings to financial institutions	7	14,312,695	1,051,372
Investments - net	8	99,484,865	113,089,261
Advances - net	9	228,975,656	218,960,598
Operating fixed assets		16,769,939	16,024,123
Deferred tax assets		-	-
Other assets - net		15,489,252	17,868,761
		450,336,516	410,485,517
Liabilities			
Bills payable		7,722,767	10,479,058
Borrowings from financial institutions	10	14,498,554	39,406,831
Deposits and other accounts	11	350,721,984	292,098,066
Sub-ordinated loan		-	479,232
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	729,813	1,180,162
Other liabilities		20,678,095	11,722,493
		394,351,213	355,365,842
Net assets		55,985,303	55,119,675
Represented by:			
Share capital		6,282,768	6,282,768
Reserves		35,881,531	34,000,638
Un-appropriated profit		6,028,602	5,130,750
^		48,192,901	45,414,156
Surplus on revaluation of assets - net of tax		7,792,402	9,705,519
		55,985,303	55,119,675
Contingencies and commitments	13		

The annexed notes 1 to 21 form an integral part of this unconsolidated condensed interim financial information.

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Atif Bajwa

S.M. Muneer

Taria Rafi

Suauzad Sarun

Shahzad Saleem Director



Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)

For the Six months period ended, June 30, 2008

For the Six months period ended June 30, 2008				
Note	June 30, 2008	Half year ended June 30, 2008	Quarter ended June 30, 2007	Half year ended June 30, 2007
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Mark-up / return / interest earned	8,747,842	16,936,027	7,991,888	15,607,659
Mark-up / return / interest expensed	2,346,903	4,339,277	2,196,605	3,765,159
Net mark-up / interest income	6,400,939	12,596,750	5,795,283	11,842,500
Provision against loans and advances	626,467	1,241,687	995,406	1,188,306
Provision / (reversal) for diminution in the value of investments	210,431	210,431	(25,973)	(25,973)
Bad debts written off directly	-	-	100	154
	836,898	1,452,118	969,533	1,162,487
Net mark-up / interest income after provisions	5,564,041	11,144,632	4,825,750	10,680,013
Non mark-up / interest income				
Fee, commission and brokerage income	794,723	1,547,974	756,661	1,329,414
Dividend income	42,813	209,402	31,139	194,650
Loss / (gain) from dealing in foreign currencies	(189,174)	(42,257)	191,356	412,701
Gain on sale of securities - net	112,750	723,206	739,058	974,299
Loss on trading in government securities - net	(28,643)	(17,730)	(17)	(50)
Other income-net	206,264	434,626	237,616	458,083
Total non mark-up / interest income	938,733	2,855,221	1,955,813	3,369,097
Non mark-up / interest expenses	6,502,774	13,999,853	6,781,563	14,049,110
Administrative expenses	1,417,293	3,079,503	805,080	2,783,745
Other provisions / (reversal)	-		(9,452)	(9,452)
Other charges	215,005	291,287	113,750	173,793
Total non mark-up/interest expenses	1,632,298	3,370,790	909,378	2,948,086
	4,870,476	10,629,063	5,872,185	11,101,024
Extra ordinary / unusual item		- <u>-</u>		
Profit before taxation	4,870,476	10,629,063	5,872,185	11,101,024
Taxation - Current	1,488,243	3,565,483	1,738,969	3,342,898
- Prior years	(400,269)	(630,269)	-	(459,952)
- Deferred	217,738	16,952	197,111	554,950
	1,305,712	2,952,166	1,936,080	3,437,896
Profit after taxation	3,564,764	7,676,897	3,936,105	7,663,128
Earnings per share - basic and diluted - Rupees 14	5.67	12,22	6.26	12.20

The annexed notes 1 to 21 form an integral part of this unconsolidated condensed interim financial information.

Atif Bajwa
President and Chief Executive

S.M. Muneer

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Shahzad Saleem

## MCB Bank Limited



# Unconsolidated Condensed Interim Cash Flow Statement (Un-audited) For the Six months period ended June 30, 2008

Tor the Six months period ended June 30, 2000		
	Half year ended	Half year ended
	June 30,	June 30,
	2008	2007
	(Rupees	in '000)
Cash flows from operating activities		
Profit before taxation	10,629,063	11,101,024
Less: Dividend income	(209,402)	(194,650)
	10,419,661	10,906,374
Adjustments for non-cash charges  Depreciation	256 242	264,740
Amortisation	356,242 86,973	93,000
Provision against loans and advances	1,241,687	1,188,306
Provision / (reversal) for diminution in the value of investments	210,431	(25,973)
Provision / (reversal) in the value of other assets		(9,452)
Bad debts written off directly	-	154
Gain on disposal of fixed assets	(13,047)	(6,008)
Un-realized loss on revaluation of 'held-for-trading' securities	32,927	392
	1,915,213	1,505,159
(Increase) / decrease in operating assets	12,334,874	12,411,533
Lendings to financial institutions	(13,261,323)	11,570,395
Held for trading securities	(25,301)	(65,618)
Advances	(11,256,745)	3,134,379
Other assets - net	2,397,927	(2,756,379)
Increase / (decrease) in operating liabilities	(22,145,442)	11,882,777
Bills payable	(2,756,291)	232,766
Borrowings from financial institutions	(24,908,277)	(8,191,067)
Deposits and other accounts	58,623,918	43,453,142
Other liabilities	8,760,987	791,773
	39,720,337	36,286,614
	29,909,769	60,580,924
Payments of provision against off-balance sheet obligations Income tax paid	(2,736,892)	(3,253,094)
Net cash flows from operating activities	27,172,877	57,327,830
Cash flows from investing activities	27,172,077	57,527,555
Net investments in available-for-sale securities	12,148,307	(52,936,409)
Net investments in held-to-maturity securities	(1,392,594)	3,493,245
Dividend income received	190,984	182,624
Investment in operating fixed assets - net of disposals	(910,915)	(1,641,084)
Net cash flows from investing activities	10,035,782	(50,901,624)
Cash flows from financing activities	-,, -	
Payment of sub-ordinated loan	(479,232)	(638,976)
Dividend paid	(5,029,923)	(2,461,975)
Net cash flows from financing activities	(5,509,155)	(3,100,951)
Exchange difference on translation of net investment in foreign branches	113,203	(27,480)
Increase in cash and cash equivalents	31,812,707	3,297,775
Cash and cash equivalents at January 01	43,491,402	39,042,993
Cash and cash equivalents at June 30	75,304,109	42,340,768

The annexed notes 1 to 21 form an integral part of this unconsolidated condensed interim financial information.

Atif Bajwa

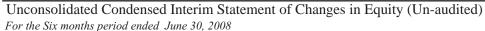
Atif Bajwa
President and Chief Executive

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S.M. Muneer Director 0.187

Rafi ctor Suauzad Sarun

Shahzad Saleem Director





Balance as at January 01, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net investment in foreign branches  Total expense / income recognised directly in equity  Profit after taxation for six months period ended June 30, 2007  Total recognised income for the period  Transferred to statutory reserve  Transferred to general reserve  Interim cash dividend-March 2007  Issue of Bonus Shares - Final December 31, 2006  8  Final cash dividend - December 31, 2006	hare pital	Share premium  9,702,528	Reserve for issue of bonus shares	Exchange translation reserve (Rupe (53,637) (27,480) (27,480) (27,480) (27,480) (81,117)	Statutory reserve es in'000)	9,800,000	5,530,973  5,373  5,373  7,663,128  7,668,501 (766,313) (4,800,000) (1,570,692) (819,492) (819,492) 4,423,485	35,656,675 5,373 (27,480) (22,107 7,663,128 7,641,021 - (1,570,692 - (819,492 40,907,512
Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net investment in foreign branches  Total expense / income recognised directly in equity  Profit after taxation for six months period ended June 30, 2007  Total recognised income for the period  Transferred to statutory reserve  Transferred to general reserve  Interim cash dividend-March 2007  Issue of Bonus Shares - Final December 31, 2006  Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net				(53,637)  - (27,480) (27,480) - (27,480)	5,213,535 	4,800,000	5,373 - 5,373 7,663,128 7,668,501 (766,313) (4,800,000) (1,570,692) (819,492) (819,492) 4,423,485	5,373 (27,480 (22,107 7,663,128 7,641,021 - (1,570,692 - (819,492 40,907,512
Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net investment in foreign branches  Total expense / income recognised directly in equity  Profit after taxation for six months period ended June 30, 2007  Total recognised income for the period  Transferred to statutory reserve  Transferred to general reserve  Interim cash dividend-March 2007  Issue of Bonus Shares - Final December 31, 2006  Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net				(27,480) (27,480) (27,480)	766,313	4,800,000	5,373 - 5,373 7,663,128 7,668,501 (766,313) (4,800,000) (1,570,692) (819,492) (819,492) 4,423,485	5,373 (27,480 (22,107 7,663,128 7,641,021 - (1,570,692 - (819,492 40,907,512
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net investment in foreign branches  Total expense / income recognised directly in equity  Profit after taxation for six months period ended June 30, 2007  Total recognised income for the period  Transferred to statutory reserve  Transferred to general reserve  Interim cash dividend-March 2007  Issue of Bonus Shares - Final December 31, 2006  Final cash dividend - December 31, 2006  Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	- - - -		(27,480)	- - - -	- - -	5,373 7,663,128 7,668,501 (766,313) (4,800,000) (1,570,692) (819,492) (819,492) 4,423,485	(27,480 (22,107 7,663,128 7,641,021 - - (1,570,692 - (819,492 40,907,512
assets to unappropriated profit - net of tax  Exchange differences on translation of net investment in foreign branches  Total expense / income recognised directly in equity  Profit after taxation for six months period ended June 30, 2007  Total recognised income for the period  Transferred to statutory reserve  Transferred to general reserve  Interim cash dividend-March 2007  Issue of Bonus Shares - Final December 31, 2006  Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	- - - -		(27,480)	- - - -	- - -	5,373 7,663,128 7,668,501 (766,313) (4,800,000) (1,570,692) (819,492) (819,492) 4,423,485	(27,480 (22,107 7,663,128 7,641,021 - - (1,570,692 - (819,492 40,907,512
investment in foreign branches  Total expense / income recognised directly in equity  Profit after taxation for six months period ended June 30, 2007  Total recognised income for the period  Transferred to statutory reserve  Transferred to general reserve  Interim cash dividend-March 2007  Issue of Bonus Shares - Final December 31, 2006  Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	- - - -		(27,480)	- - - -	- - -	7,663,128 7,668,501 (766,313) (4,800,000) (1,570,692) (819,492) (819,492) 4,423,485	(22,107 7,663,128 7,641,021 - (1,570,692 (819,492 40,907,512
Profit after taxation for six months period ended June 30, 2007 Total recognised income for the period Transferred to statutory reserve Transferred to general reserve Interim cash dividend-March 2007 Issue of Bonus Shares - Final December 31, 2006 Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	- - - -		(27,480)	- - - -	- - -	7,663,128 7,668,501 (766,313) (4,800,000) (1,570,692) (819,492) (819,492) 4,423,485	7,663,128 7,641,021 - - (1,570,692 - (819,492 40,907,512
ended June 30, 2007 Total recognised income for the period Transferred to statutory reserve Transferred to general reserve Interim cash dividend-March 2007 Issue of Bonus Shares - Final December 31, 2006 Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax Exchange differences on translation of net	-	- - - -		- - - -	- - - -	- - -	7,668,501 (766,313) (4,800,000) (1,570,692) (819,492) (819,492) 4,423,485	7,641,021 - - (1,570,692 - (819,492 40,907,512
Transferred to statutory reserve  Transferred to general reserve  Interim cash dividend-March 2007  Issue of Bonus Shares - Final December 31, 2006  Final cash dividend - December 31, 2006  Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	- - - -		- - - -	- - - -	- - -	(766,313) (4,800,000) (1,570,692) (819,492) (819,492) 4,423,485	(1,570,692 - (819,492 40,907,512
Transferred to general reserve Interim cash dividend-March 2007 Issue of Bonus Shares - Final December 31, 2006 Final cash dividend - December 31, 2006 Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	9,702,528		(81,117)	- - - -	- - -	(4,800,000) (1,570,692) (819,492) (819,492) 4,423,485	(1,570,69) - (819,49) 40,907,51
Interim cash dividend-March 2007  Issue of Bonus Shares - Final December 31, 2006  Final cash dividend - December 31, 2006  Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	9,702,528	- - - - -	(81,117)	5,979,848	- - -	(1,570,692) (819,492) (819,492) 4,423,485	(1,570,692 - (819,492 40,907,512
Issue of Bonus Shares - Final December 31, 2006 Final cash dividend - December 31, 2006 Balance as at June 30, 2007  Changes in equity  Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	9,702,528		(81,117)	5,979,848	-	(819,492) (819,492) 4,423,485	(819,492
Final cash dividend - December 31, 2006  Balance as at June 30, 2007  Changes in equity  Fransferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	9,702,528		(81,117)	5,979,848	14,600,000	(819,492) 4,423,485	40,907,51
Salance as at June 30, 2007 6,2  Changes in equity  Fransferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	- 282,768	9,702,528		(81,117)	5,979,848	14,600,000	4,423,485	40,907,51
Changes in equity  Fransferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	9,702,528	-	(81,117)	5,979,848	14,600,000		
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax Exchange differences on translation of net	-	÷	-	_				
assets to unappropriated profit - net of tax  Exchange differences on translation of net	-	-	-	_				
			ii I		-	-	6,482	6,48
				39,136				39,13
Fotal income recognised directly in equity Profit after taxation for six months period	-	-	-	39,136	-	-	6,482	45,61
ended December 31, 2007	-	-	-		-	-	7,602,434	7,602,43
Cotal recognised income for the period	-	-	-	39,136	=	-	7,608,916	7,648,05
ransferred to statutory reserve	-	-	-	-	760,243	-	(760,243)	-
ransferred to general reserve	-	-	=	=	=	3,000,000	(3,000,000)	(1.570.7)
nterim cash dividend - June 30, 2007 nterim cash dividend - September 30, 2007	-	-	-	-	-	-	(1,570,704) (1,570,704)	(1,570,70 (1,570,70
	282,768	9,702,528	-	(41,981)	6,740,091	17,600,000	5,130,750	45,414,15
Changes in equity	10		1					
Cransferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	14,860	14,86
Exchange differences on translation of net investment in foreign branches		=		113,203	-			113,20
Total income recognised directly in equity	-	-	-	113,203	-	-	14,860	128,06
rofit after taxation for six months period ended June 30, 2008	_	-	-	_	_	-	7,676,897	7,676,89
	JI			112 202				
otal recognised income for the period cransferred to statutory reserve	-	-	-	113,203	767,690	-	7,691,757 (767,690)	7,804,96
Final cash dividend - December 31, 2007	-	-	-	-	-	=	(3,141,384)	(3,141,38
ransferred to general reserve	-	-	-	-	-	1,000,000	(1,000,000)	-
nterim Cash Dividend-March 31, 2008  Balance As at June 30, 2008  6,2	282,768	9,702,528		71,222	7,507,781	18,600,000	(1,884,831) 6,028,602	(1,884,83 48,192,90

Atif Bajwa

S.M. Muneer

2./87

Shahzad Saleem

MCB Bank Limited



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited) As at June 30, 2008

#### 1 STATUS AND NATURE OF BUSINESS

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depositary Receipts (GDRs) (representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg, Lahore respectively. The Bank operates 1,023 branches including 8 Islamic banking branches (December 31, 2007: 1020 branches including 8 Islamic banking branches) inside Pakistan and 7 (December 31, 2007: 6) branches outside the country (including the Karachi Export Processing Zone Branch). During the period Malayan Banking Berhad (Maybank) of Malaysia acquired 94,241,527 shares representing 15% stake in the Bank through Mayban International Trust (Labuan) Berhad.

#### 2 BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in this unconsolidated condensed interim financial information as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.2 The financial results of the Islamic banking branches have been consolidated in this unconsolidated condensed interim financial information for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 18 to this unconsolidated condensed interim financial information.

### 3 STATEMENT OF COMPLIANCE

This unconsolidated condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions of directives given in Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. Accordingly, the requirements of these standards have not been considered in the preparation of this unconsolidated condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

#### 4 BASIS OF MEASUREMENT

This unconsolidated condensed interim financial information has been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments, commitments in respect of certain forward exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

### 5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

**5.1** The accounting policies adopted in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2007.



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited) As at June 30, 2008

5.2 The risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2007.

#### 6 SIGNIFICANT ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2007

					June 30, 2008	December 31, 2007
7	LEN	IDINGS TO FINANCIAL INSTITUTIONS			(Kupees	s III (000)
		money lendings			2,050,000 12,262,695	1,051,372
					14,312,695	1,051,372
					June 30, 2008	
			Note	Held by bank	Given as collateral	Total
8	INV	ESTMENTS - NET		(	Kupees III (000)	
	8.1	Investments by types				
	0.1	Investments by types Held-for-trading securities		256,053	- 1	256,053
		Available-for-sale securities	8.2	85,151,946	1,799,173	86,951,119
		Held-to-maturity securities	8.2	12,482,709	-	12,482,709
				97,890,708	1,799,173	99,689,881
		Associates	8.3	1,006,900	-	1,006,900
		Subsidiaries		377,532 1,384,432	-	377,532 1,384,432
				99,275,140	1,799,173	101,074,313
		Less: Provision for diminution in the value of investments Deficit on revaluation of available		(666,811)	-	(666,811)
		for sale securities - net Deficit on revaluation of		(875,876)	(729)	(876,605)
		held-for-trading securities		(46,032)		(46,032)
		Investments - net		97,686,421	1,798,444	99,484,865
				D	ecember 31, 2007	,
				Held by	Given as	Total
				bank	collateral	
					- (Rupees in '000)	
		Held-for-trading securities		230,752	-	230,752
		Available-for-sale securities	8.2	72,102,556	26,996,870	99,099,426
		Held-to-maturity securities	8.2	11,102,023	- 26,006,070	11,102,023
				83,435,331	26,996,870	110,432,201
		Associates	8.3	1,006,900	-	1,006,900
		Subsidiaries		377,532 1,384,432	-	377,532 1,384,432
				84,819,763	26,996,870	111,816,633
		Less: Provision for diminution in the value of investments		(468,288)	-	(468,288)
		Surplus / (deficit) on revaluation of available for sale securities - net Deficit on revaluation of		1,790,011	(35,990)	1,754,021
		held-for-trading securities		(13,105)	_	(13,105)
		Investments - net		86,128,381	26,960,880	113,089,261
				,,	- , ,	- , ,

### MCB Bank Limited



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited) *As at June 30, 2008* 

- 8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2007: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2007: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account. Further Euro bonds issued by Government of Pakistan amounting to US Dollar 29 million (December 31, 2007: Rs. 1,798.00 million) (face value) are earmarked by Mashreqbank PSC against the Bank's borrowings.
- 8.3 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (December 31, 2007: Rs. 943.600 million) as at June 30, 2008 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2008 amounted to Rs. 8,062.018 million (December 31, 2007: Rs. 10,671.631 million).

	Note	June 30, 2008 (Rupees	December 31, 2007 in '000)
ADVANCES - NET			
Loans, cash credits, running finances, etc			
- In Pakistan		218,349,062	208,587,014
- Outside Pakistan		7,757,329	6,989,947
		226,106,391	215,576,961
Net Investment in finance lease		, ,	
- In Pakistan		6,284,805	6,904,399
- Outside Pakistan		57,857	67,710
		6,342,662	6,972,109
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		2,951,173	2,949,228
- Payable outside Pakistan		4,779,184	4,234,574
		7,730,357	7,183,802
Advances - gross		240,179,410	229,732,872
Less: Provision against loans and advances			
- Specific provision	9.1	(8,038,081)	(7,326,953)
- General provision		(2,411,649)	(2,749,815)
- General provision against consumer loans		(745,063)	(688,665)
- General Provision for potential lease losses (in Srilanka Operations)		(8,961)	(6.841)
		(11,203,754)	(10,772,274)
Advances - net of provision		228,975,656	218,960,598

**9.1** Advances include Rs.11,987.718 million (December 31, 2007: Rs. 10,725.308 million) which have been placed under non-performing status as detailed below:

	Note	June 30, 2008				
		C	Classified Advances			Specific
Category of Classification		Domestic	Overseas	Total	Provision Required	Provision Held
Other Assets Especially Mentioned (OAEM) Substandard Doubtful Loss	9.1.1	105,594 1,721,701 1,448,903 6,004,772 9,280,970	2,235 1,214 2,703,299 2,706,748	105,594 1,723,936 1,450,117 8,708,071 11,987,718	408,749 712,878 6,916,454 8,038,081	408,749 712,878 6,916,454 8,038,081
				December 31, 200	7	
		C	lassified Advan	ices	Specific	Specific
Category of Classification		Domestic	Overseas	Total	Provision Required	Provision Held
	•			Rupees in '00	00	
Other Assets Especially Mentioned (OAEM) Substandard Doubtful Loss	9.1.1	101,910 842,804 1,691,207 5,374,166 8,010,087	11,438 8,373 2,695,410 2,715,221	101,910 854,242 1,699,580 8,069,576 10,725,308	205,291 836,809 6,284,853 7,326,953	205,291 836,809 6,284,853 7,326,953

Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited) As at June 30, 2008



9.1.1 This represents non-performing portfolio of agricultural financing classified as OAEM as per the requirements of the

	9.1.1 This represents non-performing portfolio of agricultural financing classified as Prudential Regulation for Agricultural Financing issued by the State Bank of P		uirements of the
	Tradental regulation for rigiredital I makeing issued by the State Dank of I	June 30,	December 31,
		2008	2007
10	PODDOWINGS FROM FINANCIAL INSTRUMENTONS	(Rupees	in '000)
10	BORROWINGS FROM FINANCIAL INSTITUTIONS In Pakistan	10,125,975	35,497,881
	Outside Pakistan	4,372,579	3,908,950
		14,498,554	39,406,831
	10.1 Details of borrowings (secured / unsecured)		
	Secured		
	5004174		
	Borrowings from State Bank of Pakistan		
	Export refinance scheme	6,072,657	5,593,462
	Long term financing - export oriented products scheme	2,254,871	2,473,077
		8,327,528	8,066,539
	Borrowings from other financial institutions	- 1	2,932,600
	Repurchase agreement borrowings	1,798,447	26,931,342
		1,798,447	29,863,942
	Unsecured	10,125,975	37,930,481
	Overdrawn nostro accounts	250,098	976,350
	Call borrowings	4,122,481	500,000
		4,372,579	1,476,350
		14,498,554	39,406,831
11	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	29,186,158	32,202,230
	Savings deposits	202,816,443	151,555,718
	Current accounts - non remunerative	100,739,569	95,966,877
	Margin accounts	4,162,241	2,589,309
	Others	1,270	4,288
	Financial institutions	336,905,681	282,318,422
	Remunerative deposits	5,450,669	9,233,602
	Non-remunerative deposits	8,365,634	546,042
		13,816,303	9,779,644
		350,721,984	292,098,066
12	DEFERRED TAX LIABILITIES - NET		
	The details of the tax effect of taxable and deductible temporary differences are as fol	lows:	
	Taxable temporary differences on:		
	Surplus on revaluation of operating fixed assets	520,023	468,916
	Accelerated tax depreciation	606,261	561,852
	Net investment in finance lease receivable	541,015	599,174
	Surplus on revaluation of securities	-	156,700
	Others	4,735	1,524
		1,672,034	1,788,166
			4.4

### **MCB Bank Limited**

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Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited) *As at June 30, 2008* 

t June 3	30, 2008			MICH
			June 30,	December 31,
Dedu	ctible temporary differences on:		2008	2007
	sion for contributory benevolent scheme		(86,365)	(98,706)
	it on revaluation of securities		(369,709)	-
Provi	sion for post retirement medical benefits		(486,147)	(509,298)
		'	(942,221)	(608,004)
			729,813	1,180,162
CON	TINGENCIES AND COMMITMENTS	•		
13.1	Transaction-related contingent liabilities / commitments			
1011	Guarantees in favour of:			
	Guarantees in favour of:			
	- Government		7,486,168	5,283,799
	- Banks and financial institutions		65,824	376,773
	- Others		9,521,705	7,247,043
	- Suppliers credit / payee guarantee		2,139,494	1,809,117
			19,213,191	14,716,732
13.2	Trade-related contingent liabilities		61,198,531	61,677,285
13.3	Other contingencies			
	Claims against the Bank not acknowledged as debts		211,562	134,079
13.4	Commitments to extend credit			
	The Bank makes commitments to extend credit in the nor commitments do not attract any significant penalty or expens			-
			June 30,	December 31,
			2008	2007
10.5			(Rupees	s in '000)
13.5	Commitments in respect of forward foreign exchange com Purchase	itracts	104,200,702	62,077,338
	Sale			
		,	119,690,532	69,362,417
13.6	Commitments for the acquisition of fixed assets		151,678	78,670
13.7	Other commitments			
	Cross currency swaps (notional amount)		1,654,609	1,845,484
	FX Options (notional amount)			251 502
	- Purchase		-	351,702
	- Sale		2 425 017	351,702
	Interest rate swaps (notional amount)		2,425,917	2,721,698
			Half year ended	Half year ended
			June 30,	June 30,
EAR	NINGS PER SHARE - BASIC AND DILUTED		2008	2007
Profit	after taxation attributable to ordinary shareholders	(Rupees in '000)	7,676,897	7,663,128
Weig	hted average number of shares outstanding during the period	(Number of shares)	628,276,843	628,276,843

### 15 CREDIT RATING

Earnings per share

14

PACRA through its notification in June 2008 has assigned long-term credit rating of AA+ (double A plus) and short-term credit rating of A1+ (A one plus) to the Bank.

12.22

12.20

Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited) As at June 30, 2008



#### 16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

The segment analysis with respect to business at	15 15 15 10110W		Half year ended	l June 30, 2008		
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Eliminations	Total
			(Rupe	es in '000)		
Total income Total expenses Income tax expense	46,176 (8,812)	3,947,198 (634,358)	10,243,094 (7,846,187)	5,659,222 (777,270)	(104,442) 104,442	19,791,248 (9,162,185) (2,952,166)
Net income	37,364	3,312,840	2,396,907	4,881,952	-	7,676,897
Segment assets - (gross)	-	163,148,105	146,276,754	148,949,738	-	458,374,597
Total assets	-	163,148,105	146,276,754	148,949,738	-	458,374,597
Segment non performing loans	-	-	5,453,631	6,534,087	-	11,987,718
Segment specific provision required	-	-	3,656,803	4,381,278	-	8,038,081
Segment liabilities (including segment equity) Deferred tax liabilities - net Provision for taxation	-	162,355,908	141,909,666 - -	143,797,494 - -	- - -	448,063,068 729,813 1,543,635
Total liabilities - net		162,355,908	141,909,666	143,797,494		450,336,516
Segment return on net assets (ROA) (%) Segment cost of fund (%)	- -	4.06% 5.20%	3.36% 2.21% Half year ended	6.75% 2.77%	- - -	3.41% 2.35%
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Eliminations	Total
			(Rupe	es in '000)		
Total income Total expenses Income tax expense	143,562 (9,728)	5,867,104 (1,292,835)	7,147,459 (4,867,105)	5,655,575 (1,543,008)	163,056 (163,056)	18,976,756 (7,875,732) (3,437,896)
Net income	133,834	4,574,269	2,280,354	4,112,567	-	7,663,128
Segment assets - (gross)	-	141,187,258	132,454,032	116,791,981	-	390,433,271
Total assets	-	141,187,258	132,454,032	116,791,981	-	390,433,271
Segment non performing loans	-	310,869	6,308,309	2,785,410	-	9,404,588
Segment specific provision required	-	111,753	5,351,270	1,170,144	-	6,633,167
Segment liabilities (including segment equity) Deferred tax liabilities - net Provision for taxation	- - -	140,283,639	126,279,850	114,872,948 - -	- - -	381,436,437 366,251 1,997,416
Total liabilities - net	-	140,283,639	126,279,850	114,872,948	-	383,800,104
Segment return on net assets (ROA) (%)	-	6.48%	3.59%	7.11%	-	3.99%
Segment cost of fund (%)	-	4.17%	2.06%	3.01%	-	2.89%

### **MCB Bank Limited**



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited) As at June  $30,\,2008$ 

#### 17 RELATED PARTY TRANSACTIONS

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

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

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

	Directors		Associated companies		Subsidiary	companies	Other related parties	
	Half year	Year	Half year	Year	Half year	Year	Half year	Year
Type of related party	ended	ended	ended	ended	ended	ended	ended	ended
	June 30,	Dec 31,	June 30,	Dec 31,	June 30,	Dec 31,	June 30,	Dec 31,
	2008	2007	2008	2007	2008	2007	2008	2007
				(Rupees in	'000)			
Deposits								
Deposits at beginning of the period / year	17,980	19,099	275,826	522,641	9,719	279,729	209,716	314,04
Deposits received during the period / year	344,922	447,772	70,085,548	124,757,792	514,617	699,420	5,753,701	14,776,86
Deposits repaid during the period / year	(359,458)	(448,891)	(63,882,573)	(125,004,607)	(494,974)	(969,430)	(5,817,701)	(14,881,19
Deposits at the end of the period / year	3,444	17,980	6,478,801	275,826	29,362	9,719	145,716	209,71
Advances (secured)								
Balance at beginning of the period / year	-	-	-	-	2,116	2,473	1,661,869	2,240,03
Loans granted during the period / year	-	-	-	-	-	-	524,153	1,442,02
Repayments received during the period / year	-	_		-	(249)	(357)	(2,186,022)	(2,020,18
Balance at end of the period / year		_			1,867	2,116	-	1,661,86
								-,,
							June 30,	December 3
							2008	2007
							(Rupees	
Receivable from Pension Fund							2,968,377	10,651,04
- CCCIVADIC HOILI I CHSIOII I UIIU								
_	Direc			companies	Subsidiary			ted parties
	June 30,	June 30,	June 30, 2008	June 30,	June 30,	June 30,	June 30,	June 30,
_	2008	2007		2007	2008	2007	2008	2007
				(Rupees ii	1 '000)			
Adamjee Insurance Company Limited Insurance premium paid				54,762				
Insurance claim settled		-	61,895	18,912	-	-	-	
Dividend received		-	44,670	53,604	-	-	-	-
Rent income received		-	44,670	1,076	-	-	-	
Rent income received		-	407	1,070	-	-	-	-
MNET Services (Private) Limited								
Outsourcing service expenses		_	_	_	54,991	30,690	_	_
Networking service expenses		-	-	-	472	1,888	-	-
Muslim Commercial Financial Services (Private) Limited	I							
Custodian charges revenue		-	-	-	-	3	-	-
MCD A A M C I iit-1								
MCB Asset Management Company Limited - Markup paid					1,281	15,124		
		-	-	-	1,281		-	-
- Sale of Property		-	-	-	-	30,750	-	-
- Sale of car		-	-	-	- 224	1,600	-	-
- Markup payable		-	-	-	234	243	-	-
- Others		-	-	-	681	341	-	-
- Dividend received		-	-	-	29,998	-	-	-
MCB Trade Services								
- Markup Paid		-	-	-	-	54	-	-
MCB Employees Foundation							8,747	8,9
- Service expenses		-	-	-	-	-		
- Cash sorting expenses		-	-	-	-	-	8,142	8,8
Cash in transit expenses		-	-	-	-	-	2,210	1,7
MCB Employees Security System & Services (Private)								
Limited - Security guard expenses					_		62,754	57,0
becamy gainst expenses		-	-	-	-	-	02,734	57,0
Others								
		-	-	-	-	-	10,886	5,2
<ul> <li>Proceeds from sale of Vehicles to Executives</li> </ul>							(360)	2
		-	-	-	-	-	(300)	
- (Loss) / gain on sale of vehicles to executives	21,982	78,966	-	-	-	-	146,778	
Proceeds from sale of Vehicles to Executives     (Loss) / gain on sale of vehicles to executives     Remuneration of key management personnel     Miscellaneous expenses	21,982	78,966 -	-	-		-		90,94

The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)  $As\ at\ June\ 30,\ 2008$ 



June 30, December 31, 2008 2007 ...... (Rupees in '000) ......

### 18 ISLAMIC BANKING BUSINESS

А	SS	eΙ	S

Cash and balances with treasury banks	277,488	601,665
Investments	1,695,818	1,419,000
Financing and receivables		
- Murabaha	5,080,617	2,406,402
- Ijara	1,395,434	1,585,202
- Islamic export refinance	695,447	738,178
Other Assets	675,811	764,036
	9,820,615	7,514,483
Liabilities	, ,	
Bills payable	48,075	47,115
Deposits and other accounts		
- Current Accounts	295,023	440,567
- Saving Accounts	672,334	907,283
- Term Deposits	67,454	76,382
- Others	21,315	30,256
Borrowing from State Bank of Pakistan	668,500	593,000
Due to head office	6,750,000	4,750,000
Deferred tax liability	4,988	4,988
Other liabilities	545,005	113,598
	9,072,694	6,963,189
Net assets	747,921	551,294
Represented by:	<del></del> =	
Islamic Banking Fund	650,000	400,000
Reserves	-	-
Unappropriated profit	83,909	137,282
	733,909	537,282
Surplus on revaluation of assets - net of tax	14,012	14,012
	747,921_	551,294
Remuneration to Shariah Advisor / Board	747	1,179
Charity Fund	<del></del>	
Opening Balance	4,227	3,244
- r · · · · · · · · · · · · · · · · · ·	-,	-,

### 19 GENERAL

Closing Balance

- Figures have been rounded off to the nearest thousand rupees.
- An amount of Rs. 222.67 million on account of postal, SWIFT and other charges recovered has been reclassified as other income. Previously these charges were netted of with administrative expenses.

### 20 NON-ADJUSTING EVENT

Additions during the period / year

Payments/ utilization during the period / year

The Board of Directors in its meeting held on August 22, 2008 has announced interim cash dividend Rs. 3 per share in respect of the half year ended June 30, 2008 (June 30, 2007: Rs 2.50 per share). This unconsolidated condensed interim financial information for the period ended June 30, 2008 does not include the effect of these appropriations which will be accounted for subsequent to the period end.

### 21 DATE OF AUTHORISATION FOR ISSUE

This unconsolidated condensed interim financial information was authorised for issue on August 22, 2008 by the Board of Directors of the

Atif Bajwa

S.M. Muneer Director Tariq Rafi

Shahzad Saleem
Director

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**MCB Bank Limited** 





# MCB BANK LIMITED

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

MCB Bank Limited and Subsidiary Companies

Consolidated Condensed Interim Balance Sheet As at June 30, 2008



	Note	Unaudited June 30, 2008	Audited December 31, 2007 s in '000)
Assets		(Itapool	, III (000)
Cash and balances with treasury banks	[	60,649,271	39,683,883
Balances with other banks		14,724,059	3,867,591
Lendings to financial institutions	7	14,312,695	1,051,372
Investments - net	8	102,131,136	115,358,590
Advances - net	9	228,973,789	218,959,786
Operating fixed assets		16,828,640	16,082,781
Deferred tax assets - net		-	-
Other assets - net	Į	15,572,494	17,896,838
		453,192,084	412,900,841
Liabilities			
Bills payable	[	7,722,767	10,479,058
Borrowings	10	14,498,554	39,406,831
Deposits and other accounts	11	350,701,203	292,088,347
Sub-ordinated loan		-	479,232
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	731,508	1,183,586
Other liabilities		20,751,309	11,716,465
		394,405,341	355,353,519
Net assets		58,786,743	57,547,322
Represented by:			
Share capital		6,282,768	6,282,768
Reserves		35,882,626	34,000,927
Un-appropriated profit		8,789,042	7,054,472
		50,954,436	47,338,167
Minority interest		64	63
		50,954,500	47,338,230
Surplus on revaluation of assets - net of tax		7,832,243	10,209,092
	:	58,786,743	57,547,322
Contingencies and commitments	13		

The annexed notes 1 to 21 form an integral part of this consolidated condensed interim financial information.

Atif Bajwa

Atif Bajwa President and Chief Executive المعادد المعاد

S.M. Muneer

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Tariq Rafi Director Suauzad Sarun

Shahzad Saleem Director

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Consolidated Condensed Interim Profit and Loss Account (Un-audited) For the Six months period ended June 30, 2008



Note	Quarter ended June 30, 2008	Half year ended June 30, 2008	Quarter ended June 30, 2007	Half year ended June 30, 2007
		(Rupees in	'000)	
Mark-up / return / interest earned Mark-up / return / interest expensed	8,749,555 2,346,904	16,939,131 4,339,278	7,998,727 2,200,422	15,616,065 3,765,160
Net mark-up / interest income	6,402,651	12,599,853	5,798,305	11,850,905
Provision / (reversal) against loans and advances Provision / (reversal) for diminution in the value of investments	626,467 210,431	1,241,687 210,431	995,406 (25,973)	1,188,306 (25,973)
Bad debts written off directly	836,898	1,452,118	969,533	1,162,487
Net mark-up / interest income after provisions	5,565,753	11,147,735	4,828,772	10,688,418
Non mark-up / interest income				
Fee, commission and brokerage income	794,723	1,547,974	783,235	1,361,823
Income earned as trustee to various funds Dividend income	5,762 31,960	10,939 118,883	451 29,364	679 141,109
Income from dealing in foreign currencies	(189,174)	(42,257)	191,356	412,701
Gain on sale of securities - net	127,978	738,434	744,855	980,886
Gain / (loss) on trading in government securities - net	(32,998)	(17,730)	(17)	(50)
Other income	285,742	578,046	237,916	458,383
Total non mark-up / interest income	1,023,993 6,589,746	2,934,289 14,082,024	1,987,160 6,815,932	3,355,531 14,043,949
Non-mark-up / interest expenses	0,205,710	11,002,021	0,013,732	11,013,717
Administrative expenses	1,477,498	3,174,403	835,194	2,826,496
Other provisions / (reversal)			(9,452)	(9,452)
Other charges	216,235	291,288	113,750	173,793
Total non mark-up/interest expenses	1,693,733	3,465,691	939,492	2,990,837
Share of profit of associated undertaking	811,733	838,330	196,025	353,685
Extra ordinary / unusual item	5,707,746	11,454,663	6,072,465	11,406,797
•		44.454.662		
Profit before taxation	5,707,746	11,454,663	6,072,465	11,406,797
Taxation - current period	1,497,744	3,586,700	1,740,730	3,346,253
- prior years	(400,269)	(630,269)	-	(459,952)
- deferred	136,997	15,351	197,622	554,165
Share of tax of associated undertaking	(33,743)	(30,711)	20,924	36,853
	1,200,729	2,941,071	1,959,276	3,477,319
Profit after taxation	4,507,017	8,513,592	4,113,189	7,929,478
Share of profit attributable to minority interest	(2)	(5)	(2)	(3)
Profit attributable to ordinary shareholders	4,507,015	8,513,587	4,113,187	7,929,475
Earnings per share - basic and diluted - Rupees 11	7.17	13.55	6.55	12.62

The annexed notes 1 to 21 form an integral part of this consolidated condensed interim financial information.

Atif Bajwa

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Shahzad Saleem
Director

# MCB Bank Limited and Subsidiary Companies



Consolidated Condensed Interim Cash Flow Statement (Un-audited) For the Six months period ended June 30, 2008

	June 30, 2008	June 30, 2007
Cash flows from operating activities	(Rupees in '	000)
Profit before taxation	11,454,663	11,406,797
Less: Dividend income	(957,213)	(494,794)
	10,497,450	10,912,003
Adjustments for non-cash charges		
Depreciation	356,242	264,740
Amortisation	86,973	93,000
Provision against loans and advances	1,241,687	1,188,306
Provision / (reversal) for diminution in the value of investments	210,431	(25,973)
Provision / (reversal) of in the value of other assets	-	(9,452)
Bad debts written off directly	(12.047)	154
(Gain)/Loss on disposal of fixed assets	(13,047)	(6,008)
Un realized (gain) / loss on revaluation of 'held-for-trading' securities	32,810	(3,526)
	1,915,096	1,501,241
	12,412,546	12,413,244
(Increase) / decrease in operating assets	(12.2(1.222)	11 550 205
Lendings to financial institutions	(13,261,323)	11,570,395
Held for trading securities Advances - net	(41,588)	(245,618)
Other assets - net	(11,255,690) 2,392,596	3,134,189 (2,767,996)
Other assets - net	(22,166,005)	11,690,970
Increase / (decrease) in operating liabilities	(22,100,003)	11,000,070
Bills payable	(2,756,291)	232,766
Borrowings from financial institutions	(24,908,277)	(8,191,067)
Deposits	58,612,856	43,644,552
Other liabilities	8,823,077	810,094
	39,771,365	36,496,345
	30,017,906	60,600,559
Payments of provision against off-balance sheet obligations		
Income tax paid	(2,740,955)	(3,254,521)
Net cash flows from operating activities	27,276,951	57,346,038
Cash flows from investing activities		
Net investments in available-for-sale securities	12,136,398	(52,929,114)
Net investments in held-to-maturity securities	(1,380,686)	3,493,246
Dividend income received	95,301	182,687
Investment in operating fixed assets - net of disposals	(910,958)	(1,681,695)
Net cash flows from investing activities	9,940,055	(50,934,876)
Cash flows from financing activities	(450, 222)	((20.07/)
Payment of sub-ordinated loan Dividend paid	(479,232) (5,029,927)	(638,976) (2,461,975)
Net cash flows from financing activities	(5,509,159)	(3,100,951)
tet tush nows nom maneing activities		
Exchange difference on translation of net investment in foreign branches	114,009	(27,593)
Exchange difference on translation of net investment in foreign branches	114,009 31,821,856	
		(27,593) 3,282,618 39,115,635

 $The \ annexed \ notes \ 1 \ to \ 21 \ form \ an \ integral \ part \ of \ this \ consolidated \ condensed \ interim \ financial \ information.$ 

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Atif Bajwa President and Chief Executive المعتاد الم

S.M. Muneer Director 2.187.

Tariq Rafi Director Euguzad Sarun

Shahzad Saleem Director



Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the Six months period ended June 30, 2008

			Capital Reserves		Other Reserves					
			-			Other Reserves	•			
Shar	re capital	Share premium	Reserve for issue of bonus shares	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit	Sub Total	Minority Interest	Total
_					/Pun	nees in'000)			·	
Balance as at January 01, 2007 5,	5,463,276	9,702,528	-	(53,617)	5,213,535	9,800,000	6,278,593	36,404,315	52	36,404,367
Change in Equity										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	5,373	5,373		5,373
Exchange differences on translation of net investment in foreign branches			-	(27,593)	-	-	-	(27,593)		(27,593)
Total income recognised directly in equity	-	-	-	(27,593)	-	-	5,373	(22,220)	-	(22,220)
Profit after taxation for six months period ended June 30, 2007	-		-	-	-	-	7,929,478	7,929,478	-	7,929,478
Share of profit attributable to monority interest	-	-	-	-	-	-	(3)	(3)	3	-
Total recognised income for the period	-	-	-	(27,593)	-		7,934,848	7,907,255	3	7,907,258
Transferred to statutory reserve	-	-	-	-	766,313	-	(766,313)	-	-	-
Transferred to general reserve	-	-				4,800,000	(4,800,000)	-	-	-
Issue of bonus shares - December 31, 2006	819,492	-	-	-	-		(819,492)	-	-	
Final cash dividend - December 31, 2006	-	-	-	-	-	-	(819,492)	(819,492)	-	(819,492)
Interim Cash Dividend - March 2007	-	-	-	-	-		(1,570,692)	(1,570,692)	-	(1,570,692)
Balance as at June 30, 2007	5,282,768	9,702,528	-	(81,210)	5,979,848	14,600,000	5,437,452	41,921,386	55	41,921,441
Changes in equity										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	6,487	6,487	-	6,487
Exchange differences on translation of net investment in foreign branches				39,518				39,518		39,518
Total expense / income recognised directly in equity	-	-	-	39,518	-	-	6,487	46,005	-	46,005
Profit after taxation for six months period ended December 31, 2007	-	-	-	-	-	-	8,512,192	8,512,192	-	8,512,192
Share of profit attributable to monority interest	-	-	-	-	-	-	(8)	(8)	8	-
Total recognised income for the period	-	-		39,518			8,518,671	8,558,189	8	8,558,197
Transferred to statutory reserve	-	-	-	-	760,243		(760,243)	-	-	-
Transferred to general reserve	-	-	-	-	-	3,000,000	(3,000,000)	-	-	
Interim cash dividend - June 30, 2007	-	-					(1,570,704)	(1,570,704)	-	(1,570,704)
Interim cash dividend - September 30, 2007							(1,570,704)	(1,570,704)	-	(1,570,704)
6, Balance as at December 31, 2007	5,282,768	9,702,528		(41,692)	6,740,091	17,600,000	7,054,472	47,338,167	63	47,338,230
Changes in equity										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	14,888	14,888	-	14,888
Exchange differences on translation of net										
investment in foreign branches				114,009 114,009	-		14 000	114,009		114,009
Total expense / income recognised directly in equity	-	-	-	114,009	-	-	14,888	128,897	-	128,897
Profit after taxation for six months period ended June 30, 2008 Share of profit attributable to monority interest	_		-	•	-	-	8,513,592	8,513,592 (5)	5	8,513,592
				114,009	-					9 642 490
Total recognised income for the period Transferred to statutory reserve	-	-	-	114,009	767,690		8,528,475 (767,690)	8,642,484	5	8,642,489
Interim cash dividend					707,090		(707,090)		(2)	(2)
Transferred to general reserve	-	-				1,000,000	(1,000,000)		(2)	(2)
Final cash dividend - December 31, 2007						-,	(3,141,384)	(3,141,384)	(2)	(3,141,386)
Interim cash dividend - March 31, 2008							(1,884,831)	(1,884,831)	- '	(1,884,831)
	6,282,768	9,702,528		72,317	7,507,781	18,600,000	8,789,042	50,954,436	64	50,954,500

The annexed notes 1 to 21 form an integral part of this consolidated condensed interim financial information.

### MCB Bank Limited and Subsidiary Companies



Notes to the Consolidated Condensed Interim Financial statements (Un-audited) As at June 30, 2008

#### 1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company - MCB Bank Limited

"Percentage holding of MCB Bank Limited" Subsidiary Companies - Muslim Commercial Financial Services (Private) Limited 99.997% - MNET Services (Private) Limited 99.95% - MCB Trade Services Limited 100% - MCB Asset Management Company Limited

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depositary Receipts (GDRs) (representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg, Lahore respectively. The Bank operates 1,023 branches including 8 Islamic banking branches (December 31, 2007: 1020 branches including 8 Islamic banking branches) inside Pakistan and 7 (December 31, 2007: 6) branches outside the country (including the Karachi Export Processing Zone Branch). During the period Malayan Banking Berhad (Maybank) of Malaysia acquired 94,241,527 shares representing 15% stake in the Bank through Mayban International Trust (Labuan) Berhad.

#### 2 BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in this consolidated condensed interim financial information as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.2 The financial results of the Islamic banking branches have been consolidated in this consolidated condensed interim financial information for reporting purposes, after eliminating material intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 18 to this consolidated condensed interim financial information.
- 2.3 The consolidated condensed financial information include the financial statements of MCB Bank Limited and its subsidiary companies and associates.
- d) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the unaudited financial statements for the period ended June 30, 2008 and the carrying value of investments held by the bank is eliminated against the subsidiaries' shareholders' equity in this consolidated condensed interim financial information. Material intra-Group balances and transactions have been eliminated.
- e) Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost, thereafter adjusted for the post-acquisition change in the Group's share of net assets of the associate. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associate has been accounted for based on the financial statements for the period ended June 30, 2008.
- f) Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the

#### 3 STATEMENT OF COMPLIANCE

This consolidated condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions of and directives given in Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 shall prevail.

Notes to the Consolidated Condensed Interim Financial statements (Un-audited) *As at June 30, 2008* 



#### 4 BASIS OF MEASUREMENT

This consolidated condensed interim financial information has been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments, commitments in respect of certain forward exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

#### 5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

- The accounting policies adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2007.
- 5.2 The risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2007.

#### 6 SIGNIFICANT ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2007.

7.	LENDINGS TO FINANCIAL INSTITUTIONS			June 30, 2008	December 31, 2007
	Call money lendings Repurchase agreement lendings		<u>.</u>	2,050,000 12,262,695 14,312,695	1,051,372 - 1,051,372
8	INVESTMENTS - Net		Held by bank	Given as collateral	Total
8.1	Investments by types			- June 30, 2008	
	Held-for-trading securities Available-for-sale securities Held-to-maturity securities	8.2	560,677 85,166,947 12,482,709 98,210,333	1,799,173 - 1,799,173	560,677 86,966,120 12,482,709 100,009,506
	Associates Subsidiaries	8.3	3,701,172 - 3,701,172	-	3,701,172 - 3,701,172
	Less: Provision for diminution in the value on investments Surplus / (deficit) on revaluation of available for sale securities - net Deficit on revaluation of held-for-trading securities - net		101,911,505 (666,811) (875,863) (36,139)	1,799,173 - (729)	103,710,678 (666,811) (876,592) (36,139)
	Investments - net		100,332,692 Held by bank	1,798,444  Given as collateral December 31, 2007	102,131,136  Total
	Held-for-trading securities Available-for-sale securities Held-to-maturity securities	8.2	519,089 72,117,556 11,102,023 83,738,668	26,996,870 - 26,996,870	519,089 99,114,426 11,102,023 110,735,538
	Associates Adamjee Insurance Company Limited First Women Bank Limited	8.3	3,277,157 63,300 3,340,457 87,079,125	26,996,870	3,277,157 63,300 3,340,457 114,075,995
	Less: Provision for diminution in the value of investments Surplus / (deficit) on revaluation of available for sale securities - net		(468,288) 1,790,202	(35,990)	(468,288) 1,754,212
	Deficit on revaluation of held-for-trading securities - net Investments - net		(3,329) 88,397,710	26,960,880	(3,329)

<sup>8.2</sup> Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2007: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2007: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account. Further Euro bonds issued by Government of Pakistan amounting to US\$ 29 Million (face value) are earmarked by Mashreqbank PSC against loan obtained by the Bank.

MCB Bank Limited and Subsidiary Companies

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



Notes to the Consolidated Condensed Interim Financial statements (Un-audite *As at June 30, 2008* 

8.3 Investment of the group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment as at June 30, 2008 amounted to Rs. 8,062.018 million (December 31, 2007: Rs. 10,671.631 million).

	June 30, 2008	December 31, 2007
	(Rs. in	'000)
Opening Balance	3,277,157	2,259,550
Share of profits	838,330	1,223,633
Dividend from Associate	(44,670)	(98,274)
Share of tax	30,711	(15,769)
	824,371	1,109,590
Share of unrealised surplus on investments	(463,655)	(91,983)
Closing balance	3,637,873	3,277,157

8.4 The Group's investment in First Women Bank Limited is being carried at cost and has not been accounted for under equity method as the Group does not have significant influence over the entity.

ADVANCES - net		June 30, 2008	December 31, 2007
		(Rupees	in '000)
Loans, cash credits, running finances, etc			
- In Pakistan		218,349,062	208,588,318
- Outside Pakistan		7,757,329	6,989,947
		226,106,391	215,578,265
Net Investment in Finance Lease			
- In Pakistan		6,282,938	6,902,283
- Outside Pakistan		57,857	67,710
		6,340,795	6,969,993
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		2,951,173	2,949,228
- Payable outside Pakistan		4,779,184	4,234,574
		7,730,357	7,183,802
Advances - gross		240,177,543	229,732,060
Less: Provision against loans and advances			
- Specific provision	9.1	(8,038,081)	(7,326,953)
- General provision		(2,411,649)	(2,749,815)
- General provision against consumer loans		(745,063)	(688,665)
- General Provision for potential lease losses (in Srilanka Operations)		(8,961)	(6,841)
		(11,203,754)	(10,772,274)
Advances - net of provision		228,973,789	218,959,786

9.1 Advances include Rs. 11,987.718 million (December 31, 2007: Rs. 10,725.308 million) which have been placed under non-performing status as detailed below:

			assified Advances	June 30, 2008	Specific	Specific
Category of Classification		Domestic	Overseas	Total	Provision Required	Provision Held
				Rupees in '000		
Other Assets Especially Mentioned (OAEM) Substandard Doubtful Loss	9.1.1	105,594 1,721,701 1,448,903 6,004,772 9,280,970	2,235 1,214 2,703,299 2,706,748	105,594 1,723,936 1,450,117 8,708,071 11,987,718	408,749 712,878 6,916,454 8,038,081	408,749 712,878 6,916,454 8,038,081
			D	December 31, 2007		
		C	lassified Advances		Specific	Specific
Category of Classification		Domestic	Overseas	Total	Provision Required	Provision Held
Other Assets Especially				Rupees in '000		
Mentioned (OAEM)	9.1.1	101,910	_	101,910	_	_
Substandard		842,804	11,438	854,242	205,291	205,291
Doubtful		1,691,207	8,373	1,699,580	836,809	836,809
Loss		5,374,166	2,695,410	8,069,576	6,284,853	6,284,853
		8,010,087	2,715,221	10,725,308	7,326,953	7,326,953

9.1.1 This represents non-performing portfolio of agricultural financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural Financing issued by the SBP.

Notes to the Consolidated Condensed Interim Financial statements (Un-audited) *As at June 30, 2008* 



10	BORROWINGS FROM FINANCIAL INSTITUTIONS	June 30, 2008	December 31, 2007
		(Rupees	s in '000)
	In Pakistan	10,029,848	35,497,881
	Outside Pakistan	4,468,706	3,908,950
		14,498,554	39,406,831
10.1	Details of borrowings (secured / unsecured)		
	Secured		
	Borrowings from State Bank of Pakistan	6 072 657	5,593,462
	Export refinance scheme  Long term financing - export oriented products scheme	6,072,657 2,254,871	2,473,077
	Long term initiations - export oriented products sentente	8,327,528	8,066,539
	Borrowings from other financial institutions	-	2,932,600
	Repurchase agreement borrowings	1,798,447	26,931,342
		1,798,447	29,863,942
		10,125,975	37,930,481
	Unsecured Overdrawn nostro accounts	250,098	976,350
	Call borrowings	4,122,481	500,000
	Can bonowings	4,372,579	1,476,350
		14,498,554	39,406,831
		11,170,001	37,100,031
11	DEPOSITS AND OTHER ACCOUNTS		
	Customers Fined descript	20.060.112	22 202 220
	Fixed deposits Savings deposits	29,969,113 202,033,488	32,202,230 151,554,958
	Current accounts - non remunerative	100,718,788	95,957,918
	Margin accounts	4,162,241	2,589,309
	Others	1,270	4,288
	Financial institutions	336,884,900	282,308,703
	Remunerative deposits	5,450,669	9,233,602
	Non-remunerative deposits	8,365,634	546,042
		13,816,303	9,779,644
		350,701,203	292,088,347
12	DEFERRED TAX LIABILITY - net		
	The details of the tax effect of taxable and deductible temporary differences are as follows:		
	Taxable temporary differences on: Surplus on revaluation of operating fixed assets	520,023	469,482
	On net investment in finance lease	541,015	599,216
	Accelerated tax depreciation	613,921	568,718
	Surplus on revaluation of Securities	-	156,767
	Others	3,272 1,678,231	1,794,183
	Deductible temporary differences on:	,, <u>-</u>	, , •••
	Provision for contributory benevolent scheme	(86,365)	(98,706)
	Surplus on revaluation of Securities	(374,211)	
	Provision for gratuity	- 1	(1,197)
	Provision for employees compensated absences	(486,147)	(509,298)
	Others	-	(1,396)
		(946,723)	(610,597)
		731,508	1,183,586

# MCB Bank Limited and Subsidiary Companies



Notes to the Consolidated Condensed Interim Financial statements (Un-audited) *As at June 30, 2008* 

13	CONTINGENCIES AND COMMITMENTS	June 30, 2008	December 31, 2007					
13.1	Transaction-related contingent liabilities / commitments		in '000)					
	Guarantees in favour of:							
	- Government	7,486,168	5,283,799					
	- Banks and financial institutions	65,824	376,773					
	- Others Suppliers credit / payee guarantee	9,521,705 2,139,494	7,247,043 1,809,117					
	Supplies credit/ payer guirdine	19,213,191	14,716,732					
13.2	Trade-related contingent liabilities	61,198,531	61,677,285					
13.3	Other contingencies							
	Claims against the Bank not acknowledged as debts	211,562	134,079					
13.4	Commitments to extend credit							
13.5	The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.  Commitments in respect of forward foreign exchange contracts							
	Purchase	104,200,702	62,077,338					
	Sale	119,690,532	69,362,417					
13.6	Commitments for the acquisition of fixed assets	22,670	78,670					
13.7	Other commitments Cross currency swaps (notional amount) FX Options (notional amount)	1,654,609	1,845,484					
	- Purchase - Sale	-	351,702 351,702					
	Interest rate swaps (notional amount)	2,425,917	2,721,698					
	Forward outright sale of Government Securities		-					
		Half year ended						
		June 30,	June 30,					
		2008	2007					
14	EARNINGS PER SHARE - BASIC AND DILUTED	(Rupees	in '000)					
	Profit after taxation attributable to ordinary shareholders	8,513,587	7,929,475					
	Weighted average number of shares outstanding during the period	Number of 628,276,843	hber of shares 628,276,843					
		Rupees						
	Earnings per share	13.55	12.62					
15	CREDIT RATING							
	$PACRA\ through\ its\ notification\ in\ June\ 2008\ has\ assigned\ long-term\ credit\ rating\ of\ AA+\ (double\ A\ plus)\ and\ show to\ the\ Bank.$	t-termcredit rating o	of A1+ (A one plus)					

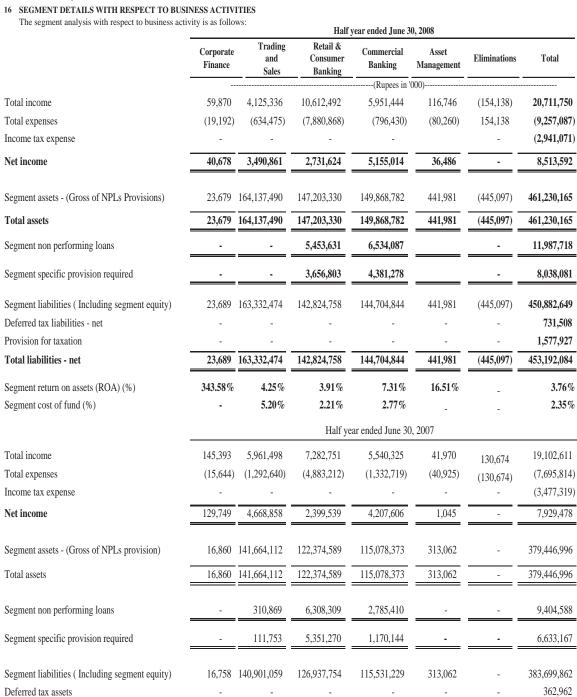
Provision for taxation

Total liabilities - net

Segment cost of fund (%)

Segment return on assets (ROA) (%)





16,758 140,901,059

3.27%

0.00%

765.84%

126,937,754

1.85%

0.00%

115,531,229

3.60%

0.00%

313,062

26.48%

2,017,339

386,080,163

2.05%

0.00%





Notes to the Consolidated Condensed Interim Financial statements (Un-audited) As at June 30, 2008

#### 17 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associated undertakings, employee benefit plans and its key management personnal (including their associates) and companies with common directors.

Transactions between the Group and its related parties are carried out at an arm's length basis under the comparable uncontrolled price method. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. There are no transactions with key management personnel other than under their terms of employment. Remuneration to the executives and key management personnel are determined in accordance with the terms of their employment.

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

	Dire	Directors		Associated companies		Other Related Parties	
Гуре of related party	Half year ended June 30, 2008	Year ended Dec 31, 2007	Half year ended June 30, 2008	Year ended Dec 31, 2007	Half year ended June 30, 2008	Year ended Dec 31, 2007	
Deposits			(Rupees in	n '000)			
Deposits at beginning of the period / year	17,980	19,099	275,826	522,641	209,716	314,045	
Deposits received during the period / year	344,922	447,772	70,085,548	124,757,792	5,753,701	14,776,866	
Deposits repaid during the period / year	(359,458)	(448,891)	(63,882,573)	(125,004,607)	, ,	(14,881,195	
Deposits at the end of the period / year	3,444	17,980	6,478,801	275,826	(5,817,701) 145,716	209,716	
Advances (secured)		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	., .,	,.	- ,	,.	
Balance at beginning of the period / year					1,661,869	2,240,038	
Loan granted during the period / year	-	-	-	-	524,153	1,442,020	
Repayment during the period / year	-	-	-	-	(2,186,022)		
					(2,100,022)	(2,020,18	
Balance at end of the period / year						1,661,86	
					June 30,	December 3	
					2008	2007	
				,	(Rupees		
Receivable from Pension Fund					2,968,377	10,651,04	
	Directors Associated companies		Other Related Parties				
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	
			(Rupees in	n '000)			
Adamjee Insurance Company Limited							
Insurance premium paid	-	-	-	54,762	-	-	
Insurance claim settled	-	-	61,895	18,912	-	-	
Dividend received	-	-	44,670	53,604			
Rent income received	-	-	489	1,076	•	-	
MCB Employees Foundation							
Service expenses	-	-	-	-	8,747	8,98	
· Cash sorting expenses	-	-	-	-	8,142	8,85	
Cash in transit expenses	-	-	-	-	1,182	1,78	
Others							
Proceeds from sale of Vehicles to Executives	-	-	-	-	10,886	5,27	
		_	-	-	(360)	25	
Gain on sale of vehicles to executives	-						
Gain on sale of vehicles to executives Remuneration of key management personnel	21,982	78,966	-	-	146,778	,	
	21,982	78,966 -		-	146,778 36,196 64,564	90,949 33,64 53,70	

employment

Notes to the Consolidated Condensed Interim Financial statements (Un-audited) *As at June 30, 2008* 



ISLAMIC BANKING BUSINESS Assets	June 30, 2008 (Runee	December 31, 2007 s in '000)			
Cash and balances with treasury banks	277,488	601,665			
Investments - net	1,695,818	1,419,000			
Financing and receivables	- 000 515				
- Murabaha	5,080,616	2,406,402			
- Ijara	1,395,435	1,585,202			
- Islamic export refinance	695,447	738,178			
Other Assets	675,811	764,036			
Liabilities	9,820,615	7,514,483			
Bills payable	48,075	47,115			
Deposits and other accounts		,			
- Current Accounts	295,023	440,567			
- Saving Accounts	672,334	907,283			
- Term Deposits	67,454	76,382			
- Others	21,315	30,256			
Borrowing from SBP	668,500	593,000			
Due to head office	6,750,000	4,750,000			
Deferred tax liability	4,988	4,988			
Other liabilities	545,005	113,598			
	9,072,694	6,963,189			
Net assets	747,921	551,294			
Represented by:					
Islamic Banking Fund	650,000	400,000			
Reserves Unappropriated profit	83,909	127 292			
Unappropriated profit	733,909	137,282 537,282			
	,				
Surplus on revaluation of assets - net of tax	14,012 747,921	14,012			
	747,921	551,294			
Remuneration to Shariah Advisor / Board	747_	1,179			
Charity Fund					
Opening Balance	4,227	3,244			
Additions during the period / year	924	983			
Payments/ utilization during the period / year					
Closing Balance	5,151	4,227			
-					

#### 19 GENERAL

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- Figures have been rounded off to the nearest thousand rupees.
- An amount of Rs. 222.67 million on account of postal, SWIFT and other charges recovered has been reclassified as other income. Previously, these charges were netted of with administrative expenses.

### 20 NON-ADJUSTING EVENT

20.1 The Board of Directors in its meeting held on August 22, 2008 has announced interim cash dividend Rs. 3 per share in respect of the half year ended June 30, 2008 (June 30, 2007: Rs 2.50 per share). This consolidated condensed interim financial information for the period ended June 30, 2008 does not include the effect of these appropriations which will be accounted for subsequent to the period end.

### 21 DATE OF AUTHORISATION FOR ISSUE

This consolidated condensed interim financial information was authorised for issue on August 22, 2008 by the Board of Directors of the Bank.





S.M. Muneer Director

Taric Bafi

Rafi or



