

Annual Report 2009

Overcoming Challenges



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Contents

04	Our Vision and Mission Statement
18	Our Core Values
20	Awards
22	Products / Services We Offer
24	Corporate Information
32	Board Committees
34	Management Committee
40	Organisational Structure
41	President's Message

Stakeholder's Information

42	Value Added Statement
43	Graphical Presentation of Financial Statements
44	Six Years' Progress
45	Graphical Presentation of Financial Progress in Six Years

46	Vertical Analysis
47	Horizontal Analysis
48	Quarterly Performance for 2009 and 2008
48	Summary of Cash Flows
49	Calendar of Major Events
49	Monthly Market Statistics of MCB's Share
50	Directors' Report to the Members
61	Corporate Social Responsibility
62	Statement of Ethics & Business Practices
65	Statement of Compliance with the Code of Corporate Governance
66	Auditors' Review Report to the Members on Code of Corporate Governance



Standalone Financial Statements

- 67** Auditors' Report to the Members
- 68** Balance Sheet
- 69** Profit and Loss Account
- 70** Cash Flow Statement
- 71** Statement of Changes in Equity
- 72** Statement of Comprehensive Income
- 73** Notes to the Financial Statements
- 134** Annexures

Consolidated Financial Statements

- 154** Directors' Report on Consolidated Financial Statements
- 155** Auditors' Report to the Members
- 156** Consolidated Balance Sheet
- 157** Consolidated Profit and Loss Account

- 158** Consolidated Cash Flow Statement
- 159** Consolidated Statement of Changes in Equity
- 160** Consolidated Statement of Comprehensive Income
- 161** Notes to the Consolidated Financial Statements
- 223** Annexures

- 241** Branch Network
- 243** Pattern of Shareholdings
- 246** Categories of Shareholders
- 247** Notice of 62nd Annual General Meeting
- 249** Form of Proxy



Vision

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



Mission

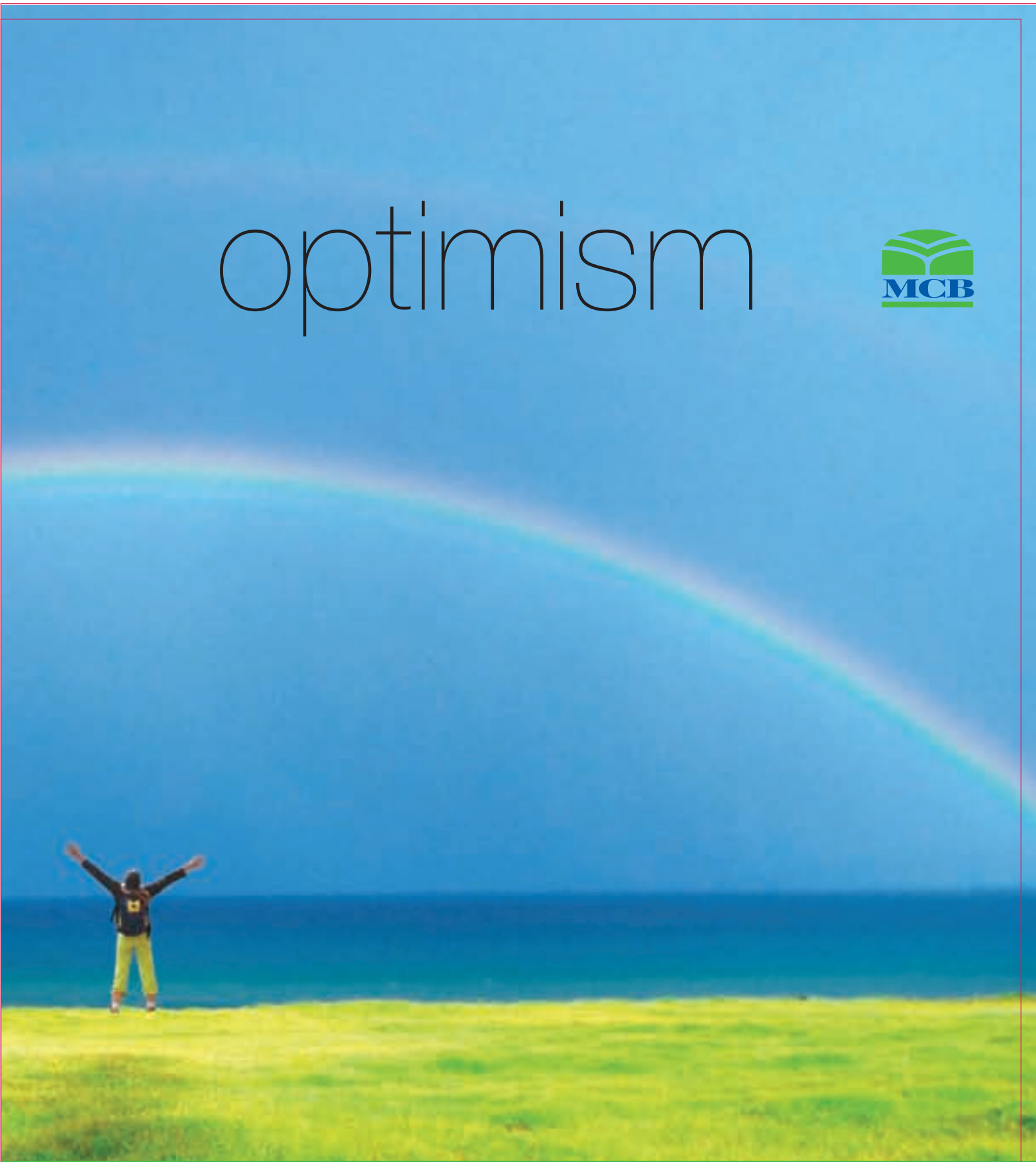
We are a team of committed professionals, providing innovative and efficient financial solutions to create and nurture long-term relationships with our customers. In doing so, we ensure that our shareholders can invest with confidence in us.



Overcoming challenges with optimism.

Adapting to change can be a huge challenge. At MCB, our positive approach to life and business enables us to anticipate and welcome change. During these financially trying times, our enthusiasm and confidence helps us to shape a future full of prospects and opportunities.

optimism





Overcoming challenges with courage.

At MCB, we dare to brave the uncharted. By spearheading relief efforts in refugee settlements, we continued to serve in a territory others were hesitant to enter. After all, only by facing challenges can one appraise life with courage, strength and belief.

courage





Overcoming challenges with teamwork.

We believe that cultivating team spirit is critical to foster personal and organizational growth. At MCB, this signature approach to teamwork proves how collective progress helps achieve continuous growth.

teamwork





Overcoming challenges with conviction.

At MCB, we are driven to deliver the best. Under the most demanding circumstances, we are committed to achieving our vision of growth and prosperity through innovation. It is this brand of conviction that culminates in greater success.

conviction

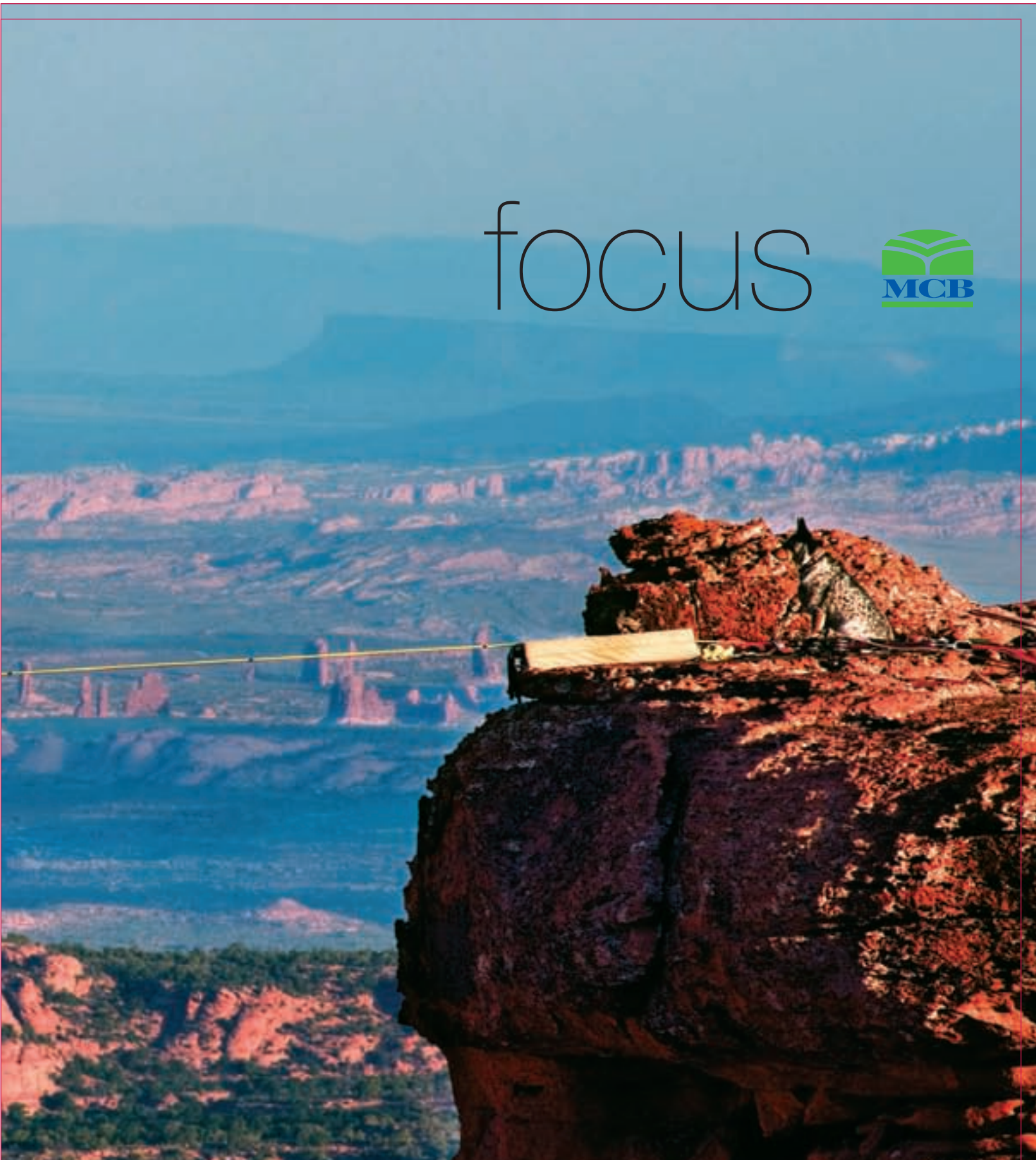




Overcoming challenges with focus.

The vision of a secure and prosperous future requires insight. A combination of foresight and hindsight that has enabled MCB to withstand new and demanding challenges — and emerge as one of the forebearers of stability.

focus





Overcoming challenges with persistence.

Success comes with perseverance, endurance and a commitment to tenacity. Which is why, our dedication to excelling in all areas manifests itself through an ever-expanding portfolio of products and services; not to mention, a consistently growing branch network.

persistence





Values

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 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

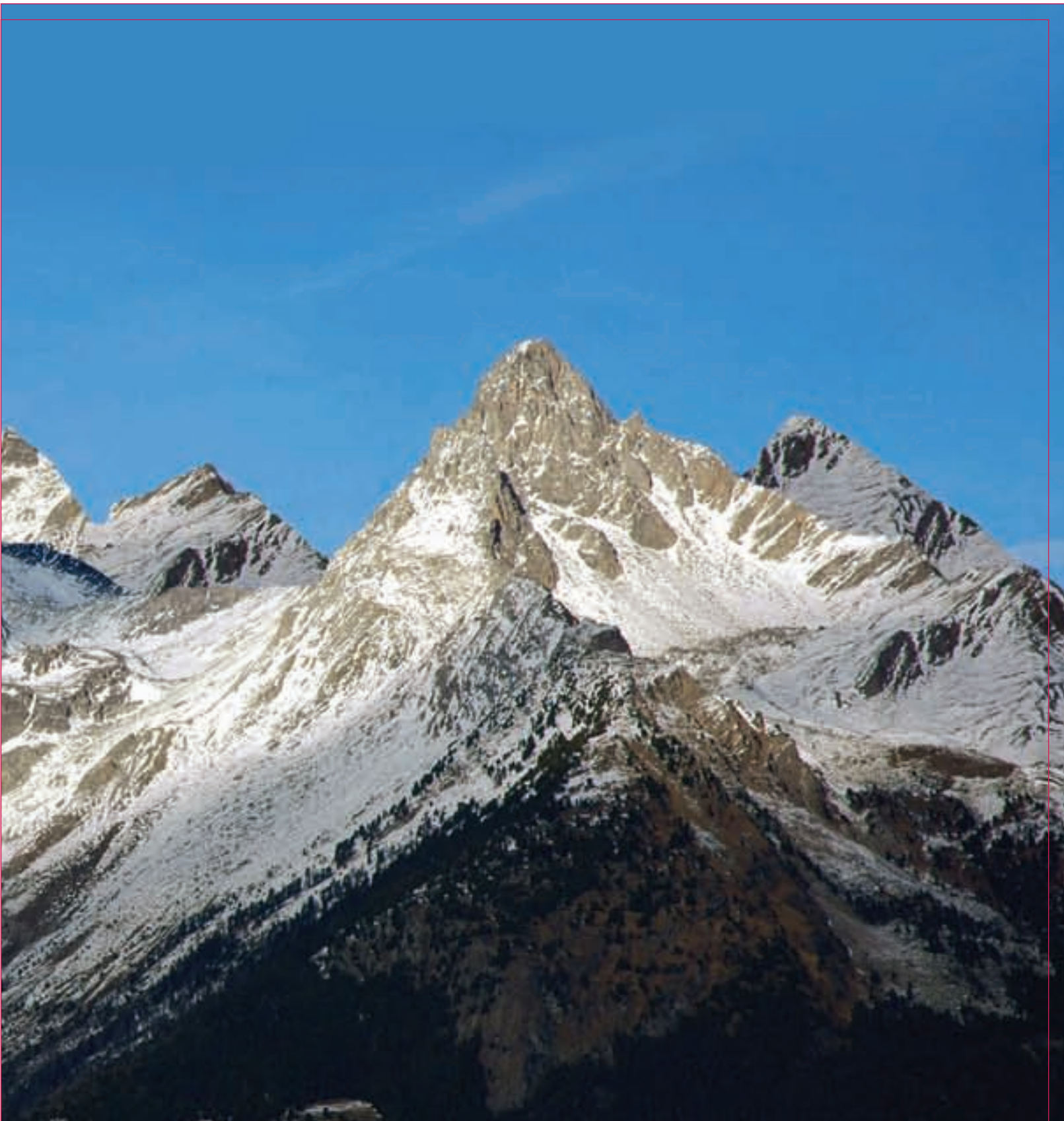
We respect our customers' values, beliefs, culture and history. We value the equality of gender and diversity of experience and education that our employees bring with them. We create an environment where each individual is enabled to succeed.



Awards

2009 **Asiamoney:** Best Domestic Bank in Pakistan
2009 **The Asset:** Best Domestic Bank in Pakistan
2008 **Euromoney:** Best Bank in Asia
2008 **Euromoney:** Best Bank in Pakistan

2008 **Asiamoney:** Best Domestic Bank in Pakistan
2006 **Asiamoney:** Best Domestic Bank in Pakistan
2006 **Euromoney:** Best Bank in Pakistan
2005 **Asiamoney:** Best Domestic Bank in Pakistan



2005 **Euromoney:** Best Bank in Pakistan
2004 **Euromoney:** Best Bank in Pakistan
2004 **Asiamoney:** Best Domestic Bank in Pakistan
2003 **Euromoney:** Best Bank in Pakistan

2001 **Euromoney:** Best Bank in Pakistan
2000 **Euromoney:** Best Bank in Pakistan

Products and Services



MCB Online Banking

MCB has a fast growing network of over 1,100 online branches in the country providing customers real time online transaction facilities.

MCB MNET

MNET is an electronic inter-bank connectivity platform for online transactions on ATM and other remote banking channels. It offers other Value Added Services that include a portfolio of e-banking and payment system products as well as management and day-to-day operations of the same. Members include 10 local and foreign financial institutions enjoying ATM sharing and Value Added Services.

MCB Cash Management

Cash Management provides a wide range of value added services to large corporations through its vast network of online branches. Our structured and customized products enable our customers to realize their sales proceeds swiftly from all over the country, supported by real-time MIS.

MCB Channel Financing

MCB Channel Financing provides working capital facilities to dealers and vendors of selected companies under a structured product program. This product enables our customer's dealers to leverage themselves and increase their business capacity with their respective business partners.

MCB Local Rupee Drawing Arrangement

Transaction Banking Department at MCB, provides Local Rupee Drawing Arrangement, a product for small banks and financial institutions to use our vast branch network platform to make payments in areas where their own branch network does not exist, thus extending their reach countrywide.

MCB Home Remittance

MCB Home Remittance provides a seamless inflow of foreign remittances credited in the beneficiary's account within minutes. Cash payments can also be made at our designated branches on behalf of Xpressmoney, Samba (SpeedcashNow) and Moneygram, along with cash payments from other correspondents all over the world.

MCB Corporate Financing

MCB Corporate Financing provides access to diversified financing options, including working capital loans, term loans, trade finance services and investment banking.

MCB Project & Structured Finance

Involves financing complex projects, usually in an SPV structure, where the loan is tightly structured around the cash flows, risks are allocated amongst various stakeholders, and there is limited or no recourse to the sponsors.

MCB Syndicated Loans And Debt Capital Markets

It involves arrangement, underwriting and placement services for significant financing requirements by large corporate and institutional clients to other financial institutions or through the debt capital markets.

MCB Quasi Equity/Hybrid Instruments

It structures and places a category of debt that has some characteristics of equity such as being unsecured, subordinated or with a potential equity upside.

MCB Equity Capital Raising

Equity Services relate to raising capital for our clients by offering common or preferred equity to public or private investors, through initial public offers, offers for sale, rights issues and private equity placements.

MCB Advisory Services

Financial and Capital Raising Advisory provides our clients with financial advisory services, commercial structuring support and access to capital resources to help companies successfully finance their business/project.

MCB Islamic Banking

With the help of Shariah specialists, lawyers and professional commercial bankers, MCB Islamic Banking provides Riba Free and Shariah Compliant solutions to various customer segments in a growing number of cities.

MCB Agri Products

MCB has been providing finance to the agriculture sector since 1973. With the help of our vast branch network, specialized staff posted in the branches, multiple and diversified product range, we cater to the financing requirements of the farming community spread throughout the country and facilitate in achieving increased productivity.

MCB Privilege

A first from a local bank, MCB Privilege through its dedicated, world class Privilege Centers offers a higher level of personalized services, more rewarding in-branch experiences and a wide array of deposit and investment products that are tailored to meet the financial expectations of our affluent clientele. As members of MCB Privilege, customers experience unparalleled advantages that put them ahead of others. MCB's dedicated Privilege Centers await to welcome you in Karachi, Lahore, Islamabad and Multan, with plans to expand to more locations.

Current Account

MCB Bank offers a variety of current accounts to cater to the everyday transactional needs of various customers. These accounts ensure ease and freedom to bank from any of the 1,100 branches across the country. The different accounts include: the basic account that has no minimum balance; Business Account offering free online transactions, Demand Drafts, Pay Orders and lots more to meet the day to day business requirements; Current Life Account which offers the security of life insurance free of cost; and for all the others the conventional Current Account.

Savings Account

It offers a wide array of savings products that suit short term growth & transactional needs. Our savings accounts offer attractive profit rates as well as flexibility to transact. Savings Xtra is targeted for customers having Rs. 5 million + deposit, 365 Gold offers profit rate on daily balance while PLS savings has a lower minimum balance requirement. In addition, a unique product: Smart Savings is an account run solely via a debit card, offering a very competitive rate to small savers.



Terms Deposit

MCB Term Deposits offer attractive short to mid-term investment options with flexibility, convenience and security. With various tenor options available customers can choose one that suits their needs. This is combined with different profit payout options and the added facility of being able to avail credit facility against their deposits.

MCB Salary Club

A payroll solution designed to make life easy; it simplifies all the monthly payroll related banking needs of employers and opens the door to a world of special offers for employees. Salary Club provides the convenience of having an extensive range of financial services available to employees at their place of work.

MCB Investment Services

Make the most of your wealth with investment opportunities that match your unique financial aspirations. MCB Investment Services offer distribution of mutual funds managed by the leading fund managers of Pakistan. We can suggest the products most suited for your needs, or work with you to create a personalized solution completely focused on your expectations of the capital markets.

MCB Visa Credit Card

MCB offers a complete suite of Classic, Gold and Platinum Visa Credit Cards focusing on providing, superior service, travel privileges & shopping pleasure. It also offers comprehensive insurance & installment plans, reward points and SMS alerts that give a different feel to the world of Credit Cards. These unique features include i-revolve, which makes variable mark-up rate available to customers allowing them to repay at affordable rates.

MCB Car4U

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

MCB Instant Finance

With MCB instant Finance get a loan instantly at any MCB branch against liquid collateral at competitive pricing.

MCB Smart Card

MCB Smart Card is the key that enables access to convenient banking services.

Smart Card allows you to manage your account, withdraw cash, transfer funds, pay utility and mobile bills, recharge prepaid connections, register for mobile and internet banking services and much more.

MCB Rupee Travelers Cheque

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

MCB ATMs

MCB has one of the nation's largest ATM networks with over 450 ATMs and still growing. MCB ATMs give you 24-hours convenience of cash withdrawal, mini-statement, utility bill payment, funds transfer services and much more.

MCB Mobile ATM

With MCB Mobile ATM not only do we provide you with world class banking service but we also provide convenience. Our innovative mobile ATMs ensure that you are given service close to you.

MCB Lockers

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

MCB SMS Banking

Banking at your finger tips: SMS anytime to get information regarding balance, mini statements and credit card related information once your card is linked.

MCB Full Day Banking

Enjoy the convenience of extended banking hours from 9am to 5pm, including Saturdays at MCB FULL Day Banking branches across the country.

MCB Bancassurance

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

MCB Call Center

There's no easier way to bank than the new enhanced 24/7 MCB Call Center, which blends innovation and convenience to provide Banking Services that go beyond expectations. With MCB Call Centre you can maintain your VISA credit & ATM/Debit cards, check your account balances, confirm last 5 transactions, pay utility & mobile phone bills, top-up your mobile, pay MCB Visa Credit Card bill from your MCB account, transfer money within your own accounts in MCB and register complaints.

MCB Mobile

MCB Mobile is a quick easy and secure way to recharge mobile phones, transfer money, pay bills and do much more. No need to visit a branch or an ATM anymore, login to www.mcbmobile.com using your mobile phone and start transacting.

MCB Virtual Banking

MCB provides the convenience of banking via internet, whether at home, office or on travel, log on to www.mcb.com.pk and enjoy 24 hour access to all your accounts at MCB for a great number of services such as Funds Transfer, Utility Bill Payments, Mobile Top-ups and much more.



Corporate Information

Board of Directors

Mian Mohammad Mansha
Chairman (Non-Executive Director)

S.M. Muneer
Vice Chairman (Non-Executive Director)

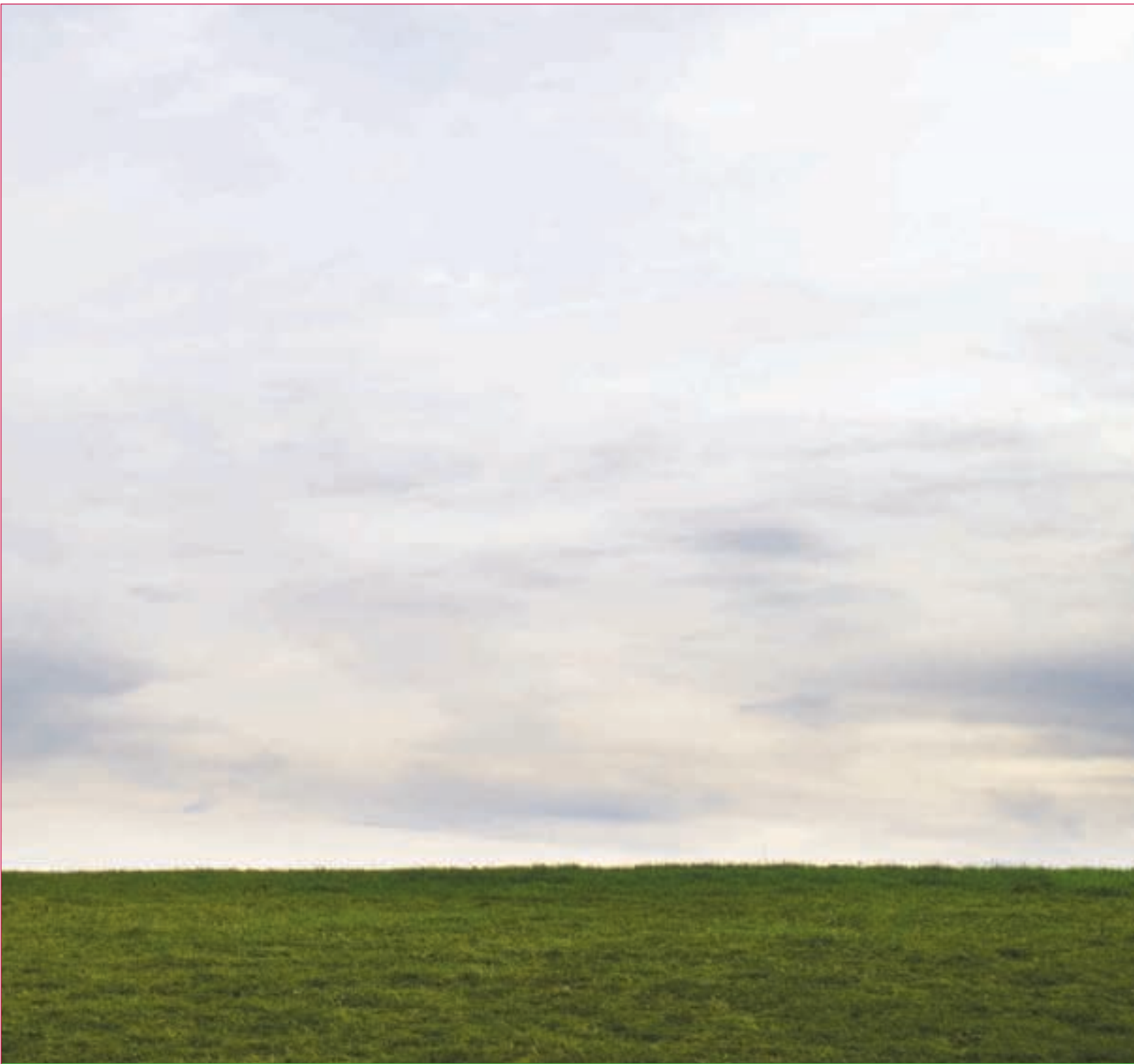
Tariq Rafi (Non-Executive Director)
Shahzad Saleem (Non-Executive Director)
Sarmad Amin (Non-Executive Director)
Dr. Muhammad Yaqub (Non-Executive Director)
Mian Raza Mansha (Non-Executive Director)
Mian Umer Mansha (Non-Executive Director)
Dato’ Mohammed Hussein (Non-Executive Director)

Abdul Farid Bin Alias (Non-Executive Director)
Aftab Ahmad Khan (Non-Executive Director)
Muhammad Ali Zeb (Non-Executive Director)

Atif Bajwa
President & Chief Executive Officer (Executive Director)

Audit Committee

Tariq Rafi – *Chairman* (Non-Executive Director)
Dr. Muhammad Yaqub (Non-Executive Director)
Dato’ Mohammed Hussein (Non-Executive Director)
Aftab Ahmad Khan (Non-Executive Director)
Muhammad Ali Zeb (Non-Executive Director)
Malik Abdul Waheed (Advisor to the Chairman)

**Chief Financial Officer**

Salman Zafar Siddiqi

Company Secretary

Abdus S. Sami

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Khalid Anwer & Co.
Advocates & Legal Consultants

Registered Office

MCB Building, F-6/G-6, Jinnah Avenue, Islamabad.

Principal Office

MCB 15 Main Gulberg, Lahore.
UAN: (042) 111-000-111
PABX: (042) 36041998-9
Website: www.mcb.com.pk
Email: info@mcb.com.pk

Shares Registrar

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

Board of Directors



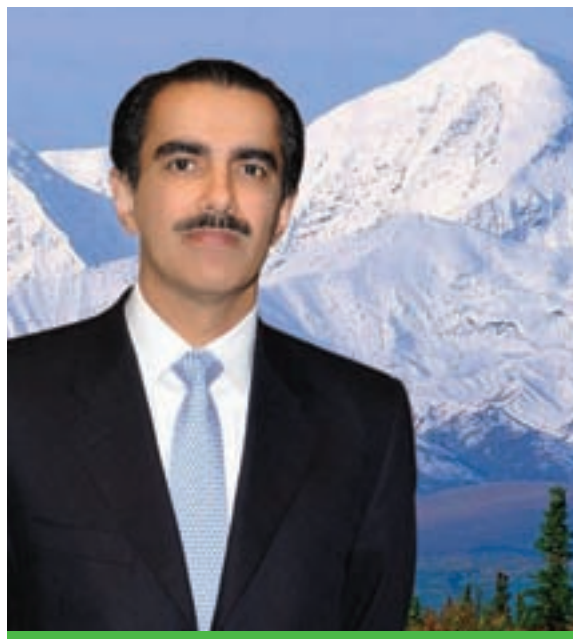
Mian Mohammad Mansha

Chairman



Mr. S.M. Muneer

Vice Chairman

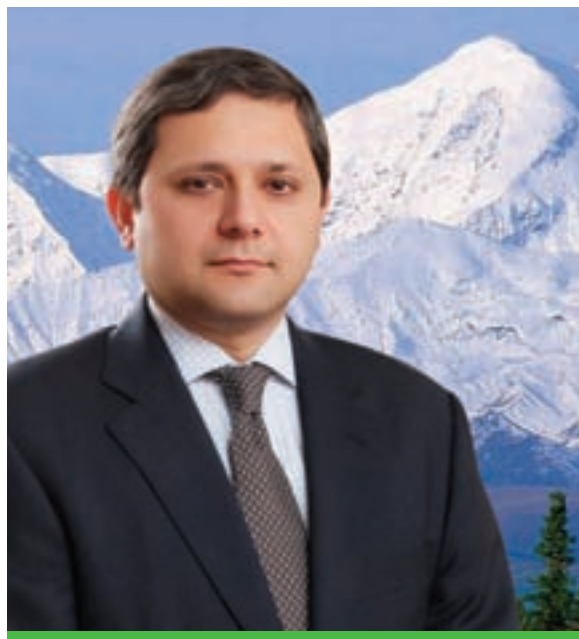


Mr. Atif Bajwa

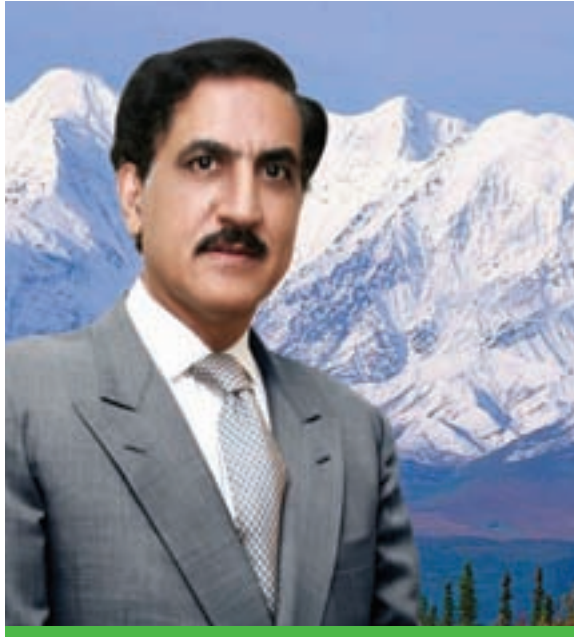
President



Mr. Tariq Rafi



Mr. Shahzad Saleem



Mr. Sarmad Amin



Dr. Muhammad Yaqub



Dato' Mohammed Hussein



Mian Raza Mansha



Mr. Aftab Ahmad Khan



Mr. Abdul Farid Bin Alias



Mian Umer Mansha



Mr. Muhammad Ali Zeb

Profile of the Board

Mian Mohammad Mansha

Chairman

Mr. Mansha has served as the Chairman of MCB since its privatization in 1991. In 2004, he was presented with Pakistan's highest civil award the Sitara-e-Imtiaz, for his contributions to industrial development. He is a member of the International Advisory Board at Babson College in the USA. He is also on the Board of Engineering Management Foundation (FASAT), Board of Investment (Govt. of Pakistan), Civil Aviation Authority (Govt. Nominee), Shalamar Medical & Dental College and also serves as the Honorary Director of Punjab Board of Investment & Trade (PBIT). In addition, he is the Chairman on the Board of Punjab Coal Mining Company.

Mr. S.M. Muneer

Vice Chairman

With experience in sectors ranging from tanneries, textiles and leather garments, Mr. Muneer is a consummate industrialist. He has been awarded with The Best Export Performance trophy by the Federation of Pakistan Chamber of Commerce & Industry (FPCCI), the Gold Medallion Award from the International Export Association, UK and Best Businessman of the Year Award from FPCCI. In addition, he has received the Sitara-e-Isaar and the Sitara-e-Imtiaz in 2006 and 2007 respectively. His contributions and achievements go beyond the economic sphere into the education sector as well. He was awarded an Honorary PhD degree by the Governor of Sindh and is also a member of the Board of Directors of CBM and Greenwich College, Karachi.

Mr. Atif Bajwa

President

Mr. Bajwa has 28 years of diverse national and international experience in corporate and consumer banking. He began his career at Citibank Pakistan as a corporate banker in 1982 and went on to become a senior member of the Corporate Banking & Finance Unit for the Gulf Markets. From 1993 - 2001, he was part of ABN AMRO Bank where, among other significant roles, he served as Country Head, Pakistan and later Consumer Banking Head, Asia Pacific. Mr. Bajwa re-joined Citibank in 2001 as Regional Head for Central and Eastern Europe covering corporate and consumer banking and then in 2005, moved to Dubai with Mashreqbank to lead their Retail and Small Business Group. In June 2007, he joined MCB Bank and has brought along with him the vision and leadership to lead the bank to new horizons.

Mr. Tariq Rafi

Mr. Rafi is a recipient of the coveted civil award Sitara-e-Imtiaz and the Best Businessman of the Decade. At MCB, he is the Chairman of the Audit Committee, Member of the Risk Management & Portfolio Review Committee, Member of the Committee on Physical Planning, IT System & Contingency Arrangements.

Mr. Shahzad Saleem

Mr. Shahzad Saleem is an active member of the Risk Management & Portfolio Review Committee at MCB. Along with that he is serving as the Chief Executive of Nishat Chunian Ltd and Chairman of Nishat Chunian Power Ltd.

Mr. Sarmad Amin

Mr. Amin has 30 years of business experience in the fields of Construction, Electrical Manufacturing and Textiles. He serves as a Director for various companies. At MCB, he is the Chairman of the Committee on Physical Planning, IT Systems & Contingency Arrangements and a member of the Risk Management & Portfolio Review Committee.

Dr. Muhammad Yaqub

Former Governor of SBP (1993-1999), Dr. Yaqub has held various offices for the Government of Pakistan and the IMF. Appointed to the MCB Board in April 2006 he is a member of the Audit Committee, the Business Strategy & Development Committee and the Human Resource Committee.

Dato' Mohammed Hussein

Dato' Mohammed Hussein, joined the MCB Board as an Independent Non-Executive Director in August 2008. He is currently a member of the Audit Committee and the Business Strategy & Development Committee. His years of experience in the financial sector include 31 years with the Maybank Group where he held various senior management positions including Deputy President and Chief Financial Officer until he retired in 2008. Presently he also sits on the board of a number of

Profile of the Board

companies listed on the Stock Exchange in Malaysia and Singapore, several government-linked institutions in Malaysia and the Exim Bank of Malaysia.

Mian Raza Mansha

Mr. Raza Mansha, is a member of the Committee for Business Strategy & Development, Human Resource, Risk Management & Portfolio Review, Physical Planning, IT Systems & Contingency Arrangements at MCB. In addition, he is a board member for various other businesses.

Mr. Aftab Ahmad Khan

Mr. Aftab Ahmad Khan is the Group Director, Finance and Accounts at Nishat Group of Companies, which involves financial planning, strategic decision making and investment appraisals for the group. He is also a fellow Chartered Accountant of the Institute of Chartered Accountants of Pakistan. Mr. Aftab Ahmad Khan has over 47 years of diversified professional experience in various sectors. Presently he serves on the board of Commercial Banking, Textile, Paper, Energy, Hotel and Tourism sectors. He has also served on the Punjab Industrial Development Board and in Public sector organizations such as Ghee, Sugar and Rice mills. At MCB he is a member of the Audit Committee.

Mr. Abdul Farid Bin Alias

Mr. Farid is the Head of International at Maybank, Malaysia. He has held senior positions at a number of Malaysian and global financial institutions primarily in the area of Investment Banking. From April 2009 to May 2009 he served as a member of the Committee on Physical Planning, IT System & Contingency Arrangements at MCB.

Mian Umer Mansha

Mr. Umer Mansha was elected as a Director to the MCB Board in November 1997 and served till September 2007. He was re-elected as a Director at MCB in the 61st AGM held on March 27, 2009. Presently he is the Chairman of the Risk Management & Portfolio Review Committee and is a member of the Business Strategy & Development Committee at MCB. In addition, he is a Director on the Board of Adamjee Insurance Company and Pakistan Business Council.

Mr. Muhammad Ali Zeb

Mr. Muhammad Ali Zeb is currently the CEO of Adamjee Insurance and has more than 15 years of professional experience in Finance, Insurance & Manufacturing sectors. He was elected as a Director at MCB in the 61st AGM held in March 2009. At MCB, he is a member of the Audit Committee.

Board Committees

Audit Committee

Members

Mr. Tariq Rafi [Chairman](#)

Dr. Muhammad Yaqub

Dato' Mohammed Hussein

Mr. Aftab Ahmad Khan

Mr. Muhammad Ali Zeb

Malik Abdul Waheed ([Advisor to the Chairman](#))

Terms of Reference

The main terms of Audit Committee are determination of suitable measures to safeguard bank's assets, reviewing financial statements and statement on internal control prior to approval of the Board, making recommendations to the Board for appointment of external auditors, reviewing management letter issued by external auditors, receiving and reviewing related party transactions, determining effectiveness and efficiency of internal controls, reviewing scope of internal audit functions and adequacy of resources at internal audit, considering of significant findings of internal investigations, ensuring coordination between internal and external auditors and communication between employees and the committee, monitoring of relevant statutory violations and any considering any other issue as assigned by the Board.

Human Resource Committee

Members

Mian Mohammad Mansha [Chairman](#)

Dr. Muhammad Yaqub

Mian Raza Mansha

Mr. Atif Bajwa

Terms of Reference

The main tasks of the Human Resource Committee are ensuring review of existing policies and revision in these policies as deemed necessary, proper classification and reclassification of employees' pay scales, job description and methods of periodical reviews, development of in-house expertise, approval and revision of organizational setup, setup of latest criterions for recruitment, training and performance appraisals and effective management of information systems to monitor implementation of policies as approved by the Board.

Risk Management and Portfolio Review Committee

Members

Mian Umer Mansha [Chairman](#)

Mr. Tariq Rafi

Mr. Shahzad Saleem

Mr. Sarmad Amin

Mian Raza Mansha

Terms of Reference

Main terms of the RM & PR Committee are review of risk management strategies, development of risk management policies and portfolio management parameters, approval and monitoring of limits in respect of credit, market and liquidity risks, monitoring of progress towards Basel II, carrying surveillance functions on behalf of the Board, monitoring of Bank's portfolio and approval of policy framework to be followed by the management for lending operations, write-offs, restructuring and rescheduling.

Board Committees

Business Strategy and Development Committee

Members

Mian Mohammad Mansha Chairman	Mian Raza Mansha
S. M. Muneer	Mian Umer Mansha
Dr. Muhammad Yaqub	Mr. Atif Bajwa
Dato' Mohammed Hussein	

Terms of Reference

Major tasks include review and development of 'Vision & Mission' statements and 'Core Values' for the Bank, development of Bank's initiatives relating to business philosophy and acquisition, investment and divestment, capital raising exercise, strategic alliances and brand management, devising short, medium and long term business plans and policies based on strategy, future direction and milestones set by the Board and monitoring the progress of the key strategy initiatives undertaken by the Bank.

Committee on Physical Planning, IT Systems and Contingency Arrangements

Members

Mr. Sarmad Amin Chairman	Mian Raza Mansha
S. M. Muneer	Mr. Atif Bajwa
Mr. Tariq Rafi	

Terms of Reference

Development of an overall plan for physical infrastructure, IT system and contingency arrangements for the Bank, review and monitoring of all work in progress based on physical planning, monitoring and recommending to the Board the building plans, master development agreements, information technology & contingency arrangements and review of the administrative structures & plans in place to ensure the ongoing health and safety of utilities and physical assets, including land & buildings, IT infrastructure and recommend, as appropriate, changes in plans arising from this review.





Management Committee

From left to right: Mr. Atif Bajwa, President & CEO • Mr. Salman Zafar Siddiqi • Mr. M.U.A Usmani



• Mr. Laqa Sarwar • Mr. Ali Munir • Mr. Kamran Zaffar Muggo • Mr. Muhtashim Ashai



• Mr. Faisal Farooq Khan • Mr. Imran Maqbool • Mr. Azfar Alam Nomani • Ms. Mehreen Ahmed



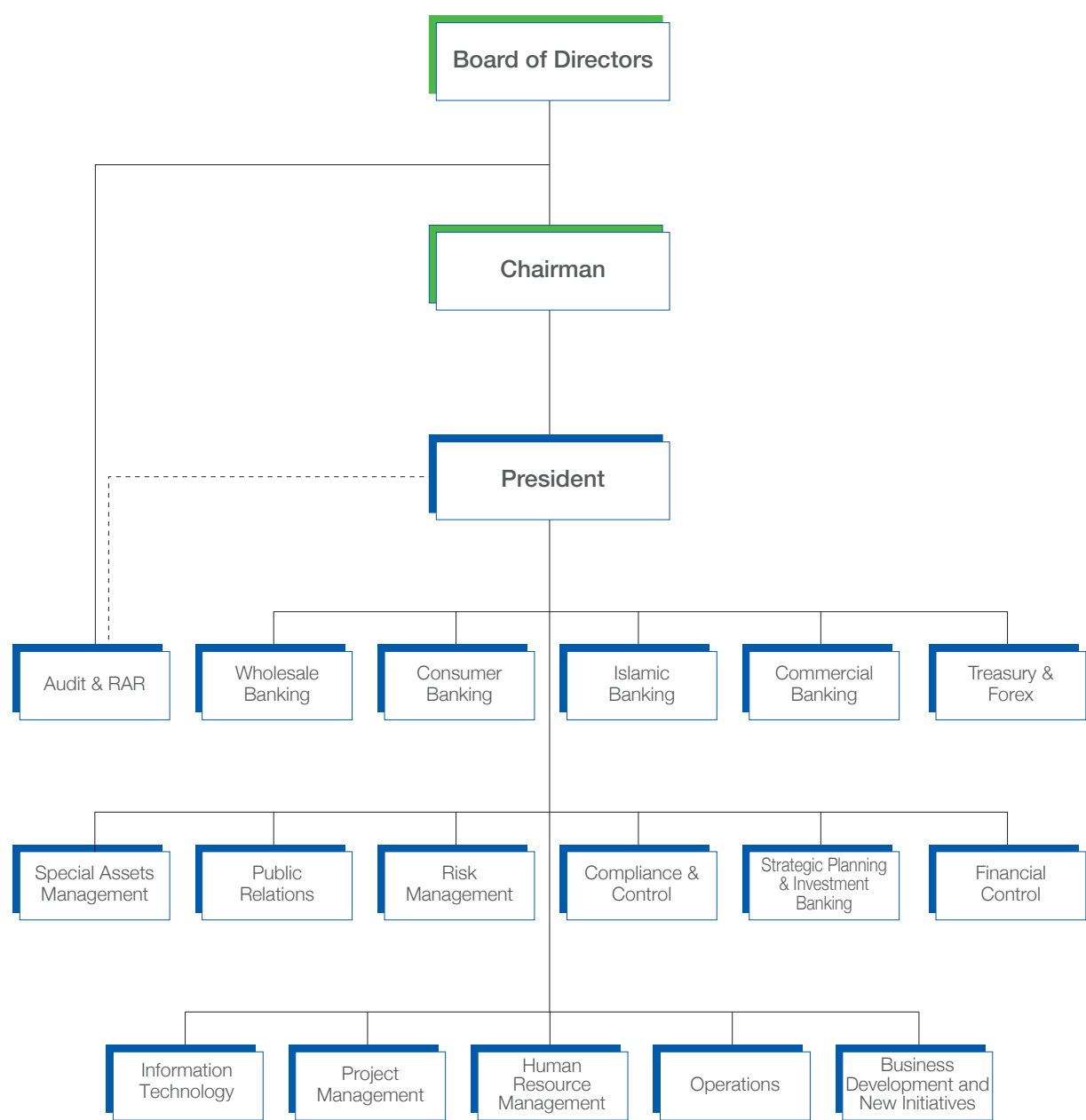
• Mr. Mohammad Nauman Chughtai • Ms. Romana Abdullah • Mr. Usman Hassan • Mr. Agha Saeed Khan



"Coming together is a beginning. Keeping together is progress. Working together is success."

—Henry Ford

Organizational Structure



President's Message

To our owners,

I am pleased to announce that MCB Bank Ltd in 2009 delivered a profit before tax of Rs. 23.2 Billion registering a growth of 6% over last year. This growth is directly attributable to an increase of 14% in our CASA deposits, 21% in revenues and a tight control on our expense base enabling us to retain our position as one of the most profitable banks in the country. In 2009, we also delivered a superior return on equity of 27.4% and our assets crossed the Rs. 500 Billion mark. This performance is all the more remarkable keeping in view the economic & political challenges faced by the country during this past year and miscreant created issues that MCB specifically grappled with for a large part of the year.

Our fundamental belief is that a financial services company can only succeed if it meets its customers' needs. If we can understand our customer's financial objectives and offer them the right products and services so that they can be financially successful, then MCB Bank will continue to build on its leadership position and provide requisite returns to its shareholders. During 2009, we took several initiatives that brought us even closer to our customers. With the launch of MCB Privilege, we became the first local bank to offer a dedicated proposition for the affluent segment; to meet the growth and protection needs of our customers, we introduced Bancassurance and Investment Products in many of our branches; to enhance transactional convenience for our customers, we became the first Pakistani bank to launch mobile banking. These coupled with several other initiatives enabled us to continue on the path of growing our customer base and profitability. Last year, to expand our reach and customer proposition, we also reached an agreement with RBS Pakistan to acquire their business. Unfortunately, the deal did not go through but we continue to invest organically to further strengthen our businesses.

For MCB, this is just the beginning and we are committed to taking the Bank to the next levels of success. Key features of our multi-pronged plan are as follows:

- We want to be viewed as the leader in transactional convenience. To get top market share, we will continue to invest in our alternate channel payment capabilities and services as well as getting a larger share of transaction driven businesses like remittances, cash management, payroll and trade.
- We will continue to invest in our branches to make them more sales and service oriented. Through introduction of our new sales and service model, strengthened transaction processing and leading financial products menu, we aspire to achieve this ambition.
- In addition to our core focus on mass, mid market and corporate segments, we will continue down the path of further segmenting our customer needs and developing focused customer propositions, particularly in Privilege, Islamic & SME.
- No organization can deliver without investing in its employees. In order to deliver our growth targets, we will further strengthen our reserve of talent and leadership powered by a strong performance culture and training.
- Finally, for us as an organization, controls and efficiency is central to our existence. We will build stronger controls, develop a unit cost culture and generally be on top of our game.

MCB's strengths in terms of its franchise, balance sheet and reputation are unparalleled. My task and that of the entire team is to ensure that we continue to go from strength to strength. Bank's performance in 2009 is an attestation of the commitment & passion that the team brings to MCB and the strong support of the shareholders. We look forward to an even better 2010.

With best regards,



Atif Bajwa

President and CEO

Statement of Value Added

	2009 Rs. in '000	%	2008 Rs. in '000	%
Value Added				
Net interest income	35,774,544		28,483,084	
Non interest income	5,642,885		5,791,440	
Operating expenses excluding staff costs, depreciation, amortization and WWF	(6,228,637)		(5,682,897)	
Provision against advances, investments & others	(7,465,145)		(4,042,256)	
Value added available for distribution	27,723,647		24,549,371	

Distribution of value added

To employees

Remuneration, provident fund and other benefits	6,966,021	25.13%	6,686,563	27.24%
Pension fund reversal	(3,923,285)	-14.15%	(5,399,319)	-21.99%
	3,042,736	10.98%	1,287,244	5.24%

To government

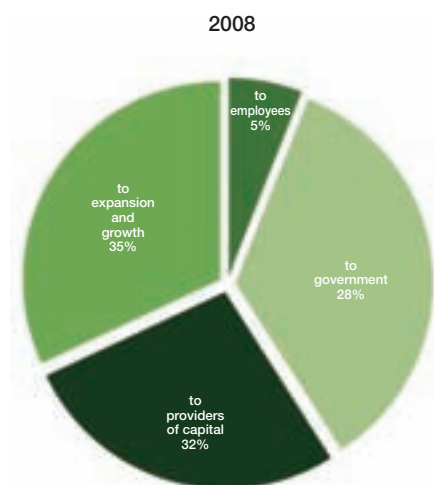
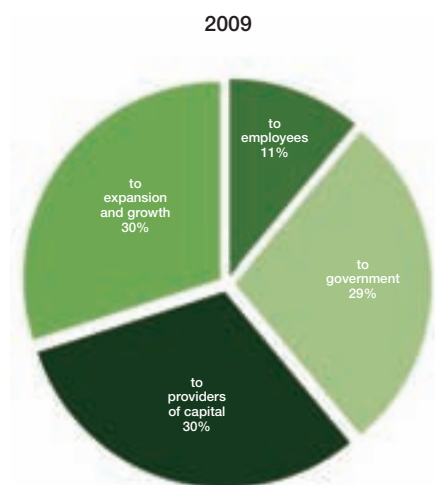
Worker welfare fund	463,099	1.67%	437,351	1.78%
Income tax	7,659,648	27.63%	6,492,966	26.45%

To providers of capital

Dividends to shareholders	8,293,297	29.91%	7,853,462	31.99%
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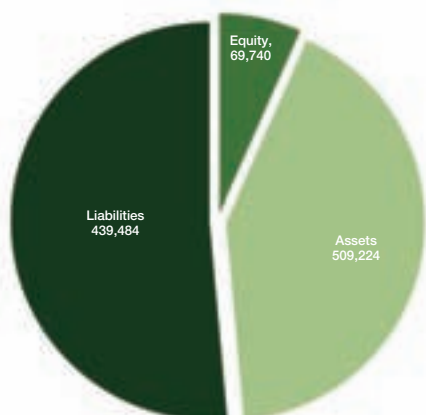
To expansion and growth

Depreciation	909,471		815,205	
Amortization	153,397		142,005	
Retained earnings	7,201,999		7,521,138	
	8,264,867	29.81%	8,478,348	34.54%
	27,723,647	100%	24,549,371	100%

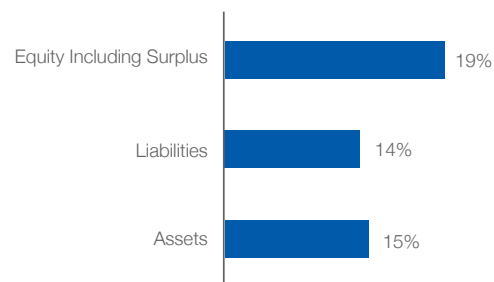


Graphical Presentation of Financial Statements

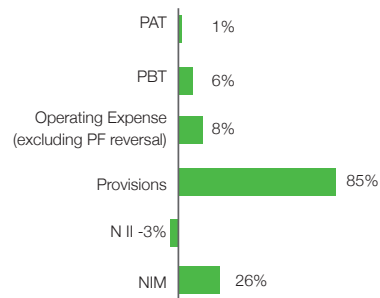
Balance Sheet
(Rs. in Millions)



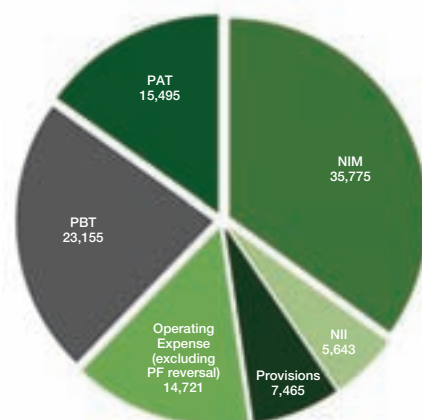
Variance During the FY09



Variance During the FY09

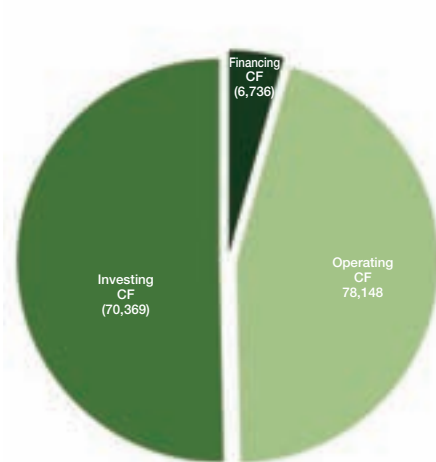


Profit & Loss
(Rs. in Millions)

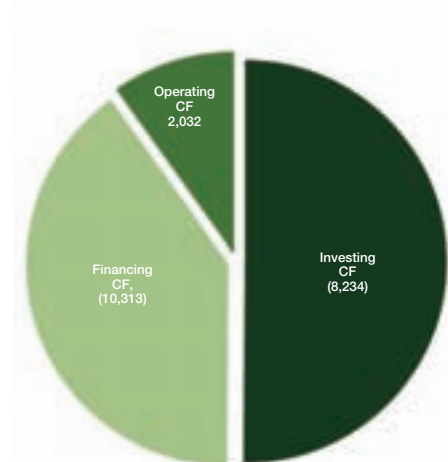


Cash Flows
(Rs. in Millions)

2009



2008



Six Years Progress 2004 - 2009

Rupees in Million

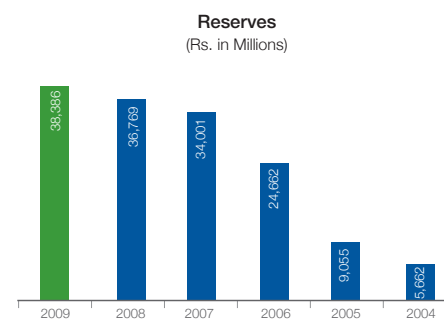
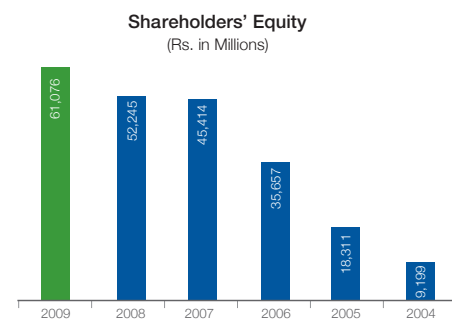
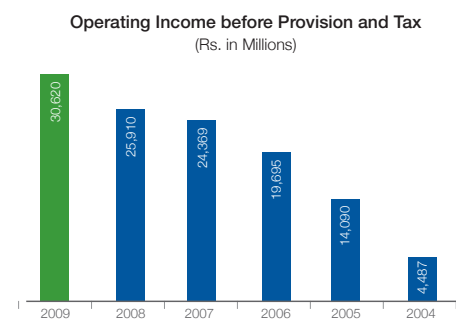
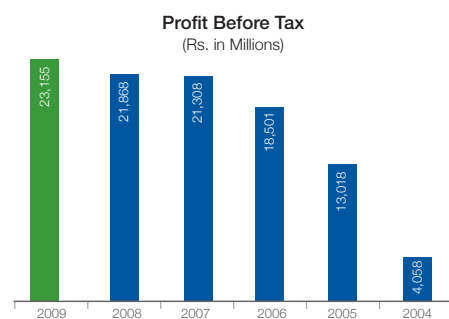
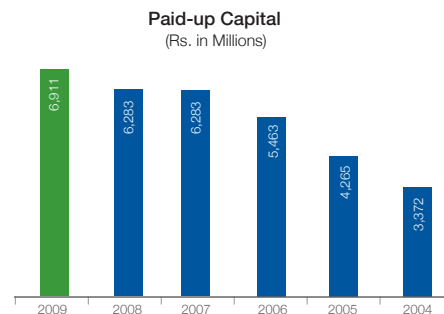
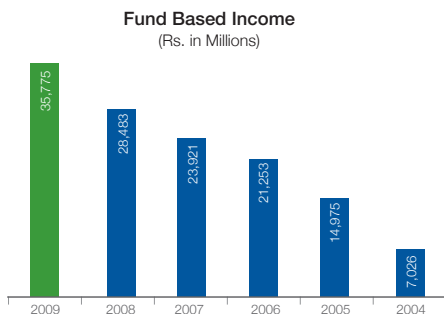
	2009	2008	2007	2006	2005	2004
PROFITS						
Mark-up/ return earned	51,616	40,044	31,787	25,778	17,756	9,084
Mark-up/ return expensed	15,841	11,561	7,866	4,525	2,781	2,058
Fund based income	35,775	28,483	23,921	21,253	14,975	7,026
Fee, Commission, brokerage & FX income	4,409	4,537	4,328	3,573	4,406	3,575
Dividend and capital gains	1,234	1,255	2,120	1,418	1,348	1,172
Total income	41,417	34,275	30,369	26,244	20,728	11,773
Operating expenses	10,797	8,365	6,000	6,549	6,638	7,286
Operating profit before tax and provision	30,620	25,910	24,369	19,695	14,090	4,487
Provisions/ write-offs	7,465	4,042	3,061	1,194	1,072	429
Profit before tax	23,155	21,868	21,308	18,501	13,018	4,058
Profit after tax	15,495	15,375	15,266	12,142	8,922	2,432
Dividends	7,602	7,225	7,854	3,960	1,715	843
Bonus shares	691	628	-	819	853	337
BALANCE SHEET						
Authorised capital	10,000	10,000	10,000	6,500	6,500	6,500
Paid up capital	6,911	6,283	6,283	5,463	4,265	3,372
Reserves	38,386	36,769	34,001	24,662	9,055	5,662
Unappropriated Profit	15,779	9,193	5,131	5,531	4,990	165
Shareholder's equity	61,076	52,245	45,414	35,657	18,311	9,199
Surplus on revaluation of assets - net of tax	8,664	6,191	9,706	5,188	5,424	5,354
Total Assets	509,224	443,616	410,486	342,108	298,777	259,174
Deposits & other accounts	367,605	330,182	292,098	257,462	229,342	221,069
Borrowings from financial institutions	44,662	22,664	39,407	23,943	27,378	7,591
Gross Advances	269,722	272,847	229,733	206,848	188,140	144,010
Advances - net of provisions	253,249	262,135	218,961	198,239	180,323	137,318
Non-Performing Loans (NPLs)	23,239	18,269	10,725	8,571	8,396	8,838
Investments - net of provisions	167,134	96,632	113,089	63,486	69,481	67,195
FINANCIAL RATIOS						
Profit before tax ratio (PBT/ total income)	55.91%	63.80%	70.16%	70.49%	62.80%	34.47%
Gross Spread (NIM/Int Income)	69.31%	71.13%	75.26%	82.44%	84.34%	77.35%
Income/ expense ratio	3.84	4.10	5.06	4.01	3.12	1.62
Return on average equity (ROE)	27.35%	31.49%	37.66%	45.00%	64.87%	28.73%
Return on average assets (ROA)	3.25%	3.60%	4.06%	3.79%	3.20%	0.91%
Return on Capital Employed (ROCE)	27.35%	31.49%	37.22%	42.48%	58.12%	24.17%
Earnings per share (EPS before tax)	Rs. ***	33.50	31.64	30.83	26.77	18.84
Earnings per share (EPS after tax)	Rs. ***	22.42	22.25	22.09	17.57	12.91
Advances/ deposits ratio (Gross)	73.37%	82.64%	78.65%	80.34%	82.03%	65.14%
Advances/ deposits ratio (Net)	68.89%	79.39%	74.96%	77.00%	78.63%	62.12%
Breakup value per share	Rs. ***	88.37	75.60	65.71	51.59	26.49
Breakup value per share (including surplus)	Rs. ***	100.91	84.55	79.76	59.10	34.34
Earning assets to total assets ratio	87.23%	85.70%	83.60%	85.54%	87.34%	86.88%
Earning assets to Deposits & borrowings	107.74%	107.75%	103.52%	103.99%	101.65%	98.47%
NPLs to Gross advances ratio	8.62%	6.70%	4.67%	4.14%	4.46%	6.14%
Deposits to shareholder equity ratio	Times	6.02	6.32	7.22	12.53	24.03
Capital Adequacy Ratio	**	19.07%	16.28%	16.75%	18.65%	12.54%
DIVIDEND RATIOS						
Cash Dividend Per Share	Rs.	11.00	11.50	12.50	7.25	4.00
Dividend Yield Ratio (based on cash dividend)	5%	9.14%	3.13%	2.95%	2.38%	4.26%
Dividend Payout Ratio	53.52%	56.19%	56.59%	49.79%	46.64%	99.48%
Bonus Shares Issued	10.00%	10.00%	0.00%	15.00%	20.00%	10.00%
SHARE INFORMATION						
Market value per share - Dec 31	Rs.	219.68	125.81	399.95	246.10	167.80
High - during the year	Rs.	244.00	494.80	434.60	284.50	175.50
Low - during the year	Rs.	75.00	125.81	244.05	150.30	50.50
Market Capitalisation	Rs. M	151,822	79,044	251,279	134,451	71,572
Price to book value ratio	Times	2.49	1.66	6.09	4.77	6.33
Price to earning ratio	Times	9.80	5.66	18.11	14.01	13.00
Industry Shares						
Deposits	8.50%	8.55%	9.74%	8.58%	8.62%	11.96%
Advances	8.24%	8.63%	9.53%	8.58%	9.20%	13.04%
Total Assets	8.52%	8.51%	10.12%	8.43%	8.64%	9.66%
Market Capitalisation	22.35%	18.59%	17.50%	16.22%	14.81%	12.85%
Non Financial Information						
Number of branches*	1,081	1,060	1,026	994	952	946
Number of permanent employees*	9,397	10,160	9,721	9,011	9,377	9,889
Number of ATMs*	495	370	349	263	234	217

* Absolute numbers

** 2009, 2008 and 2007 based on BASEL II framework

*** Adjusted for prior years to affect bonus shares issued during 2009

Graphical Presentation of Financial Progress in Six Years



Where we Stand

		2009	Variance compared to 2008	
			Amount	%
Mark-up / return / interest earned	Rs. M	51,616	11,572	29%
Mark-up / return / interest expensed	"	15,841	4,281	37%
Net mark-up / interest income	"	35,775	7,291	26%
Provisions & write off	"	7,465	3,423	85%
Non-mark-up / interest income	"	5,643	(149)	-3%
Non-mark-up / interest expenses	"	10,797	2,433	29%
Profit before taxation	"	23,155	1,287	6%
Taxation	"	7,660	1,167	18%
Profit after taxation	"	15,495	121	1%
EPS	Rupees	22.42	0.17	1%

Six Years' Vertical Analysis Balance Sheet / Profit & Loss

Rupees in Million

	2009		2008		2007		2006		2005		2004	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Balance sheet												
Assets												
Cash and balances with treasury banks	38,775	8%	39,631	9%	39,684	10%	32,466	9%	23,666	8%	23,833	9%
Balances with other banks	6,010	1%	4,043	1%	3,808	1%	6,577	2%	1,469	0%	5,708	2%
Lendings to financial institutions	3,000	1%	4,100	1%	1,051	0%	21,082	6%	9,999	3%	10,965	4%
Investments - net	167,134	33%	96,632	22%	113,089	28%	63,486	19%	69,481	23%	67,195	26%
Advances - net	253,249	50%	262,135	59%	218,961	53%	198,239	58%	180,323	60%	137,318	53%
Operating fixed assets	18,015	4%	17,264	4%	16,024	4%	9,054	3%	8,182	3%	8,000	3%
Deferred tax assets - net	-	-	-	-	-	-	172	0%	192	0%	-	-
Other assets - net	23,040	5%	19,810	4%	17,869	4%	11,031	3%	5,464	2%	6,154	2%
	509,224	100%	443,616	100%	410,486	100%	342,108	100%	298,777	100%	259,174	100%
Liabilities												
Bills payable	8,201	2%	10,551	2%	10,479	3%	7,090	2%	8,537	3%	7,567	3%
Borrowings	44,662	9%	22,664	5%	39,407	10%	23,943	7%	27,378	9%	7,591	3%
Deposits and other accounts	367,605	72%	330,182	74%	292,098	71%	257,462	75%	229,345	77%	221,069	85%
Sub-ordinated loan	-	-	-	-	479	0%	1,597	0%	1,598	1%	1,599	1%
Deferred tax liabilities - net	3,197	1%	437	0%	1,180	0%	-	-	-	-	269	0%
Other liabilities	15,819	3%	21,346	5%	11,722	3%	11,171	3%	8,612	3%	6,526	3%
	439,484	86%	385,180	87%	355,366	87%	301,264	88%	275,469	92%	244,621	94%
Net assets	69,740	14%	58,436	13%	55,120	13%	40,844	12%	23,308	8%	14,553	6%
Represented by												
Share capital	6,911	1%	6,283	1%	6,283	2%	5,463	2%	4,265	1%	3,372	1%
Reserves	38,386	8%	36,769	8%	34,001	8%	24,662	7%	13,408	4%	5,662	2%
Unappropriated profit	15,779	3%	9,193	2%	5,131	1%	5,531	2%	211	0%	165	0%
Surplus on revaluation of assets - net of tax	8,664	2%	6,191	1%	9,706	2%	5,188	2%	5,424	2%	5,354	2%
	69,740	14%	58,436	13%	55,120	13%	40,844	12%	23,308	8%	14,553	6%
Profit & Loss Account												
Mark-up / return / interest earned	51,616	90%	40,044	87%	31,787	84%	25,778	84%	17,756	76%	9,084	66%
Mark-up / return / interest expensed	(15,841)	-28%	(11,561)	-25%	(7,866)	-21%	(4,525)	-15%	(2,781)	-12%	(2,058)	-15%
Net mark-up / interest income	35,775	62%	28,483	62%	23,921	63%	21,253	69%	14,975	64%	7,026	51%
Provisions & write off	(7,465)	-13%	(4,042)	-9%	(3,061)	-8%	(1,194)	-4%	(1,072)	-5%	(429)	-3%
Net mark-up / interest income after provisions	28,309	49%	24,441	53%	20,860	55%	20,059	65%	13,903	59%	6,597	47.7%
Non-mark-up / interest income	5,643	10%	5,791	13%	6,448	17%	4,991	16%	5,754	24%	4,747	34%
Non-mark-up / interest expenses	(10,797)	-19%	(8,365)	-18%	(6,000)	-16%	(6,549)	-21%	(6,638)	-28%	(7,286)	-53%
Profit before taxation	23,155	40%	21,868	48%	21,308	56%	18,501	60%	13,018	55%	4,058	29%
Taxation	(7,660)	-13%	(6,493)	-14%	(6,042)	-16%	(6,358)	-21%	(4,096)	-17%	(1,626)	-12%
Profit after taxation	15,495	27%	15,375	34%	15,266	40%	12,142	39%	8,922	38%	2,432	18%

Six Years' Horizontal Analysis Balance Sheet / Profit & Loss

Rupees in Million

	2009	09 Vs 08	2008	08 Vs 07	2007	07 Vs 06	2006	06 Vs 05	2005	05 Vs 04	2004	04 Vs 03
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Balance sheet												
Assets												
Cash and balances with treasury banks	38,775	-2%	39,631	0%	39,684	22%	32,466	37%	23,666	-1%	23,833	-1%
Balances with other banks	6,010	49%	4,043	6%	3,808	-42%	6,577	348%	1,469	-74%	5,708	338%
Lendings to financial institutions	3,000	-27%	4,100	290%	1,051	-95%	21,082	111%	9,999	-9%	10,965	5%
Investments - net	167,134	73%	96,632	-15%	113,089	78%	63,486	-9%	69,481	3%	67,195	-48%
Advances - net	253,249	-3%	262,135	20%	218,961	10%	198,239	10%	180,323	31%	137,318	41%
Operating fixed assets	18,015	4%	17,264	8%	16,024	77%	9,054	11%	8,182	2%	8,000	75%
Deferred tax assets - net	-	-	-	-	-	-100%	172	-10%	192	100%	-	-
Other assets - net	23,040	16%	19,810	11%	17,869	62%	11,031	102%	5,464	-11%	6,154	-5%
	509,224	15%	443,616	8%	410,486	20%	342,108	15%	298,777	15%	259,174	-5%
Liabilities												
Bills payable	8,201	-22%	10,551	1%	10,479	48%	7,090	-17%	8,537	13%	7,567	-10%
Borrowings	44,662	97%	22,664	-42%	39,407	65%	23,943	-13%	27,378	261%	7,591	-77%
Deposits and other accounts	367,605	11%	330,182	13%	292,098	13%	257,462	12%	229,345	4%	221,069	5%
Sub-ordinated loan	-	-	-	-100%	479	-70%	1,597	0%	1,598	0%	1,599	0%
Deferred tax liabilities - net	3,198	632%	437	-63%	1,180	100%	-	-	-	-100%	269	-62%
Other liabilities	15,818	-26%	21,346	82%	11,722	5%	11,171	30%	8,612	32%	6,526	2%
	439,484	14%	385,180	8%	355,366	18%	301,264	9%	275,469	13%	244,621	-6%
Net assets	69,740	19%	58,436	6%	55,120	35%	40,844	75%	23,308	60%	14,553	31%
Represented by												
Share capital	6,911	10%	6,283	0%	6,283	15%	5,463	28%	4,265	27%	3,372	10%
Reserves	38,386	4%	36,769	8%	34,001	38%	24,662	84%	13,408	137%	5,662	29%
Unappropriated profit	15,779	72%	9,193	79%	5,131	-7%	5,531	2526%	211	28%	165	-41%
Surplus on revaluation of assets - net of tax	8,664	40%	6,191	-36%	9,706	87%	5,188	-4%	5,424	1%	5,354	58%
	69,740	19%	58,436	6%	55,120	35%	40,844	75%	23,308	60%	14,553	31%
Profit & Loss Account												
Mark-up / return / interest earned	51,616	29%	40,044	26%	31,787	23%	25,778	45%	17,756	95%	9,084	-12%
Mark-up / return / interest expensed	(15,841)	37%	(11,561)	47%	(7,866)	74%	(4,525)	63%	(2,781)	35%	(2,058)	-30%
Net mark-up / interest income	35,775	26%	28,483	19%	23,921	13%	21,253	42%	14,975	113%	7,026	-6%
Provisions & write off	(7,465)	85%	(4,042)	32%	(3,061)	156%	(1,194)	11%	(1,072)	150%	(429)	-48%
Net mark-up / interest income after provisions	28,309	16%	24,441	17%	20,860	4%	20,059	44%	13,903	111%	6,597	-0.1%
Non-mark-up / interest income	5,643	-3%	5,791	-10%	6,448	29%	4,991	-13%	5,754	21%	4,747	5%
Non-mark-up / interest expenses	(10,797)	29%	(8,365)	39%	(6,000)	-8%	(6,549)	-1%	(6,638)	-9%	(7,286)	-3%
Profit before taxation	23,155	6%	21,868	3%	21,308	15%	18,501	42%	13,018	221%	4,058	12%
Taxation	(7,660)	18%	(6,493)	7%	(6,042)	-5%	(6,358)	55%	(4,096)	152%	(1,626)	18%
Profit after taxation	15,495	1%	15,375	1%	15,266	26%	12,142	36%	8,922	267%	2,432	9%

Quarterly Results - 2009 & 2008

Rupees in Million

	2009				2008			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Profit & Loss Account								
Mark-up / return / interest earned	13,327	12,350	12,936	13,002	11,959	11,150	8,770	8,165
Mark-up / return / interest expensed	4,180	3,830	3,923	3,908	3,780	3,432	2,356	1,992
Net mark-up / interest income	9,148	8,520	9,013	9,094	8,179	7,718	6,414	6,172
Provision & write off	2,308	1,120	2,151	1,742	1,812	755	836	615
Non-mark-up / interest income	1,719	1,183	1,052	1,688	1,298	1,640	914	1,940
Non-mark-up / interest expenses	3,056	2,618	2,463	2,802	2,093	2,935	1,621	1,738
Profit before taxation	5,502	5,964	5,451	6,238	5,572	5,667	4,870	5,759
Taxation	1,812	1,916	1,829	2,103	1,820	1,720	1,306	1,646
Profit after taxation	3,690	4,049	3,622	4,135	3,751	3,946	3,565	4,112
Balance sheet								
Assets								
Cash and balances with treasury banks	38,775	39,233	41,420	36,732	39,631	47,724	60,649	37,885
Balances with other banks	6,010	2,918	5,914	2,386	4,043	9,812	14,655	1,565
Lendings to financial institutions	3,000	4,814	6,388	11,288	4,100	18,701	14,313	5,586
Investments - net	167,134	142,937	116,089	125,352	96,632	90,662	99,485	85,832
Advances - net	253,249	238,292	258,850	244,149	262,135	248,796	228,976	229,836
Operating fixed assets	18,015	17,652	17,555	17,532	17,264	17,074	16,770	16,211
Other assets - net	23,040	22,957	21,467	18,992	19,810	20,795	15,489	19,771
	509,224	468,802	467,684	456,430	443,616	453,565	450,337	396,686
Liabilities								
Bills payable	8,201	8,392	6,283	7,440	10,551	7,314	7,723	9,506
Borrowings	44,662	12,793	16,483	30,247	22,664	39,386	14,499	15,436
Deposits and other accounts	367,605	362,116	361,835	338,311	330,182	323,968	350,722	301,671
Deferred tax liabilities - net	3,198	23	469	918	437	271	730	962
Other liabilities	15,818	17,882	17,826	17,259	21,346	26,110	20,678	13,082
	439,484	401,206	402,897	394,174	385,180	397,049	394,351	340,657
Net assets	69,740	67,596	64,786	62,256	58,436	56,516	55,985	56,029
Represented by:								
Share capital	6,911	6,911	6,911	6,911	6,283	6,283	6,283	6,283
Reserves	38,386	37,996	37,554	37,165	36,769	36,433	35,882	34,428
Unappropriated profit	15,779	14,179	12,258	10,721	9,193	7,696	6,029	5,709
Surplus on revaluation of assets - net of tax	8,664	8,510	8,063	7,459	6,191	6,104	7,792	9,609
	69,740	67,596	64,786	62,256	58,436	56,516	55,985	56,029

Summary of Cashflows

Rupees in Million

	2009	2008	2007	2006	2005	2004
Cash flows from operating activities	78,148	2,032	61,899	3,541	2,445	(53,351)
Cash flows from investing activities	(70,369)	8,234	(51,616)	4,755	(1,814)	58,412
Cash flows from financing activities	(6,736)	(10,313)	(5,847)	5,616	(155)	(819)
Cash and cash equivalents at beginning of the year	43,674	43,491	39,043	25,132	29,452	25,356
Cash and cash equivalents at end of the year	44,785	43,674	43,491	39,043	25,132	29,452

CALENDAR OF MAJOR EVENTS

Incorporation of the Bank	1947
Nationalization of the Bank	1974
Privatization of the Bank	1992
Issuance & Listing of Global Depository Receipts on London Stock Exchange	2006
Strategic acquisition by Maybank in the bank	2008

FINANCIAL CALENDAR

2009

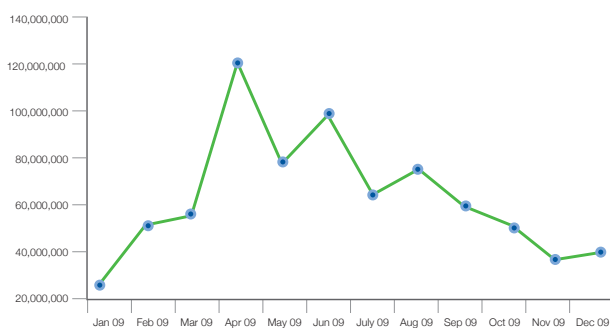
1st Quarter Results issued on	April 23, 2009
2nd Quarter Results issued on	August 08, 2009
3rd Quarter Results issued on	October 23, 2009
Annual Results issued on	February 25, 2010
62nd Annual General Meeting	Scheduled on March 26, 2010

2008

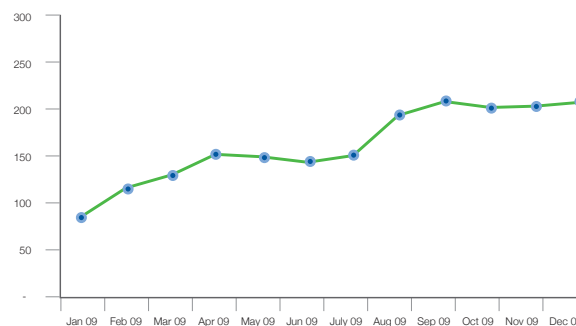
1st Quarter Results issued on	April 25, 2008
2nd Quarter Results issued on	August 22, 2008
3rd Quarter Results issued on	October 24, 2008
Annual Results issued on	February 16, 2009
61st Annual General Meeting Held	March 27, 2009

Monthly Market Statistics of MCB's Share

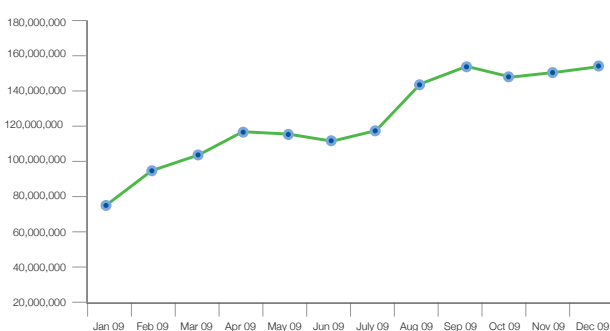
Turnover
(Rs. in Millions)



Share Price
(Rupees)



Market Capitalisation
(Rs. in Millions)



Directors' Report to Members

I am pleased to place before you, on behalf of the Board of Directors, the 62nd annual report of your Bank for the year ended December 31, 2009.

Economic Review

The country continued to face difficulties and the government took some stabilized measures under a stand-by arrangement with the IMF. However, the road to sustainable economic recovery remained slow with the power sector capacity shortfall reducing the productive capacity of the economy, the pass-through of utility subsidies to the consumer placing upward pressure on inflation reinforced by excessive government borrowings from the banking system and increasing level of external debt. It is imperative for the government to formulate a long-term strategy to resolve the structural issues in the power sector, budget and balance of payments, as this is of key importance in placing the country on a sustainable growth path within the framework of relative price stability and external sector validity. Political uncertainty and the law and order situation also hampered the development of a positive investment and growth climate.

The external account benefited from robust remittances from foreign workers and an improved trade balance due to demand management and the global recovery. However, the external account remains susceptible to pressure from global commodity prices and weaker inflows from multinational agencies and FoDP.

A key structural challenge for the government is the need to increase the tax/GDP ratio in the country to finance current budgetary expenditure and promote savings to meet the development needs of the economy. Reliance on the banking system to finance the deficit, combined with indirect funding of subsidies by the banking sector through the build-up of circular debt to the power sector, led to the crowding out of the private sector and tight liquidity in the banking sector.

The banking system, as a whole, remains healthy despite the economy going through a period of economic difficulty.

The banking sector absorbed the build-up of non-performing loans in the system while maintaining profitability and robust balance sheets. Much of the credit for this must go to the SBP for the policies it has pursued over the last decade to ensure that banks are adequately capitalized and adhere to prudent risk management.

Bank's Performance in 2009

The objectives were targeted towards our customers, improved management policies, strong policy framework, improved governance structure, strategic investment initiatives and implementation of cost effective measure across bank. The group structure of the bank individually worked hard in

achieving the milestones under continuous monitoring and supervision of the senior management and Board.

Group Performance

Business Groups

Corporate Banking Group

Corporate Banking Group's scope of work was expanded with the inclusion of International Division and Investment Banking, which were absorbed to create better control and synergy. The group reported a revenue growth of 41% on the back of 18% asset build-up, 12% fee income increase and improved spreads. The group managed to maintain the quality of their risk assets and derived comfort from the fact that corporate non-performing loans constituted only 1% of the total corporate portfolio as compared to industry percentage of 4%. Information technology led changes in Transaction Banking (TB) related Products led to a quantum jump in volumes and income, as a result of automation of our payments and collections systems. The group embarks on 2010 with cautious optimism with strategic thrust being on building fee based income and trade business by cross selling to the existing customer base.

Commercial Banking Group

With its large network of branches, Commercial Banking Group posted robust growth in 2009 by increasing their deposit volume by Rs.28 billion (10.12 %). This bolstered revenue and consequently the profitability in 2009. The Group enhanced their sales model through the introduction of a direct sales force team and personnel bankers in many branches while continuing to strengthen their customer services quality. The year witnessed a successful restructuring of the SME & Mid market segment with continued optimism of the benefit accruing in the upcoming times. Going forward, the Group focuses on revenue growth and profitability while through cross sell and optimization of branch banking platform.

Consumer Banking Group

The Consumer Banking Group continued on its path of expanding the product suite and customer base. MCB Mobile, the first of its kind, mobile payment solution was launched enabling customers to access their accounts and make payments using their mobile phones. With the launch of MCB Privilege, MCB also became the first local bank in Pakistan to start a dedicated offering for the affluent segment through three dedicated Privilege Centers in Karachi, Lahore & Islamabad. A specialized Investment Services Unit was established to develop and distribute specialized investment products catering to the growth needs of affluent/mass-affluent segments. There was increased focus on enhancing cross sell to deposit customers by expanding the footprint

of Bancassurance. Functionality, reach, as well as, penetration of Alternate Delivery Channels was enhanced. A significant milestone in 2009 was the transformation of the call centre from a service centre to a transactional phone banking facility.

Given the high interest rate environment and tight economic conditions, 2009 remained a cautious year for the consumer financing business. Only selective lending was carried out in segments that have performed well historically. With close monitoring of NPLs, the focus remained on collection & recovery and portfolio management during the year. The strategic focus of the Group in 2010 will be to enhance cross sell, strengthen customer propositions and improve customer service. Emphasis will be on rapid expansion of the new initiatives such as MCB Privilege, Bancassurance, Investment Services and Alternate Distribution Channels. In parallel, the Group will remain committed to product development & refinement of processes for continuous growth of deposits & customer base.

MCB Islamic Banking

MCB Islamic Banking managed to maintain its profitability while ensuring quality of its earning assets despite tough market conditions & deterioration in assets quality of banking industry. Islamic Banking further strengthened its market outreach by increasing its deposit base and equity. During the year 2010, MCB-IB plans to improve its assets & liability product range. Strategic initiative for further increase in dedicated branches and capitalizing on existing out reach of MCB Bank has been undertaken for capturing Islamic banking business.

Treasury and Forex Group

Treasury & FX remained focused on its customer orientation and enhanced its coverage to a broader customer base. The portfolio of customers grew not only through the Treasury Marketing Unit's own efforts but also as a result of a better cross-sell platform fully supported by the Wholesale, Commercial, Consumer and Financial Institutions businesses. Fixed Income sales showed substantial improvement over the past year's performance and remained an area of focus. The Treasury Money Market business worked towards gradually enhancing the investment portfolio's duration over the course of the year. This effort was granted greater buoyancy by the stable deposit growth shown by the bank during the year and the portfolio was almost entirely funded through the bank's own sources and decreased whatever little dependence there was on the inter-bank money market. The enhanced duration of the portfolio ensured that the deposit-taking areas of the bank were able to pay superior rates of return to customers and was a key support factor in the overall growth of the bank's balance sheet. The Foreign Exchange business continued to grow over the course of

the year in spite of substantial volatility in the inter-bank markets owing to the turbulent economic situation facing the country. Overall the Treasury & FX Group turned in a very strong performance and ensured its continued support for the rest of the bank's businesses. The Treasury followed through on the vision of the Bank's management and deployed a Treasury Marketing Unit in Lahore which supports the bank's client base in key centres such as Islamabad, Rawalpindi, Lahore, Faisalabad etc. Further efforts in this regard are continuing and in the coming year Treasury will add at least one more marketing desk in a major city broadening its coverage even further.

Support Functions / Services

Special Assets Management Group

Owing to prolonged dismal economic milieu, Bank's Special Asset Recovery outfit (SAMG) role gained further prominence. SAMG during 2009, for the second consecutive year, posted cash recovery in excess of Rs. 1 Billion. It is foreseen that the asset remedial management function would continue to play a visibly pronounced role at least in the medium term scenario.

Audit & RAR Group

Audit Group has performed consultative role in addition to the assurance services that it is geared to provide. The Group has strengthened itself to cater to the requirements of Bank's Whistleblowing Program. Training & Quality Assurance Department, developed within the Group, ensures that the audit assignments qualify the high standards that have been defined for the Group. Audit Group is now equipped both in terms of human resource and methodology, and is committed towards optimization of its operations.

Operations Group

Significant progress was made during the year in these areas through centralization, strengthening of the Bank's processes through compliance with the COSO based Internal Control Framework, Business Continuity Management and Staff Training & Development. Strong operational support was provided to the businesses to ensure the launch of new products, channels and services including Bancassurance, Privilege Banking, Mobile Banking, Phone Banking, Trade Products & Cash Management as well as in the migration of core banking application across all branches in the country.

Human Resource Group

The Human Resources Group has worked towards instilling systematic processes to build a performance-based culture based on internal equity. Alongside aligning the bank with best practices, this is surely to bring about an efficient and

Directors' Report to Members

motivated workforce. For 2010, the Group will be further developing staff through a focus on career development and training to truly brand MCB as an employee-focused organization.

Business Development and New Initiatives

In 2009, the Group, in close coordination with the Board and senior management, led the bank-wide strategic planning exercise to refine and revalidate MCB's 2012 strategy. In addition, Program Alpha, an initiative tasked with transforming branches into efficient sales and service centers was very active in 2009. The Group also set-up a bank-wide Central Business Intelligence Unit responsible for supporting the retail bank in its sales and performance MIS needs. In 2010, BDNI will continue to ramp up on Program Alpha and BIU coverage and will work closely with all bank groups to ensure strategy delivery.

Information Technology Group

In 2009, the major focus was on the completion of the roll-out of the Core Banking System (Symbols) which heralds a new era for the bank. Apart from the roll-out, the Group focused on up gradation of network technology, revision of security framework and provision of disaster recovery for the critical business applications, deployment of a new Payments and Collection system moving MCB to the 3rd market position (from 7th) and launched its Mobile Banking platform fully integrated with MCB systems. Information Technology governance model has been introduced to ensure quality selection, monitoring and delivery of all high value projects.

Compliance Group

Focus for the financial year 2009 remained on pro-actively identifying and resolving any regulatory gaps, particularly related to Know Your Customer (KYC) and Anti-Money Laundering (AML). To create awareness across the bank regarding KYC & AML regulations, over eighty training sessions were conducted by the group in 39 cities / regions training approximately 2,600 staff. Other initiatives were undertaken in the shape of "Compliance News Letter" and "Regulatory & Legal update".. The Bank is now moving towards a solution based monitoring and has already acquired "Name filtering" solution while an AML solution is in the process of being finalized for implementation in 2010 which will better equip the bank in curbing any unscrupulous transaction.

Risk Management Group

Prudent and effective risk management is and has always been a significant success factor in steering the Bank's march towards strong profitability and market leadership. The Bank employs the function of risk management as an important tool in implementation of its long term vision. MCB has

successfully created a culture based on modern techniques that allows risk management and business units to create more shareholder value through a better understanding of our Bank and our customers.

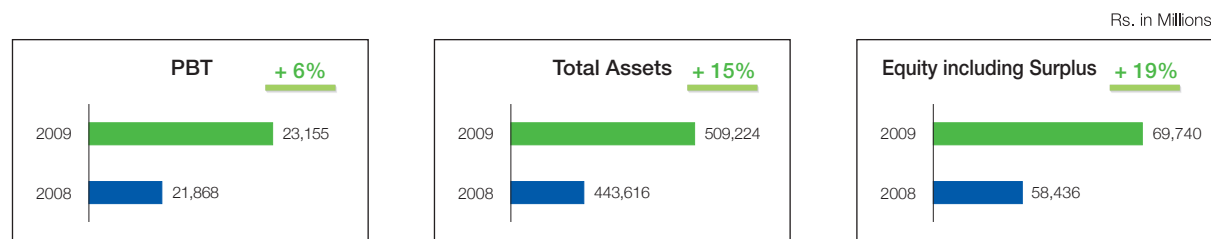
The Risk Management framework combines core policies, by procedures and process design with oversight and is supported by risk monitoring across the bank. Elements of risk management framework are reviewed and updated in order to align our long-term strategy in the field with lessons learned through the Bank's own experiences and international best practices also kept compliant with the local regulations and selected international best practices, particularly those relating to implementation of Basel-II.

The group controls the review and administration of lending solutions offered to our clients through a dedicated team of experienced professionals. Specific functions of the group ensuring particular risk management are;

- Credit Review and Credit Risk Control ensure that our lending decisions are in line with the Bank's strategy, our lending is prudently given, and that our recoveries are actively monitored;
- Credit Risk Management identifies our target markets through economic research and data analysis, defines how the Bank lends to its customers through detailed policies and procedural product manuals and coordinates with business units to ensure that targeted lending activity is in line with the Bank's overall risk appetite and strategy;
- Market Risk Management ensures that the Bank's exposures in financial markets are actively managed within reasonable limits;
- Operational Risk Management helps the Bank understand our risks and improve our mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Bank;
- Basel II Projects monitors the implementation of various projects in the areas of credit, market and operational risk that have been initiated to allow the Bank to adhere to, and adopt, the internationally accepted best practices of Basel II;
- In addition to the internal Compliance unit within the Risk Management Group, the Risk Management & Portfolio Review Committee provides oversight and direction to the activities of the Group.

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

Bank's Financial Performance



During the year 2009, the bank displayed extraordinary results in both financial and non-financial terms. With the banking industry recovering at a steady pace since the 2007 crisis, MCB ensured availing all possible positive opportunities and delivered substantial profits ensuring sound asset growth.

Profit and Recommended Appropriations

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

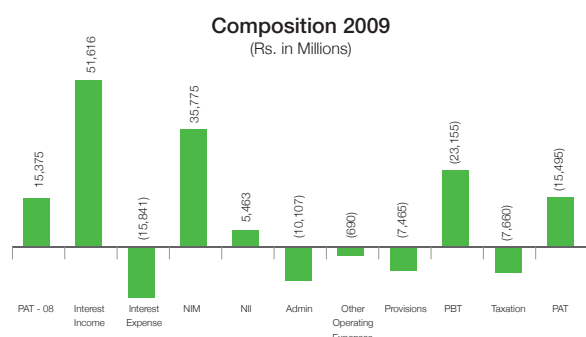
	Rs. in Million
Profit before taxation	23,155
Taxation	(7,660)
Profit after taxation	15,495
Un-appropriated profit brought forward	9,194
Transfer from surplus on revaluation of fixed assets (net of tax)	22
	9,216
Profit available for appropriation	24,711
Appropriations:	
Statutory reserve	1,550
Final cash dividend - December 2008	1,571
Issue of bonus shares - December 2008	628
Interim dividend - March 2009	1,728
Interim dividend - June 2009	1,728
Interim dividend - September 2009	1,728
Total appropriations	8,932
Un-appropriated profit carried forward	15,779

Financial Review

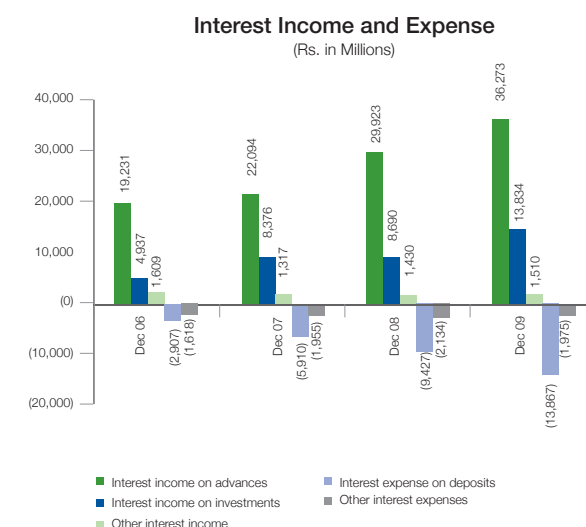
Financial year 2009 continued to be a challenge for the banking sector. MCB stood up to the challenges and produced significant increases in major areas of its business while maintaining higher profitability, stronger asset base with corresponding increase in equity. The sector also made positive recoveries while heading towards its actual position prior to 2007 and 2008 financial market crisis.

Profitability

MCB registered continuous positive performance in 2009, by delivering PBT of Rs. 23B and PAT of Rs. 15B, with a rise of 6% and 1% respectively, over 2008.



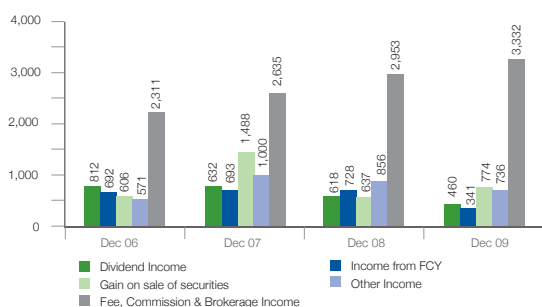
Interest Income increased by 29% to Rs. 52B over Rs. 40B in 2008 owing to increased volume and yields. Income earned on advances, representing 70% of the total Interest Income, increased by 21% over Rs. 30B in 2008, to Rs. 36B in 2009. Interest Expense however, also simultaneously increased by 37%, owing mainly to the increased cost of deposits with interest expensed on deposits rising by 47% to Rs. 14B in 2009. Despite this, due to larger proportion of Interest Income, the resultant Net Interest Margin (NIM) of Rs. 36B significantly rose by Rs. 7B, 26% rise over Rs. 28B last year.



Directors' Report to Members

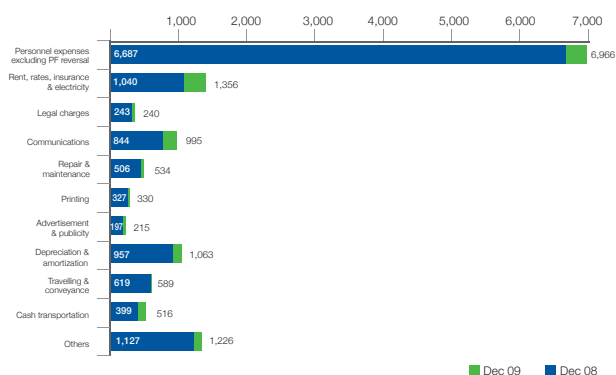
Non-interest income (NII), however, reduced slightly over the year to Rs. 5.6B bringing the total income (Net Interest Margin plus Non Interest Income) to Rs. 41B which increased by 21% over Rs. 34B in 2008.

Non Interest Income
(Rs. in Millions)



Operating expenses before pension fund (PF) reversal rose by 7.8% to Rs. 14.9B from Rs. 13.8B in 2008. Due to rising inflationary pressures coupled with additional expenditure on insurance and security companies, the administrative expenses rose by only 8.4% to Rs. 14B in 2009.

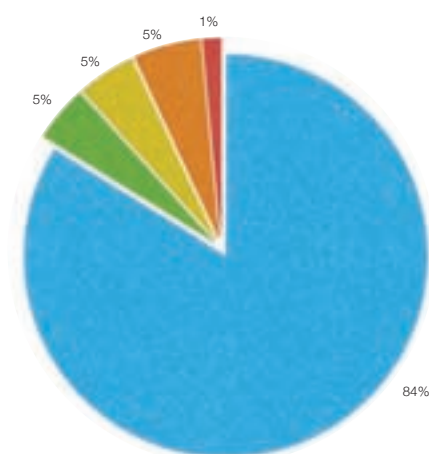
Administrative Expenses
(Rs. in Millions)



This has been in line with the Bank's controlled budgeting and diligent monitoring on operating expenditure block. Effective monitoring at management level ensured managed increase in administrative charge within the approved budgetary limits.

Balance Sheet

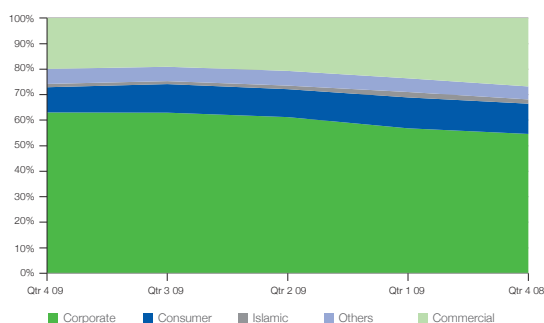
Total Assets increased by 15% over 2008 reaching to significant landmark of Rs. 509B, and remained dominated by advances with 50% of the total portfolio. However, Investments emerged as the main contributor to the increase in assets, with a remarkable rise of Rs. 70B (73% over Rs. 97B in 2008).



- Treasury Bills
- Pakistan Investment Bonds
- Term Finance Certificates & Sukuk Bonds
- Shares & Units
- Other Investments

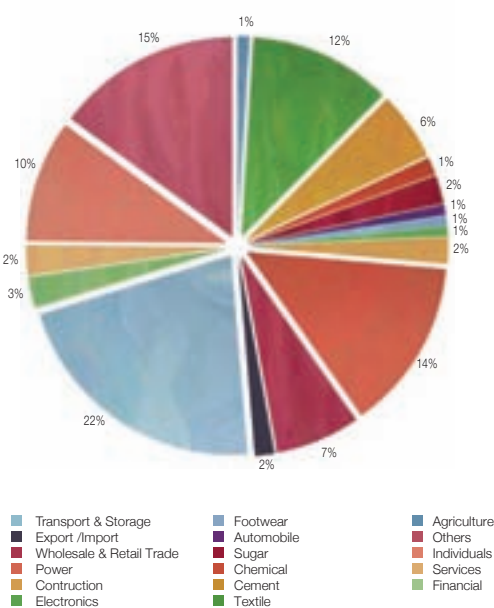
Gross Advances on the other hand slightly reduced by 1% closing at Rs. 270B (Net Advances'09:Rs. 253B, -3% over 2008). This was consistent with the continued economic downturn and minor increase in industry lendings. Banking sector's Gross advances grew by only 3% to 3.3T (Net Advances 2%) over 2008. Out of the total advances portfolio consumer lendings decreased majorly owing to the increased cost of living and introduction of microfinance in the economy.

Group Wise Structure of Advances



The bank's concentration on private sector lendings decreased by 11%, while simultaneously increased in the public sector by 32%. A major increase was seen in advances made to the transport and storage segment of the industry that now stand at Rs. 59B, 22% of the total advances (12% in 2008).

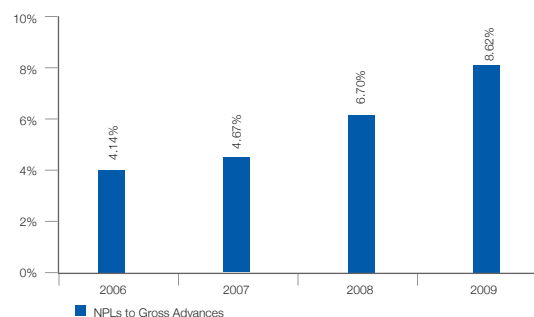
Advances by Class of Business



Segment by sector

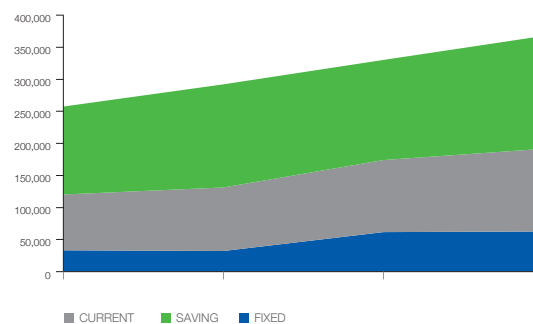
	Rs. in Millions	
	2009	2008
Public / Government	79,707	60,292
Private	190,015	212,555
	269,722	272,847

The continued local market pressure on NPLs also affected the quality of advances of the Bank, resulting in the NPLs to increase by 27%. This was however a much relieved increase compared to 70% rise in NPLs during 2008.



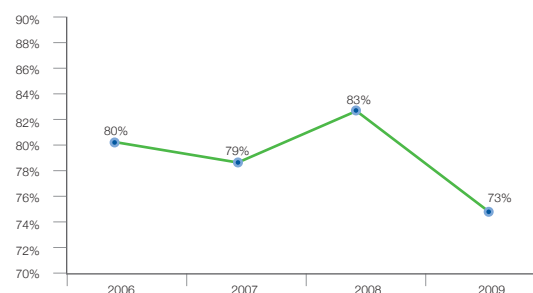
Liabilities grew by 14% to Rs. 440B in 2009 compared to Rs. 385B in 2008. Deposits to customers and financial institutions, was the main contributor to this increase, with a rise of 11% to Rs. 368B.

Deposits Mix
(Rs. in Millions)



Savings deposits significantly rose by Rs. 20B to Rs. 176B (Dec 08:Rs. 156B). Demand deposits (including margin accounts of Rs. 3B) increased by Rs. 17B (15%) reaching 129B (2008:Rs.112B). This brought CASA to Rs. 305B (Dec 08: Rs.269B). Term deposits also increased by 2% to Rs. 63B (Dec 08:Rs. 62B). However, with a 1% decrease in advances and 11% increase in deposits resulted in ADR to drop from 83% to 73% in 2009.

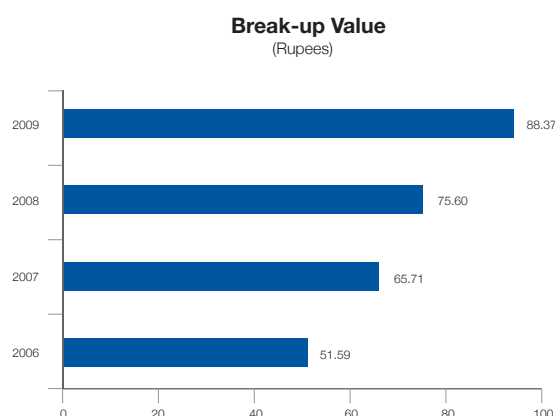
ADR (Gross)



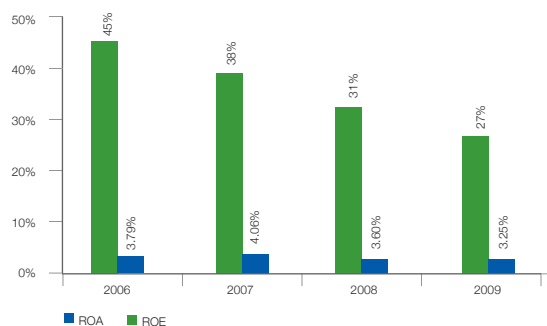
Directors' Report to Members

Efficiency and Market Share

The Bank's outstanding performance resulted in improved efficiency and profitability ratios, stable market share, and attractive share price at the close of the year 2009 combined with a high Break-up Value (before surplus) of 88.37 per share.



Consequent to the average increase in balance sheet footing and equity of 12% and 16% respectively, return on assets and return on equity were reported at 3.25% and 27.35% respectively.



During the year, MCB continued to serve best to its customers and maintained its establishment as a leading bank as was depicted by its market share price that closed at Rs. 220 at year end 2009. This is a magnificent increase of 75% over its price of Rs. 126 at Dec 31, 2008. The stock market led a trend of mixed bulls and bears all along the year. The share price reached a high of Rs. 244 and also traded as low as Rs. 75, creating an average share price of Rs. 169 for the year 2009.

Year	Share Price (Rs.)	+/- %	Highest	Lowest	AVG
2009	220	75%	244	75	169
2008	126	-69%	495	126	368
2007	400	63%	435	244	323
2006	246	47%	285	150	234
2005	168	186%	175.5	51	108
2004	59	14%	65	45	55

Market capitalisation for MCB formulated to Rs. 151.822 billion which is the highest in the industry at the close of the year ended 2009.

EPS closed at Rs. 22.42 per share compared to Rs. 22.25 in 2008.

Earning Per Share

(Rupees)



* Adjusted for issue of bonus shares for prior years

The rise in prices of MCB shares and higher EPS calculates a stronger Price to Earnings (P/E) ratio Rs. 9.80, from 5.66 in 2008.

Credit Ratings

PACRA <ul style="list-style-type: none"> • Quality Management • Established Franchise • Extensive Outreach 	Short Term AA +	Long Term A1 +
	Positive Outlook	

Dividend

The Board has recommended a final cash dividend @ 35% and bonus shares @ 10% for the year ended December 31, 2009. This is in addition to 75% interim cash dividends announced during the year.

Pattern of Shareholding

The pattern of shareholding as at December 31, 2009 is annexed with the report.

Internal Control and Financial Reporting Framework

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

Keeping in view the risk exposure and identification, evaluation and management of significant risks faced by the Bank and based on regular review of internal controls and reports on their soundness, improvements are brought about by the Management with the approval of Board of Directors in the internal controls and policies. These are being continually reviewed and updated not only to conform to and achieve full compliance with State Bank of Pakistan's Guidelines on Internal Controls, but also to conform, wherever feasible and practicable, 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 mis-statement or loss. In making this assessment, the Bank used criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework. The Bank's assessment included documenting, evaluating and testing of the design and operating effectiveness of its Internal controls over Financial Reporting (ICFR). The Bank's Internal Controls over Financial Reporting include those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with approved accounting standards, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of Management and Directors of the Bank; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements. Because of its inherent limitations, Internal Controls over Financial Reporting may not prevent or detect mis-statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

SBP vide its BSD Circular No 9 of 2009 dated 12 Oct 2009 has decided that the statutory auditors of Banks/ DFIs, instead of expressing opinion in audited financial statements on efficacy of Internal Control over Financial Reporting (ICFR) as required under Guidelines on Internal Control, can now submit their opinion on ICFR directly to SBP for the year ended 31 December, 2009. Detailed guidelines for reporting on ICFR are in the framing process and would form the basis of external auditors' opinion. However, non-publishing of the external auditors' opinion in the financial statements for 2009 does not impair the effectiveness of internal controls over financial reporting designed across the Bank, as the opinion will be submitted SBP directly in line with the aforementioned circular.

Directors' Report to Members

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

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

In line with improvement in other areas, particular emphasis has been laid on strengthening internal controls and revamping internal audit functions. The staff and professional strength of Internal Audit Group has been improved, its audit activities expanded and its autonomy enhanced. Audit Group has been revamped in terms of quality of staff and audit methodology. With the application of risk centric audit methodology through professional staff, the Audit Department will pave its way for the much desired strategic stature in the organization. The Audit Group is geared to meet the challenge of carrying out its role in Basel II implementation. It is further committed to continuous improvement through quality assurance, strengthen its IT Audit Capabilities and leverage technology for optimizing audit operations. The Audit Group now functionally reports to the Audit Committee and administratively to the Chairman of the Board. The Board intends to strengthen further the role of the Audit Group to act as eyes and ears of the Board to ensure integrity of the operations of the Bank.

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

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, result of its operations, cash flow and change in equity
- Proper books of accounts of the Company have been maintained
- Appropriate accounting policies have been consistently applied
- The International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure having material impact there from has been adequately disclosed

- The system of internal control is sound in design and has been effectively implemented and monitored
- There is no 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 are made available in the Annual Report
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements
- The Board met on 4 occasions and its meetings were attended by directors as under:

Name	Meetings attended
Mian Mohammad Mansha	4
S. M. Muneer	4
Tariq Rafi	4
Shahzad Saleem	3
Sarmad Amin	4
Dr. Muhammad Yaqub	3
Mian Raza Mansha	3
Mian Umer Mansha *	3
Dato' Mohammed Hussein	4
Abdul Farid Bin Alias *	2
Aftab Ahmad Khan	4
Muhammad Ali Zeb *	2
Atif Bajwa	4

* Mian Umer Mansha, Abdul Farid Bin Alias & Muhammad Ali Zeb have been elected as director in AGM held on March 27, 2009. After their election/appointment three Board Meetings were held during 2009.

- Value of investment including accrued income of provident and pension fund as at 30.06.2009 on the basis of audited accounts is:

Provident Fund Pak Staff	Rs. 11,065.51 million
Pension Fund Pak Staff	Rs. 14,805.23 million

- The aggregate shares held by associated and related parties as at December 31, 2009, are as follows:

a) Associated Companies, undertakings & related parties			No. of shares	
1	Siddiqsons Denim Mills		31,553,589	
2	Din Leather (Pvt) Ltd		4,306,919	
3	Adamjee Insurance Co. Ltd		21,148,526	
4	MCB Employees Pension Fund		10,611,006	
5	MCB Provident Fund Pakistan Staff		21,354,517	
6	Nishat Mills Limited		47,810,242	
7	Mayban International Trust (Labuan) Berhad		138,220,905	
b) National Investment Trust Limited			5,159	
c) Investment Corp. of Pakistan			676	
d) Directors	Self	Spouse & Children	Total	
1	Mian Mohammad Mansha	4,866	3,988,836	3,993,702
2	S. M. Muneer	1,280	-	1,280
3	Tariq Rafi	2,717,420	73,077	2,790,497
4	Shahzad Saleem	562	-	562
5	Sarmad Amin	1,772	-	1,772
6	Dr. Muhammad Yaqub	632	-	632
7	Mian Raza Mansha	7,861,916	17,672,270	25,534,186
8	Mian Umer Mansha	19,861,026	-	19,861,026
9	Dato' Mohammed Hussein	5,550	-	5,550
10	Abdul Farid Bin Alias	-	-	-
11	Aftab Ahmad Khan	570	-	570
12	Muhammad Ali Zeb	1,100	-	1,100
13	Atif Bajwa	-	-	-
e) Other Executives	21,181	-	21,181	

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

Name	Purchase
Dato' Mohammed Hussein	5,000
Abdus S. Sami, Company Secretary	2,500

Directors' Report to Members

Auditors

The retiring auditor M/S KMPG Taseer Hadi Chartered Accountants and Company, being eligible for the next term have offered themselves for reappointment. The Board on suggestions of the Audit Committee, recommended them for appointment till the conclusion of next Annual General Meeting.

Acknowledgments

In the end, we would like to applaud the State Bank of Pakistan, the Security and Exchange Commission of Pakistan and the Ministry of Finance for their effort to strengthen the banking and financial system of the country and to improve regulatory, policy and governance framework for them. We also wish to extend our sincere thanks to all our employees for their significant contributions to the continued growth and success of our Bank. Lastly, we are most grateful to all our clients and shareholders for their constant trust in our ability to provide best possible services.

The Board of Directors, Management and the staff of the Bank remain committed to continuously strive to take new initiatives, introduce new products, improve service quality and work efficiency, and strengthen the institutional and control framework to enable MCB to continue to remain a leading and well governed Bank of the country.

On behalf of Directors



Mian Mohammad Mansha

Chairman

February 25, 2010

Corporate Social Responsibility

In 2009 MCB Bank Limited continued to engage with its stakeholders and the community, demonstrating the priority placed on corporate responsibility. Our vision to become a leading financial services provider along with our values, act as a guide for our corporate responsibility efforts.

GOVERNANCE

The Bank advocates a culture of excellence, high degree of good governance, transparency, integrity and accountability as well as ensuring the highest level of professionalism. Controls and Compliance is an integral internal function and care is taken to ensure that all activities are carried out in accordance with prevailing regulations so that the interests of all our stakeholders are protected. Code of Ethics and Conduct signed by all employees acts as a guide for them in discharging their duties and sets out the standards of good banking practice.

CORPORATE RESPONSIBILITY IN BUSINESS OPERATIONS

As the leading financial services provider, MCB Bank has an important role in the development of the nation as well as in the community it serves. Being a responsible corporate citizen MCB continues to support national development in the area of public interest. Its branch operations span urban and rural areas pan Pakistan including remote locations. Currently we serve 155,662 basic banking customers who enjoy banking services, free of services charges as per SBP mandate. Boldly facing the challenges, our branches and staff continued to perform their duties and ensured that the Bank and its customers get the requisite services under extremely trying conditions in effected Northern Areas of Pakistan.

In line with our goal to facilitate consumers in making their banking experience more convenient, significant investments have been made to develop alternate distribution channels. We are the 1st bank in Pakistan to offer a comprehensive mobile banking solution allows them to perform a host of basic banking transactions around the clock at their convenience. In addition to this we also serve our as well other bank's customers with over 450 ATMs installed nationwide. Our 24/7 call center and Virtual Banking enable the customers to access their account whenever & wherever they choose.

MCB bank undertakes its lending function responsibly ensuring customer's financial well being. Our extensive deposit product suite encourages savings in the society at large. Bancassurance products not only provide financial protection to our customers to face any unforeseen incident but provide them a means to save for their long term financial needs.

CSR COMMITMENT

MCB has always been at forefront in terms of its contribution to society at large especially in the times of need. MCB's vast branch network of over 1,000 online branches and delivery channels such as ATMs, internet banking & mobile banking lend continuous support to several NGO's, humanitarian causes and other public interest fund raising campaigns.

During 2009, MCB showed complete solidarity with Internally Displaced People (IDPs) and contributed PKR25 million towards their relief and rehabilitation efforts. Besides the financial contribution, all the channels including branches, internet banking, mobile banking and ATMs were activated to collect donations from public at large for the Prime Minister Relief Fund (PMRF) as well as several other NGOs. Along with this dedicated help desks were also set up in the IDP camps to facilitate people.

With objective to promote emerging talent, healthy activities and social development, the bank supports various activities in the spheres of sports, culture, education and health. These activities include sponsoring national level events like Under 19 Hockey Championship, Thar Desert & Jhal Magsi Car Rallies, educational seminars, health workshops and several other initiatives.

EMPLOYEE ENGAGEMENT

The Bank recognizes the importance of its human capital and invests in their growth and development.

The Bank introduced a relief scheme for MCB employees in SWAT and Malakand Division. The scheme incorporates cash compensation for the staff in the above mentioned affected areas of Pakistan. A total of 103 permanent and 52 outsourced staff members have been provided cash compensation. A cumulatively over PKR 9.5 million was disbursed in 2009. In addition to this a one year moratorium has also been given to the regular employees in the affected areas, availing the House Building Finance, Car Finance and Motorcycle Finance through HR Loans, whereby no principal amount will be recovered from them.

There is a strong emphasis on on-going employee education and training. In 2009, over PKR 47 million were invested in training of employees. With its vision to make training & development a core activity, the bank has also recently revamped the training centre in Karachi.

The Bank has also conducted an Employee Satisfaction Survey (ESS) to gauge employees' satisfaction at MCB and to strategize its business as well as human resource policies.

Statement of Ethics and Business Practices

In line with "Statement of Ethics and Business Practices" prepared in 2002, the Employees of the bank shall;

ABIDANCE OF LAWS / RULES

- Conform to and abide by the Bank rules and policies and obey all lawful orders and directives which may from time to time be given by any person or persons under whose jurisdiction, superintendence or control, the persona will, for the time being, be placed. To undertake at all times compliance with and observation of all applicable laws, regulations and Bank's policies, wherever the bank operates.

INTEGRITY

- Conduct the highest standards of ethics, professional integrity and dignity in all dealings with the public, customers, investors, employees, and government officials, State Bank of Pakistan and fellow bankers and non-engagement in acts discreditable to the Bank, profession and nation.
- In case of awareness of any breaches of laws and regulations, frauds and other criminal activities or other similar serious incidents that might affect the interests of the Bank, the same shall be informed to the senior management immediately, including any issue, which may pose a reputational risk.
- Not use this policy to raise grievances or act in bad faith against colleagues.

PROFESSIONALISM

- Serve the Bank honestly and faithfully and strictly serve the Bank's affairs and the affairs of its constituents.
- Use utmost endeavour to promote the interest and goodwill of the Bank and show courtesy and attention in all transactions/correspondence with officers of Government, State Bank of Pakistan, other Banks & Financial Institutions, other establishments dealing with the Bank, the Bank's constituents and the public.
- Disclose and assign to MCB all interest in any invention, improvement, discovery or work of authorship that may be made or conceived and which may arise out of the employment with MCB.
- In case the employment is terminated, all rights to property and information generated or obtained as part of employment relationship will remain the exclusive property of MCB.
- Comply with the laws and regulations on money laundering and fraud prevention and immediate reporting of all suspicions of money laundering as per the guidelines provided in KYC & AML Procedures Handbook for Management and Staff.
- Not to engage in any act of violation of KYC & AML guidelines given by State Bank of Pakistan and exercising of extreme vigilance in protecting MCB

from being misused by anyone to launder money by violating these guidelines.

- Ensure that all customer complaints are resolved quickly, fairly and recorded appropriately.

CONFLICT OF INTEREST

- Avoid all such circumstances in which there is personal interest conflict, or may appear to be in conflict, with the interest of the Bank or its customers.
- In case of potential conflict of interest, the same should be declared immediately to senior management, action is taken to resolve and manage it in open manner and resolving the conflict of interest on their own would be avoided.
- Report to the Company Secretary about any sale and purchase of MCB shares (own or spouse) in case the annual basic salary exceeds Rs.500,000/-

Political Participation

- Stand firmly against supporting the activities of any Group or individual that unlawfully threatens public order and safety.
- Not obtain membership of any political party, or take part in, subscribing in aid of, or assist in any way, any political movement in or outside of Pakistan or relating to the affairs of Pakistan.
- Not express views detrimental to the ideology, sovereignty or integrity of Pakistan.
- Not canvass or otherwise interfere or use influence in connection with or take part in any election as a candidate to a legislative/local body or issue an address to the electorate or in any manner announce or allowed to be announced publicly as a candidate or prospective candidate whether in Pakistan or elsewhere. However, the right to vote can be exercised.
- Not bring or attempt to bring political or other pressure/influence directly or indirectly to bear on the authorities/superior officers or indulge in derogatory pamphleteering, contribute, or write letters to the newspapers, anonymously or in own name with an intent to induce the authority/superior officers to act in a manner inconsistent with rules, in respect of any matter relating to appointment, promotion, transfer, punishment, retirement or for any other conditions of service of employment.

Financial Interest

Not indulge in any of the following activities:

- Borrow money from or in any way place myself under pecuniary obligation to a broker or moneylender or any firm or person having dealings with the Bank.
- Buy or sell stock, shares or securities of any description without funds to meet the full cost in the case of purchase or scripts for delivery in the case of sale.

Statement of Ethics and Business Practices

- However, a bona-fide investment of own funds in such stocks, shares and securities as wished can be made.
- Lend money in private capacity to a constituent of the Bank or have personal dealings with a constituent in the purchase or sale of bills of exchange, Government paper or any other securities.
- Act as agent for an insurance company otherwise than as agent for or on behalf of the Bank.
- Be connected with the formation or management of a joint stock company.
- Engage in any other commercial business or pursuit, either on own account or as agent for another or others.
- Accept or seek any outside employment or office whether stipendiary or honorary.
- Undertake part-time work for a private or public body or private person, or accept fee thereof.

Gift, Favors Etc.

- Not use the employment status to seek personal gain from those doing business or seeking to do business with MCB, nor accept such gain if offered.
- Not accept any gift, favors, entertainment or other benefit the size or frequency of which exceeds normal business contacts from a constituent or a subordinate employee of the Bank or from persons likely to have dealings with the Bank and candidates for employment in the Bank.
- Not accept any benefit from the estate of, or a trust created by a customer, or from an estate or trust of which a Bank's Company or business unit is an executor, administrator or trustee.
- Not give or accept bribes or engage in any form of corruption.

CONFIDENTIALITY

- Maintain the privacy and confidentiality (during the course of employment and after its termination for whatever reason), of all the information acquired during the course of professional activities and refrain from disclosing the same unless otherwise required by statutory authorities / law. All such information will remain as a trust and will only be used for the purpose for which it is intended and will not be used for the personal benefit of any individual(s).
- Not use for self gain, or for that of others either directly or indirectly, all inside information about Bank's customers / affairs including customer data, product manuals, confidential research work, technical processes, operating manuals, marketing plans and strategies and other confidential financial and business information of the Bank etc.

- Not trade in relevant investments or indulge in giving tips to another person or dealing on behalf of relatives, friends or any other third parties, whilst in possession of non-public price sensitive information.
- Not disclose that a suspicious transaction or related information is being reported for investigation to the customer or any irrelevant quarter.

Data Security

- Only access or update the system and data according to the authority given by the bank. Any unauthorized access or updation will hold the person liable for a penal action by the bank in accordance with HR policies.
- Not compromise access to system by communicating my identification and /or passwords to others.

Communication/ Contact with Media

- Be truthful in all advertisings and promotional efforts and to publish only accurate information about the Bank's operations under valid authority.
- Not give any interview in the print/electronic media or have the photograph displayed or an act in television/stage plays or in cinema without having permission from the competent authority.

BUSINESS / WORK ETHICS

- Respect fellow colleagues and work as a team. To be, at all times, courteous and to not let any personal differences affect work.
- Treat every customer of the Bank with respect and courtesy.

Personal Responsibility

- Demonstrate commitment to the code through words and actions.
- Be responsible for data relating to official responsibilities and to not alter / modify / amend Bank's record so as to obtain any personal benefits, attempt which in doing so shall hold the person liable to disciplinary action as per Bank's policy.
- Safeguard as a personal responsibility, both the tangible and intangible assets of MCB and its customer(s) that are under personal control and to not use Bank's assets for personal benefits except where permitted by MCB.
- Not use any Bank facilities including a car or telephone to promote trade union activities, or carry weapons into Bank premises unless so authorized by the management, or to carry on trade union activities during office hours, or subject Bank officials to physical harassment or abuse.

Statement of Ethics and Business Practices

- Not indulge in any kind of harassment or intimidation whether committed by or against any senior/ junior, co-worker, customer, vendor or visitor.
- Not use language, written or spoken in intra-office or communication(s) with individual(s) outside the office that may contain any statement or material that is offensive to others.
- Not engage in any discrimination against an individual's race, colour, religion, gender, age, marital status, sexual orientation or disability.

Punctuality

- Ensure good attendance and punctuality and demonstrate a consistently good record in this area.
- Obtain, for any absence during working hours, written permission of the immediate supervisor.
- Not absent oneself from assigned duties, nor leave station over night, without having first obtained the permission of the competent authority. In case of emergency, if it is not possible to obtain prior permission, necessary permission / confirmation to be obtained from the competent authority within 24 hours.

Dress Code

- Maintain a standard of personal hygiene and dress appropriate for attendance at work. The appearance must inspire confidence and convey a sense of professionalism.

WORK ENVIRONMENT

- Help in maintaining a healthy and productive work environment to meet the responsibilities to fellow employees, customers and investors, and to not get engaged in the selling, manufacturing, distributing, using any illegal substance or getting under the influence of illegal drugs while on the job.
- Ensure strict adherence to all health and safety policies as may be implemented from time to time by the Bank.

USAGE OF COMMUNICATION TOOLS

- Ensure strict adherence to the use of internet, emails and telephone provided by the Bank for professional use only.
- Never use the Bank's system to transmit or receive electronic images or text containing ethnic slurs, social epithets or any thing that might be construed as harassing, offensive or insulting to others.
- Never utilize Bank's system to disseminate any material detrimental to the ideology, sovereignty or integrity of Pakistan.
- Never utilize the Bank's system for supporting any terrorist activity within and/or outside Pakistan.

REPORTING AND ACCOUNTABILITY

- Maintain all books, data, information and records with scrupulous integrity, reflecting in an accurate and timely manner and to ensure that all business transactions are reported and documented correctly according to the business practices.

Ensure facts are not misinterpreted pertaining to:

- Issuing an incorrect account statement / any other information for any customer or staff member.
- Placing a fake claim for reimbursement of any expenses.
- Unrecorded funds or assets of Bank in custody for any reason.
- Posting of false, artificial or misleading entries in the books or record of the Bank.
- Intimate Human Resources Management of any changes in the personal circumstances relating to employment or benefits.

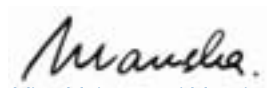
Statement of Compliance with the Best Practices of Code of Corporate Governance for the Year Ended December 31, 2009

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

1. The Bank encourages representation of non-executive directors on its Board of Directors. At present all the directors on the Board are non-executive except for President and CEO Mr. Atif Bajwa.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of MCB Bank Limited during the year 2009.
5. The Bank in year 2002 prepared "Statement of Ethics and Business Practices" for directors and employees. It has been signed by the directors and employees. During the year the same has been circulated as required under the code.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated. The Company Secretary and Chief Financial Officer attended the meetings of the Board of Directors.
9. During the year Mr. Salman Zafar Siddiqi has been appointed as Chief Financial Officer replacing Mr. Ali Munir, Acting CFO and Mr. Kamran Zaffar Muggo has been appointed as Head Internal Audit in place of Mr. Salman Zafar Siddiqi. Both the appointments including their remuneration and terms & conditions of employment, as determined by CEO have been approved by the Board.

10. The Board arranged orientation courses for its directors to apprise them of their duties and responsibilities.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than those disclosed in the annual report.
14. The Bank has complied with all the corporate and financial reporting requirements.
15. The Board has formed an audit committee. It comprises of five members, all of them are non-executive directors including the Chairman of the Committee.
16. The meetings of the audit committee are held at least once every quarter prior to approval of interim and final results of the Bank, as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The Board has set up an effective internal audit function. Personnel of Internal Audit Department are suitably qualified and are involved in the internal audit function on full time basis.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of The Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.
21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of Directors


Mian Mohammad Mansha
Chairman

Dated: February 25, 2010

Review Report to the 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 31 December 2009, to comply with the Listing Regulations of the respective Stock Exchanges, where the Bank is listed.

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

Further, Sub-Regulation (xiii a) of Listing Regulation 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/ N-269 dated January 19, 2009 requires the Bank to place before the Board of Director for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price.

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. 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 31 December 2009.

Lahore
Dated: February 25, 2010

KPMG TASEER HADI & CO.
Chartered Accountants
(Farid Uddin Ahmed)

Auditors' Report to the Members

We have audited the annexed balance sheet of MCB Bank Limited ("the Bank") as at 31 December 2009 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof (hereinafter referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for sixty branches which have been audited by us and seven branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty per cent of the total domestic loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes referred to in note 5.1, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2009 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore

February 25, 2010

KPMG Taseer Hadi & Co.

Chartered Accountants
Farid ud Din Ahmed

Balance Sheet

As at December 31, 2009

	Note	2009	2008
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks	6	38,774,871	39,631,172
Balances with other banks	7	6,009,993	4,043,100
Lendings to financial institutions	8	3,000,000	4,100,079
Investments – net	9	167,134,465	96,631,874
Advances – net	10	253,249,407	262,135,470
Operating fixed assets	11	18,014,896	17,263,733
Deferred tax assets – net	–	–	–
Other assets – net	12	23,040,095	19,810,476
		509,223,727	443,615,904
Liabilities			
Bills payable	14	8,201,090	10,551,468
Borrowings	15	44,662,088	22,663,840
Deposits and other accounts	16	367,604,711	330,181,624
Sub-ordinated loan		–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities – net	17	3,196,743	437,137
Other liabilities	18	15,819,082	21,345,781
		439,483,714	385,179,850
Net assets		69,740,013	58,436,054
Represented by:			
Share capital	19	6,911,045	6,282,768
Reserves	20	38,385,760	36,768,765
Unappropriated profit		15,779,127	9,193,332
		61,075,932	52,244,865
Surplus on revaluation of assets – net of tax	21	8,664,081	6,191,189
		69,740,013	58,436,054
Contingencies and commitments	22		

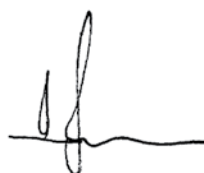
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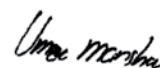
Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Profit and Loss Account

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
Mark-up / return / interest earned	24	51,616,007	40,043,824
Mark-up / return / interest expensed	25	15,841,463	11,560,740
Net mark-up / interest income		35,774,544	28,483,084
Provision for diminution in the value of investments – net	9.3	1,484,218	2,683,994
Provision against loans and advances – net	10.4.2	5,796,527	1,335,127
Bad debts written off directly	10.5.1	41,576	–
		7,322,321	4,019,121
Net mark-up / interest income after provisions		28,452,223	24,463,963
Non-mark-up / interest income			
Fee, commission and brokerage income		3,331,856	2,953,394
Dividend income		459,741	617,554
Income from dealing in foreign currencies		341,402	727,564
Gain on sale of securities – net	26	773,768	740,429
Unrealized loss on revaluation of investments classified as held for trading	9.5	–	(103,198)
Other income	27	736,118	855,697
Total non-mark-up / interest income		5,642,885	5,791,440
		34,095,108	30,255,403
Non-mark-up / interest expenses			
Administrative expenses	28	10,107,189	7,546,878
Other provision – net	12.3	142,824	23,135
Other charges	29	690,150	817,824
Total non-mark-up / interest expenses		10,940,163	8,387,837
Extra ordinary / unusual item		–	–
Profit before taxation		23,154,945	21,867,566
Taxation – Current year		7,703,305	7,341,257
– Prior years		(2,232,226)	(864,824)
– Deferred		2,188,569	16,533
	30	7,659,648	6,492,966
Profit after taxation		15,495,297	15,374,600
Unappropriated profit brought forward		9,193,332	5,130,750
Transfer from surplus on revaluation of fixed assets – net of tax		22,324	21,319
		9,215,656	5,152,069
Profit available for appropriation		24,710,953	20,526,669
(Rupees)			
Basic and diluted earnings per share – after tax	33	22.42	22.25

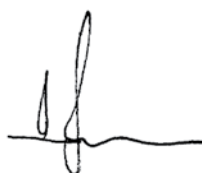
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Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Cash Flow Statement

For the year ended December 31, 2009

	Note	2009	2008
		(Rupees in '000)	
Cash flows from operating activities			
Profit before taxation		23,154,945	21,867,566
Less: Dividend income		(459,741)	(617,554)
		22,695,204	21,250,012
Adjustments for non-cash charges			
Depreciation	11.2	909,471	815,205
Amortization	11.3	153,397	142,005
Provision against loans and advances – net	10.4.2	5,796,527	1,335,127
Provision for diminution in the value of investments – net	9.3	1,484,218	2,683,994
Provision against other assets –net	12.3	142,824	10,120
Bad debts written off directly	10.5.1	41,576	–
Operating fixed assets written off	29	17,477	–
Gain on disposal of fixed assets – net	27	(30,614)	(36,777)
Deficit on revaluation of 'held for trading' securities	9.5	–	103,198
		8,514,876	5,052,872
		31,210,080	26,302,884
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,100,079	(3,048,707)
Net investments in 'held for trading' securities		94,176	20,273
Advances – net		3,047,960	(44,884,999)
Other assets – net		(3,416,086)	(1,898,841)
		826,129	(49,812,274)
Increase / (decrease) in operating liabilities			
Bills payable		(2,350,378)	72,410
Borrowings		21,998,248	(16,742,991)
Deposits and other accounts		37,423,087	38,176,089
Other liabilities		(6,641,481)	11,914,367
		50,429,476	33,419,875
		82,465,685	9,910,485
Income tax paid		(4,317,603)	(7,878,947)
Net cash flows from operating activities		78,148,082	2,031,538
Cash flows from investing activities			
Net investments in 'available for sale' securities		(72,317,445)	15,058,126
Net investments in 'held to maturity' securities		3,303,107	(5,550,843)
Investment in subsidiary company		(394)	–
Dividends received		446,181	621,763
Investments in operating fixed assets		(1,893,986)	(2,153,151)
Sale proceeds of property and equipment disposed off		93,092	258,177
Net cash flows from investing activities		(70,369,445)	8,234,072
Cash flows from financing activities			
Redemption of subordinated loan		–	(479,232)
Dividend paid		(6,735,510)	(9,834,175)
Net cash flows from financing activities		(6,735,510)	(10,313,407)
Exchange differences on translation of net investment in foreign branches		67,465	230,667
Increase in cash and cash equivalents		1,110,592	182,870
Cash and cash equivalents at beginning of the year		44,315,965	45,407,542
Effects of exchange rate changes on cash and cash equivalents		(641,693)	(1,916,140)
		43,674,272	43,491,402
Cash and cash equivalents at end of the year	34	44,784,864	43,674,272

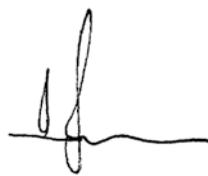
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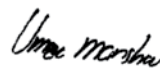
Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Statement of Changes in Equity

For the year ended December 31, 2009

	Share capital	Capital Reserves		Statutory reserve	Revenue Reserves		
		Share premium	Exchange translation reserve		General reserve	Unappropriated profit	Total
	(Rupees in '000)						
Balance as at December 31, 2007	6,282,768	9,702,528	(41,981)	6,740,091	17,600,000	5,130,750	45,414,156
Changes in equity for 2008							
Profit after taxation for the year ended December 31, 2008	–	–	–	–	–	15,374,600	15,374,600
Exchange differences on translation of net investment in foreign branches	–	–	230,667	–	–	–	230,667
Total comprehensive income for the year ended December 31, 2008	–	–	230,667	–	–	15,374,600	15,605,267
Transferred from surplus on revaluation of fixed assets to unappropriated profit – net of tax	–	–	–	–	–	21,319	21,319
Transferred to general reserve	–	–	–	–	1,000,000	(1,000,000)	–
Transferred to statutory reserve	–	–	–	1,537,460	–	(1,537,460)	–
Final cash dividend – December 2007	–	–	–	–	–	(3,141,384)	(3,141,384)
Interim cash dividend – March 2008	–	–	–	–	–	(1,884,831)	(1,884,831)
Interim cash dividend – June 2008	–	–	–	–	–	(1,884,831)	(1,884,831)
Interim cash dividend – September 2008	–	–	–	–	–	(1,884,831)	(1,884,831)
Balance as at December 31, 2008	6,282,768	9,702,528	188,686	8,277,551	18,600,000	9,193,332	52,244,865
Changes in equity for 2009							
Profit after taxation for the year ended December 31, 2009	–	–	–	–	–	15,495,297	15,495,297
Exchange differences on translation of net investment in foreign branches	–	–	67,465	–	–	–	67,465
Total comprehensive income for the year ended December 31, 2009	–	–	67,465	–	–	15,495,297	15,562,762
Transferred from surplus on revaluation of fixed assets to unappropriated profit – net of tax	–	–	–	–	–	22,324	22,324
Transferred to statutory reserve	–	–	–	1,549,530	–	(1,549,530)	–
Issue of bonus shares – December 2008	628,277	–	–	–	–	(628,277)	–
Final cash dividend – December 2008	–	–	–	–	–	(1,570,692)	(1,570,692)
Interim cash dividend – March 2009	–	–	–	–	–	(1,727,781)	(1,727,781)
Interim cash dividend – June 2009	–	–	–	–	–	(1,727,773)	(1,727,773)
Interim cash dividend – September 2009	–	–	–	–	–	(1,727,773)	(1,727,773)
Balance as at December 31, 2009	6,911,045	9,702,528	256,151	9,827,081	18,600,000	15,779,127	61,075,932

For details of dividend declaration and appropriations, please refer note 45 to these financial statements.

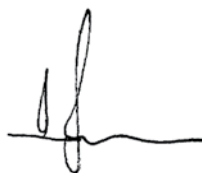
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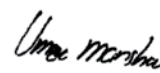
Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Statement of Comprehensive Income

For the year ended December 31, 2009

	2009	2008
	(Rupees in '000)	
Profit after tax for the year	15,495,297	15,374,600
Other comprehensive income		
Effect of translation of net investment in foreign branches	67,465	230,667
Total comprehensive income for the year	15,562,762	15,605,267

Surplus/ deficit on revaluation of 'available for sale' securities and 'fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated 04 August, 2000 and BSD circular 10 dated 13 July, 2004 and Companies Ordinance, 1984, respectively.

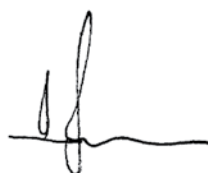
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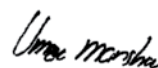
Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Notes to the Financial Statements

For the year ended December 31, 2009

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 Depository Receipts (GDRs) representing two ordinary shares (2008: two ordinary 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 1,074 branches including 11 Islamic banking branches (2008: 1,040 branches including 11 Islamic banking branches) within Pakistan and 7 branches (2008: 7 branches) outside the country (including the Karachi Export Processing Zone branch).

2. BASIS OF PRESENTATION

- 2.1 These financial statements represent separate financial statements of MCB Bank Limited. The consolidated financial statements of the Group are being issued separately.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.3 The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these financial statements.
- 2.4 For the purpose of translation, rates of Rs. 84.2416 per US Dollar (2008: Rs. 79.0985) and Rs. 0.7364 per SLR (2008: Rs.0.700) have been used.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have 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 and 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 August 26, 2002. The Securities Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.2 Standards, amendments and interpretations to published approved accounting standards that are not relevant and not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2010. These standards are either not relevant to the Bank's operations or are not expected to have a significant impact on the Bank's financial statements other than increase in disclosures in certain cases:

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after July 01, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.
- IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 01, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

Notes to the Financial Statements

For the year ended December 31, 2009

- Amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after July 01, 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.
- IFRIC – 17 – Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a Bank distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2010 financial statements.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 01, 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.
- Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps.
- IAS 24 – Related Party Disclosures (revised 2009) – effective for annual periods beginning on

or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Bank's financial statements.
- Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 01, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Bank's financial statements.

4. BASIS OF MEASUREMENT

4.1 These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and 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.

4.2 The financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Financial Statements

For the year ended December 31, 2009

The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification of investments

- In classifying investments as 'held for trading', the Bank has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as 'held to maturity', the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in notes 10.4.3 and 10.4.4.

c) Impairment of 'available for sale' equity investments

The Bank determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational/financial cash flows.

d) Taxation

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

e) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques

take into account the relevant interest rates at the balance sheet date and the rates contracted.

f) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements (note 36) for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policies

Starting January 01, 2009, the Bank has changed its accounting policies in respect of 'Presentation of financial statements' and 'Ijarah'.

- 5.1.1** The Bank has applied Revised IAS 1 Presentation of Financial Statements (2007) which became effective as of January 01, 2009. As a result, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended on December 31, 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earning per share.

- 5.1.2** The State Bank of Pakistan has notified for adoption of Islamic Financial Accounting Standard – IFAS 2 "Ijarah" which is applicable for accounting periods beginning on or after January 01, 2009. IFAS 2 requires assets underlying ijarah financing to be recorded as operating fixed assets separately from the assets in Bank's own use. These assets are carried at cost less accumulated depreciation and impairment, if any.

Notes to the Financial Statements

For the year ended December 31, 2009

5.2 Investments

The Bank classifies its investments as follows:

a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

c) Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account currently.

Unquoted equity securities (excluding investments in subsidiaries and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost. Investments in subsidiaries and investments in associates are carried at cost.

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently.

Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

5.3 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

5.4 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Advances are written off when there is no realistic prospect of recovery.

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as financial leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

5.5 Operating fixed assets and depreciation

Property and equipment, other than land carrying value of which is not amortized, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount. Capital work-in-progress is stated at cost. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

Depreciation on all operating fixed assets is charged using the diminishing balance method except for vehicles, computers, carpets and buildings which are depreciated using the straight line method in accordance with the rates specified in note 11.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Notes to the Financial Statements

For the year ended December 31, 2009

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Gains / losses on sale of property and equipment are credited / charged to the profit and loss account currently, except that the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

5.5.1 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible assets are amortized over its estimated useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

5.5.2 Leased (Ijarah)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognized on an accrual basis as and when the rental becomes due.

5.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related

revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.7 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
 - an approved contributory provident fund;
 - an approved gratuity scheme; and
 - a contributory benevolent scheme
- b) For clerical / non-clerical staff who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
 - an approved pension fund; and
 - contributory benevolent scheme
- c) For officers who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund; and
 - an approved pension fund.

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.

- d) For executives and officers who joined the Bank on or after January 01, 2000 the Bank operates an approved contributory provident fund.
- e) Post retirement medical benefits to entitled employees.

Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the projected unit credit method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. The net cumulative actuarial gains / losses at each balance sheet date are recognized equally over a period of three years or the expected remaining average working lives of employees, whichever is lower.

Notes to the Financial Statements

For the year ended December 31, 2009

Past service cost resulting from changes to defined benefit plans to the extent the benefits are already vested is recognized immediately and the remaining unrecognized past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested.

5.8 Employees' compensated absences

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains or losses if any, are recognized immediately.

5.9 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.10 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

5.11 Foreign currencies

5.11.1 Foreign currency transactions

Transactions in foreign currencies (other than the results of foreign operations discussed in note 5.11.2) are translated to Rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities.

5.11.2 Foreign operations

The assets and liabilities of foreign branches are translated to Rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

5.11.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Bank's net investment in foreign branches, which are taken to the capital reserve (exchange translation reserve).

5.11.4 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange ruling on the balance sheet date.

5.12 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP) or as permitted by the regulations of the overseas regulatory authorities of the countries where the branches operate.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.

Notes to the Financial Statements

For the year ended December 31, 2009

- Unrealized lease income is held in suspense account, where necessary, in accordance with the requirements of SBP or overseas regulatory authorities of the country where the foreign branches of the Bank operate.
- Commission income is recognized on a time proportion basis.
- Dividend income is recognized when the Bank's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account currently.

5.13 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

5.14 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.15 Financial instruments

5.15.1 Financial assets and financial liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments (excluding investment in associates and subsidiaries), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

5.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

5.15.3 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

5.16 Share issuance cost

Share issuance cost directly attributable to issuance of shares, is recognized as deduction from the share premium account.

5.17 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

5.17.1 Business segments

Corporate Finance

Corporate Finance includes underwriting, securitization, investment banking, syndications, IPO related activities (excluding investments) and secondary private placements.

Trading and Sales

It includes fixed income, equity, foreign exchange commodities, lendings to financial institutions and brokerage debt.

Retail and Consumer Banking

It includes retail lending and deposits, banking services, private lending and deposits, banking services and retail offered to its retail customers and small and medium enterprises.

Commercial Banking

It includes project finance, export finance, trade finance, leasing, lending, guarantees and bills of exchange relating to its corporate customers.

5.17.2 Geographical segments

The Bank operates in three geographic regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

5.18 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand – local currency	6.1	9,104,489	11,239,357
– foreign currencies		1,059,928	142,188
With State Bank of Pakistan (SBP) in:			
Local currency current account	6.2	17,221,148	19,038,530
Foreign currency current account	6.3	7,464	261,891
Foreign currency deposit account	6.2 & 6.4	3,363,399	2,600,990
With other central banks in foreign currency current account	6.2	324,287	214,910
With National Bank of Pakistan in local currency current account		7,694,156	6,133,306
		<u>38,774,871</u>	<u>39,631,172</u>

6.1 This includes national prize bonds amounting to Rs. 80.591 million (2008: Rs. 59.382 million).

6.2 Deposits with SBP are maintained to comply with their requirements issued from time to time. Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

6.3 This represents US Dollar settlement account maintained with SBP.

6.4 This includes balance of Rs. 2,522.549 million (2008: Rs. 1,950.742 million) which carry interest rate of Nil per annum (2008: 0.90% per annum).

	Note	2009 (Rupees in '000)	2008
7. BALANCES WITH OTHER BANKS			
Outside Pakistan			
– current account		5,059,663	3,347,089
– deposit account	7.1	950,330	696,011
		<u>6,009,993</u>	<u>4,043,100</u>

7.1 Balances with other banks outside Pakistan in deposit account carry interest at the rate ranging from 0.12% to 1% (2008: 1.20% per annum).

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2	3,000,000	1,700,000
Repurchase agreement lendings	8.3	—	2,400,079
		<u>3,000,000</u>	<u>4,100,079</u>
8.1 Particulars of lendings			
In local currency		3,000,000	4,093,079
In foreign currencies		—	7,000
		<u>3,000,000</u>	<u>4,100,079</u>

8.2 These carry mark-up rates ranging from 12.35% to 12.70% per annum (2008: 15.75% to 21% per annum) and are due to mature latest by February, 2010.

8.3 Securities held as collateral against lendings to financial institutions

	2009			2008		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	—	—	—	2,024,601	99,532	2,124,133
Pakistan Investment Bonds	—	—	—	275,946	—	275,946
	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,300,547</u>	<u>99,532</u>	<u>2,400,079</u>

Market value of securities held as collateral against lendings to financial institutions as at December 31, 2009 amounted to Rs. Nil (2008: Rs. 2,408.610 million). These carry mark up at rate of Nil per annum (2008: 9.50% to 14.90% per annum).

Notes to the Financial Statements

For the year ended December 31, 2009

9. INVESTMENTS – NET

9.1 Investments by types

		2009			2008		
	Note / Annexure	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in '000)							
Held for trading securities							
– Shares in listed companies	9.5	–	–	–	177,786	–	177,786
– Market Treasury Bills	9.5	–	–	–	19,588	–	19,588
		–	–	–	197,374	–	197,374
Available-for-sale securities							
– Market Treasury Bills	9.6	108,056,249	31,513,525	139,569,774	64,205,902	6,287,636	70,493,538
– Pakistan Investment Bonds	9.6	5,454,941	–	5,454,941	2,370,664	–	2,370,664
– Shares in listed companies	9.4 & Annexure I (note 1)	7,133,214	–	7,133,214	8,189,828	–	8,189,828
– Units in open ended mutual fund	9.4 & Annexure I (note 1)	442,981	–	442,981	661,909	–	661,909
– Shares in unlisted companies	9.4 & Annexure I (note 2)	513,843	–	513,843	515,724	–	515,724
– NIT units		5,253	–	5,253	5,253	–	5,253
– Sukuk Bonds	9.4 & Annexure I (note 3)	400,000	–	400,000	400,000	–	400,000
– Listed Term Finance Certificates (TFCs)	9.4 & Annexure I (note 3)	1,831,777	–	1,831,777	1,172,384	–	1,172,384
		123,838,258	31,513,525	155,351,783	77,521,664	6,287,636	83,809,300
Held-to-maturity securities							
– Market Treasury Bills	9.6	3,251,110	136,038	3,387,148	1,321,816	–	1,321,816
– Pakistan Investment Bonds	9.6	2,244,383	–	2,244,383	2,312,812	–	2,312,812
– Federal Government Securities	Annexure I (note 4)	171,583	–	171,583	392,216	–	392,216
– Provincial Government Securities		118	–	118	118	–	118
– Government Compensation Bonds	Annexure I (note 4)	286,557	–	286,557	870,771	–	870,771
– Sukuk Bonds	Annexure I (note 4)	2,753,929	–	2,753,929	2,776,260	–	2,776,260
– Euro Bonds	Annexure I (note 4)	684,810	–	684,810	4,969,516	–	4,969,516
– TFCs, Debentures, Bonds and Participation Term Certificates (PTCs)	Annexure I (note 3)	4,250,714	–	4,250,714	4,259,037	–	4,259,037
– Certificates of Investment		–	–	–	250,000	–	250,000
		13,643,204	136,038	13,779,242	17,152,546	–	17,152,546
Subsidiaries							
	Annexure I (note 5)						
MNET Services (Private) Limited		49,975	–	49,975	49,975	–	49,975
MCB Trade Services Limited		77	–	77	77	–	77
MCB Asset Management Company Limited		299,980	–	299,980	299,980	–	299,980
"MCB Leasing" Closed Joint Stock Company	9.10	394	–	394	–	–	–
MCB Financial Services Limited (Formerly Muslim Commercial Financial Services (Private) Limited)		27,500	–	27,500	27,500	–	27,500
		377,926	–	377,926	377,532	–	377,532
Associates							
	Annexure I (note 6)						
Adamjee Insurance Company Limited	9.7	943,600	–	943,600	943,600	–	943,600
First Women Bank Limited		63,300	–	63,300	63,300	–	63,300
		1,006,900	–	1,006,900	1,006,900	–	1,006,900
Investments at cost							
		138,866,288	31,649,563	170,515,851	96,256,016	6,287,636	102,543,652
Less: Provision for diminution in value of investments	9.3	(3,686,520)	–	(3,686,520)	(3,044,962)	–	(3,044,962)
Investments (net of provisions)							
		135,179,768	31,649,563	166,829,331	93,211,054	6,287,636	99,498,690
Surplus / (deficit) on revaluation of available for sale securities – net	21.2	331,588	(26,454)	305,134	(2,761,998)	(1,620)	(2,763,618)
Deficit on revaluation of 'held for trading' securities – net	9.5	–	–	–	(103,198)	–	(103,198)
Investments at revalued amounts – net of provisions							
		135,511,356	31,623,109	167,134,465	90,345,858	6,286,016	96,631,874

Notes to the Financial Statements

For the year ended December 31, 2009

	Note / Annexure	2009 (Rupees in '000)	2008
9.2 Investments by segments			
Federal Government Securities:			
– Market Treasury Bills	9.6	139,569,774	70,513,126
– Pakistan Investment Bonds	9.6	7,699,324	4,683,476
– Federal Government Securities	Annexure I (note 4)	171,583	322,216
– Government Compensation Bonds	Annexure I (note 4)	286,557	870,771
– Euro Bonds	Annexure I (note 4)	684,810	4,969,516
– Sukuk Bonds	Annexure I (note 3 & 4)	1,503,702	1,838,533
– Unlisted Term Finance Certificate	Annexure I (note 3)	3,000,000	3,000,000
Overseas Government Securities			
– Government of Sri Lanka Treasury Bonds		–	70,000
– Market Treasury Bills		3,387,148	1,321,816
Provincial Government Securities		118	118
Subsidiaries and Associated Undertakings	9.7 & Annexure I (note 5 & 6)	1,384,826	1,384,432
Fully Paid-up Ordinary Shares / Certificates / Units			
– Listed companies / mutual funds / modarabas	Annexure I (note 1)	7,071,612	8,306,012
– Unlisted companies / funds	Annexure I (note 2)	413,843	415,724
Units of Open Ended Mutual Funds	Annexure I (note 1)	442,981	661,909
Fully Paid-up Preference Shares:			
– Listed Companies	Annexure I (note 1)	61,602	61,602
– Unlisted Companies	Annexure I (note 2)	100,000	100,000
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
– Listed Term Finance Certificates	Annexure I (note 3)	1,831,777	1,404,384
– Unlisted Term Finance Certificates	Annexure I (note 3)	1,129,096	897,448
– Debentures, Bonds and Participation Term Certificates (PTCs)	Annexure I (note 3)	121,618	129,589
– Certificates of Investment		–	250,000
Other Investments:			
– Sukuk Bonds	Annexure I (note 4)	1,650,227	1,337,727
– NIT Units		5,253	5,253
Total investments at cost		170,515,851	102,543,652
Less: Provision for diminution in the value of investments	9.3	(3,686,520)	(3,044,962)
Investments (net of provisions)		166,829,331	99,498,690
Surplus / (deficit) on revaluation of available for sale securities – net	21.2	305,134	(2,763,618)
Deficit on revaluation of held for trading securities – net	9.5	–	(103,198)
Investments at revalued amounts – net of provisions		167,134,465	96,631,874

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
9.3 Particulars of provision			
Opening balance		3,044,962	468,288
Charge during the year	9.5	1,538,895	2,685,215
Reversal made during the year		(54,677)	(1,221)
		1,484,218	2,683,994
Adjustment on disposal of shares		(772,463)	–
Investment written off against provision		(70,197)	(107,320)
Closing balance		3,686,520	3,044,962
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Listed shares / Certificates / Units	9.5	3,510,603	2,787,910
Unlisted shares		71,716	70,477
		3,582,319	2,858,387
Held-to-maturity securities			
Unlisted TFCs, Debentures, Bonds and Participation Term Certificates		104,201	186,575
		3,686,520	3,044,962

9.4 Quality of 'available for sale' securities

	Note	2009 (Rupees in '000)		2008 (Rupees in '000)	
		Market value	Credit rating	Market value	Credit rating
Market Treasury Bills	9.4.1	139,261,981	Unrated	70,402,111	Unrated
Pakistan Investment Bonds	9.4.1	5,331,065	Unrated	1,902,599	Unrated
Listed Term Finance Certificates					
Askari Bank Limited		435,623	AA–	201,636	AA–
Bank Al-Habib Limited		91,619	AA	99,840	AA–
Bank Alfalah Limited		725,109	AA–	248,293	AA–
United Bank Limited		244,962	AA	307,572	AA
Allied Bank Limited		–	AA–	90,420	AA
Soneri Bank Limited		144,391	A+	149,790	A+
Pak Arab Fertilizers Limited		93,840	AA	99,980	AA
		1,735,544		1,197,531	
Shares in Listed Companies					
Abbott Laboratories Pakistan Limited		16,437	Not available	12,151	Not available
Allied Bank Limited		167,045	AA & A1+	80,985	AA & A1+
Arif Habib Limited		6,613	Not available	7,475	A– & A2
Arif Habib Securities Limited		75,377	Not available	64,347	Not available
Askari Bank Limited		146,279	AA & A1+	62,455	AA & A1+
Atlas Bank Limited		5,309	A– & A2	20,386	A– & A2
Attock Petroleum Limited		37,585	Not available	15,607	Not available
Azgard Nine Limited – preference shares		11,370	A+ & A1	10,268	A+ & A1
Bank Alfalah Limited		70,002	AA & A1+	50,400	AA & A1+
Bank Al-Habib Limited		178,641	AA+ & A1+	106,366	AA & A1+
Century Papers and Board Mills Limited		11,655	A– & A–2	12,650	A– & A2
Cherat Cement Company Limited		–	Not available	329	Not available
EFU General Insurance Company Limited		1,175	AA	1,601	AA

Notes to the Financial Statements

For the year ended December 31, 2009

Note	2009		2008	
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
EFU Life Assurance Company Limited	1,041	AA–	2,700	AA–
Engro Chemical Pakistan Limited	123,918	AA & A1+	82,759	AA & A1+
Fauji Fertilizer Bin Qasim Company Limited	106,942	Not available	52,795	Not available
Fauji Fertilizer Company Limited	516,991	Not available	400,440	Not available
First AI – Noor Modaraba	15,660	BBB & A–3	20,658	BBB & A3
Glaxo Smithkline Pakistan Limited	52,960	Not available	36,806	Not available
Habib Bank Limited	212,420	AA+ & A–1+	92,010	AA+ & A1+
Habib Metropolitan Bank Limited	21,509	AA+ & A–1+	14,545	AA+ & A1+
Hub Power Company Limited	38,537	Not available	13,244	Not available
IGI Insurance Limited	38,715	AA	50,775	AA
Indus Motors Company Limited	8,259	Not available	5,164	Not available
International Industries Limited	22,460	Not available	17,595	Not available
JS Bank Limited	–	A– & A1	7,571	A– & A2
Jahangir Saddique & Company Limited	34,775	AA+ & A1+	60,460	AA+ & A1+
Kohinoor Energy Limited	1,705	Not available	1,059	Not available
Kot Addu Power Company Limited	64,521	Not available	28,890	Not available
Lucky Cement Limited	11,592	Not available	5,472	Not available
Maple Leaf Cement Company Limited	14,414	Not available	50,887	BBB+ & A2
Masood Textile Mills Limited – preference shares	50,000	Not available	50,000	Not available
Mehr Dastagir Textile Mills Limited	323	Not available	13,663	Not available
Millat Tractors Limited	22,421	Not available	12,216	Not available
National Bank of Pakistan	151,170	AAA & A–1+	85,237	AAA & A–1+
National Refinery Limited	5,305	AAA & A1+	2,855	AAA & A1+
Oil & Gas Development Company Limited	20,520	AAA & A–1+	107,487	AAA & A1+
Orix Leasing Pakistan Limited	1,675	AA & A1+	3,847	AA+ & A1+
Pace Pakistan Limited	–	A & A1	372	A+ & A1
Packages Limited	3,155	AA & A1+	1,779	AA & A1+
Pak Suzuki Motor Company Limited	4,412	Not available	3,949	Not available
Pakistan Cables Limited	4,423	Not available	5,210	Not available
Pakistan Cement Company Limited	–	Not available	147	Not available
Pakistan Oilfields Limited	97,090	Not available	81,553	Not available
Pakistan Petroleum Limited	174,064	Not available	71,952	Not available
Pakistan State Oil Company Limited	56,990	AA+ & A1+	67,461	AAA & A1+
Pakistan Telecommunication Company Limited	86,374	Not available	82,655	Not available
Pakistan Tobacco Company Limited	14,563	Not available	14,744	Not available
Rupali Polyester Limited	24,893	Not available	25,683	Not available
Samba Bank Limited (Formerly Crescent Commercial Bank Limited)	102,487	A & A–1	–	Not available
Soneri Bank Limited	37,850	AA– & A1+	30,829	AA– & A1+
Sui Northern Gas Pipelines Limited**	1,183,675	AA & A1+	1,024,261	AA & A1+
Taj Textile Mills Limited	–	Not available	1	Not available
Thal Limited	3,807	Not available	3,058	Not available
The Bank of Punjab	125,250	AA– & A1+	84,785	AA– & A1+
Trust Securities & Brokerage Limited*	948	Not available	2,541	Not available
TRG Pakistan Limited	–	–	890	BBB+ & A2
Unilever Pakistan Limited	76,544	Not available	60,161	Not available
United Bank Limited	138,550	AA+ & A–1+	81,719	AA+ & A–1+
Zulfiqar Industries Limited	2,001	Not available	3,644	Not available
	4,402,397		3,311,549	
Open Ended Mutual Fund				
Atlas Islamic Fund	10,239	Not available	7,794	Not available
MCB Dynamic Allocation Fund	80,691	AM3+	55,046	Not available
MCB Dynamic Cash Fund	327,366	AM3+	288,355	Not available
MCB Dynamic Stock Fund	83,705	AM3+	154,376	Not available
	502,001		505,571	

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009		2008	
		Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
Shares in Un-listed Companies	9.4.2				
Khushhali Bank Limited*		300,000	A-2 & A-	300,000	A- & A-1
Equity Participation Fund*		–	Not available	1,500	Not available
National Investment Trust Limited*		100	AM-DS	100	Not available
SME Bank Limited*		10,106	A-3 & BBB	10,106	BBB & A3
First Capital Investment (Private) Limited		2,446	AM4+	2,500	AM4+
Pak Asian Fund		11,500	Not available	11,500	Not available
Pakistan Agro Storage and Services Corporation		2,500	Not available		Not available
Arabian Sea Country Club*		715	Not available	2,900	Not available
Central Depository Company of Pakistan Limited*		10,000	Not available	10,000	Not available
National Institutional Facilitation Technologies (Private) Limited*		1,527	Not available	1,527	Not available
Society for Worldwide Inter Fund Transfer (SWIFT)		1,738	Not available	2,993	Not available
Fazal Cloth Mills Limited – preference share		100,000	Not available	100,000	Not available
Lanka Clearing (Private) Limited		736	Not available	700	Not available
Lanka Financial Services Bureau Limited		737	Not available	1,400	Not available
Credit Information Bureau of Srilanka		22	Not available	21	Not available
		442,127		445,247	
Other Investment					
Sukuk Bonds	9.4.1	396,137	Unrated	419,000	Unrated
N.I.T. Units		3,346	5 Star	3,689	5 Star
		152,074,598		78,187,297	

9.4.1 These are Government of Pakistan guaranteed securities.

9.4.2 Unlisted companies are stated at carrying value.

*These are the strategic investments of the Bank.

**This includes 32.287 million shares valuing Rs. 800.718 million (2008: 32.287 million shares valuing Rs. 692.879 million) which are held as strategic investment by the Bank.

Notes to the Financial Statements

For the year ended December 31, 2009

9.5 Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'

	Unrealized gain /(loss)		Cost	
	2009	2008	2009	2008
	(Rupees in '000)			
Investee Company				
Allied Bank Limited	–	(12,085)	–	21,665
Attock Petroleum Limited	–	(16,696)	–	31,159
Bank Alfalah Limited	–	(6,080)	–	10,551
ICI Pakistan Limited	–	(3,512)	–	6,425
Jahangir Siddique and Company Limited	–	(12,621)	–	20,709
Lucky Cement Limited	–	(27,448)	–	42,711
Maple Leaf Cement Company Limited	–	(501)	–	1,116
Packages Limited	–	(3,003)	–	4,506
Pakistan Oilfields Limited	–	(11,220)	–	19,829
Pakistan Petroleum Limited	–	(5,310)	–	10,844
Thal Limited	–	(706)	–	1,851
United Bank Limited	–	(4,021)	–	6,420
Market Treasury Bills	–	5	–	19,588
	–	(103,198)	–	197,374

- 9.6** "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan (SBP). The market value of Pakistan Investment Bonds and Market Treasury Bills classified as 'held to maturity' as at December 31, 2009 amounted to Rs. 1,867.674 million and Rs. 3,387.148 million (2008: Pakistan Investment Bonds Rs. 1,659.166 million and Market Treasury Bills Rs. 1,436.673 million) respectively.
- 9.7** Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (2008: Rs. 943.600 million) as at December 31, 2009 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 December 31, 2009 amounted to Rs.4,039.049 million (2008: Rs. 3,032.786 million).
- 9.8** At December 31, 2009 market value of quoted investments was Rs. 161,322.481 million (2008: Rs. 83,847.918 million) while the book value of unquoted investments was Rs. 8,526.863 million (2008: Rs. 13,959.421 million).
- 9.9** Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2008: Rs. 232.60 million) earmarked by the SBP 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 (2008: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.
- 9.10** During the year, the Bank has incorporated "MCB Leasing" Closed Joint Stock Company in Azerbaijan to undertake leasing business.
- 9.11** Information relating to investments in ordinary shares and preference shares of listed companies and unlisted companies required to be disclosed as part of the financial statements under BSD Circular No.04 of 2006 dated February 17, 2006, is given in Annexure "I".
- 9.12** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009	2008
		(Rupees in '000)	
10. ADVANCES – NET			
Loans, cash credits, running finances, etc.			
In Pakistan		247,718,210	252,012,594
Outside Pakistan		7,788,234	8,910,253
		255,506,444	260,922,847
Net investment in finance lease	10.2		
In Pakistan		3,867,943	5,358,475
Outside Pakistan		65,492	90,733
		3,933,435	5,449,208
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		4,519,520	2,364,211
Payable outside Pakistan		5,762,777	4,111,059
		10,282,297	6,475,270
Advances – gross		269,722,176	272,847,325
Provision against advances	10.4		
Specific provision		(15,678,345)	(9,895,889)
General provision	10.4.3	(269,722)	(273,222)
General provision against consumer loans	10.4.5	(494,434)	(533,693)
General provision for potential lease losses (in Srilanka operations)		(30,268)	(9,051)
		(16,472,769)	(10,711,855)
Advances – net of provision		253,249,407	262,135,470
10.1 Particulars of advances (gross)			
10.1.1 In local currency		258,501,232	262,144,312
In foreign currencies		11,220,944	10,703,013
		269,722,176	272,847,325
10.1.2 Short-term		178,869,203	157,025,562
Long-term		90,852,973	115,821,763
		269,722,176	272,847,325

10.2 Net investment in finance lease

	2009				2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)							
Lease rentals receivable	669,185	2,760,233	8,348	3,437,766	942,728	4,055,066	981	4,998,775
Guaranteed residual value	210,340	815,464	11,760	1,037,564	94,512	1,230,873	2,937	1,328,322
Minimum lease payments	879,525	3,575,697	20,108	4,475,330	1,037,240	5,285,939	3,918	6,327,097
Finance charge for future periods	(87,632)	(453,294)	(969)	(541,895)	(225,636)	(652,250)	(3)	(877,889)
Present value of minimum lease payments	791,893	3,122,403	19,139	3,933,435	811,604	4,633,689	3,915	5,449,208

Notes to the Financial Statements

For the year ended December 31, 2009

- 10.3** Advances include Rs. 23,238.723 million (2008: Rs. 18,268.877 million) which have been placed under the non-performing status as detailed below:

		2009								
Category of Classification	Note	Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
		(Rupees in '000)								
Other Assets Especially Mentioned (OAEM)	10.3.1	76,933	–	76,933	–	–	–	–	–	
Substandard		2,960,881	24,728	2,985,609	691,234	5,506	696,740	691,234	5,506	696,740
Doubtful		4,242,845	–	4,242,845	1,920,370	–	1,920,370	1,920,370	–	1,920,370
Loss		11,965,808	3,967,528	15,933,336	11,683,932	1,377,303	13,061,235	11,683,932	1,377,303	13,061,235
		19,246,467	3,992,256	23,238,723	14,295,536	1,382,809	15,678,345	14,295,536	1,382,809	15,678,345
2008										
Category of Classification	Note	Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
		(Rupees in '000)								
Other Assets Especially Mentioned (OAEM)	10.3.1	100,447	–	100,447	–	–	–	–	–	–
Substandard		5,440,860	–	5,440,860	897,768	–	897,768	897,768	–	897,768
Doubtful		2,595,782	501	2,596,283	1,186,305	251	1,186,556	1,186,305	251	1,186,556
Loss		6,457,011	3,674,276	10,131,287	6,329,025	1,482,540	7,811,565	6,329,025	1,482,540	7,811,565
		14,594,100	3,674,777	18,268,877	8,413,098	1,482,791	9,895,889	8,413,098	1,482,791	9,895,889

- 10.3.1** This represents non-performing portfolio of agricultural financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural Financing issued by the State Bank of Pakistan.

	Note	2009				
		Specific	General	General provision against consumer loans	Leasing (general)	Total
		(Rupees in '000)				
10.4 Particulars of provision against advances						
Opening balance		9,895,889	273,222	533,693	9,051	10,711,855
Exchange adjustments		87,498	–	–	–	87,498
Provision made during the year		7,524,063	–	(39,259)	21,217	7,506,021
Reversals		(1,705,994)	(3,500)	–	–	(1,709,494)
		5,818,069	(3,500)	(39,259)	21,217	5,796,527
Amounts written off	10.5.1	(123,111)	–	–	–	(123,111)
Closing balance		15,678,345	269,722	494,434	30,268	16,472,769

	Note	2008				
		Specific	General	General provision against consumer loans	Leasing (general)	Total
		(Rupees in '000)				
Opening balance		7,326,953	2,749,815	688,665	6,841	10,772,274
Exchange adjustments		204,103	–	–	–	204,103
Provision made during the year		–	6,041,412	–	2,210	6,043,622
Reversals		(2,076,930)	(2,476,593)	(154,972)	–	(4,708,495)
		3,964,482	(2,476,593)	(154,972)	2,210	1,335,127
Amounts written off	10.5.1	(1,599,649)	–	–	–	(1,599,649)
Closing balance		9,895,889	273,222	533,693	9,051	10,711,855

Notes to the Financial Statements

For the year ended December 31, 2009

	2009			2008		
	Specific	General (total)	Total	Specific	General (total)	Total
(Rupees in '000)						
10.4.1 Particulars of provisions against advances						
In local currency	14,295,536	764,156	15,059,692	8,413,098	806,915	9,220,013
In foreign currencies	1,382,809	30,268	1,413,077	1,482,791	9,051	1,491,842
	<u>15,678,345</u>	<u>794,424</u>	<u>16,472,769</u>	<u>9,895,889</u>	<u>815,966</u>	<u>10,711,855</u>

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
10.4.2 The following amounts have been charged to the profit and loss account:			
Specific provision		5,818,069	3,964,482
General provision	10.4.3	(3,500)	(2,476,593)
General provision against consumer loans	10.4.5	(39,259)	(154,972)
General provision for potential lease losses (in Srilanka operations)		21,217	2,210
		<u>5,796,527</u>	<u>1,335,127</u>

10.4.3 General provision against advances represents provision maintained at around 0.1% of gross advances.

10.4.4 State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009 and BSD Circular No. 10 dated October 20, 2009 has allowed benefit of forced sale value (FSV) of pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for three years from the date of classification. However, management has not taken the said benefit in calculation of specific provision, other than mortgage and agriculture financing.

10.4.5 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.4	123,111	1,599,649
Directly charged to the profit and loss account		41,576	–
		<u>164,687</u>	<u>1,599,649</u>
10.5.2 Write offs of Rs. 500,000 and above	10.5.3	127,420	749,712
Write offs of below Rs. 500,000		37,267	849,937
		<u>164,687</u>	<u>1,599,649</u>

10.5.3 Details of loan write offs of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand Rupees or above allowed to a person(s) during the year ended December 31, 2009 is given at Annexure – III. However, this write off does not affect the Bank's right to recover the debts from these customers.

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
10.6 Particulars of advances to directors, executives, associated companies, etc.			
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		3,844,485	3,228,484
Loans granted during the year		1,090,482	1,732,218
Repayments		(502,062)	(1,116,217)
Balance at end of the year		4,432,905	3,844,485
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		1,640	1,663,985
Loans granted during the year		—	524,153
Repayments		(499)	(2,186,498)
Balance at end of the year		1,141	1,640
		4,434,046	3,846,125
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	1,099,749	510,226
Property and equipment	11.2	16,666,905	16,562,309
Intangible asset	11.3	248,242	191,198
		18,014,896	17,263,733
11.1 Capital work-in-progress			
Civil works		871,181	210,051
Advances to suppliers and contractors		80,808	101,709
Others		147,760	198,466
		1,099,749	510,226

Notes to the Financial Statements

For the year ended December 31, 2009

11.2 Property and equipment

2009										
Description	Cost/ Revalued amount				Accumulated depreciation				Net book value at December 31, 2009	Annual rate of depreciation / estimated useful life
	At January 01, 2009	Additions/ (disposals)	Write off	At December 31, 2009	At January 01, 2009	Charge for the year / (depreciation on disposals)	Write off	At December 31, 2009		
	(Rupees in '000)									
Land – Freehold	9,718,045	1,085	–	9,719,130	–	–	–	–	9,719,130	
Land – Leasehold	57,430		–	57,430	–	–	–	–	57,430	
Buildings on freehold land	4,210,928	104,184	–	4,280,772	89,504	97,476	–	185,792	4,094,980	50 years
		(34,340)				(1,188)				
Buildings on leasehold land	65,567	10,663	–	76,230	25,062	3,792		28,854	47,376	3 to 50 years
Furniture and fixture	672,327	70,226	(27,266)	710,955	312,254	40,412	(20,522)	328,918	382,037	10% to 33%
		(4,332)				(3,226)				
Electrical, Computers and Office Equipment	4,683,034	800,367	(181,841)	5,284,645	2,736,827	687,941	(171,108)	3,238,577	2,046,068	20% to 33%
		(16,915)				(15,083)				
Vehicles	532,026	77,550	–	541,845	213,401	76,667	–	248,725	293,120	20%
		(67,731)				(41,343)				
Ijara Assets										
Assets held under Ijarah – Car	–	29,947		29,947	–	3,183		3,183	26,764	20%
		–								
	19,939,357	1,094,022	(209,107)	20,700,954	3,377,048	909,471	(191,630)	4,034,049	16,666,905	
		(123,318)	–			(60,840)				
2008										
Description	Cost/ Revalued amount				Accumulated depreciation				Net book value at December 31, 2009	Annual rate of depreciation / estimated useful life
	At January 01, 2008	Additions/ (disposals)		At December 31, 2008	At January 01, 2008	Charge for the year / (depreciation on disposals)	At December 31, 2008			
	(Rupees in '000)									
Land – Freehold			9,408,417	213,440	9,718,045	–	–	–	9,718,045	–
				96,188						
Land – Leasehold			57,430	–	57,430	–	–	–	57,430	–
Buildings on freehold land			3,923,373	118,674	4,210,928	–	89,504	89,504	4,121,424	50 years
				168,881						
Buildings on leasehold land			65,567	–	65,567	20,082	4,980	25,062	40,505	10 to 50 years
Furniture and fixture			630,510	70,314	672,327	288,231	34,350	312,254	360,073	10% to 33%
				(28,497)			(10,327)			
Electrical, Computers and Office Equipment			3,717,177	1,192,885	4,683,034	2,346,635	606,653	2,736,827	1,946,207	20% to 33%
				(227,028)			(216,461)			
Vehicles			721,166	130,872	532,026	261,032	79,718	213,401	318,625	20%
				(320,012)			(127,349)			
			18,523,640	1,726,185	19,939,357	2,915,980	815,205	3,377,048	16,562,309	
				(575,537)			(354,137)			
				265,069			–			

Notes to the Financial Statements

For the year ended December 31, 2009

11.2.1 The land and buildings of the Bank were last revalued in December 2007 by independent valuers (Pee Dee Associates & Arch-e-Decon), valuation and engineering consultants, on the basis of market value. This valuation was incorporated at December 31, 2007. The information relating to location of revalued assets is given in Annexure V. The details of revalued amounts are as follows:

(Rupees in '000)

Total revalued amount of land	9,562,035
Total revalued amount of buildings	4,104,587

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2009 would have been as follows:

(Rupees in '000)

Land	2,228,488
Buildings	2,545,754

11.2.2 The gross carrying amount of fully depreciated assets that are still in use are as follows:

Furniture and fixture	10,942
Electrical, computers and office equipment	1,626,317
Vehicles	260,053

11.2.3 Details of disposal of operating fixed assets

The information relating to disposal of operating fixed assets required to be disclosed as part of the financial statements by the State Bank of Pakistan is given in Annexure IV and is an integral part of these financial statements.

11.3 Intangible asset

Description	2009							
	Cost			Accumulated amortization			Net book value at December 31, 2009	Annual rate of amortization %
	At January 01, 2009	Additions	At December 31, 2009	At January 01, 2009	Amortization for the year	At December 31, 2009		
	(Rupees in '000)							
Computer software	705,802	210,441	916,243	514,604	153,397	668,001	248,242	33.33
	705,802	210,441	916,243	514,604	153,397	668,001	248,242	
Description	2008							
	Cost			Accumulated amortization			Net book value at December 31, 2008	Annual rate of amortization %
	At January 01, 2008	Additions	At December 31, 2008	At January 01, 2008	Amortization for the year	At December 31, 2008		
	(Rupees in '000)							
Computer software	555,672	150,130	705,802	372,599	142,005	514,604	191,198	33.33
	555,672	150,130	705,802	372,599	142,005	514,604	191,198	

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
12. OTHER ASSETS – NET			
Income / mark-up accrued on advances and investments – local currency		7,831,605	7,901,740
Income / mark-up accrued on advances and investments – foreign currencies		50,221	184,677
Advances, deposits, advance rent and other prepayments		2,889,208	2,608,642
Advance taxation (payments less provisions)		–	57,203
Compensation for delayed income tax refunds		44,802	44,802
Branch adjustment account		298,112	–
Non-banking assets acquired in satisfaction of claims	12.1	1,155,832	1,155,832
Unrealised gain on derivative financial instruments	12.2	194,400	1,507,969
Stationery and stamps on hand		82,466	83,077
Prepaid exchange risk fee		319	–
Receivable from the pension fund	36.3	9,322,304	5,399,019
Others		1,754,779	1,323,613
		<u>23,624,048</u>	<u>20,266,574</u>
Less: Provision held against other assets	12.3	583,953	456,098
		<u>23,040,095</u>	<u>19,810,476</u>

12.1 The market value of non-banking assets with carrying value of Rs.1,033.222 million (2008: Rs. 1,033.222 million) net of provision as per the valuation report dated December 31, 2009 amounted to Rs. 1,068.687 million (2008: Based on valuation as of December 31, 2008 Rs. 996.245 million).

12.2 Unrealised gain on derivative financial instruments

	Contract / notional amount		Unrealised gain	
	2009	2008	2009	2008
	(Rupees in '000)			
Unrealised gain on:				
Interest rate swaps	83,333	166,667	642	6,222
Cross currency swaps	124,845	173,127	307	1,625
Forward exchange contracts	21,232,947	35,252,291	193,451	1,500,122
	<u>21,441,125</u>	<u>35,592,085</u>	<u>194,400</u>	<u>1,507,969</u>

	2009 (Rupees in '000)	2008
12.3 Provision held against other assets		
Opening balance	456,098	513,529
Charge for the year	142,824	23,135
Reversal during the year	–	–
	<u>142,824</u>	<u>23,135</u>
Write off during the year	(14,969)	(65,809)
Transfer	–	(14,757)
Closing balance	<u>583,953</u>	<u>456,098</u>

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2009 and December 31, 2008.

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
14. BILLS PAYABLE			
In Pakistan		8,131,031	10,522,565
Outside Pakistan		70,059	28,903
		<u>8,201,090</u>	<u>10,551,468</u>
15. BORROWINGS			
In Pakistan		43,658,408	17,742,776
Outside Pakistan		1,003,680	4,921,064
		<u>44,662,088</u>	<u>22,663,840</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		43,658,408	17,742,776
In foreign currencies		1,003,680	4,921,064
		<u>44,662,088</u>	<u>22,663,840</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	15.3 & 15.5	8,829,527	9,217,004
Long term financing facility	15.4 & 15.5	80,220	2,044,460
Long term financing – export oriented projects scheme	15.4 & 15.5	2,018,330	56,291
		<u>10,928,077</u>	<u>11,317,755</u>
Borrowings from other financial institution	15.6	452,398	–
Repurchase agreement borrowings	15.7	31,606,331	6,325,021
		<u>42,986,806</u>	<u>17,642,776</u>
Unsecured			
Call borrowings	15.8	1,146,092	4,418,990
Overdrawn nostro accounts		529,190	602,074
		<u>1,675,282</u>	<u>5,021,064</u>
		<u>44,662,088</u>	<u>22,663,840</u>

15.3 The Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.

15.4 The amount is due to SBP and have been obtained for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.

15.5 Borrowings from SBP under the export refinance and long term financing for export oriented projects schemes are secured against the Bank's cash and security balances held by the SBP.

15.6 These carry mark-up at the rate 5% per annum (2008: NIL).

15.7 These carry mark-up rates ranging between 12.05% to 12.50% per annum (2008: 7.50% to 14.90% per annum) and are secured against government securities of carrying value of Rs. 31,513.525 million (2008: Rs. 6,287.636 million). These are repayable latest by January, 2010.

15.8 These carry mark-up at the rate of 12.40% (2008: 15.50%). These are repayable by January, 2010.

Notes to the Financial Statements

For the year ended December 31, 2009

	2009	2008
	(Rupees in '000)	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	62,651,531	61,680,332
Saving deposits	173,797,078	150,927,938
Current accounts – non remunerative	123,898,324	105,310,862
Margin accounts	2,910,655	3,137,434
Others	767	563
	<u>363,258,355</u>	<u>321,057,129</u>
Financial institutions		
Remunerative deposits	2,258,295	5,197,969
Non-remunerative deposits	2,088,061	3,926,526
	<u>4,346,356</u>	<u>9,124,495</u>
	<u>367,604,711</u>	<u>330,181,624</u>
16.1 Particulars of deposits		
In local currency	336,180,581	312,829,233
In foreign currencies	31,424,130	17,352,391
	<u>367,604,711</u>	<u>330,181,624</u>

16.2 Deposits include deposits from related parties amounting to Rs.16,299.759 million (2008: Rs. 8,862.435 million).

	Note	2009	2008
		(Rupees in '000)	
17. DEFERRED TAX LIABILITY / (ASSET) – 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	21.1	503,649	516,543
Accelerated tax depreciation		749,828	678,001
Receivable from pension fund		3,262,911	–
Net investment in finance lease receivable		301,189	436,823
Others		–	2,444
		<u>4,817,577</u>	<u>1,633,811</u>
Deductible temporary differences on:			
Deficit on revaluation of securities	21.2	(90,053)	(661,966)
Provision for bad debts		(1,084,757)	–
Provision for contributory benevolent scheme		(46,604)	(79,121)
Provision for post retirement medical benefits		(399,420)	(455,587)
		<u>(1,620,834)</u>	<u>(1,196,674)</u>
		<u>3,196,743</u>	<u>437,137</u>

17.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable up to a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances can be carried over to succeeding years. However the management, based on the projections prepared by the Bank, is of the view that it would be able to get deduction of provision in excess of 1% of total advances and accordingly has recognised deferred tax amounting to Rs. 1,084.757 million on such provisions.

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		5,144,560	4,230,030
Mark-up / return / interest payable in foreign currencies		68,138	114,034
Accrued expenses		1,824,390	1,804,195
Unclaimed dividend		293,582	275,073
Staff welfare fund		56,244	65,531
Unrealised loss on derivative financial instruments	18.1	276,063	8,470,041
Provision for employees' compensated absences	36.3	541,116	752,947
Provision for post retirement medical benefits	36.3	1,370,424	1,400,413
Provision for employees' contributory benevolent scheme	36.3	246,444	274,446
Security deposits received in respect of finance lease		1,041,833	1,320,327
Taxation (provision less payments)		1,096,273	–
Retention money		27,161	22,403
Insurance payable against consumer assets		298,504	398,369
Branch adjustment account		–	151,990
Others		3,534,350	2,065,982
		15,819,082	21,345,781

18.1 Unrealised loss on derivative financial instruments

	Contract / notional amount		Unrealised loss	
	2009	2008	2009	2008
	(Rupees in '000)			
Unrealised loss on:				
Interest rate swaps	83,333	2,244,130	–	17,591
Cross currency swaps	124,845	173,127	307	1,625
Forward exchange contracts	25,636,271	101,932,869	275,756	8,450,825
	25,844,449	104,350,126	276,063	8,470,041

19. SHARE CAPITAL

19.1 Authorised Capital

2009 (Number of shares)	2008		2009 (Rupees in '000)	2008
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	10,000,000	10,000,000

19.2 Issued, subscribed and paid-up capital

2009			2008				2009	2008
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		(Rupees in '000)	
(Number of shares)								
197,253,795	431,023,048	628,276,843	197,253,795	431,023,048	628,276,843	Opening balance	6,282,768	6,282,768
–	62,827,684	62,827,684	–	–	–	Shares issued during the year	628,277	–
197,253,795	493,850,732	691,104,527	197,253,795	431,023,048	628,276,843	Closing balance	6,911,045	6,282,768

Notes to the Financial Statements

For the year ended December 31, 2009

		2009	2008
		(Number of shares)	
19.3	Number of shares held by the associated undertakings as at December 31, are as follows:		
	Adamjee Insurance Company Limited	21,148,526	19,225,933
	Nishat Mills Limited	47,810,242	42,562,657
	Mayban International Trust (Labuan) Berhad	138,220,905	125,655,369
		<u>207,179,673</u>	<u>187,443,959</u>
		2009	2008
		(Rupees in '000)	
20. RESERVES			
	Share premium	9,702,528	9,702,528
	Exchange translation reserve	256,151	188,686
	Statutory reserve	9,827,081	8,277,551
	General reserve	18,600,000	18,600,000
		<u>38,385,760</u>	<u>36,768,765</u>
20.1	Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.		
		2009	2008
		(Rupees in '000)	
21. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX			
	Surplus / (deficit) arising on revaluation (net of tax) of:		
	– fixed assets	8,268,894	8,292,841
	– available-for-sale securities	395,187	(2,101,652)
		<u>8,664,081</u>	<u>6,191,189</u>
21.1 Surplus on revaluation of fixed assets–net of tax			
	Surplus on revaluation of fixed assets as at January 01	8,809,384	8,577,114
	Adjustment / surplus during the year	–	265,069
	Surplus realised on disposal of revalued properties – net of deferred tax	(1,623)	–
	Related deferred tax liability	(874)	–
		<u>(2,497)</u>	<u>–</u>
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax	(22,324)	(21,319)
	Related deferred tax liability	(12,020)	(11,480)
		<u>(34,344)</u>	<u>(32,799)</u>
	Surplus on revaluation of fixed assets as at December 31	<u>8,772,543</u>	<u>8,809,384</u>
	Less: Related deferred tax liability on:		
	Revaluation as at January 01	516,543	468,916
	Adjustment / surplus during the year	–	59,107
	Disposal of revalued properties during the year transferred to profit and loss account	(874)	–
	Incremental depreciation charged during the year transferred to profit and loss account	(12,020)	(11,480)
		<u>503,649</u>	<u>516,543</u>
		<u>8,268,894</u>	<u>8,292,841</u>

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
21.2 Surplus / (deficit) on revaluation of available-for-sale securities – net of tax			
Federal Government Securities			
– Market Treasury Bills		(307,793)	(91,427)
– Pakistan Investment Bonds		(123,876)	(468,065)
Listed Securities			
– Shares / Certificates / Units		690,169	(2,286,629)
– Open Ended Mutual Funds		146,730	38,356
– Term Finance Certificates		(96,233)	25,147
		740,666	(2,223,126)
Sukuk Bonds		(3,863)	19,000
		305,134	(2,763,618)
Add: Related deferred tax asset	17	90,053	661,966
		395,187	(2,101,652)
22. CONTINGENCIES AND COMMITMENTS			
22.1 Transaction-related contingent liabilities			
Guarantees in favour of:			
Government		6,027,243	5,743,838
Banks and financial institutions		18,238	36,030
Others		16,049,739	15,148,692
Suppliers' credit / payee guarantee		2,421,640	2,255,011
		24,516,860	23,183,571
22.2 Trade-related contingent liabilities		47,577,037	54,869,480
22.3 Other contingencies			
Claims against the Bank not acknowledged as debts		542,415	226,246
22.4 Commitments to extend credit			
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
	Note	2009 (Rupees in '000)	2008
22.5 Commitments in respect of forward foreign exchange contracts			
Purchase		23,832,214	69,983,697
Sale		23,037,004	67,476,228
22.6 Commitments for the acquisition of fixed assets		–	557,810
22.7 Other commitments			
Cross currency swaps (notional amount)	23.1 & 23.2	249,690	346,254
Interest rate swaps – (notional amount)	23.1 & 23.2	166,667	2,410,797
Forward outright sale of Government Securities		–	20,827,530
Outright purchase of Government Securities from SBP		–	26,644,450

Notes to the Financial Statements

For the year ended December 31, 2009

22.8 Taxation

The income tax assessments of the Bank have been finalised upto and including the Tax Year 2009. For the Tax Years 2003 to 2008, the department has amended the assessments on certain issues against which the Bank has filed appeal before the Commissioner of Income Tax (Appeals). In respect of the Tax Year 2003 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided the matter in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). The management and the Bank's legal counsel are of the view that the issues will be decided in the Bank's favour as and when these are taken up by the appellate authorities. For Tax Year 2007, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 716.713 million against which the legal/appellate course from the Bank has reached ITAT level.

Total disallowances for the assessment years 1994–95 to 1997–98 on account of interest in suspense amounted to Rs. 722.682 million out of which an amount of Rs. 317.289 million has been allowed in the assessment years 1998–1999 to 2000–2001. It is expected that the pending appeals in this regard in the Honourable Sindh High Court shall be decided in favour of the Bank as allowed in assessment years 1992–1993 and 1993–1994. Subsequent to the favourable order of the Honourable Sindh High Court, the management considers that provision is not necessary for the remaining balance of Rs.405.393 million resulting in tax liability for interest in suspense for Rs. 244.781 million as the Bank has been subjected to tax far exceeding its normal tax liability and is hopeful of favourable decisions in appeals. Accordingly, no provision has been made in these financial statements for the above amount.

23. DERIVATIVE INSTRUMENTS

Most corporates (counter parties) have either interest rate exposures arising from debt financing or excess liquidity or currency exposures arising out of commercial and business transactions. In the event of a shift in interest or foreign exchange (FX) rates, these corporates may incur higher borrowing costs or higher cash outflows that will adversely affect profitability.

The Bank is providing solutions to this conundrum through derivatives. Through this, counterparties will be hedging exposure to adverse price movements in a security, typically when the counterparty has a concentrated position in the security and is acutely exposed to movements in the underlying risk factors. The Bank is in a better position to hedge that risk, and is thus able to provide cost efficient hedging solutions to the counterparties enabling them to concentrate on their business risk.

Other Objectives include:

- contribution to the development of Pakistani financial markets.
- provision of financial solutions to the counterparties.

In light of the above the Bank is actively marketing interest rate risk and FX risk management tools, including:

- Interest Rate Swaps
- Currency Swaps.

Risk management is performed at:

- a) Strategic level: By senior management Assets and Liabilities Management Committee (ALCO), Risk Management Committee (RMC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Bank-wide basis.
- b) Macro Level: By Financial Institution Public Sector (FIPS) & Market Risk Management (MRM) Division, responsible for policy formulation, procedure development & implementation, monitoring and reporting.
- c) Micro Level: Treasury Derivatives & Structured Product Desk and Treasury Operations, where risks are actually created.

FIPS & MRM Division is responsible for coordinating for risk management of derivatives.

The risk management system generates marked to market risk numbers (i.e. VaR PVB, duration, etc.) of Interest rate derivative portfolio. These numbers are reported to senior management on a daily basis.

As per the State Bank of Pakistan's (SBP) regulations, currency options are hedged back to back and thus the risks associated with such transactions are minimal.

Risk Limits

Before initiating any new derivative transaction, Treasury Division requests the FIPS & MRM Division for risk limits. Limit requests are approved by the appropriate level of authority. Presently the Bank has notional limits (both for the portfolio and the counterparty).

Notes to the Financial Statements

For the year ended December 31, 2009

23.1 Product analysis

Counter parties	2009					
	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	2	124,845	1	83,333	—	—
Market Making	—	—	—	—	—	—
With other entities for						
Hedging	—	—	—	—	—	—
Market Making	2	124,845	1	83,333	—	—
Total						
Hedging	2	124,845	1	83,333	—	—
Market Making	2	124,845	1	83,333	—	—
2008						
Counter parties	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	2	173,127	2	2,144,130	—	—
Market Making	—	—	—	—	—	—
With other entities for						
Hedging	—	—	—	—	—	—
Market Making	2	173,127	2	266,667	—	—
Total						
Hedging	2	173,127	2	2,144,130	—	—
Market Making	2	173,127	2	266,667	—	—

23.2 Maturity analysis

Remaining Maturity	No. of Contracts	Notional Principal	2009		
			Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Interest rate swaps					
6 months to 1 year	2	166,666	–	642	642
2008					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
			Interest rate swaps		
1 to 3 months	2	2,077,463	(13,380)	–	(13,380)
1 to 2 Years	2	333,334	(4,210)	6,222	2,012
2009					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
			Cross currency swaps		
1 to 2 Years	4	249,690	(307)	307	–
2008					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
			Cross currency swaps		
2 to 3 Years	4	346,254	(1,625)	1,625	–

Notes to the Financial Statements

For the year ended December 31, 2009

	2009	2008
	(Rupees in '000)	
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	36,212,097	29,869,943
Financial institutions	–	1,805
	36,212,097	29,871,748
On investments in:		
Held for trading securities	10,842	11,929
Available for sale securities	12,052,173	7,718,124
Held to maturity securities	1,831,147	1,011,738
	13,894,162	8,741,791
On deposits with financial institutions	133,069	109,525
On securities purchased under resale agreements	838,415	582,280
On money at call	335,911	401,819
Others	202,353	336,661
	51,616,007	40,043,824
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	13,866,799	9,426,724
Securities sold under repurchase agreements	722,711	944,891
Other short-term borrowings	775,126	519,775
Sub-ordinated loan	–	5,785
Discount, commission and brokerage	452,883	442,564
Others	23,944	221,001
	15,841,463	11,560,740
26. GAIN ON SALE OF SECURITIES – NET		
Federal Government Securities		
– Market Treasury Bills	11,011	2,703
– Pakistan Investment Bonds	77,981	(16,610)
Overseas Government Securities	–	20,108
Shares – Listed	643,417	734,228
– Unlisted	18,630	–
Term Finance Certificates	22,729	–
	773,768	740,429
27. OTHER INCOME – NET		
Rent on property / lockers	87,397	71,718
Net profit on sale of property and equipment	30,614	36,777
Bad debts recovered	90,310	26,477
Others	527,797	720,725
	736,118	855,697

Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		6,471,114	6,479,968
Charge / (reversal) for defined benefit plans and other benefits:			
– Approved pension fund	36.7	(3,923,285)	(5,399,319)
– Post retirement medical benefits	36.7	130,488	98,739
– Employees' contributory benevolent scheme	36.7	64,906	48,384
– Employees' compensated absences	36.7	150,779	(75,692)
		(3,577,112)	(5,327,888)
Contributions to defined contribution plan – provident fund		148,734	135,164
Non-executive directors' fees		10,220	4,044
Rent, taxes, insurance, electricity		1,356,486	1,040,185
Legal and professional charges		240,410	243,034
Communications		995,448	844,325
Repairs and maintenance		533,935	505,550
Stationery and printing		330,415	327,129
Advertisement and publicity		215,079	196,563
Cash transportation charges		515,903	399,317
Instrument clearing charges		137,109	112,677
Donations	28.1	25,000	–
Auditors' remuneration	28.2	14,963	16,464
Depreciation	11.2	909,471	815,205
Amortization of intangible asset	11.3	153,397	142,005
Travelling, conveyance and fuel		588,793	618,532
Subscription		14,333	24,078
Entertainment		74,073	99,931
Training Expenses		46,979	55,601
Petty Capital items		49,034	103,116
Credit Card Related Expenses		54,123	64,365
Others		799,282	647,513
		10,107,189	7,546,878

28.1 During the year, donation amounting to Rs. 25 million were paid to Mir Khalil ur Rahman Foundation (MKRF) for internally displaced persons. Donation was not made to any donee in which the Bank or any of its directors or their spouses had any interest.

	2009 (Rupees in '000)	2008
28.2 Auditors' remuneration		
Annual Audit fee	2,587	3,812
Fee for the audit of branches	3,432	3,102
Fee for audit of overseas branches	4,500	1,650
Fee for half year review	1,152	1,780
Special certifications, etc.	2,381	4,470
Out-of-pocket expenses	911	1,650
	14,963	16,464

Notes to the Financial Statements

For the year ended December 31, 2009

	2009	2008
	(Rupees in '000)	
29. OTHER CHARGES		
Fixed assets written off	17,477	–
Penalties of State Bank of Pakistan	30,000	300,000
Workers welfare fund	463,099	437,351
VAT Sri Lanka	103,707	80,473
Others	75,867	–
	<u>690,150</u>	<u>817,824</u>
30. TAXATION		
For the year		
Current	7,703,305	7,341,257
Deferred	298,807	16,533
	<u>8,002,112</u>	<u>7,357,790</u>
Prior years		
Current	(2,232,226)	(864,824)
Deferred	1,889,762	–
	<u>(342,464)</u>	<u>(864,824)</u>
	<u>7,659,648</u>	<u>6,492,966</u>
30.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	<u>23,154,945</u>	<u>21,867,566</u>
Tax rate	<u>35%</u>	<u>35%</u>
Tax on income	8,104,231	7,653,648
Tax effect on separate block of income (taxable at reduced rate)	(114,935)	(234,934)
Tax effect of permanent differences	24,836	(49,444)
Tax effect of prior years provisions / reversals	(342,464)	(864,824)
Reversal of deferred tax liability on incremental depreciation	(12,020)	(11,480)
Tax charge for the year	<u>7,659,648</u>	<u>6,492,966</u>

31. CREDIT RATING

PACRA through its notification in June 2009, has assigned long term credit rating of AA+ [double A plus] and short-term credit rating of A1+ [A one plus] to the Bank (2008: AA+ [Double A plus] for long term and A1+ [A one plus] for short term rating).

Notes to the Financial Statements

For the year ended December 31, 2009

		2009 (Rupees in '000)	2008
32. BASIC AND DILUTED EARNINGS PER SHARE PRE TAX			
Profit before taxation		23,154,945	21,867,566
		(Number of Shares)	
Weighted average number of shares outstanding during the year		691,104,527	691,104,527
		(Rupees)	
Basic and diluted earnings per share – pre tax		33.50	31.64
33. BASIC AND DILUTED EARNINGS PER SHARE AFTER TAX			
Profit after taxation		15,495,297	15,374,600
		(Number of Shares)	
Weighted average number of shares outstanding during the year		691,104,527	691,104,527
		(Rupees)	
Basic and diluted earnings per share – after tax		22.42	22.25
* Weighted average number of shares outstanding for 2008 have been restated to give effect of bonus shares issued during the year.			
	Note	2009 (Rupees in '000)	2008
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	38,774,871	39,631,172
Balances with other banks	7	6,009,993	4,043,100
		44,784,864	43,674,272
		2009 (Number)	2008
35. STAFF STRENGTH			
Permanent		9,397	10,160
Temporary/on contractual basis		48	47
Bank's own staff strength at the end of the year		9,445	10,207
Outsourced		3,747	3,727
Total staff strength		13,192	13,934

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

The Bank operates the following retirement benefits for its employees:

- Pension fund (final salary plan) – funded
- Benevolent scheme – unfunded
- Post retirement medical benefits – unfunded
- Employees compensated absence – unfunded

Notes to the Financial Statements

For the year ended December 31, 2009

36.2 Principal actuarial assumptions

The latest actuarial valuations of the approved pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2009. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2009	2008	2009	2008	2009	2008	2009	2008
	(%)							
Valuation discount rate	14	13	14	13	14	13	14	13
Expected rate of return on plan assets	14	13	–	–	–	–	–	–
Salary increase rate	10	10	10	10	10	10	10	10
Indexation in pension	–	–	–	–	–	–	–	–
Medical cost inflation rate	–	–	–	–	8	8	–	–
Exposure inflation rate	–	–	–	–	3	3	–	–

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

36.3 (Receivable from) / payable to defined benefit plans and other benefits

		Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	Note	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)									
Present value of defined benefit obligations	36.5	4,072,653	4,295,986	299,388	300,162	1,287,348	1,269,622	541,116	752,947
Fair value of plan assets	36.6	(18,254,967)	(15,953,712)	–	–	–	–	–	–
Net actuarial gains / (losses) not recognised		4,860,010	6,258,707	(52,944)	(25,716)	49,369	71,952	–	–
Unrecognised negative past service cost		–	–	–	–	33,707	67,415	–	–
Unrecognised past service cost		–	–	–	–	–	(8,576)	–	–
Net (receivable) / payable recognised as at the year – end		(9,322,304)	(5,399,019)	246,444	274,446	1,370,424	1,400,413	541,116	752,947

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the present value of medial obligation at December 31, 2009 would be Rs.76.348 million (2008: Rs. 61.985 million) and Rs.62.472 million (2008: Rs. 51.799 million) respectively.

36.4 Movement in balance (receivable) / payable

		Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	Note	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)									
Opening balance of (receivable) / payable		(5,399,019)	(10,651,047)	274,446	282,019	1,400,413	1,455,135	752,947	974,464
Expense recognised	36.8	(3,923,285)	(5,399,319)	64,906	48,384	130,488	98,739	150,779	(75,692)
Refunds / (contributions) during the year		–	10,651,347	–	–	–	–	–	–
– Employees' contribution				12,338					
Benefits paid		–	–	(105,246)	(55,957)	(160,477)	(153,461)	(362,610)	(145,825)
Closing balance of (receivable) / payable		(9,322,304)	(5,399,019)	246,444	274,446	1,370,424	1,400,413	541,116	752,947

Notes to the Financial Statements

For the year ended December 31, 2009

36.5 Reconciliation of the present value of the defined benefit obligations

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
Present value of obligation as at January 01,	4,295,986	4,747,389	300,162	355,340	1,269,622	1,422,918	752,947	974,464
Current service cost	22,223	34,639	11,751	13,769	15,253	17,555	47,209	–
Interest cost	558,478	371,093	39,021	35,533	165,051	142,292	97,883	–
Benefits paid	(1,172,751)	(689,440)	(105,246)	(69,735)	(160,477)	(153,461)	(362,610)	(145,825)
Actuarial (gains) / losses	368,717	(167,695)	53,700	(34,745)	(2,101)	(159,682)	5,687	(75,692)
Present value of obligation as at December 31,	4,072,653	4,295,986	299,388	300,162	1,287,348	1,269,622	541,116	752,947

36.6 Changes in fair values of plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
Note	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
Net assets as at January 01,	15,953,712	25,095,113	–	–	–	–	–	–
Expected return on plan assets	2,073,983	2,675,699	–	–	–	–	–	–
Contributions – Bank	–	(10,651,347)	–	55,957	–	–	–	–
Contributions – Employees	–	–	–	13,778	–	–	–	–
Benefits paid	(1,172,751)	(689,440)	–	(69,735)	–	–	–	–
Actuarial gain / (loss)	1,400,023	(476,313)	–	–	–	–	–	–
Net assets as at December 31, 36.9	18,254,967	15,953,712	–	–	–	–	–	–

36.7 Charge for defined benefit plans and other benefits

The following amounts have been charged to the profit and loss account in respect of defined benefit plans and other benefits:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
Current service cost	22,223	34,639	11,751	13,769	15,253	17,555	47,209	–
Interest cost	558,478	371,093	39,021	35,533	165,051	142,292	97,883	–
Expected return on plan assets	(2,073,983)	(2,675,697)	–	–	–	–	–	–
Net actuarial (gain) / loss recognised	(2,430,003)	(3,129,354)	26,472	12,859	(24,685)	(35,977)	5,687	(75,692)
Contributions employees	–	–	(12,338)	(13,777)	–	–	–	–
Recognised past service cost	–	–	–	–	8,577	8,577	–	–
Recognised negative past service cost	–	–	–	–	(33,708)	(33,708)	–	–
	(3,923,285)	(5,399,319)	64,906	48,384	130,488	98,739	150,779	(75,692)

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the aggregate of the current service cost and interest cost components of net period post – employment medical costs would be Rs. 12.139 million (2008: Rs. 7.316 million) and Rs.9.871 million (2008: Rs. 6.056 million) respectively.

36.8 Actual return on plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
Actual return on plan assets	3,474,006	2,199,386	–	–	–	–	–	–

Notes to the Financial Statements

For the year ended December 31, 2009

36.9 Composition of fair value of plan assets

	Approved Pension Fund			
	2009		2008	
	Fair Value (Rupees in '000)	Percentage (%)	Fair Value (Rupees in '000)	Percentage (%)
Defence saving certificates	—	—	4,580,964	28.71
Term deposit receipts	12,933,809	70.85	8,306,121	52.06
Listed equity shares	3,255,079	17.83	1,877,187	11.77
Open ended mutual funds units	127,412	0.70	89,072	0.56
Cash and bank balances	1,938,667	10.62	1,100,368	6.90
Fair value of plan total assets	18,254,967	100	15,953,712	100
36.9.1 Fair value of the Bank's financial instruments included in plan assets:				
Shares of MCB	2,331,026		1,213,610	
TDRs of MCB	12,933,809		8,306,121	
Bank balance with MCB	1,926,220		1,091,138	
	17,191,055		10,610,869	

36.10 Other relevant details of above funds are as follows:

	2009	2008	2007	2006	2005
	(Rupees in '000)				
36.10.1 Pension Fund					
Present value of defined benefit obligation	4,072,653	4,295,986	4,747,389	4,752,693	5,503,819
Fair value of plan assets	(18,254,967)	(15,953,712)	(25,095,113)	(14,810,557)	(10,554,024)
(Surplus) / deficit	(14,182,314)	(11,657,726)	(20,347,724)	(10,057,864)	(5,050,205)
Actuarial gain / (loss) on obligation					
Experience adjustment	(368,717)	167,695	(325,849)	54,320	(304,748)
Assumptions gain / (loss)	—	—	—	—	172,866
	(368,717)	167,695	(325,849)	54,320	(131,882)
Actuarial gain / (loss) on assets					
Experience adjustment	1,400,023	(476,313)	9,694,483	4,634,045	5,268,939
Assumptions gain / (loss)	—	—	—	—	(138,502)
	1,400,023	(476,313)	9,694,483	4,634,045	5,130,437
36.10.2 Employees' Contributory Benevolent Scheme					
Present value of defined benefit obligation	299,388	300,162	355,340	332,677	407,569
Fair value of plan assets	—	—	—	(20,650)	(18,976)
	299,388	300,162	355,340	312,027	388,593
Actuarial gain / (loss) on obligation					
Experience adjustment	(53,700)	34,745	(60,968)	10,182	(228,823)
Assumptions gain / (loss)	—	—	—	—	107,003
	(53,700)	34,745	(60,968)	10,182	(121,820)
Actuarial gain / (loss) on assets					
Experience adjustment	—	—	(1,529)	(34)	(1)
Assumptions gain / (loss)	—	—	—	—	(418)
	—	—	(1,529)	(34)	(419)

Notes to the Financial Statements

For the year ended December 31, 2009

	2009	2008	2007	2006	2005
	(Rupees in '000)				
36.10.3 Post Retirement Medical Benefits					
Present value of defined benefit obligation	1,287,348	1,269,622	1,422,918	1,345,357	1,456,392
Fair value of plan assets	–	–	–	–	–
	1,287,348	1,269,622	1,422,918	1,345,357	1,456,392
Actuarial gain / (loss) on obligation					
Experience adjustment	2,101	159,682	(40,893)	36,153	8,743
Assumptions gain / (loss)	–	–	–	(21,846)	(21,846)
	2,101	159,682	(40,893)	14,307	(13,103)
36.10.4 Compensated absences					
Present value of defined benefit obligation	541,116	752,947	974,464	1,023,683	856,213
Fair value of plan assets	–	–	–	–	–
	541,116	752,947	974,464	1,023,683	856,213
Actuarial gain / (loss) on obligation	(5,687)	75,692	(100,729)	–	–

36.11. No contribution to the pension fund is expected in the next future year.

37. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 6,663 (2008: 6,671) employees where contributions are made by the Bank and employees at 8.33% per annum (2008: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs. 148.734 million (2008: Rs. 135.164 million) in respect of this fund.

The Bank also operates an approved non-contributory provident fund for 2,223 (2008: 2,284) employees who have opted for the new scheme, where contributions are made by the employees at 12% per annum (2008: 12% per annum) of the basic salary.

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for compensation, including all benefits, to the Chief Executive, Directors and Executives of the Bank was as follows:

	President / Chief Executive		Directors		Executive	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
Fees	–	–	10,220	3,630	–	–
Managerial remuneration	38,830	27,016	1,524	1,524	628,210	582,638
Bonus and others	8,000	12,800	–	–	227,216	257,099
Retirement benefits	1,759	2,161	–	–	383,096	110,194
Rent and house maintenance	9,502	11,669	–	–	228,536	209,844
Utilities	2,111	2,593	–	–	49,854	46,180
Medical	–	82	–	–	14,641	16,675
Conveyance	417	–	–	–	226,273	178,893
	60,619	56,321	11,744	5,154	1,757,826	1,401,523
Number of persons	1	1	12	10	586	509

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

Notes to the Financial Statements

For the year ended December 31, 2009

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.3 to these financial statements.

The maturity and repricing profile and effective rates are stated in notes 43.3, 43.4.1 and 43.4.2 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	(Rupees in '000)				
2009					
Total income	81,457	12,748,247	24,888,397	19,540,791	57,258,892
Total expenses	(17,300)	(3,161,956)	(27,806,309)	(3,118,382)	(34,103,947)
Income tax expense	–	–	–	–	(7,659,648)
Net income	64,157	9,586,291	(2,917,912)	16,422,409	15,495,297
Segment assets – (Gross of NPL's provision)		188,753,204	114,468,810	206,001,713	509,223,727
Total assets	–	188,753,204	114,468,810	206,001,713	509,223,727
Segment non performing loans	–	–	7,546,222	15,692,501	23,238,723
Segment specific provision required	–	–	5,091,169	10,587,176	15,678,345
Segment liabilities	–	160,878,035	98,949,781	175,362,882	435,190,698
Provision for taxation	–	–	–	–	1,096,273
Deferred tax liability	–	–	–	–	3,196,743
Total liabilities – net	–	160,878,035	98,949,781	175,362,882	439,483,714
Segment return on net assets (ROA) (%)	–	5.08%	–2.67%	8.40%	3.14%
Segment cost of fund (%)	–	1.69%	3.78%	3.55%	3.75%

Notes to the Financial Statements

For the year ended December 31, 2009

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	(Rupees in '000)				
2008					
Total income	72,653	10,515,428	19,337,253	15,909,930	45,835,264
Total expenses	(12,365)	(3,661,517)	(18,977,474)	(1,316,342)	(23,967,698)
Income tax expense	–	–	–	–	(6,492,966)
Net income	60,288	6,853,911	359,779	14,593,588	15,374,600
Segment assets – (Gross of NPL's provision)	–	114,183,559	151,896,363	187,374,668	453,454,590
	–	–	–	–	–
Total assets	–	114,183,559	151,896,363	187,374,668	453,454,590
Segment non performing loans	–	–	7,529,468	10,739,409	18,268,877
Segment specific provision required	–	–	4,078,564	5,817,325	9,895,889
Segment liabilities	–	107,251,078	117,748,465	159,743,170	384,742,713
Provision for taxation	–	–	–	–	–
Deferred tax liability					437,137
Total liabilities – net	–	107,251,078	117,748,465	159,743,170	385,179,850
Segment return on net assets (ROA) (%)	–	6.00%	0.24%	8.04%	3.47%
Segment cost of fund (%)	–	4.16%	2.97%	3.72%	3.01%

41. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans and its key management personnel (including their associates) and companies with common directors. The detail of investment in subsidiary companies and associated undertakings are stated in Annexure I (note 5 & 6) to these financial statements.

Transactions between the Bank and its related parties are carried at arm's length basis under the comparable uncontrolled price method. However, the transactions between the Bank and one of its subsidiary MNET Services (Pvt) Limited are carried out on "cost plus" method. Details of loans and advances to the companies or firms in which the directors of the Bank are interested as directors, partners or in case of private companies as members, are given in note 10.6 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. 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 as disclosed in notes 36 and 37. Remuneration to executives is disclosed in noted 38 to these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2009

	Directors		Associated companies		Subsidiary companies		Other related parties	
	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
A. Balances								
Deposits								
Deposits at beginning of the year	425,898	17,980	301,929	275,826	29,774	9,719	8,104,834	3,606,263
Deposits received during the year	18,190,042	10,910,613	64,472,189	302,979,123	737,261	687,935	65,578,141	69,980,909
Deposits repaid during the year	(18,129,168)	(10,502,695)	(63,878,630)	(302,953,020)	(728,968)	(667,880)	(58,803,543)	(65,482,338)
Deposits at end of the year	486,772	425,898	895,488	301,929	38,067	29,774	14,879,432	8,104,834
Mark-up expense on deposits	12,791	4,908	110,305	81,271	692	728	1,363,087	539,779
Advances (secured)								
Balance at beginning of the year	–	–	–	–	1,640	2,116	–	1,661,869
Loans granted during the year	–	–	–	–	–	–	–	524,153
Repayments received during the year	–	–	–	–	(499)	(476)	–	(2,186,022)
Balance at end of the year	–	–	–	–	1,141	1,640	–	–
Receivable from Pension fund							9,322,304	5,399,019
B. Other transactions (including profit and loss related transactions)								
	Directors		Associated companies		Subsidiary companies		Other related parties	
	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
Associates								
Adamjee Insurance Company Limited								
– Insurance premium paid – net of refund	–	–	182,480	85,524	–	–	–	–
– Insurance claim settled	–	–	80,805	84,613	–	–	–	–
– Rent income received	–	–	8,942	7,424	–	–	–	–
– Dividend received	–	–	78,917	89,340	–	–	–	–
Mayban International Trust (Labuan) Berhad								
– Dividend paid	–	–	1,350,795	753,932	–	–	–	–
– Bonus shares issued	–	–	125,655	–	–	–	–	–
– Forward foreign exchange contracts (Notional)	–	–	3,408,431	–	–	–	–	–
– Unrealized loss on forward foreign exchange contracts	–	–	36,213	–	–	–	–	–
Subsidiary Companies								
MNET Services (Private) Limited								
– Dividend received	–	–	–	–	–	4,998	–	–
– Outsourcing service charges	–	–	–	–	103,149	101,213	–	–
– Networking service charges	–	–	–	–	11,643	2,536	–	–
– Trade debts	–	–	–	–	34,932	–	–	–
– Other expenses paid by MCB	–	–	–	–	14,876	–	–	–
– Receivable for other expenses	–	–	–	–	11,311	–	–	–

Notes to the Financial Statements

For the year ended December 31, 2009

	Directors		Associated companies		Subsidiary companies		Other related parties	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees in '000)							
MCB Financial Services Limited								
(Formerly Muslim Commercial Financial Services (Private) Limited)								
– Purchase of fixed asset	–	–	–	–	–	649	–	–
MCB Asset Management Company Limited								
– Dividend received	–	–	–	–	29,998	59,996	–	–
– Markup paid	–	–	–	–	692	1,476	–	–
– Proceeds from sale of property	–	–	–	–	34,340	–	–	–
– Gain on sale of property	–	–	–	–	1,188	–	–	–
– Markup payable	–	–	–	–	51	362	–	–
– Others	–	–	–	–	1,001	896	–	–
MCB Trade Services Limited								
– Dividend received	–	–	–	–	11,315	10,918	–	–
“MCB Leasing” Closed Joint Stock Company								
– Capital injection	–	–	–	–	394	–	–	–
Other related parties								
MCB Employees Security System and Services (Private) Limited								
– Security guard expenses	–	–	–	–	–	–	146,508	126,237
MCB Employees Foundation								
– Stationery expenses	–	–	–	–	–	–	111,100	118,212
– Service expenses	–	–	–	–	–	–	16,750	17,461
– Cash sorting expenses	–	–	–	–	–	–	21,597	17,169
– Cash in transit expenses	–	–	–	–	–	–	801	4,475
Others								
Dividend income	–	–	–	–	–	–	28,694	196,105
Proceeds from sale of vehicles to key management personnel	–	–	–	–	–	–	–	5,987
Gain on sale of vehicles to key management personnel	–	–	–	–	–	–	–	583
Remuneration of key management personnel (other than directors)	–	–	–	–	–	–	219,228	162,482
Contribution / (expense) to provident fund	–	–	–	–	–	–	148,734	135,164
Other miscellaneous expenses	–	–	–	–	–	–	43,594	76,725

The details of director's compensations are given in note 38 to these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2009

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Applications

The Basel II Framework is applicable to the bank both at the consolidated level (comprising of wholly/partially owned subsidiaries & associates undertaking) and also on a stand alone basis. Subsidiaries are included while calculating Consolidated Capital Adequacy for the Bank using full consolidation method whereas associates in which the bank has significant influence on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

42.2 Capital Management

Objectives and goals of managing capital

The objectives and goals of managing capital of the Bank are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ending on December 31, 2013. The raise is to be achieved in a phased manner requiring Rs. 6 billion paid up capital (net of losses) by the end of the financial year 2009. The paid up capital of the Bank for the year ended December 31, 2009 stands at Rs. 6.9 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at December 31, 2009 was 19.07 % of its risk weighted exposure.

Bank's regulatory capital is analysed into two tiers.

- Tier 1 capital, which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves as per the financial statements and net unappropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary companies and significant minority investments in entities engaged in banking and financial activities.
- Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on revaluation of fixed assets and equity investments up to a maximum of 45 % of the balance, foreign exchange translation reserves, etc after 50% deduction for investments in the equity of subsidiary companies and significant minority investments in entities engaged in banking and financial activities.

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However, the Bank currently does not have any Tier III capital.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated November 25, 2008 and BSD Circular No.07 of 2009 dated April 15, 2009 . The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

Notes to the Financial Statements

For the year ended December 31, 2009

The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the bank carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank has complied with all externally imposed capital requirements through out the year. Further, there has been no material change in the Bank's management of capital during the year.

	Note	2009 (Rupees in '000)	2008
42.3 Capital Structure			
Tier 1 Capital			
Shareholders equity /assigned capital		6,911,045	6,282,768
Share premium		9,702,528	9,702,528
Reserves		28,427,081	26,877,551
Unappropriated profits		15,779,127	9,193,332
		60,819,781	52,056,179
Deductions:			
Book value of intangible		248,242	191,198
Other deductions	42.3.1	675,256	677,558
		923,498	868,756
Total Tier 1 capital		59,896,283	51,187,423
Tier 2 Capital			
General provisions subject to 1.25% of total risk weighted assets		794,424	815,966
Revaluation reserves up to 45%		4,084,955	2,720,595
Foreign exchange translation reserves		256,151	188,686
		5,135,530	3,725,247
Deductions:			
Other deductions	42.3.1	675,256	677,558
Total Tier 2 Capital		4,460,274	3,047,689
Total Regulatory Capital Base	A	64,356,557	54,235,112

42.3.1 Other deduction includes investments in equity of financial subsidiaries not consolidated in the balance sheet and significant minority investments in banking, securities and other financial entities.

Notes to the Financial Statements

For the year ended December 31, 2009

42.4 Capital Adequacy

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

	Capital Requirements		Risk Weighted Assets	
	2009	2008	2009	2008
	(Rupees in '000)			
Credit Risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Corporate portfolio	10,928,917	10,090,693	101,485,148	108,560,409
Banks / DFIs	1,071,254	378,563	9,947,588	4,072,758
Public sector entities	378,392	1,122,499	3,513,725	12,076,366
Sovereigns / cash & cash equivalents	642,408	737,744	5,965,352	7,936,991
Loans secured against residential property	198,943	204,353	1,847,383	2,198,534
Retail	3,653,858	4,539,633	33,929,470	48,839,497
Past due loans	830,110	1,029,556	7,708,344	11,076,451
Operating fixed assets	1,913,288	1,604,664	17,766,654	17,263,733
Other assets	2,384,455	1,701,219	22,141,877	18,302,507
	22,001,625	21,408,923	204,305,541	230,327,246
Off-Balance Sheet				
Non-market related	4,048,605	2,336,005	37,595,057	25,131,841
Market related	23,335	77,419	216,690	832,909
	4,071,940	2,413,424	37,811,747	25,964,750
Equity Exposure Risk in the Banking Book				
Listed	92,259	14,349	856,713	154,376
Unlisted	79,491	78,873	738,152	848,549
	171,751	93,222	1,594,865	1,002,925
Total Credit Risk	26,245,316	23,915,569	243,712,153	257,294,921
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	930,563	468,523	11,632,039	5,856,540
Equity position risk	644,076	432,356	8,050,949	5,404,454
Foreign exchange risk	765,954	797,287	9,574,418	9,966,089
Total Market Risk	2,340,593	1,698,166	29,257,406	21,227,083
Operational Risk				
Capital requirement for operational risks	5,155,801	4,374,044	64,447,511	54,675,545
Total	33,741,710	29,987,779	337,417,070	333,197,549
			2009	2008
			(Rupees in '000)	
Capital Adequacy Ratio				
Total eligible regulatory capital held	A	64,356,557	54,235,112	
Total Risk Weighted Assets	B	337,417,070	333,197,549	
Capital Adequacy Ratio	A / B	19.07%	16.28%	

* As SBP capital requirement of 10% (2008: 9%) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

Notes to the Financial Statements

For the year ended December 31, 2009

43 RISK MANAGEMENT

MCB defines risk as any deviation from an anticipated outcome that may affect the value, capital or earnings of the Bank. Identifying and managing exposure to risk is an integral part of strategic and operational activities of risk management. Bank's risk management policy is aimed at setting the best course of action under uncertainty by identifying, prioritizing, mitigating and monitoring risk issues. With the goal of enhancing shareholders' value, following are the five guiding principles of robust risk management structure:

- Optimizing risk/return in a controlled manner
- Establishing clear responsibility and accountability
- Establishing independent and properly resourced risk management function.
- Promoting open risk culture
- Adopting international best practices in risk management

Keeping in view dynamics of internal and external environment, the Bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. This framework combines core policies, procedures and process design with broad oversight and is supported by risk monitoring across the bank. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM&PRC) and the senior management and its relevant committees, i.e. the Management Committee (MC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring process which are closely aligned with the activities of the Bank so as to ensure that risks are kept within an acceptable level.

As part of risk assessment process, the Bank ensures that not only the relevant risks are identified but their implications are considered and basis provided for managing and measuring the risks. Through Internal Control units, the Bank ensures that effective controls are in place to mitigate each of the identified risk.

Independent from business groups, Head of Risk Management reports functionally to the Risk Management & Portfolio Review Committee (RM&PRC) and administratively to the President; the RM & PRC convenes regularly to evaluate Bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Operational Risk Management

In line with regulatory guidelines, the Bank has initiated Internal Capital Adequacy Assessment Process (ICAAP).

43.1 Credit Risk

Credit risk arises from our dealings with individuals, corporate, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its lending and investment activities. It also stems from activities both on and off-balance sheet activities. Credit risk makes up the largest part of the Bank's exposure. Purpose of credit risk function is to identify measure, manage, monitor and mitigate credit risk. Organizational structure of this function ensures pre and post-facto management of credit risk. While, Credit Review function provides pre-fact evaluation of counterparties, the Credit Risk Control (CRC) performs post-fact evaluation of financing facilities and review clients' performance as an ongoing process.

The Bank has adopted standardized approach to measure Credit risk regulatory charge in compliance with Basel-II requirements. The approach is reliant upon the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Ratings Systems, Bank has developed a system and all its corporate borrowers are internally rated. Bank is in the process of continuously improving the system and bringing it inline with the Basel framework requirements

In order to manage bank's credit risk, the Bank has the following policies and procedures in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM & PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

Notes to the Financial Statements

For the year ended December 31, 2009

As a part of credit assessment Bank, uses internal rating framework as well as the ratings assigned by the external credit rating agencies, wherever available.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control, being an independent function from the business and operations groups, is responsible for performing following activities:

- Credit disbursement authorization;
- Collateral coverage and monitoring;
- Compliance of loan covenants/ terms of approval;
- Maintenance/ custody of collateral and security documentation.

Credit Risk Monitoring is based on a comprehensive reporting framework, continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within a framework of risk profile benchmarks. Per party exposure limit is maintained in accordance with SBP Prudential Regulation R-1.

The Bank creates specific provision against Non-Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Please refer note No. 10.4 for reconciliation of changes in specific and general provisions.

Management of Non-Performing Loans

The Bank has a Special Asset Management Group (SAMG), which is responsible for management of non-performing loans. SAMG undertakes restructuring / rescheduling of problem loans, as well as litigation of both civil and criminal cases for collection of debt.

Stress Testing

The Bank also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

43.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of advances (gross), deposits, contingencies and commitments.

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
43.1.1.1 Segments by class of business						
Agriculture, forestry, hunting and fishing	2,606,240	0.97	34,509,866	9.39	1,055,277	0.88
Mining and quarrying	611,408	0.23	294,235	0.08	24,942	0.02
Textile	31,377,649	11.63	1,393,648	0.38	4,741,012	3.95
Chemical and pharmaceuticals	15,197,729	5.63	1,013,664	0.28	3,689,010	3.08
Cement	3,886,303	1.44	14,565	0.00	28,633	0.02
Sugar	6,328,298	2.35	438,319	0.12	40,215	0.03
Footwear and leather garments	2,279,204	0.85	208,767	0.06	54,727	0.05
Automobile and transportation equipment	2,293,028	0.85	539,065	0.15	336,712	0.28
Electronics and electrical appliances	2,204,672	0.82	149,539	0.04	318,098	0.27
Construction	2,785,464	1.03	—	—	238,562	0.20
Power (electricity), gas, water, sanitary	37,940,970	14.07	1,461,906	0.40	531,536	0.44
Wholesale and Retail Trade	18,565,483	6.88	33,909,697	9.22	2,202,054	1.84
Exports / imports	4,257,087	1.58	—	—	3,987,621	3.33
Transport, storage and communication	58,748,442	21.78	285,773	0.08	152,713	0.13
Financial	6,866,088	2.55	10,026,720	2.73	44,941,870	37.48
Insurance	1,285	0.00	1,344,562	0.37	2,152	0.00
Services	6,642,802	2.46	62,135,724	16.90	285,914	0.24
Individuals	27,049,649	10.03	195,463,714	53.17	367,077	0.31
Others	40,080,375	14.86	24,414,947	6.64	56,923,762	47.47
	269,722,176	100	367,604,711	100	119,921,887	100

Notes to the Financial Statements

For the year ended December 31, 2009

	2008					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Agriculture, forestry, hunting and fishing	10,414,918	3.82	34,461,318	10.44	679,404	0.25
Mining and quarrying	1,670,510	0.61	254,075	0.08	–	–
Textile	35,240,763	12.92	1,381,008	0.42	8,899,509	3.34
Chemical and pharmaceuticals	13,931,176	5.11	1,160,792	0.35	7,126,392	2.67
Cement	4,611,099	1.69	17,454	0.01	5,203,675	1.95
Sugar	6,490,201	2.38	663,341	0.20	2,500,375	0.94
Footwear and leather garments	2,023,653	0.74	142,938	0.04	491,410	0.18
Automobile and transportation equipment	2,422,517	0.89	292,281	0.09	2,407,819	0.90
Electronics and electrical appliances	2,768,742	1.01	319,654	0.10	–	–
Construction	–	–	–	–	2,494,184	0.94
Power (electricity), gas, water, sanitary	48,480,574	17.77	532,842	0.16	3,132,122	1.18
Wholesale and Retail Trade	24,867,705	9.11	47,715,623	14.45	6,842,008	2.57
Exports / imports	–	–	–	–	–	–
Transport, storage and communication	33,182,312	12.16	358,139	0.11	8,818,563	3.31
Financial	10,490,556	3.84	6,531,092	1.98	167,324,013	62.78
Insurance	200,000	0.07	2,593,403	0.79	–	–
Services	4,121,252	1.51	49,397,748	14.96	2,147,720	0.81
Individuals	32,721,115	11.99	153,817,203	46.59	–	–
Others	39,210,232	14.37	30,542,713	9.25	48,458,869	18.18
	272,847,325	100	330,181,624	100	266,526,063	100

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
43.1.1.2 Segment by sector						
Public / Government	79,707,503	29.55	11,100,632	3.02	39,390,760	32.85
Private	190,014,673	70.45	356,504,079	96.98	80,531,127	67.15
	269,722,176	100	367,604,711	100	119,921,887	100

	2008					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Public / Government	60,292,476	22.10	16,144,540	4.89	61,587,937	23.11
Private	212,554,849	77.90	314,037,084	95.11	204,938,126	76.89
	272,847,325	100	330,181,624	100	266,526,063	100

Notes to the Financial Statements

For the year ended December 31, 2009

43.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	2009		2008	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agriculture, forestry, hunting and fishing	713,511	384,054	912,008	446,712
Mining and quarrying	2,176	2,021	40,584	25,889
Textile	3,862,699	3,329,483	2,921,409	2,311,466
Chemical and pharmaceuticals	153,231	145,779	117,807	59,967
Cement	—	—	304	304
Sugar	1,177,714	557,152	387,854	135,490
Footwear and leather garments	118,061	101,686	107,162	91,361
Automobile and transportation equipment	133,671	77,419	116,026	42,522
Electronics and electrical appliances	338,647	321,521	557,891	518,597
Construction	68,039	60,621	79,761	55,999
Power (electricity), gas, water, sanitary	—	—	4,324	3,727
Wholesale and retail trade	5,010,321	3,453,025	3,147,146	2,165,778
Exports / imports	442,731	408,280	318,339	288,582
Transport, storage and communication	49,240	44,012	72,875	59,512
Financial	869,818	766,750	2,094,479	118,729
Services	479,395	349,113	295,928	180,636
Individuals	2,804,634	2,018,306	1,444,105	732,184
Others	7,014,835	3,659,123	5,650,875	2,658,434
	23,238,723	15,678,345	18,268,877	9,895,889

43.1.1.4 Details of non-performing advances and specific provisions by sector

Public/ Government	—	—	—	—
Private	23,238,723	15,678,345	18,268,877	9,895,889
	23,238,723	15,678,345	18,268,877	9,895,889

43.1.1.5 Geographical segment analysis

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencied & Commitments
	(Rupees in '000)			
Pakistan	22,538,236	498,216,844	69,189,718	115,393,307
Asia Pacific (including South Asia)	355,775	7,117,974	357,914	2,877,120
Middle East	260,934	3,888,909	192,381	1,651,460
	23,154,945	509,223,727	69,740,013	119,921,887

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencied & Commitments
	(Rupees in '000)			
Pakistan	21,467,913	428,631,397	58,039,067	259,953,518
Asia Pacific (including South Asia)	249,355	4,988,327	246,259	3,066,685
Middle East	150,298	9,996,180	150,728	3,231,095
	21,867,566	443,615,904	58,436,054	266,251,298

Total assets employed include intra group items of Rs. NIL (2008: Rs. NIL).

Notes to the Financial Statements

For the year ended December 31, 2009

43.1.2 Credit Risk – General Disclosures

The Bank has adopted Standardized approach of Basel II for calculation of capital charge against credit risk in line with State Bank requirements.

43.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company– Vital Information Systems), Fitch, Moody's and Standard & Poors . External Credit Assessment Institutions from which credit rating data for advances is obtained and then mapped to State Bank of Pakistan's Rating Grades.

Type of Exposures for which the ratings from the External Credit Rating Agencies are used by the Bank.

Exposures	JCR-VIS	PACRA	OTHER (S&P / Moody's / Fitch)
Corporate	Yes	Yes	–
Banks	Yes	Yes	Yes
Sovereigns	–	–	Yes
SME's	Yes	Yes	–

The criteria for transfer public issue ratings onto comparable assets in the banking book and the alignment of the alphanumerical scale of each agency used with risk buckets is the same as specified by the banking regulator SBP in BSD Circular No.8 table 2.3.

Long – Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA–	AAA AA+ AA AA–	AAA AA+ AA AA–	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA–	1
2	A+ A A–	A+ A A–	A+ A A–	A1 A2 A3	A+ A A–	2
3	BBB+ BBB BBB–	BBB+ BBB BBB–	BBB+ BBB BBB–	Baa1 Baa2 Baa3	BBB+ BBB BBB–	3
4	BB+ BB BB–	BB+ BB BB–	BB+ BB BB–	Ba1 Ba2 Ba3	BB+ BB BB–	4
5	B+ B B–	B+ B B–	B+ B B–	B1 B2 B3	B+ B B–	5,6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and Below	CCC+ and below	7

Short – Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A–1	A–1	F1	P–1	A–1+, A–1
S2	A–2	A–2	F2	P–2	A–2
S3	A–3	A–3	F3	P–3	A–3
S4	Others	Others	Others	Others	Others

Notes to the Financial Statements

For the year ended December 31, 2009

Credit Exposures subject to Standardised approach

Exposures	Rating	2009			2008		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
		(Rupees in '000)					
Corporate							
	1	14,146,516	–	14,146,516	11,850,806	–	11,850,806
	2	5,160,828	–	5,160,828	5,584,858	–	5,584,858
	3,4	764,389	–	764,389	2,626,326	–	2,626,326
	5,6	798,230	–	798,230	9,063	–	9,063
	Unrated	94,113,697	–	94,113,697	101,152,460	394,563	100,757,898
Bank							
	1	14,541,435	–	14,541,435	11,857,103	–	11,857,103
	2,3	436,070	–	436,070	–	–	–
	4,5	928	–	928	–	–	–
	6	4,108,093	–	4,108,093	–	–	–
	Unrated	2,497,023	–	2,497,023	5,415,127	–	5,415,127
Public Sector Entities in Pakistan							
	1	6,986,305	–	6,986,305	19,094,545	1,167,891	17,926,654
	2,3	–	–	–	–	–	–
	4,5	–	–	–	–	–	–
	6	–	–	–	–	–	–
	Unrated	75,506,214	71,273,287	4,232,927	44,366,189	27,384,120	16,982,069
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash							
	1	33,010,037	–	33,010,037	35,615,422	–	35,615,422
	2	–	–	–	–	–	–
	3	–	–	–	–	–	–
	4,5	5,965,352	–	5,965,352	–	–	–
	6	–	–	–	–	–	–
	Unrated	–	–	–	7,936,991	–	7,936,991
Mortgage		5,278,238	–	5,278,238	6,281,527	–	6,281,527
Retail		45,239,293	–	45,239,293	66,351,658	1,232,329	65,119,329

43.1.3 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

43.1.3.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

The Bank has strong policies and processes for collateral valuation and collateral management thus ensuring that collateral valuation happens at regular defined intervals. Collaterals are normally held for the life of exposure. Regular monitoring of coverage of exposure by the collateral and lien/ charge registered over the collaterals is carried out besides ensuring that collateral matches the purpose, nature and structure of the transaction and also reflect the form and capacity of the obligor, its operations, nature of business and economic environment. The Bank mitigates its risk by taking collaterals that may include assets acquired through the funding provided, as well as cash, government securities, marketable securities, current assets, fixed assets, and specific equipment, commercial and personal real estate.

The Standardized Approach of Basel-II guidelines allows the Bank to take benefit of credit risk mitigation of financial collaterals against total exposures in the related loan facilities. As a prudent and conservative measure while calculating capital charge for credit risk of on balance sheet activities, Bank has taken only the benefit of Sovereign guarantee.

Notes to the Financial Statements

For the year ended December 31, 2009

MCB manages limits and controls concentrations of credit risk as identified, in particular, to individual counterparties and groups, and also reviews exposure to industry sectors and geographical regions on a regular basis. Limits are applied in a variety of forms to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

Concentration of risk

Out of the total financial assets of Rs. 478,409.900 million (2008: Rs. 414,213.200 million) the financial assets which are subject to credit risk amount to Rs. 468,387.690 million (2008: Rs. 402,831.655 million). To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 152,915.75 million (2008: Rs. 86,198 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 20,916.298 million (2008: Rs. 22,116.321 million) is held by the Bank with the State Bank of Pakistan and central banks of other countries.

43.1.3.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both trading and strategic purposes. The Bank has invested in its subsidiaries and associated companies to achieve long term strategic objectives. As of December 31, 2009 the composition of equity investments subsidiaries and associated companies is as follows:

Composition of equity investments

Exposures	Held for trading	Available for Sale	Subsidiary and Associates
Equity investments – publicly traded	–	7,581,448	943,600
Equity investments – others	–	513,843	441,226
Total value	–	8,095,291	1,384,826

Classification of equity investments

Banks classify its equity investment portfolio in accordance with the directives of SBP as follows:

- Investments – Held for trading
- Investments – Available for sale
- Investments in associates
- Investments in subsidiaries

Policies, valuation and accounting of equity investments

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account currently.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

The cumulative realized gain of Rs. 662.047 million has been recognized in profit & loss account from sale of equity securities; however unrealized gain of Rs. 836.899 million was recognized in the balance sheet in respect of "AFS" securities. Further a provision for impairment in value of equity investments amounting to Rs. 1,496.395 million has been charged to profit and loss account.

Notes to the Financial Statements

For the year ended December 31, 2009

43.2 Market Risk Management

Market risk arises from changes in market rates (such as Interest Rates, Foreign Exchange Rates and Equity Prices) as well as their correlations and volatilities. MCB is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign exchange and Capital market groups. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes Bank to interest rate risk, foreign exchange risk and equity price risk. Market risk is also assumed as a result of Bank's balance sheet and capital management activities.

The Bank's Market Risk Management structure consists of Risk Management Committee of the Board, ALCO, and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk Management Division is responsible for policy formulation, controlling of market risk including monitoring of exposures against limits; assessment of risks in new business; developing procedures, market risk measurement and reporting system. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

As per SBP instructions (BSD Circular 8, 2006) trading book shall consist of positions in financial instruments held with trading intent or in order to hedge other elements of the trading book. Hence the bank has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market risk by using conventional methods i.e. notional amounts and sensitivity. Bank has established a specific Market Risk Limit Policy providing guideline for assuming controlled market risk, its monitoring and management. A reasonable number of limits are set and approved. These Limits are compared with the numbers generated by the market risk management system based on the trading activity and the outstanding position on risk measurement date.

Besides conventional methods, the Bank uses VaR (Value at Risk) technique for market risk assessment of assets booked by its treasury and capital market groups. In-house and vendor based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Variance co-variance approach of VaR measure for conventional products and Monte Carlo simulation approach for derivative and structured products are being used by the bank.

Stress testing of both banking and trading books as per SBP guidelines is a regular feature.

The Bank is exposed to interest rate risk both in trading and banking books. Risk numbers along with the marked to market values of government securities held by the Bank's treasury are generated on daily basis. The risk numbers include duration, PVBP, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

43.2.1 Foreign Exchange Risk Management

Foreign exchange risk represents exposures the Bank has due to changes in the values of current holdings and future cash flows denominated in currencies other than home currency. The types of instruments exposed to this risk include investments in foreign branches, foreign currency-denominated loans, foreign currency-denominated deposits, future cash flows in foreign currencies arising from foreign exchange transactions, etc.

The core objective of foreign exchange risk management is to ensure the foreign exchange exposure of the Bank remains within defined risk appetite and insulate Bank against losses that may arise due to volatile movements in foreign exchange rates or interest rates.

Notes to the Financial Statements

For the year ended December 31, 2009

Limit structure to manage foreign exchange risk is in place. Gap limits on different tenures have been introduced for USD exposures. Gap limit for other major currencies will be introduced depending upon the significance of exposure in that currency. Bank's net open position and Foreign exchange exposure limit (FEEL) is monitored and reported on daily basis. Additionally, daily reports are generated to evaluate the exposure in different currencies. Risk management system generates VaR and PVBP numbers for foreign exchange portfolio to estimate the potential loss under normal conditions. Stress testing of foreign exchange portfolio is also performed and reported to senior management. All these activities are performed on a daily basis.

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	493,610,963	422,573,623	(1,108,310)	69,929,030
United States Dollar	14,317,231	11,828,720	(2,779,180)	(290,669)
Pound Sterling	277,235	1,870,038	1,596,226	3,423
Japanese Yen	109,825	167	(109,376)	282
Euro	762,031	3,211,166	2,504,675	55,540
Other currencies	146,442	–	(104,035)	42,407
	<u>509,223,727</u>	<u>439,483,714</u>	<u>–</u>	<u>69,740,013</u>

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	426,582,849	372,036,559	3,852,581	58,398,871
United States Dollar	15,326,446	9,314,526	(6,146,330)	(134,410)
Pound Sterling	396,816	1,260,620	876,926	13,122
Japanese Yen	118,906	282	(83,472)	35,152
Euro	1,079,049	2,566,438	1,500,295	12,906
Other currencies	111,838	1,425	–	110,413
	<u>443,615,904</u>	<u>385,179,850</u>	<u>–</u>	<u>58,436,054</u>

43.2.2 Equity Price Risk

Bank's proprietary positions in the equity instruments expose it to the equity price risk in its trading and banking books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR numbers generation and stress testing of the equity portfolio are also performed and reported to senior management on daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index. This exercise is done on internal based assumptions in addition to the criteria advised by the State Bank of Pakistan for Stress Testing on Equities.

Notes to the Financial Statements

For the year ended December 31, 2009

43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

Effective Yield/ Interest rate	Total	2009								Not exposed to Yield/ Interest Risk
		Exposed to Yield/ Interest risk								
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 10 years	
(Rupees in '000)										
On-balance sheet financial instruments										
Assets										
0%	38,774,871	2,522,549	-	-	-	-	-	-	-	36,252,322
0.12% to 1%	6,009,993	950,330	-	-	-	-	-	-	-	5,059,663
12.35% to 12.70%	3,000,000	1,000,000	2,000,000	-	-	-	-	-	-	-
4.5% to 14.88%	165,749,639	17,543,637	50,084,055	28,508,489	56,948,201	707,468	1,311,516	2,670,133	2,787,640	5,188,500
15.00%	253,249,407	151,949,644	50,649,882	37,987,411	12,662,470	-	-	-	-	-
Other assets – net	11,625,990	-	-	-	-	-	-	-	-	11,625,990
	478,409,900	173,966,160	102,733,937	66,495,900	69,610,671	707,468	1,311,516	2,670,133	2,787,640	58,126,475
Liabilities										
Bills payable	8,201,090	-	-	-	-	-	-	-	-	8,201,090
Borrowings	44,662,088	33,662,171	4,450,466	4,441,734	1,058,442	1,049,275	-	-	-	-
Deposits and other accounts	367,604,711	179,635,312	9,793,315	6,139,604	37,229,475	852,485	1,292,144	2,309,620	1,454,949	128,897,807
Other liabilities	12,343,202	-	-	-	-	-	-	-	-	12,343,202
	432,811,091	213,297,483	14,243,781	10,581,338	38,287,917	1,901,760	1,292,144	2,309,620	1,454,949	149,442,099
On-balance sheet gap	45,598,809	(39,331,323)	88,490,156	55,914,562	31,322,754	(1,194,292)	19,372	360,513	1,332,691	(91,315,624)
Off-balance sheet financial instruments										
Foreign exchange contracts purchase	23,832,214	11,904,381	10,021,332	1,906,501	-	-	-	-	-	-
Interest rate swaps – long position	83,333	-	-	-	83,333	-	-	-	-	-
Cross currency swaps – long position	124,845	-	-	-	-	124,845	-	-	-	-
	24,040,392	11,904,381	10,021,332	1,906,501	83,333	124,845	-	-	-	-
Foreign exchange contracts sale	23,037,004	9,518,707	7,797,744	5,720,553	-	-	-	-	-	-
Interest rate swaps – short position	83,333	-	-	-	83,333	-	-	-	-	-
Cross currency swaps – short position	124,845	-	-	-	-	124,845	-	-	-	-
	23,245,182	9,518,707	7,797,744	5,720,553	83,333	124,845	-	-	-	-
Off-balance sheet gap	795,210	2,385,674	2,223,588	(3,814,052)	-	-	-	-	-	-
Total yield / interest risk sensitivity gap										
	(36,945,649)	90,713,744	52,100,510	31,322,754	(1,194,292)	19,372	360,513	1,332,691	-	-
Cumulative yield / interest risk sensitivity gap										
	(36,945,649)	53,768,095	105,868,605	137,191,359	135,997,067	136,016,439	136,376,952	137,709,643	137,709,643	

Notes to the Financial Statements

For the year ended December 31, 2009

2008										
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk						Not exposed to Yield/ Interest Risk		
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
On-balance sheet financial instruments										
Assets										
0.90% 1.20% 15.75% to 21% 6% to 17.56% 18.00%	Cash and balances with treasury banks	39,631,172	1,950,742	-	-	-	-	-	-	-
	Balances with other banks	4,043,100	696,011	-	-	-	-	-	-	-
	Lendings to financial institutions	4,100,079	4,100,079	-	-	-	-	-	-	-
	Investments – net	95,247,442	35,399,737	45,481,121	4,980,612	708,396	286,557	674,063	2,459,769	95,823
	Advances – net	262,135,470	157,131,282	52,502,094	39,376,570	13,125,524	-	-	-	-
	Other assets – net	9,055,937	-	-	-	-	-	-	-	-
	414,213,200	199,277,851	97,983,215	44,357,182	13,833,920	286,557	674,063	2,459,769	95,823	54,263,824
Liabilities										
15.50% 5 % to 9.5 %	Bills payable	10,551,468	-	-	-	-	-	-	-	10,551,468
	Borrowings	22,663,840	9,086,591	7,918,373	5,658,876	-	-	-	-	-
	Deposits and other accounts	330,181,624	160,627,489	17,007,818	11,656,112	21,055,371	1,325,882	2,083,437	4,050,130	-
	Other liabilities	8,975,617	-	-	-	-	-	-	-	-
	372,372,549	169,714,080	24,926,191	17,314,988	21,055,371	1,325,882	2,083,437	4,050,130	-	131,902,470
On-balance sheet gap										
	41,840,651	29,563,771	73,057,024	27,042,194	(7,221,451)	(1,039,325)	(1,409,374)	(1,590,361)	95,823	(77,638,646)
Off-balance sheet financial instruments										
Forward outright purchase – Govt. securities										
	26,644,450	26,644,450	-	-	-	-	-	-	-	-
Foreign exchange contracts purchase										
	69,708,932	21,618,865	35,282,618	12,794,158	13,291	-	-	-	-	-
Interest rate swaps – long position										
	2,144,130	-	1,977,463	-	-	166,667	-	-	-	-
Cross currency swaps – long position										
	173,127	-	-	-	-	173,127	-	-	-	-
	98,670,639	48,263,315	37,260,081	12,794,158	13,291	166,667	173,127	-	-	-
Foreign exchange contracts sale										
	67,476,228	21,427,005	19,037,097	19,365,275	7,629,100	17,751	-	-	-	-
Interest rate swaps – short position										
	266,667	-	-	-	100,000	166,667	-	-	-	-
Cross currency swaps – short position										
	173,127	-	-	-	-	-	173,127	-	-	-
Forward outright sale – Govt securities										
	20,827,530	20,827,530	-	-	-	-	-	-	-	-
	88,743,552	42,254,535	19,137,097	19,365,275	7,629,100	184,418	173,127	-	-	-
Off-balance sheet gap										
	9,927,087	6,008,780	18,122,984	(6,571,117)	(7,615,809)	(17,751)	-	-	-	-
Total yield / interest risk sensitivity gap										
		35,572,551	91,180,008	20,471,077	(14,837,260)	(1,057,076)	(1,409,374)	(1,590,361)	95,823	
Cumulative yield / interest risk sensitivity gap										
		35,572,551	126,752,559	147,223,636	132,386,376	131,329,300	129,919,926	128,329,565	129,310,561	129,406,384

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Notes to the Financial Statements

For the year ended December 31, 2009

Reconciliation to total assets	2009 (Rupees in '000)	2008	Reconciliation to total liabilities	2009 (Rupees in '000)	2008
Balance as per balance sheet	509,223,727	443,615,904	Balance as per balance sheet	439,483,714	385,179,850
Less: Non financial assets			Less: Non financial liabilities		
Investments	1,384,826	1,384,432	Other liabilities	3,475,880	12,370,164
Operating fixed assets	18,014,896	17,263,733	Deferred tax liability	3,196,743	437,137
Other assets	11,414,105	10,754,539		6,672,623	12,807,301
	30,813,827	29,402,704			
Total financial assets	478,409,900	414,213,200	Total financial liabilities	432,811,091	372,372,549

43.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Bank understands that liquidity does not come for free, and surplus liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Because liquidity is critical to the ongoing viability of any financial institution, liquidity management is among the most important activities that MCB conducts. MCB recognizes that liquidity risk can arise from the Bank's activities and can be grouped into three categories:

- Inflows/outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

Bank monitors and assesses the impact of increase in NPLs, deposits concentration, deposits withdrawal, decline in earnings, expanded business opportunities, acquisitions and negative reputation, on its liquidity positions.

Liquidity Management

MCB's liquidity risk management framework is designed to identify, measure and manage in a timely manner the liquidity risk position of the Bank. The underlying policies and procedures include: Risk Management policy, Treasury and Investment policy, Contingency Funding Plan and Limit Structure which are reviewed and approved regularly by the senior management /Board members. MCB liquidity risk policy envisages to project the Bank's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling balance sheet changes. MCB's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.

Intraday Liquidity Management

Intraday liquidity management is about managing the daily payments and cash flows. Bank has policies to ensure that sufficient cash is maintained during the day to make payments through local payment system. The policy of the Bank is to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet obligations, repay depositors and fulfill commitments.

Managing Funding Sources

Managing funding sources, as per policy MCB maintain a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash flows for meeting unexpected liquidity requirement. As a part of liquidity management, MCB maintains borrowing relationships to ensure the continued access to diverse market of funding sources. MCB's sound credit rating together with excellent market reputation has enabled MCB to secure ample call lines with local and foreign banks. The level of liquidity reserves as per regulatory requirements also mitigates risks. MCB's investment in marketable securities is much higher than the Statutory Liquidity requirements.

Notes to the Financial Statements

For the year ended December 31, 2009

43.4.1 Maturities of Assets and Liabilities – Based on contractual maturity of the assets and liabilities of the Bank

	2009									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	38,774,871	38,774,871	–	–	–	–	–	–	–	–
Balances with other banks	6,009,993	6,009,993	–	–	–	–	–	–	–	–
Lendings to financial institutions	3,000,000	1,000,000	2,000,000	–	–	–	–	–	–	–
Investments – net	167,134,465	7,595,046	50,098,194	30,281,032	59,460,431	5,662,050	3,018,659	4,424,767	5,209,460	1,384,826
Advances – net	253,249,407	32,496,580	50,638,610	12,489,161	80,579,221	23,704,771	19,762,127	22,060,019	11,261,267	257,651
Operating fixed assets	18,014,896	88,572	177,145	265,717	531,434	1,062,868	1,062,868	2,125,736	5,314,340	7,386,216
Deferred tax assets	1,620,834	9,082	45,158	26,195	332,189	307,935	341,615	394,186	164,474	–
Other assets – net	23,040,095	4,387,525	4,251,638	201,363	3,460,971	260,081	–	10,478,517	–	–
	510,844,561	90,361,669	107,210,745	43,263,468	144,364,246	30,997,705	24,185,269	39,483,225	21,949,541	9,028,693
Liabilities										
Bills payable	8,201,090	8,201,090	–	–	–	–	–	–	–	–
Borrowings	44,662,088	33,662,171	4,450,466	4,441,734	1,058,442	1,049,275	–	–	–	–
Deposits and other accounts	367,604,711	308,533,119	9,793,315	6,139,604	37,229,475	852,485	1,292,144	2,309,620	1,454,949	–
Deferred tax liabilities	4,817,577	18,290	36,580	54,870	109,741	219,481	113,768	167,694	3,682,146	415,007
Other liabilities	15,819,082	6,325,748	1,090,620	1,694,516	2,600,731	1,976,687	443,678	869,033	818,069	–
	441,104,548	356,740,418	15,370,981	12,330,724	40,998,389	4,097,928	1,849,590	3,346,347	5,955,164	415,007
Net assets	69,740,013	(266,378,749)	91,839,764	30,932,744	103,365,857	26,899,777	22,335,679	36,136,878	15,994,377	8,613,686
Share capital	6,911,045									
Reserves	38,385,760									
Unappropriated profit	15,779,127									
Surplus on revaluation of assets – net of tax	8,664,081									
	69,740,013									

Notes to the Financial Statements

For the year ended December 31, 2009

43.4.1 Maturities of Assets and Liabilities – Based on contractual maturity of the assets and liabilities of the Bank

	2008									
Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	39,631,172	-	-	-	-	-	-	-	-	-
Balances with other banks	4,043,100	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,100,079	-	-	-	-	-	-	-	-	-
Investments – net	96,631,874	45,668,794	5,013,553	4,766,862	3,873,076	1,817,430	4,735,530	2,730,896	1,712,255	
Advances – net	262,135,470	1,386,235	101,048,429	71,271,406	39,564,731	12,667,283	19,214,140	3,094,364	1,058,421	
Operating fixed assets	17,263,733	151,965	227,947	455,895	911,789	911,789	1,823,578	4,558,945	8,145,843	
Deferred tax assets	1,196,674	40,152	31,615	358,692	79,400	77,018	95,038	494,231	12,677	
Other assets – net	19,810,476	5,823,749	448,374	547,038	6,642,888	1,625	-	-	-	
	444,812,578	53,070,895	106,769,918	77,399,893	51,071,884	15,475,145	25,868,286	10,878,436	10,929,196	
Liabilities										
Bills payable	10,551,468	-	-	-	-	-	-	-	-	-
Borrowings	22,663,840	6,867,997	4,608,502	1,050,376	1,050,375	-	-	-	-	-
Deposits and other accounts	330,181,624	17,007,818	11,656,112	21,055,371	1,325,882	2,083,437	4,050,130	-	-	-
Deferred tax liabilities	1,633,811	62,137	91,373	182,746	365,492	147,080	294,160	57,400	401,743	
Other liabilities	21,345,781	4,380,863	5,177,673	1,343,818	1,420,253	502,860	984,145	1,087,890	-	
	386,376,524	299,120,891	21,533,660	23,632,311	4,162,002	2,733,377	5,328,435	1,145,290	401,743	
Net assets	58,436,054	24,752,080	85,236,258	53,767,582	46,909,882	12,741,768	20,539,851	9,733,146	10,527,453	
Share capital										
Reserves	6,282,768									
Unappropriated profit	36,768,765									
Surplus on revaluation of assets – net of tax	9,193,332									
	6,191,189									
	58,436,054									

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity.

Notes to the Financial Statements

For the year ended December 31, 2009

43.4.2 Maturities of Assets and Liabilities – Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

2009

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	38,774,871	38,774,871	–	–	–	–	–	–	–	–
Balances with other banks	6,009,993	6,009,993	–	–	–	–	–	–	–	–
Lending to financial institutions	3,000,000	1,000,000	2,000,000	–	–	–	–	–	–	–
Investments – net	167,134,465	7,595,046	50,098,194	30,281,032	59,460,431	5,662,050	3,018,659	4,424,767	5,209,460	1,384,826
Advances – net	253,249,407	32,496,590	50,638,610	12,489,161	80,579,221	23,704,771	19,762,127	22,060,019	11,261,267	257,651
Operating fixed assets	18,014,896	88,572	177,145	265,717	531,434	1,062,868	1,062,868	2,125,736	5,314,340	7,386,216
Deferred tax assets	1,620,834	9,092	45,158	26,195	332,189	307,935	341,615	394,186	164,474	–
Other assets – net	23,040,095	4,387,525	4,251,638	201,363	3,460,971	260,081	–	10,478,517	–	–
	510,844,561	90,361,669	107,210,745	43,263,468	144,364,246	30,997,705	24,185,269	39,483,225	21,949,541	9,028,693
Liabilities										
Bills payable	8,201,090	8,201,090	–	–	–	–	–	–	–	–
Borrowings	44,662,088	33,662,171	4,450,466	4,441,734	1,058,442	1,049,275	–	–	–	–
Deposits and other accounts	367,604,711	36,433,135	42,646,512	91,180,668	122,270,538	25,468,818	19,318,014	15,796,725	8,045,411	6,444,890
Deferred tax liabilities	4,817,577	18,290	36,580	54,870	109,741	219,481	113,768	167,694	3,682,146	415,007
Other liabilities	15,819,082	6,325,748	1,090,620	1,694,516	2,600,731	1,976,687	443,678	869,033	818,069	–
	441,104,548	84,640,434	48,224,178	97,371,788	126,039,452	28,714,261	19,875,460	16,833,452	12,545,626	6,859,897
Net assets	69,740,013	5,721,235	58,986,567	(54,108,320)	18,324,794	2,283,444	4,309,809	22,649,773	9,403,915	2,168,796
Share capital	6,911,045									
Reserves	38,385,760									
Unappropriated profit	15,779,127									
Surplus on revaluation of assets – net of tax	8,664,081									
	69,740,013									

Refer the sub-note to note 43.4.2 also. Current and saving deposits do not have any contractual maturity. Therefore, current deposits and saving accounts have been classified between all nine maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

For the year ended December 31, 2009

2008

Refer sub-note to note 43.4.2 also. Current and saving deposits do not have any contractual maturity. Therefore, current deposits and saving accounts have been classified between all nine maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

Notes to the Financial Statements

For the year ended December 31, 2009

43.5 Operational Risk

Operational Risk is risk of loss resulting from an inadequacy or a failure ascribable to people, processes, technology or external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational Risk Management Division (ORMD) within Risk Management Group (RMG) is primarily responsible for oversight of bank-wide operational risk management. ORMD is independent of revenue generating functions. Although, respective business and support functions are the risk takers / owners, ORMD provides assistance and guidance for proactive operational risk management. The Risk Management Policy and bank-wide Operational Risk Management Framework (ORMF) have been developed in line with international best practices. The policy and framework are reviewed periodically so as to incorporate the current changes.

Major processes for operational risk management include, but not limited to Risk and Control Self Assessment, loss database management, enhancing operational risk awareness through workshops and sessions. ORMD has active coordination with audit and compliance for information sharing on Key Risk Indicators (KRIs) with respect to management of various operational risk aspects within the bank.

43.5.1 Operational Risk-Disclosures Basel II Specific

Currently, the Bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, a number of initiatives are underway for adoption of The Standardized Approach (TSA) / Alternative Standardized Approach (ASA) like business line mapping, risk and control self assessment exercises.

ORMD initiated the process of collecting loss data on key risk events in the year 2007. Based on periodical analysis of loss data, ORMD generates reports for senior management and Risk Management and Portfolio Review Committee (RM&PRC) of the Board. The report covers the significant risk events, impact analysis and recommendations for improvement in control / risk mitigation.

44. GENERAL

Comparative information has been reclassified and rearranged in these financial statements for the purpose of comparison. No significant reclassification has been made except for as follows:

Description	Amount (Rs. in 000)	Reclassified	
		From	To
Exchange income on import / export bills purchased / negotiated	86,665	Other income	Fee, commission and brokerage income
Key Deposits Account and collection of Zakat Account	92,531	Deposits and other accounts	Other Liabilities
Islamic Sukuk Certificates of Maple Leaf Cement Factory Limited	375,000	Advances	Investments
Contractual security guard cost	216,244	Salaries and allowances	Others (Administrative expenses)

45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 25, 2010 has announced a final cash dividend in respect of the year ended December 31, 2009 of Rs. 3.5 per share (2008: Rs. 2.5 per share) and bonus shares issue of 10% (2008: 10%). These financial statements for the year ended December 31, 2009 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION FOR ISSUE

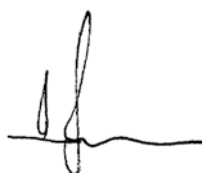
These financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 25, 2010.



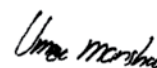
Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Notes to the Financial Statements

Annexure I

For the year ended December 31, 2009

1 Particulars of Investments in listed companies, mutual funds and modaraba – available for sale

Investee Entities	Note	Number of Ordinary and preference shares/ certificates/ units held	Paid-up value per share/ certificate/ unit	Total paid-up/ nominal value	Cost as at December 31, 2009
			Rupees	(Rupees in '000)	
Fully Paid-up Preference Shares					
Azgard Nine Limited		1,160,241	10	11,602	11,602
Masood Textile Mills Limited	1.1	5,000,000	10	50,000	50,000
					61,602
Fully Paid-up Ordinary Shares					
Abbott Laboratories Pakistan Limited		135,600	10	1,356	25,200
Allied Bank Limited		2,844,292	10	28,443	284,251
Arif Habib Limited		109,375	10	1,094	23,303
Arif Habib Securities Limited		1,529,875	10	15,299	214,004
Askari Bank Limited		5,358,220	10	53,582	301,018
Atlas Bank Limited		1,543,199	10	15,432	23,831
Attock Petroleum Limited		108,120	10	1,081	45,644
Bank Alfalah Limited		5,083,665	10	50,837	177,593
Bank Al-Habib Limited		5,453,011	10	54,530	217,490
Century Papers & Board Mills Limited		880,260	10	8,803	25,106
EFU General Insurance Limited		12,040	10	120	822
EFU Life Insurance Company Limited		7,569	10	76	369
Engro Chemical Pakistan Limited		676,149	10	6,761	177,902
Fauji Fertilizer Bin Qasim Company Limited		4,092,674	10	40,927	166,023
Fauji Fertilizer Company Limited		5,022,741	10	50,227	322,361
Glaxosmithkline Pakistan Limited		484,672	10	4,847	64,437
Habib Bank Limited		1,720,840	10	17,208	316,006
Habib Metropolitan Bank Limited		690,512	10	6,905	30,024
Hub Power Company Limited		1,239,925	10	12,399	29,110
IGI Insurance Company of Pakistan Limited		440,490	10	4,405	83,412
Indus Motor Company Limited		42,027	10	420	8,655
International Industries Limited		382,754	10	3,828	35,188
Jahangir Siddiqui and Company Limited		1,156,469	10	11,565	222,654
Kohinoor Energy Limited		55,000	10	550	1,566
Kot Addu Power Company Limited		1,406,600	10	14,066	62,931
Lucky Cement Limited		175,000	10	1,750	24,098
Mehr Dastagir Textile Mills Limited		1,616,912	10	16,169	16,169
Maple Leaf Cement Company Limited		3,833,500	10	38,335	68,266
Millat Tractors Limited		59,035	10	590	6,404
National Bank Of Pakistan		2,032,670	10	20,327	298,132
National Refinery Limited		30,000	10	300	10,774
Oil & Gas Development Company Limited		185,515	10	1,855	18,358
Orix Leasing Pakistan Limited		218,920	10	2,189	4,332
Packages Limited		21,911	10	219	5,941
Pak Suzuki Motor Company Limited		49,600	10	496	18,028
Pakistan Cables Limited		86,716	10	867	14,410
Pakistan Oilfields Limited		420,720	10	4,207	136,275
Pakistan Petroleum Limited		918,105	10	9,181	179,990
Pakistan State Oil Company Limited		191,600	10	1,916	97,408
Pakistan Telecommunication Company Limited		4,893,731	10	48,937	244,216
Pakistan Tobacco Company Limited		138,700	10	1,387	22,536
Rupali Polyester Limited		658,545	10	6,585	46,475
Soneri Bank Limited		3,419,172	10	34,192	119,546
Sui Northern Gas Pipelines Limited		47,728,822	10	477,288	2,205,253
Samba Bank Limited (Formerly Crescent Commercial Bank Limited)		30,963,000	10	309,630	147,150

Notes to the Financial Statements

Annexure I

For the year ended December 31, 2009

Investee Entities	Name of Management Company	Number of Ordinary and preference shares/ certificates/ units held	Paid-up value per share/ certificate/ unit	Total paid-up/ nominal value	Cost as at December 31, 2009
			Rupees	(Rupees in '000)	
Thal Limited		44,856	5	224	4,256
The Bank of Punjab		6,423,100	10	64,231	170,996
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Pakistan Limited		33,280	50	1,664	47,892
United Bank Limited		2,370,400	10	23,704	238,644
Zulfiqar Industries Limited		30,537	10	305	3,557
Total					7,011,006
Fully Paid-up Modaraba Certificates					
First Al-Noor Modaraba	Al-Noor Modaraba Management (Private) Limited	5,553,270	10	55,532.70	60,606
Carrying value (before revaluation and provision) listed shares 'available for sale'					7,133,214
Provision for diminution in value of investments					(3,420,986)
Surplus on revaluation of securities					690,169
Market value as at December 31, 2009					4,402,397
Fully Paid-up Ordinary Certificate/ Units of Mutual Funds	Name of Management Company	Number of units held	Paid-up value per unit	Total paid-up/ nominal value	Cost as at December 31, 2009
			Rupees	(Rupees in '000)	
MCB Dynamic Cash Fund	MCB Asset Management Company Limited	3,165,204	100	316,520	250,000
Atlas Islamic Fund	Atlas Asset Management Company Limited	20,967	500	10,484	10,000
MCB Dynamic Stock Fund (IPO)	MCB Asset Management Company Limited	833,874	100	83,387	82,981
MCB Dynamic Allocation Fund (IPO)	MCB Asset Management Company Limited	1,000,000	100	100,000	100,000
Carrying value before revaluation & provision					442,981
Provision for diminution in value of investments					(87,710)
Surplus on revaluation of securities					146,730
Market value as at December 31, 2009					502,001

- 1.1** These are redeemable after the end of the fourth year from June 2005 at the option of the issuer either in whole or multiples of 10% of outstanding issue at a price of Rs. 10 per share plus any accumulated preference dividend. Dividend rate is 6 months KIBOR + 200 bps per annum.

Notes to the Financial Statements

Annexure I

For the year ended December 31, 2009

2 Particulars of Investment held in unlisted companies-available for sale

Company Name	Percentage of holding (%)	Number of shares / certificates held	Cost as at December 31, 2009	Net Asset Value of total investment	Based on audited financial statements as at	Name of Chief Executive
(Rupees in '000)						
Shareholding more than 10%						
Fully paid up preference shares						
Fazal Cloth Mills Limited (2.1)	40.00%	10,000,000	100,000	–		Mr. Sheikh Naseem Ahmed
Fully paid up Ordinary Shares/ Certificates/ Units						
Pak Asian Fund Limited	10.22%	1,150,000	11,500	18,047	June 30, 2009	Mr. Ashfaq A. Berdi
Khushhali Bank Limited	17.60%	30,000,000	300,000	330,781	December 31, 2008	Mr. Ghalib Nishtar
Central Depository Company of Pakistan Limited	10.00%	5,000,000	10,000	156,421	June 30, 2009	Mr. Mohammad Hanif Jhakura
			321,500			
Shareholding upto 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
First Capital Investment Limited		250,000	2,500	2,446	June 30, 2009	Mr. Kamran Hafeez
National Institute of Facilitation Technology Private Limited		985,485	1,527	50,034	June 30, 2009	Mr. Muzaffar Mahmood Khan
National Investment Trust Limited		79,200	100	110,922	June 30, 2009	Mr. Tariq Iqbal Khan
SME Bank Limited		1,490,619	10,106	14,681	December 31, 2008	Mr. R. A. Chughtai
Pakistan Agro Storage and Services corporation		2,500	2,500	52,383	March 31, 2009	Mr. Chaudhry Abdul Majeed
Arabian Sea Country Club		500,000	5,000	715	June 30, 2009	Mr. Asif Ali Khan Abbasi
Society for Worldwide Inter Fund Transfer (SWIFT)		18	1,738	5,120	December 31, 2008	Mr. Lazara Campos
Credit Information Bureau of Sri Lanka		300	22	429	December 31, 2008	Mr. N.P.H.Amarasena
Lanka Clear (Private) Limited		100,000	737	1,426	December 31, 2007	Mr. Sarath Silva
Lanka Financial Services Bureau Limited		100,000	736	926	March 31, 2009	Mr. Anil Amrasoriya
Equity Participation Fund*		15,000	1,500	–	–	–
Al-Ameen Textile Mills Ltd.*		19,700	197	–	–	–
Ayaz Textile Mills Ltd.*		225,250	2,252	–	–	–
Custodian Management Services*		100,000	1,000	–	–	–
Musarrat Textile Mills Ltd.*		3,604,500	36,045	–	–	–
Sadiqabad Textile Mills Ltd.*		2,638,261	26,383	–	–	–
			92,343			
Cost of unlisted shares / certificates / units			513,843			
Provision against unlisted shares			(71,716)			
Carrying value of unlisted shares / certificates / units			442,127			

* These are fully provided unlisted shares.

2.1 These carry dividend rate of 6 months KIBOR + 2.5% per annum. The percentage of holding disclosed is in proportion to the preference share paid up capital.

Notes to the Financial Statements

For the year ended December 31, 2009

Annexure I

3. Particulars of investments in Term Finance Certificates and Sukuk Bonds– (refer note 9)

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2009	Name of Chief Executive
	(Rupees)					(Rupees in '000)	
LISTED TERM FINANCE CERTIFICATES – available for sale							
Askari Bank Limited – issue no. I	20,000	5,000	100,000,000	6 months KIBOR + 1.5% p.a.	0.3% of principal amount in the first 90 months and the remaining principal in the 96th month from February 2005.	99,820	Mr.R. Mehakri
– issue no. II	19,980	5,000	99,900,000	6 months KIBOR + 1.5% p.a.	0.3% of principal amount in the first 90 months and the remaining principal in the 96th month from October 2005.	99,740	—do—
– issue no. III	50,000	5,000	250,000,000	6 months KIBOR + 2.5% p.a. for first five years & 6 months KIBOR +2.95% for next five years	0.32% of principal amount in the first 96 months and remaining principal in four equal semi annual installments starting from the 102nd month from issue.	250,000	—do—
	89,980		449,900,000				
Bank Al Habib Limited	20,000	5,000	100,000,000	6 months KIBOR + 1.5% p.a. with a floor and cap of 3.5% and 10% per annum respectively.	0.02% of total issue in equal installments in first 78 months and the remaining principal in 3 semi-annual installments from the 84th month from July 2004.	99,800	Mr. Abbas D. Habib
Bank Alfalah Limited – issue no. II	10,000	5,000	50,000,000	6 months KIBOR + 1.5% p.a.	0.25% of principal in the first 78 months and remaining principal in 3 semi-annual installments of 33.25% each of the issue amount starting from the 84th month from November 2004.	49,904	Mr. Sirajuddin Aziz
– issue no. II	39,720	5,000	198,600,000	6 months KIBOR + 1.5% p.a.	0.25% of the principal in the first 78 months and remaining in 3 semi annual installments of 33.25% each starting from the 84th month from November 2005.	198,295	—do—
– issue no. III	100,000	5,000	500,000,000	6 months KIBOR + 2.5% p.a.	0.26% of principal amount in the first 78 months and remaining principal in three semi –annual installment starting from the 84th month.	500,000	—do—
	149,720		748,600,000				
Soneri Bank Limited	30,000	5,000	150,000,000	6 months KIBOR + 1.6% p.a.	In 4 semi annual equal installments starting from the 78th month from May 2005.	149,730	Mr. Safar Ali K. Lakhani
United Bank Limited – issue no. III	56,978	5,000	284,890,000	6 months KIBOR + 1.7% p.a.	0.2% of the principal in the first 60 months and remaining principal in 6 equal semi annual installments from September 2006.	284,548	Mr. Atif R. Bokhari
Pak Arab Fertilizers Limited	20,000	5,000	100,000,000	6 months KIBOR + 1.5% p.a.	In six stepped –up semi-annual installments starting from the 30th month from July 2007.	99,940	Mr. Fawad Ahmed Mukhtar
Carrying value before revaluation						1,831,777	
Deficit on revaluation of securities						(96,233)	
Market value of listed TFCs (revalued amount)						1,735,544	
SUKUK BONDS – available for sale							
	Terms of Redemption		Rate of interest	Currency			
	Principal	Interest					
WAPDA Sukuk Bonds	At maturity	Half-yearly	6 Month KIBOR+0.35%	PKR		400,000	Mr. Muhammad Shakil
Deficit on revaluation of securities						(3,863)	
Market value of sukuk bonds						396,137	

Notes to the Financial Statements

For the year ended December 31, 2009

Annexure I

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2009	Name of Chief Executive
		(Rupees)				(Rupees in '000)	
TERM FINANCE CERTIFICATES – held to maturity							
Jahangir Siddiqui and Company Limited	56	5,000,000	280,000,000	6 months KIBOR + 1.5% to 2.2% p.a. over 10 years	In 4 equal semi-annual installments, starting from 8–1/2 years from December 2004.	279,384	Mr. Munaf Ibrahim
Pak Kuwait Investment Company (Private) Limited	100,000	5,000	500,000,000	3 months KIBOR + 1.25% p.a.	In 5 equal semi-annual installments commencing from the 36th month from June 2005.	200,000	Mr. Shamas ul Hasan
Allied Bank Limited	46,400	5,000	232,000,000	6 months KIBOR + 0.85% p.a. for first five years & 6 months KIBOR+1.30% for next 5 years.	0.38% of principal amount in the first 114 months and remaining principal will be paid at maturity	232,000	Mr. Aftab Manzoor
JDW Sugar Mills Limited	45,000	5,000	225,000,000	3 months KIBOR + 1.25% p.a.	Quarterly installments starting from March 23, 2010	225,000	Mr. Jehangir Khan Tareen
Kashaf Foundation	16,000	5,000	80,000,000	3 months KIBOR + 2.45% p.a.	Redemption due in two installment falling in April & July 2010	70,714	Roshaneh Zafar
Shakargari Mills Limited	16,000	5,000	80,000,000	6 Month KIBOR +2.25% p.a.	In 10 equal semi-annual installments starting from 18th Month from the date of issue date.	80,000	Mr. Ahsan Saleem
Islamabad Electric Supply Company Limited	200,000	5,000	1,000,000,000	6 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	1,000,000	Raja Abdul Ghafoor
Gufranwala Electric Supply Company Limited	200,000	5,000	1,000,000,000	6 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	1,000,000	Muhammad Ibrahim Majoka
Faisalabad Electric Supply Company Limited	200,000	5,000	1,000,000,000	6 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	1,000,000	Tanveer Safdar Cheema
Carrying value of unlisted TFCs						4,087,098	

The above excludes unlisted term finance certificates, debentures, bonds and participation term certificates of companies which are fully provided for in these financial statements.

4. Details of Bonds, Debentures and Federal Government Securities (refer note 9) – held to maturity

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency	Carrying value as
	Principal	Interest			Amount	at December 31, 2009
						(Rupees in '000)
Debentures						
Singer (Sri Lanka) Plc.	At maturity	Half-yearly	21.85%	SLR	135,000	99,414
Federal Government Securities						
Government of Pakistan	Yearly	Yearly	Barclays Bank's 3 months USD LIBOR +1%	US\$	2,037	171,583
Government Compensation Bonds						
Public Sector Enterprises Bonds (PSE-90)	At maturity	Yearly	9.00%	PKR	–	286,557
Sukuk Bonds						
Government Sukuk Bonds	At maturity	Half-yearly	6 Month LIBOR+2.2%	US\$	13,102	1,103,702
WAPDA Sukuk Bonds	At maturity	Half-yearly	6 Month KIBOR+0.35%	PKR	–	400,000
Sui Southern Gas Company Limited Sukuk Bonds	At maturity	Quarterly	3 Month KIBOR+1.4%	PKR	–	262,500
Maple Leaf Cement Factory Limited Sukuk Bonds	In 8 unequal semi-annual installments.	Half-yearly	6 Month KIBOR+1.70%	PKR	–	375,000
Quetta Textile Mills Limited Sukuk Bonds	In 12 equal semi-annual installments.	Half-yearly	6 Month KIBOR+1.50%	PKR	–	75,000
J.D.W Sugar Mills Limited Sukuk Bonds	In 18 unequal quarterly installments.	Quarterly	3 Month KIBOR+1.25%	PKR	–	175,000
Sitara Energy Limited	In 8 equal semi-annual installments.	Half-yearly	6 Month KIBOR+1.15%	PKR	–	112,727
Century Paper and Boards Mills Limited Sukuk Bonds	At maturity	Half-yearly	6 Month KIBOR+1.35%	PKR	–	250,000
					13,102	2,753,929
Euro Bonds						
Euro Bonds – OBU Bahrain Treasury	At maturity	Half-yearly	6.88%	US\$	8,129	684,810

Notes to the Financial Statements

Annexure I

For the year ended December 31, 2009

5 Investment in subsidiaries

Details of the Bank's subsidiary companies are as follows:

Name	% of holding	Country of incorporation	Year of incorporation
MCB Financial Services Limited (Formerly Muslim Commercial Financial Services (Private) Limited)	* 99.99	Pakistan	1992
MNET Services (Private) Limited	* 99.95	Pakistan	2001
MCB Trade Services Limited	100	Hong Kong	2005
MCB Asset Management Company Limited	* 99.99	Pakistan	2005
"MCB Leasing" Closed Joint Stock Company	95	Azerbaijan	2009

* Remaining shares are held by certain individuals as nominees of the Bank.

6 Summarized financial information of associated undertakings (refer note 9)

The gross amount of assets, liabilities, revenue, profit and net assets of associated undertakings are as follows:

Name of associated undertaking	Country of incorporation	Assets	Liabilities	Net assets (Rupees in '000)	Revenue	Profit after tax	% of interest held
2009							
First Women Bank Limited (unaudited based on September 30, 2009)	Pakistan	10,645,302	9,481,305	1,163,997	123,592 *	7,765	26.78%
Adamjee Insurance Company Limited (unaudited based on September 30, 2009)	Pakistan	21,364,087	10,882,002	10,482,085	5,187,372 **	2,308,817	29.13%
		<u>32,009,389</u>	<u>20,363,307</u>	<u>11,646,082</u>	<u>5,310,964</u>	<u>2,316,582</u>	
2008							
First Women Bank Limited (unaudited based on September 30, 2008)	Pakistan	8,625,499	7,561,236	1,064,263	369,150 *	94,561	26.78%
Adamjee Insurance Company Limited (unaudited based on September 30, 2008)	Pakistan	21,268,292	10,860,064	10,408,228	5,463,868 **	3,063,187	29.13%
		<u>29,893,791</u>	<u>18,421,300</u>	<u>11,472,491</u>	<u>5,833,018</u>	<u>3,157,748</u>	

* Represents net mark-up / interest income

** Represents net premium revenue

For the year ended December 31, 2009

Islamic Banking Business

Report of Shariah Advisor

Based on review conducted in terms of Para B (2) of Annexure-I of SBP-IBD Circular No. 02 of 2008, it is reported that;

- i) I have examined, on test check basis, each class of transaction, the relevant documentation and procedures adopted by MCB Islamic Banking Division;
- ii) Affairs of MCB-Islamic Banking Division have been carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules as well as with specific fatawa and rulings issued by me from time to time;
- iii) Allocation of funds, weight-ages, profit sharing ratios, profits and charging of losses (if any) relating to PLS accounts conform to the basis vetted by me in accordance with Shariah rules and principles;
- iv) Earnings realized from sources or by means prohibited by Shariah rules and principles have been credited to charity account.

Dated: February 25, 2010



Muhammad Zubair Usmani
Sharia Advisor
MCB- Islamic Banking Division

Notes to the Financial Statements

Annexure II

For the year ended December 31, 2009

Islamic Banking Business

The Bank is operating 11 Islamic banking branches at the end of December 31, 2009 (2008: 11 branches).

Balance Sheet

As at December 31, 2009

	2009	2008
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	315,766	185,177
Investments	1,671,364	1,781,727
Financing and receivables		
– Murabaha	1,466,368	2,573,116
– Ijara	771,734	1,197,762
– Islamic export refinance	1,239,498	978,303
Deferred Tax Asset	1,352	–
Other assets	2,725,991	2,561,843
	8,192,073	9,277,928
LIABILITIES		
Bills payable	15,779	73,540
Deposits and other accounts		
– Current accounts	231,793	175,350
– Saving accounts	1,450,493	1,110,499
– Term deposits	271,760	75,740
– Others	2,790	2,681
Borrowings from SBP	1,137,307	966,500
Due to head office	3,600,000	5,750,000
Deferred tax liability	–	6,650
Other liabilities	420,598	244,697
	7,130,520	8,405,657
NET ASSETS	1,061,553	872,271
REPRESENTED BY		
Islamic banking fund	850,000	650,000
Unappropriated profit	214,064	209,921
	1,064,064	859,921
Surplus on revaluation of assets – net of tax	(2,511)	12,350
	1,061,553	872,271
Remuneration to Shariah Advisor / Board	1,200	1,200
CHARITY FUND		
Opening Balance	2,093	4,227
Additions during the year	1,405	1,566
Payments / utilization during the year	(1,500)	(3,700)
Closing Balance	1,998	2,093

Notes to the Financial Statements

Annexure II

For the year ended December 31, 2009

Islamic Banking Business

Profit and Loss Account

For the year ended December 31, 2009

	2009	2008
	(Rupees in '000)	
Income / return / profit earned	974,180	838,551
Income / return / profit expensed	652,766	548,868
	321,414	289,683
Provision against loans and advances – net	37,736	10,430
Provision for diminution in the value of investments	–	–
Bad debts written off directly	–	–
	37,736	10,430
Net profit / income after provisions	283,678	279,253
Other income		
Fees, commission and brokerage income	16,102	6,299
Dividend income	–	–
Income from dealing in foreign currencies	7,446	1,526
Other Income	14,403	13,770
Total other income	37,951	21,595
	321,629	300,848
Other expenses		
Administrative Expenses	107,263	90,061
Other provisions / write offs	–	–
Other charges (Penalty paid to SBP)	302	866
Total other expenses	107,565	90,927
Extra ordinary / unusual items	–	–
Profit before taxation	214,064	209,921

Notes to the Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Int/Acc/Mup	Others	Total				
1	AL REHMAN ENGG WORKS 94 – Fruit Market, Allama Iqbal Town, Lahore	Mr. Ijaz Ahmed	35202-3581212-5	Muhammad Azeem	2,412	525	-	2,937	-	-	646	646
2	RIZWAN & CO. Galla Mandi, Hafizabad	Mr. Rizwan Mehmood	289-74-247430	Muhammad Siddique	2,999	793	-	3,793	-	-	750	750
3	AMERICAN BEVERAGES CORPORATION 13 Durand Road, Lahore	Mr. Mehmood Ali Ch	35202-7710843-7	Mohammad Ali Ch	1,997	1,534	-	3,531	-	-	1,775	1,775
4	M IMRAN House No 13, Street No 1, Main Road Salamat Pura, Lahore	Mr. Muhammad Imran	35201-9241168-9	Muhammad Ashraf	4,024	1,089	-	5,112	-	-	981	981
5	AFZAL & CO. 83 – D, New Muslim Town Lahore	Mr. Malik Afzal (Late)	35202-2740250-1	Malik Nazeer Hussain	2,281	479	-	2,759	-	-	596	596
6	ARSLAN TRADERS Village Fattoke P.O. Badomalhi, Tehsil & District Narowal	Sarfraz Mohsin	34501-6155620-3	Muhammad Sharif Bhatti	1,993	1,200	104	3,297	-	-	572	572
7	STYLE ENTERPRISES (PVT) LTD Kamahan Road (Off Bus Stop) 16 KM, Ferozepur Road, Lahore.	Jawad Khurshid Ahmad Hamad Khurshid Ahmad Atzaaz Khurshid Ahmad	265-89-026787 265-85-026788 265-89-210305	Mian Khurshid Ahmad Mian Khurshid Ahmad Mian Khurshid Ahmad	13,151	26,061	298	39,510	13,151	-	26,359	39,510
8	AFZAAL SHARIF Room NO 214 LSE Building, Lahore	Afzaal Sharif	35202-3364893-6	Ch. Muhammad Sharif	657	3,647	-	4,304	657	-	3,722	4,379
9	AFZAAL PETROLEUM Room NO 214 LSE Building, Lahore	Afzaal Sharif	35202-3364893-6	Ch. Muhammad Sharif	-	871	-	871	-	-	871	871
10	MUHAMMAD ARIF R/O Rukkan, P.O. Khas, Tehsil Malkwal Dist. Mandi bahauddin	Mian Muhammad Arif	34401-1652212-7	Mian Muhammad Ranzan	7,797	1,214	-	9,011	-	-	711	711
11	M R Saleem (PVT) LTD	M R Saleem Rehmat Noor	270-34-327506 270-41-327507	Mian Ahmed Yar W/O M R Saleem	3,584	3,257	-	6,841	-	-	2,658	2,658
12	MR. BADI-UZ-ZAMAN, R/O Saidu Sharif, Airport Swat	Mr. Badi-uz-Zaman	116-91-995162	Muhammad Ghafoor	3,610	5,245	30	8,885	3,610	-	5,405	9,015
13	JUNAID ENTERPRISES Attaturk Ave G-6/4, Islamabad	i) Syed Mohammad Ismail ii) Junaid Ismail	i) 61101-2348911-5 ii) 61101-1473675-5	i) Syed Yousaf Ali ii) Syed Mohammad Ismail	3,999	319	45	4,363	-	-	588	588

Notes to the Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
14	SIDIQUE PROCESSING MILLS (PVT) LTD Sargodha Road, Nalka Kohala, Fsd.	Ahsan Rasheed	33100-6570502-7	Rashid Ahmad	465	1,242	1,707	-	-	-	517	517
		Rashid Ahmad	33100-3922751-7	Nazir Ahmad								
		Faisal Rasheed	33100-8511457-9	Rashid Ahmad								
		Muhammad Zeeshan	33100-5100454-3	Muhammad Yousaf								
		Muhammad Shakeel	33100-0290146-7	Abdul Rasheed								
15	PAKISTAN SEED SERVICES C Plot Sindhanwail Road, Pir Mahal	Khizar Hayrat	335-69-234907	Mian Muhammad Murad	214	861	83	1,158	-	-	632	632
16	AL NOOR PROCESSING & TEXTILE MILLS (PVT) LIMITED. Sargodha Road, Fsd	Riaz Ahmad Shaikh	33100-5073801-9	Haji Muhammad Jahanda	11,870	3,090	14,960	-	3,090	3,090		
		Anir Riaz Shaikh	33100-5073801-9	Riaz Ahmad Shaikh								
		Muhammad Saeed Shaikh	33102-1809203-9	Haji Bashir Ahmad								
		Sh Faisal Riaz	33100-4704334-9	Riaz Ahmad Shaikh								
		Muhammad Saad Shaikh	33100-9089285-9	Riaz Ahmad Shaikh								
		Bashir Ahmad	33100-6182504-1	Haji Mohammad Boota								
		Muhammad Hassan Riaz Shaikh	33100-2418142-1	Riaz Ahmad Shaikh								
		Uzair Saeed	33100-6340341-5	Muhammad Saeed Shaikh								
17	FINE FABRICS (PVT) LIMITED 3-1/A Peoples Colony, Faisalabad	Abid Anwar Faiq Javaid	246-44-237624 246-81-329084	Mian Anwar Elahi Javaid Anwar	5,147	6,631	1,511	13,289	-	-	6,631	6,631
18	J K FIBER MILLS LIMITED 3-1/A, Peoples Colony, Faisalabad	Abid Anwar	246-44-237624	Mian Anwar Elahi	10,832	22,701	1,511	35,044	-	-	22,701	22,701
		Faiq Javaid	246-81-329084	Javaid anwar								
		Javaid Anwar	244-40-669051	Mian Anwar Elahi								
		Farhat Jahan	244-46-255473	Zahid Anwar								
		Naggen Faiq	246-89-410204	Faiq Javaid								
		Samina Begum	246-54-237625	Mohammad Zakriya								
		Shaiq Javaid	244-76-669052	Javaid Anwar								
19	J K SPINNING MILLS LIMITED	Abid Anwar Faiq Javaid Javaid Anwar Farhat Jahan Naggen Faiq Samina Begum Shaiq Javaid	246-44-237624 246-81-329084 244-40-669051 244-46-255473 246-89-410204 246-54-237625 244-76-669052	Mian Anwar Elahi Javaid anwar Mian Anwar Elahi Zahid Anwar Faiq Javaid Mohammad Zakriya Javaid Anwar	650	960	1,511	3,121	-	-	960	960
20	CHEMAB COTTON GINNING & OIL MILLS Mauza Jhoke Gamun Lare, Shujaabad Road Multan.	1. Ghulam Hussain 2. Muhammad Hanif 3. Muhammad Najeeb 4. Muhammad Rizwan	322-48-764267 322-59-637991 322-62-637986 322-65-637997	Haji Hussain Bux Haji Hussain Bux Haji Hussain Bux Muhammad Ramzan	12,642	29,140	90	41,872	12,642	-	29,230	41,872

Notes to the Financial Statements

For the year ended December 31, 2009

Annexure III

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Int/Acc/Mup	Others	Total				
21	DATA COTTON GINNING PROCESSING & OIL MILLS Tali Wala Road Chak NO 110 DB, Yazman Mandi Distt. Bahawalpur.	1. Muhammad Younas 2. Muhammad Sarfraz 3. Ghulam Rasool 4. Muhammad Yasin 5. Khalid Mehmood 6. Tariq Aziz 7. Javed Iqbal 8. Ilam Din	345-88-023564 345-77-333783 345-49-069001 345-68-197723 345-75-565389 345-72-023565 345-73-197724 345-25-197719	Ilam Din Ghulam Sarwar Ali Muhammad Ilam Din Muhammad Younas Muhammad Younas Ilam Din Nawab Din	13,788	11,307	69	25,164	13,788	-	11,376	25,164
22	MEHR DASTGIR TEXTILE MILLS LTD Mehr Dastgir, Shaheed Younas Road Multan	1. Kh. Muhammad Abdullah 2. Kh. Muhammad Yousaf 3. Kh. M. Abdul Rehman Jami 4. Kh. Muhammad Ali 5. Kh. Muhammad Hussain 6. Kh. Muhammad Mansoor 7. Kh. Muhammad Usman	36302-9279957-9 36302-0458568-3 36302-3799833-7 36302-3953552-9 36302-7531877-7 36302-0458520-5 36302-9514374-1	Kh. M. Ghulam Dastgir Kh. M. Ghulam Dastgir Kh. Muhammad Yousaf Kh. Muhammad Yousaf Kh. Muhammad Abdullah Kh. Muhammad yousaf Kh. Muhammad Abdullah	121,838	139,399	179	261,416	49,025	-	139,399	188,424
23	ZAFFAR CORPORATION Grain Market Chishtian	1. Tahir Iqbal	354-61-163199	Abdul Ghani	1,000	701	27	1,728	-	-	534	534
24	WAQAS OIL MILLS Katcha Sadiqabad Road Mauza Tibba Laran, Rahim Yar Khan.	1. Muhammad Ishaq	360-88-439657	Rana Abdul Aziz	2,300	692	89	3,081	-	-	781	781
25	MEHR DASTGIR LEATHER & FOOTWEAR INDUSTRIES PVT. LTD. Mehr Dastgir, Shaheed Younas Road Multan	1. Kh. Muhammad Abdullah 2. Kh. Muhammad Yousaf 3. Kh. M. Abdul Rehman Jami	36302-9279957-9 36302-0458568-3 36302-3799833-7	Kh. M. Ghulam Dastgir Kh. M. Ghulam Dastgir Kh. Muhammad Yousaf	13,673	43,770	346	57,789	-	-	43,797	43,797
26	TRADERS IMPEX 5-c, 5th Floor State Life Building II Chundrigar Road Karachi	Mr. Muhammad Ibrahim	42301-5704994.5	S/o Abdullah Dawood	6,500	21,814	-	28,314	6,500	-	21,814	28,314
27	HAFEEZ RASHEED SONS 82-C, 11th Commercial Street DHA Phase-II, Karachi	Mr. Ahmed Bilal Gul Mr. Zahid Bilal Mr. Amir Iqbal Mr. Waqid Ali Khan	42301-0861540-0 42000-9705786-5 42401-4129606-5 61101-1912023-3	S/o Mian M. Hafeez S/o Mian M. Hafeez S/o Mian M. Hafeez S/o Abdur Rasheed	1,990	648	-	2,638	337	-	648	985
28	SEHAR CORPORATION 105, Amber Estate Shisra-e-Faisal Karachi	Haji Khushi Muhammad Javed Iqbal Bhatti Muhammad Khalid	507-28-038572 507-52-038573 507-86-038579	S/o Mehtabuddin Bhatti S/o Haji Khushi Muhammad Bhatti S/o Haji Khushi Muhammad Bhatti	7,755	555	-	8,310	855	-	555	1,410
29	SEA GOLD TRADING M/R, 6/29, M. feroz Street Jodia Bazar Karachi	Mrs. Dlishad Qazi	42101-836838-4	W/o Qazi Ehteshamul Haq	20,486	5,867	371	26,724	20,486	-	6,238	26,724
30	KASHMIR PLOYTEX LTD Industrial Estate Mirpur Azad Kashmir	Mr. Mohammad Ashraf Khan Mr. Farooq Khan Mr. Mohammad Younus Khan Mrs. Harneem Ara Hashmi	N/A N/A N/A N/A	N/A N/A N/A N/A	-	690	-	690	-	-	690	690

Notes to the Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year			Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Int/Acc/Mup	Others				
31	ATTOCK TEXTILE MILLS Panther Plaza, F-8 Markaz Islamabad	Mr. Arshad Ali Chaudhry Mr. Rashid Ahmed Mrs. Rizwana Arshad Mrs. Said Begum Mrs. Fareeda Khanum Mrs. Aishan Shahid Ch. Mohammad Sharif	N/A N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A N/A	-	6,144	-	6,144	-	6,144	6,144
32	LARR SUGAR MILLS 16-E, Block 6, Rashid Minhas Street PECHS, Karachi	Mr. Abdul Rauf Mr. Muhammad Ahmed Mr. Asad Ahmed Dr. Syed Rafique Mustafa Shah	N/A N/A N/A N/A	N/A N/A N/A N/A	13,034	4,506	-	17,540	-	4,246	4,246
33	BHATTI CORPORATION H.S. Aoki Street Plaza Quater Karachi	Muhammad Iqbal Bhatti	42201-9782985-3	S/o Eliani Bhatti	24,379	6,343	-	30,722	-	6,343	6,343
34	NINE STAR INTER NATIONAL 123-Princes Street Chand Bibi Road Nanakwara Karachi.	Faukh	42000-9919707-1	Baboo	2,500	883	-	3,383	-	1,097	1,097
35	MUHAMMAD BACHAL ALLIES KHURARO P.O. Mirokhan Dist: Larkana	Muhammad Bachal Alias Kuraro	427-93-000141	Muhammad Punhal Tunio	1,501	487	25	2,013	-	722	722
36	AURANGZEB TUNIO Arzi Bhutto Road Miro Khan Dist: Larkana	Aurangzeb Tunio	427-77-129000	S/o Ahmed Khan	1,000	323	25	1,348	-	1,180	1,180
37	SEAMLINE GARMENTS (PVT) LTD WSA-3, Block-18, FB Area Karachi	Syed Muhammad Arif (Late) Syed Husnain Raza Begum Shakira Arif Miss. Arjumand Arif		Syed Muqadas Hussain Syed Husnain Raza W/o Syed Muhammad Arif (Late) D/o Syed Muhammad Arif (Late)	12,753	1,684	-	14,437	-	2,610	2,610
38	LARAIB INDUSTRIES COTTON G/P FACTORY OIL MILLS Khanpur Mehr Road Adipur Taluka Ghotki	Asif Ali Kalwar Shumaila Subhan	45102-5187012-9 42201-9854186-4	Abdul Fateh W/o Subhan Ali	2,923	852	-	3,775	-	645	645
39	AZHAR SERVICES 1/5-D, Block-2, PECHS, Nursery Main Shahra-e-Faisal Karachi	Azhar Alam Khan Haideri	42201-9643141-3	Khusro Alam Khan	2,800	478	-	3,278	-	802	802
40	NOORANI RICE MILLS Sind Small Industrial Estate Larkana	Fiazat Ali Abbasi	423-85-084621	Rustam Ali	1,113	599	-	1,712	-	1,295	1,295
41	RAFAT YAZDAN SIDDIQUI House No A-17, (St-16), Kda Kahkashan Clifton, Block 5, Karachi		42301-8385149-1	ANIS AHMED SIDDIQUI	5,724	652	-	6,376	-	652	656

Notes to the Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Int/Acc/Mup	Others	Total				
42	MUHAMMAD YOUSAF House No 66, Haseeb Block, Aazam Garden, Multan Road, Lahore		35202-1528069-3	SARAAJ DIN	5,053	538	-	5,591	-	597	174	770
43	RAFAT YAZDAN SIDDIQUI House No A-17, (St-16), Kda Kehkashan Clifton, Block 5, Karachi		42301-8385149-1	ANIS AHMED SIDDIQUI	5,724	705	-	6,429	-	705	114	819
44	KHALIL USMAN B-304 Ruff Paradise Block 18 Gulistan E Johar Karachi		42002-1372861-9	AKHTER BAGUM	17,678	201	-	17,879	-	201	815	1,016
45	MUHAMMAD BULAND IQBAL KHAN House No A-117, Block-2, North Nazimabad, Karachi		42101-5538260-7	WAHID ALI KHAN	7,923	379	-	8,302	-	379	157	536
46	SHEIKH KHALID PERVAIZ 15/B, New Muslim Town, Lahore		35202-6908260-3	SH MUHD AASHIQ	19,230	2,714	-	21,944	430	3,043	369	3,842
47	MUNIR AHMAD 390/15-16 Rahmat Street, Bus Stop, Salamat Pura, Gt Road Lahore		35201-0806707-5	CH NAZIR AHMED	3,347	321	-	3,668	-	572	194	766
48	RAO MUHAMMAD AKRAM H No 5, Sino 6, Touheed Park, Derogawala, Lahore		35201-3813646-7	MUHAMMAD DIN RAO	5,911	639	-	6,549	-	1,081	343	1,424
49	MOHAMMAD SOHAIL IKHLAQ House No 122, Abn-E-Saeed Road, Canal Bank Scheme, Fatah Garh, Lahore		35202-8701430-3	MOHAMMAD IKHLAQ CH	13,376	1,721	-	15,097	-	2,208	621	2,829
50	MUHAMMAD SHAHID 130 Raza Block Ait, Lahore		35202-2778768-9	GHULAM MUHAMMAD	12,192	462	-	12,654	-	154	364	518
51	SYED HAROON AZIZ 102/2, Khayaban-E-Rahat, Lane-12, Phase VII, D.H.A., Karachi		42301-4299539-1	AZIZ AHMED	4,019	378	-	4,397	-	712	140	852
52	ASAD NASEER P-11/3, Kanal Road, Park Chak No 204, Faisalabad		33100-2904569-3	NASEER AHMED	14,379	2,131	-	16,510	-	-	2,571	2,571
53	SYED ASHRAF ALI House No 246 Qasimabad Liaquatabad Karachi		42101-8228717-5	SYED NAFASAT ALI	10,384	553	-	10,938	-	553	481	1,034

Notes to the Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Int/Acc/Mup	Others	Total				
54	ASMAT ULLAH KHAN House No 874, Satellite Town, Rawalpindi		37405-9543346-1	MAZ ULLAH KHAN	3,650	468	-	4,117	449	582	120	1,151
55	ASMAT ULLAH KHAN House No 874, Satellite Town, Rawalpindi		37405-9543346-1	MOAZ ULLAH KHAN	3,566	496	-	4,062	486	617	116	1,219
56	AMIR ALI 269 H Block Gulshan E Ravi Lahore		35200-1419640-9	MIAN ZULFIQAR ALI	6,809	486	-	7,295	-	611	374	986
57	NADEEM SHEHZAD House No C6-509, Laneno 7, Choochar Harpal, Rawalpindi		37405-0266981-5	HAJI MUHAMMAD SULEMAN	1,050	116	-	1,166	500	165	35	700
58	SANIA RIASAT House No 19-E, Firdus Park Ghazi Road, Lahore		35201-0771511-4	MALIK RIASAT ALI	2,212	235	-	2,447	212	365	103	680
59	Syed Ashraf Ali House No 246 Qasimabad Liaquatabad Karachi		42101-8228717-5	SYED NAFASAT ALI	10,384	553	-	10,938	-	553	414	988
60	MOHAMMAD AKHTER CHOUDHRY House No 7212 Block N Dha Cantt Lahore		35201-1514624-9	CHOUDHRY PALTOO KHAN	13,202	346	-	13,548	-	346	581	927
61	TABINDA ALKAN JAFFERY House No 11, L Block, Johar Town, Lahore		35200-1429490-6	MOHAMMAD JAWAL BUTT	9,181	115	-	9,296	-	229	505	734
62	SYED ASHRAF ALI House No 246 Qasimabad Liaquatabad Karachi		42101-8228717-5	SYED NAFASAT ALI	10,384	576	-	10,960	-	576	415	991
63	MANSOOR HUMAYON H-1/25, Khayaban-E-Sirsyed, Ali Market, Sector-I-I, Rawalpindi		37405-0153130-1	ABDUL HAQ	4,268	73	-	4,341	-	572	148	720
64	ILLYAS QURESHI House No 525, Omer Block, Allama Iqbal Town, Lahore		35202-4059736-7	M YOUSAF QURESHI	7,171	207	-	7,378	-	289	332	621
65	SYED ASHRAF ALI House No 246 Qasimabad Liaquatabad Karachi		42101-8228717-5	MUHAMMAD AKBAR	5,468	553	-	6,022	-	553	415	988

Notes to the Financial Statements

For the year ended December 31, 2009

Annexure III

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Int/Acc/Mup	Others	Total				
66	ASHGAR IQBAL 1-H, 112, Par Falcon Complex, Karachi		42301-2836738-5	M BASHIR LONE	12,236	348	-	12,584	-	348	222	570
67	MUHAMMAD NAJEEB House No 298, St 18, G 10/2, Islamabad		61101-5157357-3	CH SANAULLAH	4,777	113	-	4,889	-	418	188	606
68	SHAFQAT 26-B1, Block-10, Township, Lahore		35202-2726742-6	AMNA BIBI	7,692	800	-	8,492	-	1,243	257	1,500
69	MUHAMMAD FAREH KHAN House No A 444 Block Droth Nazimabad		42101-0395342-5	MUHAMMAD JAWAID KHAN	732	73	-	805	407	116	69	592
70	WAJAHAT ALI Sector 5A-2L-160, North Karachi, Karachi.		42201-6976969-3	MUHAMMAD MUSTAFA	552	50	-	602	397	77	56	530
71	WARIS MEHMOOD BUTT New Miana Pura, East Roras Road, Sialkot		34603-8903076-3	MUHAMMAD HUSSAIN BUTT	721	140	-	861	219	145	143	506
72	MUHAMMAD TAHIR IQBAL House No F-550,Block-F,Muhallah Satellite Town, Rawalpindi		37405-0282847-3	MUHAMMAD IQBAL KHAN	788	94	-	882	223	188	96	507
73	ZULQARNAIN 22 Km, Multan Road, Lahore		34101-2586245-7	ZAKA ULLAH	688	18	-	706	328	98	118	544
74	AMIR JAVED Shair Shah Str Muhalla, Babu Sabu, Baker Mandi, Bund Road, Lahore		42201-1683122-3	MUHAMMAD JAVED	1,048	151	-	1,199	348	162	120	630
75	MUHAMMAD SALEEM KHAN Māhmand Abad, Sino 1, Back Technical College, Kohat Road, Peshawar		17301-1618197-7	FAREED KHAN	969	115	-	1,084	367	130	260	756
76	TOUSEEF UL HAQ SIDDIQUI 233-C, Johar Town, Lahore		35202-5024520-1	TOYBGHAT ULLA SAADIQUE	2,856	-	-	2,856	2,003	-	-	2,003
Total					577,002	376,122	6,314	959,438	127,420	19,243	371,745	518,408

Notes to the Financial Statements

Annexure IV

For the year ended December 31, 2009

Disposal of operating fixed assets (refer note 11.2.3)

Description	Cost	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal/ settlement	Particulars of buyers
(Rupees in '000)						
Furniture and fixture, electrical, computers and office equipment						
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000	2,821	2,821	–	497	Under Claim	Adam Jee Insurance Company
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	18,426	15,487	2,939	7,313	Auction/Quotation	Different Buyers
Vehicles						
Toyota Land Cruiser	7,650	3,672	3,978	4,250	Auction	Amir Shahid
Mercedes Benz	3,526	2,116	1,410	2,156	Auction	Riaz Ali
Mercedes Benz	3,526	2,163	1,363	2,200	Auction	Mohammad Junaid
Toyota Hilux	2,599	1,144	1,455	1,950	Auction	Amir Shahid
Honda Civic	1,248	882	366	987	Auction	Khurram Imtiaz
Toyota Corola	1,062	184	878	964	Under Claim	Adam Jee Insurance Company
Honda Civic	1,043	445	598	612	Retirement Benefit	Mr N.A Qazi
Honda Civic	1,037	498	539	926	Auction	Mr.Farhan Abdul Karim
Honda Civic	1,002	561	441	850	Auction	Ali Murtaza
	22,693	11,665	11,028	14,895		
Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	45,038	29,679	15,359	36,047		
Buildings						
8th Floor Techno City Karachi	34,340	1,188	33,152	34,340	Sale	MCB Asset Management Company Ltd.
2009	123,318	60,840	62,478	93,092		
2008	589,921	242,634	347,287	434,196		

Notes to the Financial Statements

Annexure V

For the year ended December 31, 2009

Summarized detail of the valuation of owned properties (refer note 11.2.1)

City	Land	Building	Total
	(Rupees in '000)		
Karachi	3,489,740	2,065,266	5,555,006
Hyderabad	89,981	42,407	132,388
Sukkur	48,591	14,049	62,640
Moro	5,698	1,735	7,433
Nausheroferoz	4,150	1,051	5,201
Mirpurkhas	15,687	5,397	21,084
Larkana	21,935	6,190	28,125
Gawadar	3,765	2,674	6,439
Mianwali	23,500	486	23,986
Jehlum	21,000	9,047	30,047
Muree	10,000	305	10,305
Jhang	14,063	2,874	16,937
Quetta	241,260	33,860	275,120
Islamabad	1,189,400	150,936	1,340,336
Abbottabad	15,000	6,531	21,531
Rawalpindi	300,836	84,738	385,574
Lahore	3,075,794	1,386,009	4,461,803
Kasur	16,380	1,673	18,053
Faisalabad	396,077	81,372	477,449
Gujrat	43,200	14,391	57,591
Gujranwala	41,534	7,862	49,396
Wazirabad	12,000	4,849	16,849
Muridke	18,000	3,231	21,231
Hafizabad	20,000	8,128	28,128
Sargodha	51,323	7,256	58,579
Okara	13,000	7,104	20,104
Sheikhupura	24,000	8,332	32,332
Vehari	3,885	1,228	5,113
Sialkot	50,000	4,505	54,505
Sahiwal	11,764	7,681	19,445
Chakwal	—	3,988	3,988
Azad Kashmir	57,352	7,970	65,322
Peshawar	67,017	21,054	88,071
Tandoallahyar	2,200	800	3,000
Muzaffarabad	43,582	6,085	49,667
Shadadpur	4,300	818	5,118
Haripur	23,070	3,507	26,577
Dir	3,484	3,739	7,223
Mingora	10,150	6,931	17,081
Rahim Yar Khan	8,100	8,535	16,635
Sadiqabad	15,120	5,924	21,044
Haroonabad	7,000	1,600	8,600
Chistian	667	915	1,582
Khanpur	9,380	—	9,380
Bahawalpur	13,750	11,711	25,461
D.G. Khan	20,500	12,945	33,445
Shujabad	4,800	1,837	6,637
Overseas	—	35,061	35,061
Grand total	9,562,035	4,104,587	13,666,622

Notes

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MCB Bank Limited and Subsidiary Companies
Consolidated Financial Statements



Director's Report

on Consolidated Financial Statements

The Board of Directors present the report on consolidated financial statements of MCB Bank Ltd and its subsidiaries namely MCB Asset Management Company Limited, MCB Financial Services Limited, MNET Services (Pvt.) Limited, MCB Trade Services and "MCB Leasing" Closed Joint Stock Company for the year ended December 31, 2009.

The following appropriation of profit has been recommended by the Board of Directors:

	(Rs. in '000)
Profit before taxation	23,349,146
Taxation	7,683,743
	15,665,403
Profit attributable to minority interest	(4)
Profit attributable to ordinary share holders	15,665,399
Un-appropriated profit brought forward	11,065,723
Transfer from surplus on revaluation of fixed assets (net of tax)	22,374
	11,088,097
Profit available for appropriation	26,753,496
Appropriations	
Statutory reserve	1,549,530
Final cash dividend– December 2008	1,570,692
Issue of bonus shares– December 2008	628,277
Interim dividend– March 2009	1,727,781
Interim dividend– June 2009	1,727,773
Interim dividend– September 2009	1,727,773
Total appropriations	8,931,826
	17,621,670

Pattern of Shareholding

The pattern of shareholding as at December 31, 2009 is annexed in annual report.

Earnings per Share

The Consolidated financial statements reflect Rs.22.67 earning per share for the year under review.

On behalf of Directors



Mian Mohammad Mansha
Chairman

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of MCB Bank Limited ("the Bank") and its subsidiary companies as at December 31, 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches except for sixty branches which have been audited by us and seven branches audited by auditors abroad. We have also expressed separate opinions on the financial statements of MCB Bank Limited and MNET Services (Private) Limited. The financial statements of subsidiary companies MCB Financial Services Limited, MCB Asset Management Company Limited and MCB Trade Services Limited were audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the report of such other auditors.

These consolidated financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of MCB Bank Limited as at December 31, 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Lahore

February 25, 2010

KPMG Taseer Hadi & Co.

Chartered Accountants
Farid ud Din Ahmed

Consolidated Balance Sheet

As at December 31, 2009

	Note	2009	2008
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks	6	38,774,871	39,631,219
Balances with other banks	7	6,077,354	4,106,526
Lendings to financial institutions	8	3,000,000	4,100,079
Investments – net	9	169,484,647	98,165,391
Advances – net	10	253,248,265	262,133,830
Operating fixed assets	11	18,099,010	17,320,485
Deferred tax assets – net		–	–
Other assets – net	12	23,057,731	19,828,228
		511,741,878	445,285,758
Liabilities			
Bills payable	14	8,201,090	10,551,468
Borrowings	15	44,662,088	22,663,840
Deposits and other accounts	16	367,581,075	330,152,549
Sub-ordinated loan		–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities – net	17	3,201,756	440,295
Other liabilities	18	15,782,589	21,345,473
		439,428,598	385,153,625
Net assets		72,313,280	60,132,133
Represented by:			
Share capital	19	6,911,045	6,282,768
Reserves	20	38,387,656	36,772,321
Unappropriated profit		17,821,670	11,065,723
		63,120,371	54,120,812
Minority interest		71	69
		63,120,442	54,120,881
Surplus on revaluation of assets – net of tax	21	9,192,838	6,011,252
		72,313,280	60,132,133
Contingencies and commitments	22		

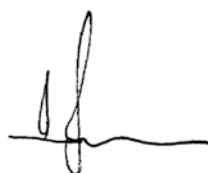
The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.



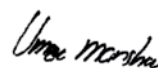
Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2009

	Note	2009	2008
		(Rupees in '000)	
Mark-up / return / interest earned	24	51,621,911	40,049,505
Mark-up / return / interest expensed	25	15,839,722	11,592,922
Net mark-up / interest income		35,782,189	28,456,583
Provision for diminution in the value of investments – net	9.3	1,484,218	2,683,994
Provision against loans and advances – net	10.4.2	5,796,527	1,335,127
Bad debts written off directly	10.5.1	41,576	–
		7,322,321	4,019,121
Net mark-up / interest income after provisions		28,459,868	24,437,462
Non-mark-up / interest income			
Fee, commission and brokerage income		3,337,282	2,965,328
Income earned as trustee to various funds		18,029	21,867
Dividend income		342,132	451,312
Income from dealing in foreign currencies		341,402	727,564
Gain on sale of securities – net	26	806,388	748,139
Unrealized loss on revaluation of investments classified as held for trading	9.5	11,511	(99,531)
Other income	27	898,109	1,115,169
Total non-mark-up / interest income		5,754,853	5,929,848
		34,214,721	30,367,310
Non-mark-up / interest expenses			
Administrative expenses	28	10,231,225	7,670,454
Other provision – net	12.3	142,824	23,135
Other charges	29	691,722	817,824
Total non-mark-up / interest expenses		11,065,771	8,511,413
Share of profit of associated undertaking	9.7	200,196	30,843
Extra ordinary / unusual item		–	–
Profit before taxation		23,349,146	21,886,740
Taxation – Current year		7,725,787	7,387,345
– Prior years		(2,232,933)	(865,344)
– Deferred		2,190,425	16,348
Share of tax of associated undertaking		464	25,164
	30	7,683,743	6,563,513
Profit after taxation		15,665,403	15,323,227
Profit attributable to minority interest		(4)	(12)
Profit attributable to ordinary share holders		15,665,399	15,323,215
Unappropriated profit brought forward		11,065,723	7,054,472
Transfer from surplus on revaluation of fixed assets – net of tax		22,374	21,373
		11,088,097	7,075,845
Profit available for appropriation		26,753,496	22,399,060
(Rupees)			
Basic and diluted earnings per share – after tax	33	22.67	22.17

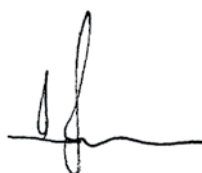
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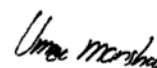
Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2009

	Note	2009	2008
		(Rupees in '000)	
Cash flows from operating activities			
Profit before taxation		23,349,146	21,886,740
Less: Dividend income and share of profit from associate		(542,328)	(482,155)
		22,806,818	21,404,585
Adjustments for non-cash charges			
Depreciation	11.2	917,648	822,710
Amortization	11.3	154,977	143,465
Provision against loans and advances – net	10.4.2	5,796,527	1,335,127
Provision for diminution in the value of investments – net	9.3	1,484,218	2,683,994
Provision against other assets –net	12.3	142,824	10,120
Bad debts written off directly	10.5.1	41,576	–
Operating fixed assets written off	29	17,477	–
Gain on disposal of fixed assets – net	27	(30,614)	(36,855)
Deficit on revaluation of 'held for trading' securities	9.5	(11,511)	99,531
		8,513,122	5,058,092
		31,319,940	26,462,677
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,100,079	(3,048,707)
Net investments in 'held for trading' securities		103,186	(7,445)
Advances – net		3,047,462	(44,884,171)
Other assets – net		(3,410,586)	(1,893,900)
		840,141	(49,834,223)
Increase / (decrease) in operating liabilities			
Bills payable		(2,350,378)	72,410
Borrowings		21,998,248	(16,742,991)
Deposits and other accounts		37,428,526	38,156,733
Other liabilities		(6,670,830)	11,923,618
		50,405,566	33,409,770
		82,565,647	10,038,224
		(4,351,598)	(7,922,663)
Income tax paid			
Net cash flows from operating activities		78,214,049	2,115,561
Cash flows from investing activities			
Net investments in 'available for sale' securities		(72,302,447)	15,058,126
Net investments in 'held to maturity' securities		3,303,107	(5,550,843)
Dividends received		407,489	544,861
Investments in operating fixed assets		(1,931,105)	(2,160,582)
Sale proceeds of property and equipment disposed off		93,092	258,627
Net cash flows from investing activities		(70,429,864)	8,150,189
Cash flows from financing activities			
Redemption of subordinated loan		–	(479,232)
Dividend paid		(6,735,510)	(9,834,181)
Net cash flows from financing activities		(6,735,510)	(10,313,413)
Exchange differences on translation of net investment in foreign branches		65,805	233,934
Increase in cash and cash equivalents		1,114,480	186,271
Cash and cash equivalents at beginning of the year		44,379,438	45,467,614
Effects of exchange rate changes on cash and cash equivalents		(641,693)	(1,916,140)
		43,737,745	43,551,474
Cash and cash equivalents at end of the year	34	44,852,225	43,737,745

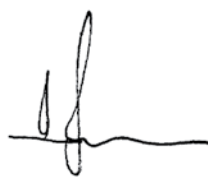
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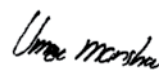
Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2009

	Attributable to shareholders of the bank							Minority Interest	Total
	Share capital	Capital reserves		Statutory reserve	Revenue reserves		Subtotal		
		Share premium	Exchange translation reserve		General reserve	Unappropriated profit			
	(Rs. in '000)								
Balance as at December 31, 2007	6,282,768	9,702,528	(41,692)	6,740,091	17,600,000	7,054,472	47,338,167	63	47,338,230
Changes in equity for 2008									
Profit after taxation for the year ended December 31, 2008	-	-	-	-	-	15,323,227	15,323,227	-	15,323,227
Profit attributable to minority interest						(12)	(12)	12	
Profit after taxation for the year ended December 31, 2008 attributable to ordinary shareholders of the group	-	-	-	-	-	15,323,215	15,323,215	12	15,323,227
Exchange differences on translation of net investment in foreign branches	-	-	233,934	-	-	-	233,934	-	233,934
Total comprehensive income for the year ended December 31, 2008	-	-	233,934	-	-	15,323,215	15,557,149	12	15,557,161
Transferred from surplus on revaluation of fixed assets to unappropriated profit – net of tax	-	-	-	-	-	21,373	21,373	-	21,373
Transferred to general reserve	-	-	-	-	1,000,000	(1,000,000)	-	-	-
Transferred to statutory reserve	-	-	-	1,537,460	-	(1,537,460)	-	-	-
Dividend attributable to minority shareholders	-	-	-	-	-	-	-	(6)	(6)
Final cash dividend – December 2007	-	-	-	-	-	(3,141,384)	(3,141,384)	-	(3,141,384)
Interim cash dividend – March 2008	-	-	-	-	-	(1,884,831)	(1,884,831)	-	(1,884,831)
Interim cash dividend – June 2008	-	-	-	-	-	(1,884,831)	(1,884,831)	-	(1,884,831)
Interim cash dividend – September 2008	-	-	-	-	-	(1,884,831)	(1,884,831)	-	(1,884,831)
Balance as at December 31, 2008	6,282,768	9,702,528	192,242	8,277,551	18,600,000	11,065,723	54,120,812	69	54,120,881
Changes in equity for 2009									
Profit after taxation for the year ended December 31, 2009	-	-	-	-	-	15,665,403	15,665,403	-	15,665,403
Profit attributable to minority interest						(4)	(4)	4	
Profit after taxation for the year ended December 31, 2008 attributable to ordinary shareholders of the group	-	-	-	-	-	15,665,399	15,665,399	4	15,665,403
Exchange differences on translation of net investment in foreign branches	-	-	65,805	-	-	-	65,805	-	65,805
Total comprehensive income for the year ended December 31, 2008	-	-	65,805	-	-	15,665,399	15,731,204	4	15,731,208
Transferred from surplus on revaluation of fixed assets to unappropriated profit – net of tax	-	-	-	-	-	22,374	22,374	-	22,374
Transferred to statutory reserve	-	-	-	1,549,530	-	(1,549,530)	-	-	-
Issue of bonus shares – December 2008	628,277	-	-	-	-	(628,277)	-	-	-
Dividend attributable to minority shareholders	-	-	-	-	-	-	-	(2)	(2)
Final cash dividend – December 2008	-	-	-	-	-	(1,570,692)	(1,570,692)	-	(1,570,692)
Interim cash dividend – March 2009	-	-	-	-	-	(1,727,781)	(1,727,781)	-	(1,727,781)
Interim cash dividend – June 2009	-	-	-	-	-	(1,727,773)	(1,727,773)	-	(1,727,773)
Interim cash dividend – September 2009	-	-	-	-	-	(1,727,773)	(1,727,773)	-	(1,727,773)
Balance as at December 31, 2009	6,911,045	9,702,528	258,047	9,827,081	18,600,000	17,821,670	63,120,371	71	63,120,442

For details of dividend declaration and appropriations, refer note 45 to these financial statements.

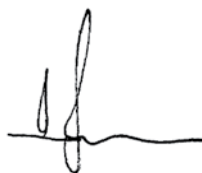
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Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2009

	2009	2008
	(Rupees in '000)	
Profit after tax for the year	15,665,403	15,323,227
Other comprehensive income		
Effect of translation of net investment in foreign branches	65,805	233,934
Total comprehensive income for the year	15,731,208	15,557,161

Surplus/ deficit on revaluation of 'available for sale' securities and 'fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated 04 August, 2000 and BSD circular 10 dated 13 July, 2004 and Companies Ordinance, 1984, respectively.

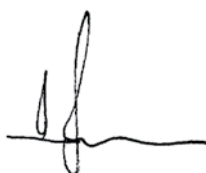
The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.



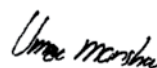
Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding company

- MCB Bank Limited

Subsidiary companies

Percentage
holding of
MCB Bank
Limited
%

– MCB Financial Services Limited (formerly Muslim Commercial Financial Services (Private) Limited)	99.999
– MNET Services (Private) Limited	99.950
– MCB Trade Services Limited	100.000
– MCB Asset Management Company Limited	99.990
– "MCB Leasing" Closed Joint Stock Company	95.000

MCB Bank Limited (holding company)

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) representing two ordinary shares (2008: two ordinary 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 1,074 branches including 11 Islamic banking branches (2008: 1,040 branches including 11 Islamic banking branches) within Pakistan and 7 branches (2008: 7 branches) outside the country (including the Karachi Export Processing Zone branch).

MCB Financial Services Limited (subsidiary company)

(formerly Muslim Commercial Financial Services (Private) Limited)

The company was incorporated on February 12, 1992 under the Companies Ordinance, 1984 as a private limited company. The principal object of the company is to float, administer and manage modaraba funds and modarabas under Modaraba Companies & Modaraba (Floatation and Control) Ordinance 1980. The company's registered office is situated at 16th Floor, MCB Tower, I.I. Chundrigar Road, Karachi.

The company also acts as a trustee of certain mutual funds.

MNET Services (Private) Limited (subsidiary company)

MNET Services (Private) Limited is a private limited company incorporated in Pakistan under the Companies Ordinance, 1984 on September 7, 2001. The company's registered office and principal place of business are situated at MCB Building, F-6 / G-6, Jinnah Avenue, Islamabad and Sheikh Sultan Trust

Building, Beaumont Road, Karachi respectively. The core objective of the company is to provide services in Information Technology and to develop computer software and other data processing equipment for planning, designing, management and execution of all types of financial, personal, organizational and institutional activities.

MCB Trade Services Limited (subsidiary company)

The company was incorporated under the laws of Hong Kong on February 25, 2005. The registered office of the company is located at 28 / F, BEA Harbour View Centre 56 Gloucester Road, Wan Chai, Hong Kong.

The principal activity of the company is to provide agency services.

MCB Asset Management Company Limited (subsidiary company)

The company was incorporated in Pakistan under the Companies Ordinance 1984 on September 14, 2005 as a public limited company. The registered office and principal place of business of the company is located at 8th Floor, Technocity, Corporate Tower, Hasrat Mohani Road, Karachi.

The company is registered as an asset management company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 to carry on the business of an asset management company under the said rules.

The principal activity of the company includes asset management, investment advisory, portfolio management, equity research and underwriting.

"MCB Leasing" Closed Joint Stock Company (subsidiary company)

The Bank incorporated a Closed Joint Stock Company under the laws of Azerbaijan on October 15, 2009 with 95% holding. The registered office of the company is located at AZ 1001, Baku, Sabil District, 11 Jafarov Shlari, Baku, Azerbaijan.

The principal activity of the company is to undertake leasing business.

2. BASIS OF PRESENTATION

2.1 The consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.

2.2 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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

2.3 The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these financial statements.

2.4 For the purpose of translation, rates of Rs. 84.2416 per US Dollar (2008: Rs. 79.0985) and Rs. 0.7364 per SLR (2008: Rs.0.70) have been used.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have 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 and 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 August 26, 2002. The Securities Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.2 Standards, amendments and interpretations to published approved accounting standards that are not relevant and not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2010. These standards are either not relevant to the Group operations or are not expected to have a significant impact on the Group financial statements other than increase in disclosures in certain cases:

- Revised IFRS 3 – Business Combinations (applicable for annual periods beginning on or after July 01, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.
- Amended IAS 27 – Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.
- IFRIC 15 – Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 01, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.
- Amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after July 01, 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.
- IFRIC – 17 – Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a bank distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2010 financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 01, 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.
- Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps.
- IAS 24 – Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Bank's financial statements.
- Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 01, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that

subsidiary's assets and liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Bank's financial statements.

4. BASIS OF MEASUREMENT

4.1 These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and 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.

4.2 The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded off to the nearest thousand.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification of investments

- In classifying investments as 'held for trading', the Group has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as 'held to maturity', the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

b) Provision against advances

The Group reviews its loan portfolio to assess amount of non-performing advances and provision required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in notes 10.4.3 and 10.4.4.

c) Impairment of 'available for sale' equity investments

The Group determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational/financial cash flows.

d) Taxation

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

e) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates at the balance sheet date and the rates contracted.

f) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Group

estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements (note 36) for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policies

Starting January 01, 2009, the Bank has changed its accounting policies in respect of 'Presentation of financial statements' and 'Ijarah'.

- 5.1.1 The Bank has applied Revised IAS 1 Presentation of Financial Statements (2007) which became effective as of January 01, 2009. As a result, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended on December 31, 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earning per share.

- 5.1.2 The State Bank of Pakistan has notified for adoption of Islamic Financial Accounting Standard – IFAS 2 "Ijarah" which is applicable for accounting periods beginning on or after January 01, 2009. IFAS 2 requires assets underlying ijarah financing to be recorded as operating fixed assets separately from the assets in Bank's own use. These assets are carried at cost less accumulated depreciation and impairment, if any.

5.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of an associate accounted for under the equity basis of accounting.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

- b) 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 subsidiaries disposed off. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the financial statements as at December 31, 2008 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Material intra-Group balances and transactions have been eliminated.
- c) Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost, thereafter 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 an associate has been accounted for on the basis of the financial statements for the year ended December 31, 2009.
- d) Minority interest is that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

5.3 Investments

The Group classifies its investments as follows:

a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity.

c) Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account currently.

Unquoted equity securities (excluding investments in subsidiaries and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost. Investments in subsidiaries and investments in associates are carried at cost.

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associate at the date of acquisition. Goodwill on acquisitions of associates is included in 'investments in associates'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an associate include the carrying amount of goodwill relating to the associate sold.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

5.4 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

5.5 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Advances are written off when there is no realistic prospect of recovery.

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as financial leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

5.6 Operating fixed assets and depreciation

Property and equipment, other than land carrying value of which is not amortized, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount. Capital work-in-progress is stated at cost. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

Depreciation on all operating fixed assets is charged using the diminishing balance method except for vehicles, computers, carpets and buildings which are depreciated using the straight line method in accordance with the rates specified in note 11.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Gains / losses on sale of property and equipment are credited / charged to the profit and loss account currently, except that the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

5.6.1 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible assets are amortized over its estimated useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

5.6.2 Leased (Ijarah)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognized on an accrual basis as and when the rental becomes due.

5.7 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

5.8 Staff retirement benefits

MCB Bank Limited (holding company)

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
 - an approved contributory provident fund;
 - an approved gratuity scheme; and
 - a contributory benevolent scheme
- b) For clerical / non-clerical staff who joined the Group after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
 - an approved pension fund; and
 - contributory benevolent scheme
- c) For officers who joined the Group after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund; and
 - an approved pension fund.

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.

- d) For executives and officers who joined the Group on or after January 01, 2000 the Group operates an approved contributory provident fund.
- e) Post retirement medical benefits to entitled employees.

Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the projected unit credit method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. The net cumulative actuarial gains / losses at each balance sheet date are recognized equally over a period of three years or the expected remaining average working lives of employees, whichever is lower.

Past service cost resulting from changes to defined benefit plans to the extent the benefits are already vested is recognized immediately and the remaining unrecognized past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested.

MNET Services (Private) Limited (subsidiary company)

The company operates an unfunded gratuity scheme for its eligible employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company. Accrual of charge for the year is made on the basis of actuarial valuations carried out under the projected unit credit method. Actuarial gains and losses are amortized over the expected future service of employees to the extent of the greater of ten percent of the present value of the defined benefit obligations at that date.

5.9 Employees' compensated absences

MCB Bank Limited (holding company)

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains or losses if any, are recognized immediately.

5.10 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Group records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.11 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

5.12 Foreign currencies

5.12.1 Foreign currency transactions

Transactions in foreign currencies (other than the results of foreign operations discussed in note 5.12.2) are translated to Rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities.

5.12.2 Foreign operations

The assets and liabilities of foreign branches are translated to Rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

5.12.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Bank's net investment in foreign branches, which are taken to the capital reserve (exchange translation reserve).

5.12.4 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange ruling on the balance sheet date.

5.13 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP) or as permitted by the regulations of the overseas regulatory authorities of the countries where the branches operate.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.
- Unrealized lease income is held in suspense account, where necessary, in accordance with the requirements of SBP or overseas regulatory authorities of the country where the foreign branches of the Bank operate.
- Premium on foreign currency options and commission income is recognized on a time proportion basis.
- Dividend income is recognized when the Group's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account currently.
- Outsourcing and networking service revenue is recognized on an accrual basis.
- Revenue for acting as trustee is recognized on net asset value (NAV) of respective funds.
- Commission income is recognized at the time of sale of units by the Asset Management Company.

5.14 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

5.15 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.16 Financial instruments

5.16.1 Financial assets and financial liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments (excluding investment in associates and subsidiaries), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

5.16.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

5.16.3 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Group intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

5.17 Share issuance cost

Share issuance cost directly attributable to issuance of shares, is recognized as deduction from the share premium account.

5.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format of reporting is based on business segments.

5.18.1 Business segments

Corporate Finance

Corporate Finance includes underwriting, securitization, investment banking, syndications, IPO related activities (excluding investments) and secondary private placements.

Trading and Sales

It includes fixed income, equity, foreign exchange commodities, lendings to financial institutions and brokerage debt.

Retail and Consumer Banking

It includes retail lending and deposits, banking services, private lending and deposits, banking services and retail offered to its retail customers and small and medium enterprises.

Commercial Banking

It includes project finance, export finance, trade finance, leasing, lending, guarantees and bills of exchange relating to its corporate customers.

5.18.2 Geographical segments

The Group operates in three geographic regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

5.19 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand – local currency	6.1	9,104,489	11,239,404
– foreign currencies		1,059,928	142,188
With State Bank of Pakistan (SBP) in:			
Local currency current account	6.2	17,221,148	19,038,530
Foreign currency current account	6.3	7,464	261,891
Foreign currency deposit account	6.2 & 6.4	3,363,399	2,600,990
With other central banks in foreign currency current account	6.2	324,287	214,910
With National Bank of Pakistan in local currency current account		7,694,156	6,133,306
		<u>38,774,871</u>	<u>39,631,219</u>

6.1 This includes national prize bonds amounting to Rs. 80.591 million (2008: Rs. 59.382 million).

6.2 Deposits with SBP are maintained to comply with their requirements issued from time to time. Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

6.3 This represents US Dollar settlement account maintained with SBP.

6.4 This includes balance of Rs. 2,522.549 million (2008: Rs. 1,950.742 million) which carry interest rate of Nil per annum (2008: 0.90% per annum).

	Note	2009 (Rupees in '000)	2008
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
– current account		67,361	63,426
Outside Pakistan			
– current account		5,059,663	3,347,089
– deposit account	7.1	950,330	696,011
		<u>6,077,354</u>	<u>4,106,526</u>

7.1 Balances with other banks outside Pakistan in deposit account carry interest at the rate ranging from 0.12% to 1% (2008: 1.20% per annum).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2	3,000,000	1,700,000
Repurchase agreement lendings	8.3	—	2,400,079
		<u>3,000,000</u>	<u>4,100,079</u>
8.1 Particulars of lendings			
In local currency		3,000,000	4,093,079
In foreign currencies		—	7,000
		<u>3,000,000</u>	<u>4,100,079</u>

8.2 These carry mark-up rates ranging from 12.35% to 12.70% per annum (2008: 15.75% to 21% per annum) and are due to mature latest by February, 2010.

8.3 Securities held as collateral against lendings to financial institutions

	2009			2008		
	Held by group	Further given as collateral	Total	Held by group	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	—	—	—	2,024,601	99,532	2,124,133
Pakistan Investment Bonds	—	—	—	275,946	—	275,946
	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,300,547</u>	<u>99,532</u>	<u>2,400,079</u>

Market value of securities held as collateral against lendings to financial institutions as at December 31, 2009 amounted to Rs. Nil (2008: Rs. 2,408.610 million). These carry mark up at rate of Nil per annum (2008: 9.50% to 14.90% per annum).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

9. INVESTMENTS – NET

9.1 Investments by types

Note / Annexure	2009			2008		
	Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
(Rupees in '000)						
Held for trading securities						
– Shares in listed companies	9.5	–	–	177,786	–	177,786
– Market Treasury Bills	9.5	–	–	19,588	–	19,588
– Units in open ended mutual funds	9.5 & Annexure I (note 2)	320,488	–	325,831	–	325,831
		320,488	–	523,205	–	523,205
Available-for-sale securities						
– Market Treasury Bills	9.6	108,056,249	31,513,525	139,569,774	64,205,902	70,493,538
– Pakistan Investment Bonds	9.6	5,454,941	–	5,454,941	2,370,664	2,370,664
– Shares in listed companies	9.4 & Annexure I (note 1)	7,133,214	–	7,133,214	8,189,828	8,189,828
– Units in open ended mutual fund	9.4 & Annexure I (note 1)	442,981	–	442,981	676,909	676,909
– Shares in unlisted companies	9.4 & Annexure I (note 3)	513,843	–	513,843	515,724	515,724
– NIT units		5,253	–	5,253	–	5,253
– Sukuk Bonds	9.4 & Annexure I (note 4)	400,000	–	400,000	–	400,000
– Listed Term Finance Certificates (TFCs)	9.4 & Annexure I (note 4)	1,831,777	–	1,172,384	–	1,172,384
		123,838,258	31,513,525	155,351,783	77,536,664	83,824,300
Held-to-maturity securities						
– Market Treasury Bills	9.6	3,251,110	136,038	3,387,148	1,321,816	1,321,816
– Pakistan Investment Bonds	9.6	2,244,383	–	2,244,383	2,312,812	2,312,812
– Federal Government Securities	Annexure I (note 5)	171,583	–	171,583	392,216	392,216
– Provincial Government Securities		118	–	118	–	118
– Government Compensation Bonds	Annexure I (note 5)	286,557	–	286,557	870,771	870,771
– Sukuk Bonds	Annexure I (note 5)	2,753,929	–	2,753,929	2,401,260	2,401,260
– Euro Bonds	Annexure I (note 5)	684,810	–	684,810	4,969,516	4,969,516
– TFCs, Debentures, Bonds and Participation Term Certificates (PTCs)	Annexure I (note 4)	4,250,714	–	4,634,037	–	4,634,037
– Certificates of Investment		–	–	250,000	–	250,000
		13,643,204	136,038	13,779,242	17,152,546	17,152,546
Associates	Annexure I (note 6)					
Adamjee Insurance Company Limited	9.7	3,339,710	–	3,339,710	2,511,489	2,511,489
First Women Bank Limited	9.12	63,300	–	63,300	–	63,300
		3,403,010	–	3,403,010	2,574,789	2,574,789
Investments at cost		141,204,960	31,649,563	172,854,523	97,787,204	6,287,636
Less: Provision for diminution in value of investments	9.3	(3,686,520)	–	(3,686,520)	(3,044,962)	–
Investments (net of provisions)		137,518,440	31,649,563	169,168,003	94,742,242	6,287,636
Surplus / (deficit) on revaluation of available for sale securities – net	21.2	331,588	(26,454)	305,134	(2,763,336)	(1,620)
Surplus / (deficit) on revaluation of 'held for trading' securities – net	9.5	11,510	–	11,510	(99,531)	–
Investments at revalued amounts – net of provisions		137,861,538	31,623,109	169,484,647	91,879,375	6,286,016

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note / Annexure	2009 (Rupees in '000)	2008
9.2 Investments by segments			
Federal Government Securities:			
– Market Treasury Bills	9.6	139,569,774	70,513,126
– Pakistan Investment Bonds	9.6	7,699,324	4,683,476
– Federal Government Securities	Annexure I (note 5)	171,583	322,216
– Government Compensation Bonds	Annexure I (note 5)	286,557	870,771
– Euro Bonds	Annexure I (note 5)	684,810	4,969,516
– Sukuk Bonds	Annexure I (note 4 & 5)	1,503,702	1,838,533
– Unlisted Term Finance Certificate	Annexure I (note 4)	3,000,000	3,000,000
Overseas Government Securities			
– Government of Sri Lanka Treasury Bonds		–	70,000
– Market Treasury Bills		3,387,148	1,321,816
Provincial Government Securities		118	118
Associated Undertakings	9.7 & Annexure I (note 6)	3,403,010	2,574,789
Fully Paid-up Ordinary Shares / Certificates / Units			
– Listed companies / mutual funds / modarabas	Annexure I (note 1)	7,071,612	8,306,012
– Unlisted companies / funds	Annexure I (note 3)	413,843	415,724
Units of Open Ended Mutual Funds	Annexure I (note 1 & 2)	763,469	1,002,740
Fully Paid-up Preference Shares:			
– Listed Companies	Annexure I (note 1)	61,602	61,602
– Unlisted Companies	Annexure I (note 3)	100,000	100,000
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
– Listed Term Finance Certificates	Annexure I (note 4)	1,831,777	1,404,384
– Unlisted Term Finance Certificates	Annexure I (note 4)	1,129,096	897,448
– Debentures, Bonds and Participation Term Certificates (PTCs)	Annexure I (note 4)	121,618	129,589
– Certificates of Investment		–	250,000
Other Investments:			
– Sukuk Bonds	Annexure I (note 5)	1,650,227	1,337,727
– NIT Units		5,253	5,253
Total investments at cost		172,854,523	104,074,840
Less: Provision for diminution in the value of investments	9.3	(3,686,520)	(3,044,962)
Investments (net of provisions)		169,168,003	101,029,878
Surplus / (deficit) on revaluation of available for sale securities – net	21.2	305,134	(2,764,956)
Surplus / (deficit) on revaluation of held for trading securities – net	9.5	11,510	(99,531)
Investments at revalued amounts – net of provisions		169,484,647	98,165,391

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
9.3 Particulars of provision			
Opening balance		3,044,962	468,288
Charge during the year	9.5	1,538,895	2,685,215
Reversal made during the year		(54,677)	(1,221)
		1,484,218	2,683,994
Adjustment on disposal of shares		(772,463)	–
Investment written off against provision		(70,197)	(107,320)
Closing balance		3,686,520	3,044,962
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Listed shares / Certificates / Units	9.5	3,510,603	2,787,910
Unlisted shares		71,716	70,477
		3,582,319	2,858,387
Held-to-maturity securities			
Unlisted TFCs, Debentures, Bonds and Participation Term Certificates		104,201	186,575
		3,686,520	3,044,962

9.4 Quality of 'available for sale' securities

	Note	2009 (Rupees in '000)		2008 (Rupees in '000)	
		Market value	Credit rating	Market value	Credit rating
Market Treasury Bills	9.4.1	139,261,981	Unrated	70,402,111	Unrated
Pakistan Investment Bonds	9.4.1	5,331,065	Unrated	1,902,599	Unrated
Listed Term Finance Certificates					
Askari Bank Limited		435,623	AA–	201,636	AA–
Bank Al-Habib Limited		91,619	AA	99,840	AA–
Bank Alfalah Limited		725,109	AA–	248,293	AA–
United Bank Limited		244,962	AA	307,572	AA
Allied Bank Limited		–	AA–	90,420	AA
Soneri Bank Limited		144,391	A+	149,790	A+
Pak Arab Fertilizers Limited		93,840	AA	99,980	AA
		1,735,544		1,197,531	
Shares in Listed Companies					
Abbott Laboratories Pakistan Limited		16,437	Not available	12,151	Not available
Allied Bank Limited		167,045	AA & A1+	80,985	AA & A1+
Arif Habib Limited		6,613	Not available	7,475	A– & A2
Arif Habib Securities Limited		75,377	Not available	64,347	Not available
Askari Bank Limited		146,279	AA & A1+	62,455	AA & A1+
Atlas Bank Limited		5,309	A– & A2	20,386	A– & A2
Attock Petroleum Limited		37,585	Not available	15,607	Not available
Azgard Nine Limited – preference shares		11,370	A+ & A1	10,268	A+ & A1
Bank Alfalah Limited		70,002	AA & A1+	50,400	AA & A1+
Bank Al-Habib Limited		178,641	AA+ & A1+	106,366	AA & A1+
Century Papers and Board Mills Limited		11,655	A– & A–2	12,650	A– & A2
Cherat Cement Company Limited		–	Not available	329	Not available
EFU General Insurance Company Limited		1,175	AA	1,601	AA

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Note	2009		2008	
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
EFU Life Assurance Company Limited	1,041	AA–	2,700	AA–
Engro Chemical Pakistan Limited	123,918	AA & A1+	82,759	AA & A1+
Fauji Fertilizer Bin Qasim Company Limited	106,942	Not available	52,795	Not available
Fauji Fertilizer Company Limited	516,991	Not available	400,440	Not available
First AI – Noor Modaraba	15,660	BBB & A–3	20,658	BBB & A3
Glaxo Smithkline Pakistan Limited	52,960	Not available	36,806	Not available
Habib Bank Limited	212,420	AA+ & A–1+	92,010	AA+ & A1+
Habib Metropolitan Bank Limited	21,509	AA+ & A–1+	14,545	AA+ & A1+
Hub Power Company Limited	38,537	Not available	13,244	Not available
IGI Insurance Limited	38,715	AA	50,775	AA
Indus Motors Company Limited	8,259	Not available	5,164	Not available
International Industries Limited	22,460	Not available	17,595	Not available
JS Bank Limited	–	A– & A1	7,571	A– & A2
Jahangir Saddique & Company Limited	34,775	AA+ & A1+	60,460	AA+ & A1+
Kohinoor Energy Limited	1,705	Not available	1,059	Not available
Kot Addu Power Company Limited	64,521	Not available	28,890	Not available
Lucky Cement Limited	11,592	Not available	5,472	Not available
Maple Leaf Cement Company Limited	14,414	Not available	50,887	BBB+ & A2
Masood Textile Mills Limited – preference shares	50,000	Not available	50,000	Not available
Mehr Dastagir Textile Mills Limited	323	Not available	13,663	Not available
Millat Tractors Limited	22,421	Not available	12,216	Not available
National Bank of Pakistan	151,170	AAA & A–1+	85,237	AAA & A–1+
National Refinery Limited	5,305	AAA & A1+	2,855	AAA & A1+
Oil & Gas Development Company Limited	20,520	AAA & A–1+	107,487	AAA & A1+
Orix Leasing Pakistan Limited	1,675	AA & A1+	3,847	AA+ & A1+
Pace Pakistan Limited	–	A & A1	372	A+ & A1
Packages Limited	3,155	AA & A1+	1,779	AA & A1+
Pak Suzuki Motor Company Limited	4,412	Not available	3,949	Not available
Pakistan Cables Limited	4,423	Not available	5,210	Not available
Pakistan Cement Company Limited	–	Not available	147	Not available
Pakistan Oilfields Limited	97,090	Not available	81,553	Not available
Pakistan Petroleum Limited	174,064	Not available	71,952	Not available
Pakistan State Oil Company Limited	56,990	AA+ & A1+	67,461	AAA & A1+
Pakistan Telecommunication Company Limited	86,374	Not available	82,655	Not available
Pakistan Tobacco Company Limited	14,563	Not available	14,744	Not available
Rupali Polyester Limited	24,893	Not available	25,683	Not available
Samba Bank Limited (Formerly Crescent Commercial Bank Limited)	102,487	A & A–1	–	Not available
Soneri Bank Limited	37,850	AA– & A1+	30,829	AA– & A1+
Sui Northern Gas Pipelines Limited**	1,183,675	AA & A1+	1,024,261	AA & A1+
Taj Textile Mills Limited	–	Not available	1	Not available
Thal Limited	3,807	Not available	3,058	Not available
The Bank of Punjab	125,250	AA– & A1+	84,785	AA– & A1+
Trust Securities & Brokerage Limited*	948	Not available	2,541	Not available
TRG Pakistan Limited	–	–	890	BBB+ & A2
Unilever Pakistan Limited	76,544	Not available	60,161	Not available
United Bank Limited	138,550	AA+ & A–1+	81,719	AA+ & A–1+
Zulfiqar Industries Limited	2,001	Not available	3,644	Not available
	4,402,397		3,311,549	
Open Ended Mutual Fund				
Atlas Islamic Fund	10,239	Not available	7,794	Not available
KASB Liquid Fund			13,662	Not available
MCB Dynamic Allocation Fund	80,691	AM3+	55,046	Not available
MCB Dynamic Cash Fund	327,366	AM3+	288,355	Not available
MCB Dynamic Stock Fund	83,705	AM3+	154,376	Not available
	502,001		519,233	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009		2008	
		Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
Shares in Un-listed Companies	9.4.2				
Khushhali Bank Limited*		300,000	A-2 & A-	300,000	A- & A-1
Equity Participation Fund*		–	Not available	1,500	Not available
National Investment Trust Limited*		100	AM-DS	100	Not available
SME Bank Limited*		10,106	A-3 & BBB	10,106	BBB & A3
First Capital Investment (Private) Limited		2,446	AM4+	2,500	AM4+
Pak Asian Fund		11,500	Not available	11,500	Not available
Pakistan Agro Storage and Services Corporation		2,500	Not available		Not available
Arabian Sea Country Club*		715	Not available	2,900	Not available
Central Depository Company of Pakistan Limited*		10,000	Not available	10,000	Not available
National Institutional Facilitation Technologies (Private) Limited*		1,527	Not available	1,527	Not available
Society for Worldwide Inter Fund Transfer (SWIFT)		1,738	Not available	2,993	Not available
Fazal Cloth Mills Limited – preference share		100,000	Not available	100,000	Not available
Lanka Clearing (Private) Limited		736	Not available	700	Not available
Lanka Financial Services Bureau Limited		737	Not available	1,400	Not available
Credit Information Bureau of Srilanka		22	Not available	21	Not available
		442,127		445,247	
Other Investment					
Sukuk Bonds	9.4.1	396,137	Unrated	419,000	Unrated
N.I.T. Units		3,346	5 Star	3,689	5 Star
		152,074,598		78,200,959	

9.4.1 These are Government of Pakistan guaranteed securities.

9.4.2 Unlisted companies are stated at carrying value.

*These are the strategic investments of the Bank.

**This includes 32.287 million shares valuing Rs. 800.718 million (2008: 32.287 million shares valuing Rs. 692.879 million) which are held as strategic investment by the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

9.5 Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'

	Unrealized gain /(loss)		Cost	
	2009	2008	2009	2008
	(Rupees in '000)			
Investee Company				
Allied Bank Limited	–	(12,085)	–	21,665
Attock Petroleum Limited	–	(16,696)	–	31,159
Bank Alfalah Limited	–	(6,080)	–	10,551
ICI Pakistan Limited	–	(3,512)	–	6,425
Jahangir Siddique and Company Limited	–	(12,621)	–	20,709
Lucky Cement Limited	–	(27,448)	–	42,711
Maple Leaf Cement Company Limited	–	(501)	–	1,116
Packages Limited	–	(3,003)	–	4,506
Pakistan Oilfields Limited	–	(11,220)	–	19,829
Pakistan Petroleum Limited	–	(5,310)	–	10,844
Thal Limited	–	(706)	–	1,851
United Bank Limited	–	(4,021)	–	6,420
MCB Cash Management Optimizer Fund	1,345	–	50,604	–
MCB Dynamic Cash Fund	10,165	3,667	269,884	325,831
Market Treasury Bills	–	5	–	19,588
	11,510	(99,531)	320,488	523,205

9.6 "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan (SBP). The market value of Pakistan Investment Bonds and Market Treasury Bills classified as 'held to maturity' as at December 31, 2009 amounted to Rs. 1,867.674 million and Rs. 3,387.148 million (2008: Pakistan Investment Bonds Rs. 1,659.166 million and Market Treasury Bills Rs. 1,436.673 million) respectively.

9.7 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting based on its financial statements as at December 31, 2009 in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2009 amounted to Rs.4,039.049 million (2008: Rs. 3,032.786 million).

Investment in Adamjee Insurance Company Limited under equity method – holding 29.13%

	2009	2008
	(Rupees in '000)	
Opening Balance	2,511,489	3,277,157
Share of profit for the year before tax	200,196	30,843
Dividend from associate	(78,917)	(89,340)
Share of tax	(464)	(25,164)
	120,815	(83,661)
Share of unrealized deficit on assets –net of tax	707,406	(682,007)
Closing Balance	3,339,710	2,511,489

9.8 At December 31, 2009 market value of quoted investments was Rs. 161,654.479 million (2008: Rs. 83,847.918 million) while the book value of unquoted investments was Rs. 8,148.937 million (2008: Rs. 13,959.421 million).

9.9 Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2008: Rs. 232.60 million) earmarked by the SBP 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 (2008: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.

9.10 Information relating to investments in ordinary shares and preference shares of listed companies and unlisted companies required to be disclosed as part of the financial statements under BSD Circular No.04 of 2006 dated February 17, 2006, is given in Annexure "I".

9.11 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
10. ADVANCES – NET			
Loans, cash credits, running finances, etc.			
In Pakistan		247,718,210	252,012,594
Outside Pakistan		7,788,234	8,910,253
		<u>255,506,444</u>	<u>260,922,847</u>
Net investment in finance lease	10.2		
In Pakistan		3,866,801	5,356,835
Outside Pakistan		65,492	90,733
		<u>3,932,293</u>	<u>5,447,568</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		4,519,520	2,364,211
Payable outside Pakistan		5,762,777	4,111,059
		<u>10,282,297</u>	<u>6,475,270</u>
Advances – gross		<u>269,721,034</u>	<u>272,845,685</u>
Provision against advances	10.4		
Specific provision		(15,678,345)	(9,895,889)
General provision	10.4.3	(269,722)	(273,222)
General provision against consumer loans	10.4.5	(494,434)	(533,693)
General provision for potential lease losses (in Srilanka operations)		(30,268)	(9,051)
		<u>(16,472,769)</u>	<u>(10,711,855)</u>
Advances – net of provision		<u>253,248,265</u>	<u>262,133,830</u>
10.1 Particulars of advances (gross)			
10.1.1 In local currency		258,500,090	262,142,672
In foreign currencies		11,220,944	10,703,013
		<u>269,721,034</u>	<u>272,845,685</u>
10.1.2 Short-term		178,868,061	157,023,922
Long-term		90,852,973	115,821,763
		<u>269,721,034</u>	<u>272,845,685</u>

10.2 Net investment in finance lease

	2009				2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
(Rs. in '000)								
Lease rentals receivable	669,185	2,759,091	8,348	3,436,624	942,728	4,055,066	981	4,998,775
Guaranteed residual value	210,340	815,464	11,760	1,037,564	94,512	1,229,233	2,937	1,326,682
Minimum lease payments	879,525	3,574,555	20,108	4,474,188	1,037,240	5,284,299	3,918	6,325,457
Finance charge for future periods	(87,632)	(453,294)	(969)	(541,895)	(225,636)	(652,250)	(3)	(877,889)
Present value of minimum lease payments	<u>791,893</u>	<u>3,121,261</u>	<u>19,139</u>	<u>3,932,293</u>	<u>811,604</u>	<u>4,632,049</u>	<u>3,915</u>	<u>5,447,568</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

- 10.3** Advances include Rs. 23,238.723 million (2008: Rs. 18,268.877 million) which have been placed under the non-performing status as detailed below:

		2009								
Category of Classification	Note	Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
		(Rupees in '000)								
Other Assets Especially Mentioned (OAEM)	10.3.1	76,933	–	76,933	–	–	–	–	–	–
Substandard		2,960,881	24,728	2,985,609	691,234	5,506	696,740	691,234	5,506	696,740
Doubtful		4,242,845	–	4,242,845	1,920,370	–	1,920,370	1,920,370	–	1,920,370
Loss		11,965,808	3,967,528	15,933,336	11,683,932	1,377,303	13,061,235	11,683,932	1,377,303	13,061,235
		19,246,467	3,992,256	23,238,723	14,295,536	1,382,809	15,678,345	14,295,536	1,382,809	15,678,345
2008										
Category of Classification	Note	Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
		(Rupees in '000)								
Other Assets Especially Mentioned (OAEM)	10.3.1	100,447	–	100,447	–	–	–	–	–	–
Substandard		5,440,860	–	5,440,860	897,768	–	897,768	897,768	–	897,768
Doubtful		2,595,782	501	2,596,283	1,186,305	251	1,186,556	1,186,305	251	1,186,556
Loss		6,457,011	3,674,276	10,131,287	6,329,025	1,482,540	7,811,565	6,329,025	1,482,540	7,811,565
		14,594,100	3,674,777	18,268,877	8,413,098	1,482,791	9,895,889	8,413,098	1,482,791	9,895,889

- 10.3.1** This represents non-performing portfolio of agricultural financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural Financing issued by the State Bank of Pakistan.

Note	2009				
	Specific	General	General provision against consumer loans	Leasing (general)	Total
	(Rupees in '000)				
10.4 Particulars of provision against advances					
Opening balance	9,895,889	273,222	533,693	9,051	10,711,855
Exchange adjustments	87,498	–	–	–	87,498
Provision made during the year	7,524,063	–	(39,259)	21,217	7,506,021
Reversals	(1,705,994)	(3,500)	–	–	(1,709,494)
	5,818,069	(3,500)	(39,259)	21,217	5,796,527
Amounts written off	(123,111)	–	–	–	(123,111)
Closing balance	15,678,345	269,722	494,434	30,268	16,472,769
2008					
Note	Specific	General	General provision against consumer loans	Leasing (general)	Total
(Rupees in '000)					
Opening balance	7,326,953	2,749,815	688,665	6,841	10,772,274
Exchange adjustments	204,103	–	–	–	204,103
Provision made during the year	–	6,041,412	–	2,210	6,043,622
Reversals	(2,076,930)	(2,476,593)	(154,972)	–	(4,708,495)
	3,964,482	(2,476,593)	(154,972)	2,210	1,335,127
Amounts written off	(1,599,649)	–	–	–	(1,599,649)
Closing balance	9,895,889	273,222	533,693	9,051	10,711,855

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	2009			2008		
	Specific	General (total)	Total	Specific	General (total)	Total
(Rupees in '000)						
10.4.1 Particulars of provisions against advances						
In local currency	14,295,536	764,156	15,059,692	8,413,098	806,915	9,220,013
In foreign currencies	1,382,809	30,268	1,413,077	1,482,791	9,051	1,491,842
	<u>15,678,345</u>	<u>794,424</u>	<u>16,472,769</u>	<u>9,895,889</u>	<u>815,966</u>	<u>10,711,855</u>

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
10.4.2 The following amounts have been charged to the profit and loss account:			
Specific provision		5,818,069	3,964,482
General provision	10.4.3	(3,500)	(2,476,593)
General provision against consumer loans	10.4.5	(39,259)	(154,972)
General provision for potential lease losses (in Srilanka operations)		21,217	2,210
		<u>5,796,527</u>	<u>1,335,127</u>

10.4.3 General provision against advances represents provision maintained at around 0.1% of gross advances.

10.4.4 State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009 and BSD Circular No. 10 dated October 20, 2009 has allowed benefit of forced sale value (FSV) of pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for three years from the date of classification. However, management has not taken the said benefit in calculation of specific provision, other than mortgage and agriculture financing.

10.4.5 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.4	123,111	1,599,649
Directly charged to the profit and loss account		41,576	—
		<u>164,687</u>	<u>1,599,649</u>
10.5.2 Write offs of Rs. 500,000 and above	10.5.3	127,420	749,712
Write offs of below Rs. 500,000		37,267	849,937
		<u>164,687</u>	<u>1,599,649</u>

10.5.3 Details of loan write offs of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand Rupees or above allowed to a person(s) during the year ended December 31, 2009 is given at Annexure- III. However, this write off does not affect the Bank's right to recover the debts from these customers.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
10.6 Particulars of advances to directors, executives, associated companies, etc.			
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		3,844,485	3,228,484
Loans granted during the year		1,090,482	1,732,218
Repayments		(502,062)	(1,116,217)
Balance at end of the year		4,432,905	3,844,485
Debts due by controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		—	1,661,869
Loans granted during the year		—	524,153
Repayments		—	(2,186,022)
Balance at end of the year		—	—
		4,434,046	3,844,485
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	1,134,089	510,226
Property and equipment	11.2	16,714,174	16,615,028
Intangible asset	11.3	250,747	195,231
		18,099,010	17,320,485
11.1 Capital work-in-progress			
Civil works		871,181	210,051
Advances to suppliers and contractors		115,148	101,709
Others		147,760	198,466
		1,134,089	510,226

For the year ended December 31, 2009

2009										
Description	Cost/ Revalued amount				Accumulated depreciation				Net book value at December 31, 2009	Annual rate of depreciation / estimated useful life
	At January 01, 2009	Additions/ (disposals)	Write off	At December 31, 2009	At January 01, 2009	Charge for the year / (depreciation on disposals)	Write off	At December 31, 2009		
	(Rupees in '000)									
Land – Freehold	9,718,045	1,085	–	9,719,130	–	–	–	–	9,719,130	
Land – Leasehold	57,430	–	–	57,430	–	–	–	–	57,430	
Buildings on freehold land	4,247,704	104,184		4,317,548	92,181	99,143		190,136	4,127,412	50 years
		(34,340)				(1,188)				
Buildings on leasehold land	65,567	10,663	–	76,230	25,062	3,792		28,854	47,376	3 to 50 years
Furniture and fixture	678,710	70,495	(27,266)	717,607	313,697	41,182	(20,522)	331,131	386,476	10% to 33%
		(4,332)				(3,226)				
Electrical, Computers and Office Equipment	4,697,998	802,825	(181,841)	5,302,067	2,741,607	691,523	(171,108)	3,246,939	2,055,128	20% to 33%
Vehicles	540,931	77,550		550,750	218,810	78,825		256,292	294,458	20%
		(67,731)				(41,343)				
Ijarah Assets										
Assets held under Ijarah – Car	–	29,947		29,947	–	3,183		3,183	26,764	20%
	20,006,385	1,096,749	(209,107)	20,770,709	3,391,357	917,648	(191,630)	4,056,535	16,714,174	
		(123,318)	–			(60,840)				
–										
2008										
Description	Cost/ Revalued amount				Accumulated depreciation				Net book value at December 31, 2008	Annual rate of depreciation / estimated useful life
	At January 01, 2008	Additions/ (disposals)		At December 31, 2008	At January 01, 2008	Charge for the year / (depreciation on disposals)		At December 31, 2008		
	(Rupees in '000)									
Land – Freehold			9,408,417	213,440	9,718,045	–	–	–	9,718,045	–
				96,188						
Land – Leasehold			57,430	–	57,430	–	–	–	57,430	–
Buildings on freehold land			3,960,149	118,674	4,247,704	979	91,202	92,181	4,155,523	50 years
				168,881						
Buildings on leasehold land			65,567	–	65,567	20,082	4,980	25,062	40,505	10 to 50 years
Furniture and fixture			636,720	70,487	678,710	289,047	34,977	313,697	365,013	10% to 33%
				(28,497)			(10,327)			
Electrical, Computers and Office Equipment			3,726,602	1,198,424	4,697,998	2,348,746	609,322	2,741,607	1,956,391	20% to 33%
				(227,028)			(216,461)			
Vehicles			730,691	130,872	540,931	264,178	82,229	218,810	322,121	20%
				(320,632)			(127,597)			
			18,585,576	1,731,897	20,006,385	2,923,032	822,710	3,391,357	16,615,028	
				(576,157)			(354,385)			
				265,069			–			

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

11.2.1 The land and buildings of the Bank were last revalued in December 2007 by independent valuers (Pee Dee Associates & Arch-e-Decon), valuation and engineering consultants, on the basis of market value. This valuation was incorporated at December 31, 2007. The information relating to location of revalued assets is given in Annexure V. The details of revalued amounts are as follows:

(Rupees in '000)

Total revalued amount of land	9,562,035
Total revalued amount of buildings	4,139,405

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2009 would have been as follows:

(Rupees in '000)

Land	2,228,488
Buildings	2,514,916

11.2.2 The gross carrying amount of fully depreciated assets that are still in use are as follows:

Furniture and fixture	10,942
Electrical, computers and office equipment	1,626,317
Vehicles	260,053

11.2.3 Details of disposal of operating fixed assets

The information relating to disposal of operating fixed assets required to be disclosed as part of the financial statements by the State Bank of Pakistan is given in Annexure IV and is an integral part of these financial statements.

11.3 Intangible asset

Description	2009							
	Cost			Accumulated amortization			Net book value at December 31, 2009	Annual rate of amortization %
	At January 01, 2009	Additions	At December 31, 2009	At January 01, 2009	Amortization for the year	At December 31, 2009		
	(Rupees in '000)							
Computer software	712,082	210,493	922,757	516,851	154,977	671,828	250,747	33.33
	712,082	210,493	922,757	516,851	154,977	671,828	250,747	
Description	2008							
	Cost			Accumulated amortization			Net book value at December 31, 2008	Annual rate of amortization %
	At January 01, 2008	Additions	At December 31, 2008	At January 01, 2008	Amortization for the year	At December 31, 2008		
	(Rupees in '000)							
Computer software	560,233	151,849	712,082	373,386	143,465	516,851	195,231	33.33
	560,233	151,849	712,082	373,386	143,465	516,851	195,231	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
12. OTHER ASSETS – NET			
Income / mark-up accrued on advances and investments – local currency		7,832,173	7,901,740
Income / mark-up accrued on advances and investments – foreign currencies		50,221	184,677
Advances, deposits, advance rent and other prepayments		2,891,194	2,612,432
Advance taxation (payments less provisions)		–	51,819
Compensation for delayed income tax refunds		44,802	44,802
Branch adjustment account		298,112	–
Non-banking assets acquired in satisfaction of claims	12.1	1,155,832	1,155,832
Unrealised gain on derivative financial instruments	12.2	194,400	1,507,969
Stationery and stamps on hand		82,466	83,077
Prepaid exchange risk fee		319	–
Receivable from the pension fund	36.3	9,322,304	5,399,019
Others		1,769,861	1,342,959
		<u>23,641,684</u>	<u>20,284,326</u>
Less: Provision held against other assets	12.3	583,953	456,098
		<u>23,057,731</u>	<u>19,828,228</u>

12.1 The market value of non-banking assets with carrying value of Rs.1,033.222 million (2008: Rs. 1,033.222 million) net of provision as per the valuation report dated December 31, 2009 amounted to Rs. 1,068.687 million (2008: Based on valuation as of December 31, 2008 Rs. 996.245 million).

12.2 Unrealised gain on derivative financial instruments

	Contract / notional amount		Unrealised gain	
	2009	2008	2009	2008
	(Rupees in '000)			
Unrealised gain on:				
Interest rate swaps	83,333	166,667	642	6,222
Cross currency swaps	124,845	173,127	307	1,625
Forward exchange contracts	21,232,947	35,252,291	193,451	1,500,122
	<u>21,441,125</u>	<u>35,592,085</u>	<u>194,400</u>	<u>1,507,969</u>

	Note	2009 (Rupees in '000)	2008
12.3 Provision held against other assets			
Opening balance		456,098	513,529
Charge for the year		142,824	23,135
Reversal during the year		–	–
		<u>142,824</u>	<u>23,135</u>
Write off during the year		(14,969)	(65,809)
Transfer		–	(14,757)
Closing balance		<u>583,953</u>	<u>456,098</u>

13. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2009 and December 31, 2008.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
14. BILLS PAYABLE			
In Pakistan		8,131,031	10,522,565
Outside Pakistan		70,059	28,903
		<u>8,201,090</u>	<u>10,551,468</u>
15. BORROWINGS			
In Pakistan		43,658,408	17,742,776
Outside Pakistan		1,003,680	4,921,064
		<u>44,662,088</u>	<u>22,663,840</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		43,658,408	17,742,776
In foreign currencies		1,003,680	4,921,064
		<u>44,662,088</u>	<u>22,663,840</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	15.3 & 15.5	8,829,527	9,217,004
Long term financing facility	15.4 & 15.5	80,220	2,044,460
Long term financing – export oriented projects scheme	15.4 & 15.5	2,018,330	56,291
		<u>10,928,077</u>	<u>11,317,755</u>
Borrowings from other financial institution	15.6	452,398	–
Repurchase agreement borrowings	15.7	31,606,331	6,325,021
		<u>42,986,806</u>	<u>17,642,776</u>
Unsecured			
Call borrowings	15.8	1,146,092	4,418,990
Overdrawn nostro accounts		529,190	602,074
		<u>1,675,282</u>	<u>5,021,064</u>
		<u>44,662,088</u>	<u>22,663,840</u>

15.3 The Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.

15.4 The amount is due to SBP and have been obtained for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.

15.5 Borrowings from SBP under the export refinance and long term financing for export oriented projects schemes are secured against the Bank's cash and security balances held by the SBP.

15.6 These carry mark-up at the rate 5% per annum (2008: NIL).

15.7 These carry mark-up rates ranging between 12.05% to 12.50% per annum (2008: 7.50% to 14.90% per annum) and are secured against government securities of carrying value of Rs. 31,513.525 million (2008: Rs. 6,287.636 million). These are repayable latest by January, 2010.

15.8 These carry mark-up at the rate of 12.40% (2008: 15.50%). These are repayable by January, 2010.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009	2008
		(Rupees in '000)	
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		62,651,531	61,680,332
Saving deposits		173,773,442	150,925,503
Current accounts – non remunerative		123,898,324	105,284,222
Margin accounts		2,910,655	3,137,434
Others		767	563
		363,234,719	321,028,054
Financial institutions			
Remunerative deposits		2,258,295	5,197,969
Non-remunerative deposits		2,088,061	3,926,526
		4,346,356	9,124,495
		367,581,075	330,152,549
16.1 Particulars of deposits			
In local currency		336,156,945	312,800,158
In foreign currencies		31,424,130	17,352,391
		367,581,075	330,152,549

16.2 Deposits include deposits from related parties amounting to Rs.16,198.897 million (2008: Rs. 8,773.138 million).

	Note	2009	2008
		(Rupees in '000)	
17. DEFERRED TAX LIABILITY / (ASSET) – 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	21.1	504,200	517,120
Accelerated tax depreciation		756,384	685,838
Receivable from pension fund		3,262,911	–
Net investment in finance lease receivable		301,166	436,823
		4,824,661	1,639,781
Deductible temporary differences on:			
Deficit on revaluation of securities	21.2	(90,053)	(661,966)
Provision for bad debts		(1,084,974)	–
Provision for gratuity		(399)	(2,260)
Provision for contributory benevolent scheme		(46,604)	(79,121)
Provision for post retirement medical benefits		(399,420)	(455,587)
Others		(1,455)	(552)
		(1,622,905)	(1,199,486)
		3,201,756	440,295

17.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable up to a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances can be carried over to succeeding years. However the management, based on the projections prepared by the Bank, is of the view that it would be able to get deduction of provision in excess of 1% of total advances and accordingly has recognised deferred tax amounting to Rs. 1,084.757 million on such provisions.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		5,144,560	4,229,668
Mark-up / return / interest payable in foreign currencies		68,138	114,034
Accrued expenses		1,852,740	1,792,281
Unclaimed dividend		293,582	275,073
Staff welfare fund		56,244	65,531
Unrealised loss on derivative financial instruments	18.1	276,063	8,470,041
Provision for employees' compensated absences	36.3	541,116	752,947
Provision for post retirement medical benefits	36.3	1,370,424	1,400,413
Provision for employees' contributory benevolent scheme	36.3	246,444	274,446
Provision for gratuity		1,139	6,457
Security deposits received in respect of finance lease		1,041,833	1,320,327
Taxation (provision less payments)		1,089,437	–
Retention money		27,161	22,403
Insurance payable against consumer assets		298,504	398,369
Branch adjustment account		–	151,990
Others		3,475,204	2,071,493
		15,782,589	21,345,475

18.1 Unrealised loss on derivative financial instruments

	Contract / notional amount		Unrealised loss	
	2009	2008	2009	2008
	(Rupees in '000)			
Unrealised loss on:				
Interest rate swaps	83,333	2,244,130	–	17,591
Cross currency swaps	124,845	173,127	307	1,625
Forward exchange contracts	25,636,271	101,932,869	275,756	8,450,825
	25,844,449	104,350,126	276,063	8,470,041

19. SHARE CAPITAL

19.1 Authorised Capital

	2009 (Number of shares)	2008		2009 (Rupees in '000)	2008
	1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	10,000,000	10,000,000

19.2 Issued, subscribed and paid-up capital

2009			2008				2009	2008
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		(Rupees in '000)	
(Number of shares)								
197,253,795	431,023,048	628,276,843	197,253,795	431,023,048	628,276,843	Opening balance	6,282,768	6,282,768
–	62,827,684	62,827,684	–	–	–	Shares issued during the year	628,277	–
197,253,795	493,850,732	691,104,527	197,253,795	431,023,048	628,276,843	Closing balance	6,911,045	6,282,768

	2009 (Number of shares)	2008
19.3 Number of shares held by the associated undertakings as at December 31, are as follows:		
Adamjee Insurance Company Limited	21,148,526	19,225,933
Nishat Mills Limited	47,810,242	42,562,657
Mayban International Trust (Labuan) Berhad	138,220,905	125,655,369
	207,179,673	187,443,959

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
20. RESERVES			
Share premium		9,702,528	9,702,528
Exchange translation reserve		258,047	192,242
Statutory reserve	20.1	9,827,081	8,277,551
General reserve		18,600,000	18,600,000
		<u>38,387,656</u>	<u>36,772,321</u>

20.1 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

	Note	2009 (Rupees in '000)	2008
21. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX			
Surplus / (deficit) arising on revaluation (net of tax) of:			
– fixed assets	21.1	8,269,854	8,293,851
– available-for-sale securities	21.2	395,187	(2,102,990)
Surplus / (deficit) arising on revaluation of assets of associated undertaking (net of tax)		527,797	(179,609)
		<u>9,192,838</u>	<u>6,011,252</u>
21.1 Surplus on revaluation of fixed assets–net of tax			
Surplus on revaluation of fixed assets as at January 01		8,810,971	8,578,731
Adjustment / surplus during the year		–	265,119
Surplus realised on disposal of revalued properties – net of deferred tax		(1,623)	–
Related deferred tax liability		(874)	–
		<u>(2,497)</u>	<u>–</u>
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(22,374)	(21,373)
Related deferred tax liability		(12,046)	(11,506)
		<u>(34,420)</u>	<u>(32,879)</u>
Surplus on revaluation of fixed assets as at December 31		8,774,054	8,810,971
Less: Related deferred tax liability on:			
Revaluation as at January 01		517,120	469,482
Adjustment / surplus during the year		–	59,144
Disposal of revalued properties during the year transferred to profit and loss account		(874)	–
Incremental depreciation charged during the year transferred to profit and loss account		(12,046)	(11,506)
		<u>504,200</u>	<u>517,120</u>
		<u>8,269,854</u>	<u>8,293,851</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
21.2 Surplus / (deficit) on revaluation of available-for-sale securities – net of tax			
Federal Government Securities			
– Market Treasury Bills		(307,793)	(91,427)
– Pakistan Investment Bonds		(123,876)	(468,065)
Listed Securities			
– Shares / Certificates / Units		690,169	(2,286,629)
– Open Ended Mutual Funds		146,730	37,018
– Term Finance Certificates		(96,233)	25,147
		740,666	(2,224,464)
Sukuk Bonds		(3,863)	19,000
		305,134	(2,764,956)
Add: Related deferred tax asset	17	90,053	661,966
		395,187	(2,102,990)
22. CONTINGENCIES AND COMMITMENTS			
22.1 Transaction-related contingent liabilities			
Guarantees in favour of:			
Government		6,027,243	5,743,838
Banks and financial institutions		18,238	36,030
Others		16,049,739	15,148,692
Suppliers' credit / payee guarantee		2,421,640	2,255,011
		24,516,860	23,183,571
22.2 Trade-related contingent liabilities		47,577,037	54,869,480
22.3 Other contingencies			
Claims against the Bank not acknowledged as debts		542,415	226,246
22.4 Commitments to extend credit			
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
	Note	2009 (Rupees in '000)	2008
22.5 Commitments in respect of forward foreign exchange contracts			
Purchase		23,832,214	69,983,697
Sale		23,037,004	67,476,228
22.6 Commitments for the acquisition of fixed assets		–	557,810
22.7 Other commitments			
Cross currency swaps (notional amount)	23.1 & 23.2	249,690	346,254
Interest rate swaps – (notional amount)	23.1 & 23.2	166,667	2,410,797
Forward outright sale of Government Securities		–	20,827,530
Outright purchase of Government Securities from SBP		–	26,644,450

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

22.8 Taxation

The income tax assessments of the Bank have been finalised upto and including the Tax Year 2009. For the Tax Years 2003 to 2008, the department has amended the assessments on certain issues against which the Bank has filed appeal before the Commissioner of Income Tax (Appeals). In respect of the Tax Year 2003 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided the matter in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). The management and the Bank's legal counsel are of the view that the issues will be decided in the Bank's favour as and when these are taken up by the appellate authorities. For Tax Year 2007, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 716.713 million against which the legal/appellate course from the Bank has reached ITAT level.

Total disallowances for the assessment years 1994–95 to 1997–98 on account of interest in suspense amounted to Rs. 722.682 million out of which an amount of Rs. 317.289 million has been allowed in the assessment years 1998–1999 to 2000–2001. It is expected that the pending appeals in this regard in the Honourable Sindh High Court shall be decided in favour of the Bank as allowed in assessment years 1992–1993 and 1993–1994. Subsequent to the favourable order of the Honourable Sindh High Court, the management considers that provision is not necessary for the remaining balance of Rs.405.393 million resulting in tax liability for interest in suspense for Rs. 244.781 million as the Bank has been subjected to tax far exceeding its normal tax liability and is hopeful of favourable decisions in appeals. Accordingly, no provision has been made in these financial statements for the above amount.

23. DERIVATIVE INSTRUMENTS

Most corporates (counter parties) have either interest rate exposures arising from debt financing or excess liquidity or currency exposures arising out of commercial and business transactions. In the event of a shift in interest or foreign exchange (FX) rates, these corporates may incur higher borrowing costs or higher cash outflows that will adversely affect profitability.

The Bank is providing solutions to this conundrum through derivatives. Through this, counterparties will be hedging exposure to adverse price movements in a security, typically when the counterparty has a concentrated position in the security and is acutely exposed to movements in the underlying risk factors. The Bank is in a better position to hedge that risk, and is thus able to provide cost efficient hedging solutions to the counterparties enabling them to concentrate on their business risk.

Other Objectives include:

- contribution to the development of Pakistani financial markets.
- provision of financial solutions to the counterparties.

In light of the above the Bank is actively marketing interest rate risk and FX risk management tools, including:

- Interest Rate Swaps
- Currency Swaps.

Risk management is performed at:

- a) Strategic level: By senior management Assets and Liabilities Management Committee (ALCO), Risk Management Committee (RMC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Bank-wide basis.
- b) Macro Level: By Financial Institution Public Sector (FIPS) & Market Risk Management (MRM) Division, responsible for policy formulation, procedure development & implementation, monitoring and reporting.
- c) Micro Level: Treasury Derivatives & Structured Product Desk and Treasury Operations, where risks are actually created.

FIPS & MRM Division is responsible for coordinating for risk management of derivatives.

The risk management system generates marked to market risk numbers (i.e. VaR PVB, duration, etc.) of Interest rate derivative portfolio. These numbers are reported to senior management on a daily basis.

As per the State Bank of Pakistan's (SBP) regulations, currency options are hedged back to back and thus the risks associated with such transactions are minimal.

Risk Limits

Before initiating any new derivative transaction, Treasury Division requests the FIPS & MRM Division for risk limits. Limit requests are approved by the appropriate level of authority. Presently the Bank has notional limits (both for the portfolio and the counterparty).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

23.1 Product analysis

Counter parties	2009					
	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	2	124,845	1	83,333	—	—
Market Making	—	—	—	—	—	—
With other entities for						
Hedging	—	—	—	—	—	—
Market Making	2	124,845	1	83,333	—	—
Total						
Hedging	2	124,845	1	83,333	—	—
Market Making	2	124,845	1	83,333	—	—
2008						
Counter parties	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	2	173,127	2	2,144,130	—	—
Market Making	—	—	—	—	—	—
With other entities for						
Hedging	—	—	—	—	—	—
Market Making	2	173,127	2	266,667	—	—
Total						
Hedging	2	173,127	2	2,144,130	—	—
Market Making	2	173,127	2	266,667	—	—

23.2 Maturity analysis

Remaining Maturity	2009				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
				(Rupees in '000)	
Interest rate swaps					
6 months to 1 year	2	166,666	–	642	642
Remaining Maturity	2008				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
				(Rupees in '000)	
Interest rate swaps					
1 to 3 months	2	2,077,463	(13,380)	–	(13,380)
1 to 2 Years	2	333,334	(4,210)	6,222	2,012
Remaining Maturity	2009				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
				(Rupees in '000)	
Cross currency swaps					
1 to 2 Years	4	249,690	(307)	307	–
Remaining Maturity	2008				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
				(Rupees in '000)	
Cross currency swaps					
2 to 3 Years	4	346,254	(1,625)	1,625	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers		36,218,001	29,875,624
Financial institutions		–	1,805
		36,218,001	29,877,429
On investments in:			
Held for trading securities		10,842	11,929
Available for sale securities		12,052,173	7,718,124
Held to maturity securities		1,831,147	1,011,738
		13,894,162	8,741,791
On deposits with financial institutions		133,069	109,525
On securities purchased under resale agreements		838,415	582,280
On money at call		335,911	401,819
Others		202,353	336,661
		51,621,911	40,049,505
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		13,865,058	9,426,724
Securities sold under repurchase agreements		722,711	944,891
Other short-term borrowings		775,126	519,775
Sub-ordinated loan		–	5,785
Discount, commission and brokerage		452,883	442,564
Others		23,944	221,001
		15,839,722	11,560,740
26. GAIN ON SALE OF SECURITIES – NET			
Federal Government Securities			
– Market Treasury Bills		11,011	2,703
– Pakistan Investment Bonds		77,981	(16,610)
Overseas Government Securities		–	20,108
Shares – Listed		676,037	741,938
– Unlisted		18,630	–
Term Finance Certificates		22,729	–
		806,388	748,139
27. OTHER INCOME – NET			
Rent on property / lockers		87,397	71,718
Net profit on sale of property and equipment		30,614	36,855
Bad debts recovered		90,310	26,477
Others		689,788	980,119
		898,109	1,115,169

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009	2008
		(Rupees in '000)	
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		6,516,556	6,554,112
Charge / (reversal) for defined benefit plans and other benefits:			
– Approved pension fund	36.7	(3,923,285)	(5,399,319)
– Post retirement medical benefits	36.7	130,488	98,739
– Employees' contributory benevolent scheme	36.7	64,906	48,384
– Employees' compensated absences	36.7	150,779	(75,692)
– Gratuity scheme		628	1,063
		(3,576,484)	(5,326,825)
Contributions to defined contribution plan – provident fund		151,325	135,164
Non-executive directors' fees		10,220	4,044
Rent, taxes, insurance, electricity		1,367,486	1,044,824
Legal and professional charges		246,221	245,628
Communications		998,225	849,579
Repairs and maintenance		539,571	510,418
Stationery and printing		332,842	329,730
Advertisement and publicity		216,636	207,395
Cash transportation charges		515,903	399,317
Instrument clearing charges		137,109	112,677
Donations	28.1	25,000	–
Auditors' remuneration	28.2	16,295	17,468
Depreciation	11.2	917,648	822,710
Amortization of intangible asset	11.3	154,977	143,465
Travelling, conveyance and fuel		590,555	621,465
Subscription		16,967	25,294
Entertainment		74,750	102,670
Training Expenses		47,057	55,601
Petty Capital items		49,034	103,116
Credit Card Related Expenses		54,123	64,365
Others		829,209	648,237
		10,231,225	7,670,454

28.1 During the year, donation amounting to Rs. 25 million were paid to Mir Khalil ur Rahman Foundation (MKRF) for internally displaced persons. Donation was not made to any donee in which the Bank or any of its directors or their spouses had any interest.

	Note	2009	2008
		(Rupees in '000)	
28.2 Auditors' remuneration			
Annual Audit fee		2,587	3,812
Fee for the audit of branches		3,432	3,102
Fee for the audit of subsidiaries		516	443
Fee for the audit of overseas subsidiary		594	561
Fee for audit of overseas branches		4,500	1,650
Fee for half year review		1,152	1,780
Special certifications, etc.		2,581	4,470
Out-of-pocket expenses		933	1,650
		16,295	17,468

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009 (Rupees in '000)	2008
29. OTHER CHARGES			
Fixed assets written off		17,477	–
Penalties of State Bank of Pakistan		30,000	300,000
Workers welfare fund		463,441	437,351
VAT Sri Lanka		103,707	80,473
Others		77,097	–
		<u>691,722</u>	<u>817,824</u>
30. TAXATION			
For the year			
Current		7,725,787	7,387,345
Deferred		300,663	16,348
		<u>8,026,450</u>	<u>7,403,693</u>
Prior years			
Current		(2,232,933)	(865,344)
Deferred		1,889,762	–
		<u>(343,171)</u>	<u>(865,344)</u>
Share of tax of associated undertaking		464	25,164
		<u>7,683,743</u>	<u>6,563,513</u>
30.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		<u>23,349,146</u>	<u>21,886,740</u>
Tax rate		<u>35%</u>	<u>35%</u>
Tax on income		8,172,201	7,660,359
Tax effect on separate block of income (taxable at reduced rate)		(114,935)	(234,934)
Tax effect of permanent differences		(18,306)	14,392
Tax effect of prior years provisions / reversals		(343,171)	(864,824)
Reversal of deferred tax liability on incremental depreciation		(12,046)	(11,480)
Tax charge for the year		<u>7,683,743</u>	<u>6,563,513</u>

31. CREDIT RATING

PACRA through its notification in June 2009, has maintained long term credit rating of AA+ [double A plus] and short-term credit rating of A1+ [A one plus] to the Bank (2008: AA+ [Double A plus] for long term and A1+ [A one plus] for short term rating).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	2009 (Rupees in '000)	2008
32. BASIC AND DILUTED EARNINGS PER SHARE PRE TAX		
Profit before taxation	23,349,146	21,886,740
	(Number of shares)	
Weighted average number of shares outstanding during the year	691,104,527	691,104,527
	(Rupees)	
Basic and diluted earnings per share – pre tax	33.79	31.67
	2009 (Rupees in '000)	2008
33. BASIC AND DILUTED EARNINGS PER SHARE AFTER TAX		
Profit after taxation	15,665,399	15,323,215
	(Number of shares)	
Weighted average number of shares outstanding during the year	691,104,527	691,104,527
	(Rupees)	
Basic and diluted earnings per share – after tax	22.67	22.17

*Weighted average number of shares outstanding for 2008 have been restated to give effect of bonus shares issued during the year.

	Note	2009 (Rupees in '000)	2008
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	38,774,871	39,631,219
Balances with other banks	7	6,077,354	4,106,526
		44,852,225	43,737,745
		2009 (Number)	2008
35. STAFF STRENGTH			
Permanent		9,704	10,488
Temporary/on contractual basis		75	107
Bank's own staff strength at the end of the year		9,779	10,595
Outsourced		3,750	3,482
Total staff strength		13,529	14,077

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

The Bank operates the following retirement benefits for its employees:

- Pension fund (final salary plan) – funded
- Benevolent scheme – unfunded
- Post retirement medical benefits – unfunded
- Employees compensated absence – unfunded

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

36.2 Principal actuarial assumptions

The latest actuarial valuations of the approved pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2009. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2009	2008	2009	2008	2009	2008	2009	2008
	(%)							
Valuation discount rate	14	13	14	13	14	13	14	13
Expected rate of return on plan assets	14	13	–	–	–	–	–	–
Salary increase rate	10	10	10	10	10	10	10	10
Indexation in pension	–	–	–	–	–	–	–	–
Medical cost inflation rate	–	–	–	–	8	8	–	–
Exposure inflation rate	–	–	–	–	3	3	–	–

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

36.3 (Receivable from) / payable to defined benefit plans and other benefits

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2009	2008	2009	2008	2009	2008	2009	2008
		(Rupees in '000)							
Present value of defined benefit obligations	36.5	4,072,653	4,295,986	299,388	300,162	1,287,348	1,269,622	541,116	752,947
Fair value of plan assets	36.6	(18,254,967)	(15,953,712)	–	–	–	–	–	–
Net actuarial gains / (losses) not recognised		4,860,010	6,258,707	(52,944)	(25,716)	49,369	71,952	–	–
Unrecognised negative past service cost		–	–	–	–	33,707	67,415	–	–
Unrecognised past service cost		–	–	–	–	–	(8,576)	–	–
Net (receivable) / payable recognised as at the year – end		(9,322,304)	(5,399,019)	246,444	274,446	1,370,424	1,400,413	541,116	752,947

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the present value of medial obligation at December 31, 2009 would be Rs.76.348 million (2008: Rs. 61.985 million) and Rs.62.472 million (2008: Rs. 51.799 million) respectively.

36.4 Movement in balance (receivable) / payable

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2009	2008	2009	2008	2009	2008	2009	2008
		(Rupees in '000)							
Opening balance of (receivable) / payable		(5,399,019)	(10,651,047)	274,446	282,019	1,400,413	1,455,135	752,947	974,464
Expense recognised	36.7	(3,923,285)	(5,399,319)	64,906	48,384	130,488	98,739	150,779	(75,692)
Refunds / (contributions) during the year		–	10,651,347	–	–	–	–	–	–
– Employees' contribution		–	–	12,338	–	–	–	–	–
Benefits paid		–	–	(105,246)	(55,957)	(160,477)	(153,461)	(362,610)	(145,825)
Closing balance of (receivable) / payable		(9,322,304)	(5,399,019)	246,444	274,446	1,370,424	1,400,413	541,116	752,947

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

36.5 Reconciliation of the present value of the defined benefit obligations

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
Present value of obligation as at January 01,	4,295,986	4,747,389	300,162	355,340	1,269,622	1,422,918	752,947	974,464
Current service cost	22,223	34,639	11,751	13,769	15,253	17,555	47,209	–
Interest cost	558,478	371,093	39,021	35,533	165,051	142,292	97,883	–
Benefits paid	(1,172,751)	(689,440)	(105,246)	(69,735)	(160,477)	(153,461)	(362,610)	(145,825)
Actuarial (gains) / losses	368,717	(167,695)	53,700	(34,745)	(2,101)	(159,682)	5,687	(75,692)
Present value of obligation as at December 31,	4,072,653	4,295,986	299,388	300,162	1,287,348	1,269,622	541,116	752,947

36.6 Changes in fair values of plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
Note	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
Net assets as at January 01,	15,953,712	25,095,113	–	–	–	–	–	–
Expected return on plan assets	2,073,983	2,675,699	–	–	–	–	–	–
Contributions – Bank	–	(10,651,347)	–	55,957	–	–	–	–
Contributions – Employees	–	–	–	13,778	–	–	–	–
Benefits paid	(1,172,751)	(689,440)	–	(69,735)	–	–	–	–
Actuarial gain / (loss)	1,400,023	(476,313)	–	–	–	–	–	–
Net assets as at December 31, 36.9	18,254,967	15,953,712	–	–	–	–	–	–

36.7 Charge for defined benefit plans and other benefits

The following amounts have been charged to the profit and loss account in respect of defined benefit plans and other benefits:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
Current service cost	22,223	34,639	11,751	13,769	15,253	17,555	47,209	–
Interest cost	558,478	371,093	39,021	35,533	165,051	142,292	97,883	–
Expected return on plan assets	(2,073,983)	(2,675,697)	–	–	–	–	–	–
Net actuarial (gain) / loss recognised	(2,430,003)	(3,129,354)	26,472	12,859	(24,685)	(35,977)	5,687	(75,692)
Contributions employees	–	–	(12,338)	(13,777)	–	–	–	–
Recognised past service cost	–	–	–	–	8,577	8,577	–	–
Recognised negative past service cost	–	–	–	–	(33,708)	(33,708)	–	–
	(3,923,285)	(5,399,319)	64,906	48,384	130,488	98,739	150,779	(75,692)

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the aggregate of the current service cost and interest cost components of net period post – employment medical costs would be Rs. 12.139 million (2008: Rs. 7.316 million) and Rs.9.871 million (2008: Rs. 6.056 million) respectively.

36.8 Actual return on plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
Actual return on plan assets	3,474,006	2,199,386	–	–	–	–	–	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

36.9 Composition of fair value of plan assets

	Approved Pension Fund			
	2009		2008	
	Fair Value (Rupees in '000)	Percentage (%)	Fair Value (Rupees in '000)	Percentage (%)
Defence saving certificates	—	—	4,580,964	28.71
Term deposit receipts	12,933,809	70.85	8,306,121	52.06
Listed equity shares	3,255,079	17.83	1,877,187	11.77
Open ended mutual funds units	127,412	0.70	89,072	0.56
Cash and bank balances	1,938,667	10.62	1,100,368	6.90
Fair value of plan total assets	18,254,967	100	15,953,712	100
36.9.1 Fair value of the Bank's financial instruments included in plan assets:				
Shares of MCB	2,331,026		1,213,610	
TDRs of MCB	12,933,809		8,306,121	
Bank balance with MCB	1,926,220		1,091,138	
	17,191,055		10,610,869	

36.10 Other relevant details of above funds are as follows:

	2009	2008	2007	2006	2005
	(Rupees in '000)				
36.10.1 Pension Fund					
Present value of defined benefit obligation	4,072,653	4,295,986	4,747,389	4,752,693	5,503,819
Fair value of plan assets	(18,254,967)	(15,953,712)	(25,095,113)	(14,810,557)	(10,554,024)
(Surplus) / deficit	(14,182,314)	(11,657,726)	(20,347,724)	(10,057,864)	(5,050,205)
Actuarial gain / (loss) on obligation					
Experience adjustment	(368,717)	167,695	(325,849)	54,320	(304,748)
Assumptions gain / (loss)	—	—	—	—	172,866
	(368,717)	167,695	(325,849)	54,320	(131,882)
Actuarial gain / (loss) on assets					
Experience adjustment	1,400,023	(476,313)	9,694,483	4,634,045	5,268,939
Assumptions gain / (loss)	—	—	—	—	(138,502)
	1,400,023	(476,313)	9,694,483	4,634,045	5,130,437
36.10.2 Employees' Contributory Benevolent Scheme					
Present value of defined benefit obligation	299,388	300,162	355,340	332,677	407,569
Fair value of plan assets	—	—	—	(20,650)	(18,976)
	299,388	300,162	355,340	312,027	388,593
Actuarial gain / (loss) on obligation					
Experience adjustment	(53,700)	34,745	(60,968)	10,182	(228,823)
Assumptions gain / (loss)	—	—	—	—	107,003
	(53,700)	34,745	(60,968)	10,182	(121,820)
Actuarial gain / (loss) on assets					
Experience adjustment	—	—	(1,529)	(34)	(1)
Assumptions gain / (loss)	—	—	—	—	(418)
	—	—	(1,529)	(34)	(419)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	2009	2008	2007	2006	2005
	(Rupees in '000)				
36.10.3 Post Retirement Medical Benefits					
Present value of defined benefit obligation	1,287,348	1,269,622	1,422,918	1,345,357	1,456,392
Fair value of plan assets	–	–	–	–	–
	1,287,348	1,269,622	1,422,918	1,345,357	1,456,392
Actuarial gain / (loss) on obligation					
Experience adjustment	2,101	159,682	(40,893)	36,153	8,743
Assumptions gain / (loss)	–	–	–	(21,846)	(21,846)
	2,101	159,682	(40,893)	14,307	(13,103)
36.10.4 Compensated absences					
Present value of defined benefit obligation	541,116	752,947	974,464	1,023,683	856,213
Fair value of plan assets	–	–	–	–	–
	541,116	752,947	974,464	1,023,683	856,213
Actuarial gain / (loss) on obligation	(5,687)	75,692	(100,729)	–	–

36.11. No contribution to the pension fund is expected in the next future year.

37. DEFINED CONTRIBUTION PLAN

37.1. MCB Bank Limited (holding company)

The Bank operates an approved contributory provident fund for 6,663 (2008: 6,671) employees where contributions are made by the Bank and employees at 8.33% per annum (2008: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs. 148.734 million (2008: Rs. 135.164 million) in respect of this fund.

The Bank also operates an approved non-contributory provident fund for 2,223 (2008: 2,284) employees who have opted for the new scheme, where contributions are made by the employees at 12% per annum (2008: 12% per annum) of the basic salary.

37.2. MCB Asset Management Company Limited (subsidiary company)

MCB Asset Management Company operates a recognized contribution fund for the permanent employees of the company. Contribution at the rate of 8.66% of the basic salary per annum are made both by the Company and employees to the fund.

37.3. MCB Financial Services Limited (formerly Muslim Commercial Financial Services (Private) Limited) (subsidiary company)

The company operates the provident fund scheme covering all permanent employees. Contribution at the rate of 8.33% per annum are made both by the Company and employees to the fund.

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for compensation, including all benefits, to the Chief Executive, Directors and Executives of the Group was as follows:

	President / Chief Executive		Directors		Executive	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
Fees	–	–	10,220	3,630	–	–
Managerial remuneration	38,830	27,016	1,524	1,524	664,995	606,993
Bonus and others	8,000	12,800	–	–	229,193	269,399
Retirement benefits	1,759	2,161	–	–	385,120	111,983
Rent and house maintenance	9,502	11,669	–	–	239,822	220,802
Utilities	2,111	2,593	–	–	52,362	48,582
Medical	–	82	–	–	16,394	16,909
Conveyance	417	–	–	–	231,325	184,936
	60,619	56,321	11,744	5,154	1,819,211	1,459,604
Number of persons	1	1	12	10	616	532

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.3 to these financial statements.

The maturity and repricing profile and effective rates are stated in notes 43.3, 43.4.1 and 43.4.2 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Eliminations	Total
	(Rupees in '000)						
2009							
Total income	100,613	12,780,604	24,996,184	19,653,352	173,150	(126,943)	57,576,960
Total expenses	(32,405)	(3,162,280)	(27,876,511)	(3,172,934)	(110,627)	126,943	(34,227,814)
Income tax expense	–	–	–	–	–	–	(7,683,743)
Net income	68,208	9,618,324	(2,880,327)	16,480,418	62,523	–	15,665,403
Segment assets – (Gross of NPL's provision)	–	189,707,700	120,177,857	217,637,300	442,992	(545,626)	527,420,223
Total assets	–	189,707,700	120,177,857	217,637,300	442,992	(545,626)	527,420,223
Segment non performing loans	–	–	7,546,222	15,692,501	–	–	23,238,723
Segment specific provision required	–	–	5,091,169	10,587,176	–	–	15,678,345
Segment liabilities	–	161,049,018	99,061,825	175,558,045	14,143	(545,626)	435,137,405
Provision for taxation	–	–	–	–	–	–	1,089,437
Deferred tax liability	–	–	–	–	–	–	3,201,756
Total liabilities – net	–	161,049,018	99,061,825	175,558,045	14,143	(545,626)	439,428,598
Segment return on net assets (ROA) (%)	–	5.07%	–2.50%	7.96%	14.11%	–	3.06%
Segment cost of fund (%)	–	1.69%	3.78%	3.55%	3.55%	–	3.75%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Eliminations	Total
	(Rupees in '000)						
2008							
Total income	83,793	10,524,180	19,390,630	15,905,084	210,289	(103,780)	46,010,196
Total expenses	(33,109)	(3,673,800)	(19,043,272)	(1,333,657)	(143,398)	103,780	(24,123,456)
Income tax expense	–	–	–	–	–	–	(6,563,513)
Net income	50,684	6,850,380	347,358	14,571,427	66,891	–	15,323,227
Segment assets – (Gross of NPL's provision)	–	114,648,895	152,526,314	188,080,852	397,706	(523,939)	455,129,828
Advance taxation	–	–	–	–	–	–	51,819
Total assets	–	114,648,895	152,526,314	188,080,852	397,706	(523,939)	455,181,647
Segment non performing loans	–	–	7,529,468	10,739,409	–	–	18,268,877
Segment specific provision required	–	–	4,078,564	5,817,325	–	–	9,895,889
Segment liabilities	–	107,373,831	117,913,020	159,937,095	13,323	(523,939)	384,713,330
Provision for taxation	–	–	–	–	–	–	–
Deferred tax liability	–	–	–	–	–	–	440,295
Total liabilities – net	–	107,373,831	117,913,020	159,937,095	13,323	(523,939)	385,153,625
Segment return on net assets (ROA) (%)	–	5.98%	0.23%	7.99%	16.82%	–	3.44%
Segment cost of fund (%)	–	4.16%	2.97%	3.72%	–	–	3.01%

41. RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its associated undertakings, employee benefit plans and its key management personnel (including their associates) and companies with common directors. The detail of investment in associated undertakings are stated in Annexure I (note 6) to these financial statements.

Transactions between the Group and its related parties are carried at arm's length basis under the comparable uncontrolled price method. Details of loans and advances to the companies or firms in which the directors of the Bank are interested as directors, partners or in case of private companies as members, are given in note 10.6 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. 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 as disclosed in notes 36 and 37. Remuneration to executives is disclosed in noted 38 to these financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Directors		Associated companies		Other related parties	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
A. Balances						
Deposits						
Deposits at beginning of the year	425,898	17,980	301,929	275,826	8,045,311	3,543,454
Deposits received during the year	18,190,042	10,910,613	64,472,189	302,979,123	44,810,980	58,750,918
Deposits repaid during the year	(18,129,168)	(10,502,695)	(63,878,630)	(302,953,020)	(38,039,654)	(54,249,061)
Deposits at end of the year	486,772	425,898	895,488	301,929	14,816,637	8,045,311
Mark-up expense on deposits	12,791	4,908	110,305	81,271	1,363,087	539,779
Advances (secured)						
Balance at beginning of the year	—	—	—	—	—	1,661,869
Loans granted during the year	—	—	—	—	—	524,153
Repayments received during the year	—	—	—	—	—	(2,186,022)
Balance at end of the year	—	—	—	—	—	—
Receivable from pension fund					9,322,304	5,399,019
B. Other transactions (including profit and loss related transactions)						
	Directors		Associated companies		Other related parties	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
Associates						
Adamjee Insurance Company Limited						
– Insurance premium paid – net of refund	—	—	182,480	85,524	—	—
– Insurance claim settled	—	—	80,805	84,613	—	—
– Rent income received	—	—	8,942	7,424	—	—
– Dividend received	—	—	78,917	89,340	—	—
Mayban International Trust (Labuan) Berhad						
– Dividend paid	—	—	1,350,795	753,932	—	—
– Bonus shares issued	—	—	125,655	—	—	—
– Forward foreign exchange contracts (Notional)	—	—	3,408,431	—	—	—
– Unrealized loss on forward foreign exchange contracts	—	—	36,213	—	—	—
Other related parties						
MCB Employees Security System and Services (Private) Limited						
– Security guard expenses	—	—	—	—	146,508	126,237
MCB Employees Foundation						
– Stationery expenses	—	—	—	—	111,100	118,212
– Service expenses	—	—	—	—	16,750	17,461
– Cash sorting expenses	—	—	—	—	21,597	17,169
– Cash in transit expenses	—	—	—	—	801	4,475
Others						
Dividend income	—	—	—	—	28,694	196,105
Proceeds from sale of vehicles to key management personnel	—	—	—	—	—	11,537
Gain on sale of vehicles to key management personnel	—	—	—	—	—	267
Remuneration of key management personnel (other than directors)	—	—	—	—	219,228	162,482
Contribution / (expense) to provident fund	—	—	—	—	148,734	135,164
Other miscellaneous expenses	—	—	—	—	43,594	76,725

The details of director's compensations are given in note 38 to these financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Applications

The Basel II Framework is applicable to the bank both at the consolidated level (comprising of wholly/partially owned subsidiaries & associates undertaking) and also on a stand alone basis. Subsidiaries are included while calculating Consolidated Capital Adequacy for the Bank using full consolidation method whereas associates in which the bank has significant influence on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

42.2 Capital Management

Objectives and goals of managing capital

The objectives and goals of managing capital of the Bank are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ending on December 31, 2013. The raise is to be achieved in a phased manner requiring Rs. 6 billion paid up capital (net of losses) by the end of the financial year 2009. The paid up capital of the Bank for the year ended December 31, 2009 stands at Rs. 6.9 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at December 31, 2009 was 19.10% of its risk weighted exposure.

Bank's regulatory capital is analysed into two tiers.

- Tier 1 capital, which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves as per the financial statements and net unappropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary companies and significant minority investments in entities engaged in banking and financial activities.
- Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on revaluation of fixed assets and equity investments up to a maximum of 45 % the balance, foreign exchange translation reserves, etc after 50% deduction for investments in the equity of subsidiary companies and significant minority investments in entities engaged in banking and financial activities.

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However, The bank currently does not have any Tier III capital.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated November 25, 2008 and BSD Circular No.07 of 2009 dated April 15, 2009 . The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank has complied with all externally imposed capital requirements through out the year. Further, there has been no material change in the Bank's management of capital during the year.

	Note	2009 (Rupees in '000)	2008
42.3 Capital Structure			
Tier 1 Capital			
Shareholders equity /assigned capital		6,911,045	6,282,768
Share premium		9,702,528	9,702,528
Reserves		28,427,081	26,877,551
Unappropriated profits		17,821,670	11,065,723
Minority interest		71	69
		62,862,395	53,928,639
Deductions:			
Book value of intangible and goodwill		311,699	256,183
Other deductions	42.3.1	1,709,335	1,297,724
		2,021,034	1,553,907
Total Tier 1 capital		60,841,361	52,374,732
Tier 2 Capital			
General provisions subject to 1.25% of total risk weighted assets		794,424	815,966
Revaluation reserves up to 45%		4,451,016	2,596,362
Foreign exchange translation reserves		258,047	192,242
		5,503,487	3,604,570
Deductions:			
Other deductions	42.3.1	1,709,335	1,297,724
Total Tier 2 Capital		3,794,152	2,306,846
Total Regulatory Capital Base	A	64,635,513	54,681,578

42.3.1 Other deduction includes investments in equity of financial subsidiaries not consolidated in the balance sheet and significant minority investments in banking, securities and other financial entities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

42.4 Capital Adequacy

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

		Capital Requirements		Risk Weighted Assets	
		2009	2008	2009	2008
(Rupees in '000)					
Credit Risk					
Portfolios subject to standardized approach (simple or comprehensive)					
On-Balance Sheet					
Corporate portfolio		10,935,744	10,093,814	101,485,148	108,560,409
Banks / DFIs		1,071,946	378,680	9,947,804	4,072,758
Public sector entities		378,629	1,122,846	3,513,725	12,076,366
Sovereigns / cash & cash equivalents		642,809	737,972	5,965,352	7,936,991
Loans secured against residential property		199,068	204,416	1,847,383	2,198,534
Retail		3,656,141	4,541,037	33,929,470	48,839,497
Past due loans		830,629	1,029,875	7,708,344	11,076,451
Operating fixed assets		1,923,277	1,610,437	17,848,263	17,320,483
Other assets		2,387,601	1,703,281	22,157,254	18,319,025
		22,025,843	21,422,357	204,402,743	230,400,514
Off-Balance Sheet					
Non-market related		4,051,134	2,336,728	37,595,057	25,131,841
Market related		23,350	77,443	216,690	832,909
		4,074,484	2,414,171	37,811,747	25,964,750
Equity Exposure Risk in the Banking Book					
Listed		92,317	14,354	856,713	154,376
Unlisted		79,541	78,897	738,152	848,549
		171,858	93,251	1,594,865	1,002,925
Total Credit Risk		26,272,185	23,929,778	243,809,355	257,368,189
Market Risk					
Capital requirement for portfolios subject to standardized approach					
Interest rate risk		930,563	468,523	11,632,039	5,856,542
Equity position risk		697,195	485,076	8,714,947	6,063,450
Foreign exchange risk		765,954	797,287	9,574,417	9,966,088
Total Market Risk		2,393,712	1,750,886	29,921,403	21,886,080
Operational Risk					
Capital requirement for operational risks		5,171,286	4,382,249	64,641,080	54,778,112
Total	B	33,837,183	30,062,913	338,371,838	334,032,381
		2009		2008	
		(Rupees in '000)			
Capital Adequacy Ratio					
Total eligible regulatory capital held	A	64,635,513		54,681,578	
Total Risk Weighted Assets	B	338,371,838		334,032,381	
Capital Adequacy Ratio	A / B	19.10%		16.37%	

* As SBP capital requirement of 10% (2008: 9%) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

43 RISK MANAGEMENT

MCB defines risk as any deviation from an anticipated outcome that may affect the value, capital or earnings of the Bank. Identifying and managing exposure to risk is an integral part of strategic and operational activities of risk management. Bank's risk management policy is aimed at setting the best course of action under uncertainty by identifying, prioritizing, mitigating and monitoring risk issues. With the goal of enhancing shareholders' value, following are the five guiding principles of robust risk management structure:

- Optimizing risk/return in a controlled manner
- Establishing clear responsibility and accountability
- Establishing independent and properly resourced risk management function.
- Promoting open risk culture
- Adopting international best practices in risk management

Keeping in view dynamics of internal and external environment, the Bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. This framework combines core policies, procedures and process design with broad oversight and is supported by risk monitoring across the bank. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM&PRC) and the senior management and its relevant committees, i.e. the Management Committee (MC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring process which are closely aligned with the activities of the Bank so as to ensure that risks are kept within an acceptable level.

As part of risk assessment process, the Bank ensures that not only the relevant risks are identified but their implications are considered and basis provided for managing and measuring the risks. Through Internal Control units, the Bank ensures that effective controls are in place to mitigate each of the identified risk.

Independent from business groups, Head of Risk Management reports functionally to the Risk Management & Portfolio Review Committee (RM&PRC) and administratively to the President; the RM & PRC convenes regularly to evaluate Bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Operational Risk Management

In line with regulatory guidelines, the Bank has initiated Internal Capital Adequacy Assessment Process (ICAAP).

43.1 Credit Risk

Credit risk arises from our dealings with individuals, corporate, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its lending and investment activities. It also stems from activities both on and off-balance sheet activities. Credit risk makes up the largest part of the Bank's exposure. Purpose of credit risk function is to identify measure, manage, monitor and mitigate credit risk. Organizational structure of this function ensures pre and post-facto management of credit risk. While, Credit Review function provides pre-fact evaluation of counterparties, the Credit Risk Control (CRC) performs post-fact evaluation of financing facilities and review clients' performance as an ongoing process.

The Bank has adopted standardized approach to measure Credit risk regulatory charge in compliance with Basel-II requirements. The approach is reliant upon the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Ratings Systems, Bank has developed a system and all its corporate borrowers are internally rated. Bank is in the process of continuously improving the system and bringing it inline with the Basel framework requirements

In order to manage bank's credit risk, the Bank has the following policies and procedures in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

As a part of credit assessment, Bank uses internal rating framework as well as the ratings assigned by the external credit rating agencies, wherever available.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control, being an independent function from the business and operations groups, is responsible for performing following activities:

- Credit disbursement authorization;
- Collateral coverage and monitoring;
- Compliance of loan covenants/ terms of approval;
- Maintenance/ custody of collateral and security documentation.

Credit Risk Monitoring is based on a comprehensive reporting framework, continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within a framework of risk profile benchmarks. Per party exposure limit is maintained in accordance with SBP Prudential Regulation R-1.

The Bank creates specific provision against Non- Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Please refer note No. 10.4 for reconciliation of changes in specific and general provisions.

Management of Non-Performing Loans

The Bank has a Special Asset Management Group (SAMG), which is responsible for management of non-performing loans. SAMG undertakes restructuring / rescheduling of problem loans, as well as litigation of both civil and criminal cases for collection of debt.

Stress Testing

The Bank also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

43.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of advances (gross), deposits, contingencies and commitments.

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
43.1.1.1 Segments by class of business						
Agriculture, forestry, hunting and fishing	2,606,240	0.97	34,509,866	9.39	1,055,277	0.88
Mining and quarrying	611,408	0.23	294,235	0.08	24,942	0.02
Textile	31,377,649	11.63	1,393,648	0.38	4,741,012	3.95
Chemical and pharmaceuticals	15,197,729	5.63	1,013,664	0.28	3,689,010	3.08
Cement	3,886,303	1.44	14,565	0.00	28,633	0.02
Sugar	6,328,298	2.35	438,319	0.12	40,215	0.03
Footwear and leather garments	2,279,204	0.85	208,767	0.06	54,727	0.05
Automobile and transportation equipment	2,293,028	0.85	539,065	0.15	336,712	0.28
Electronics and electrical appliances	2,204,672	0.82	149,539	0.04	318,098	0.27
Construction	2,785,464	1.03	—	—	238,562	0.20
Power (electricity), gas, water, sanitary	37,940,970	14.07	1,461,906	0.40	531,536	0.44
Wholesale and Retail Trade	18,565,483	6.88	33,909,697	9.23	2,202,054	1.84
Exports / imports	4,257,087	1.58	—	—	3,987,621	3.33
Transport, storage and communication	58,748,442	21.78	285,773	0.08	152,713	0.13
Financial	6,866,088	2.55	10,026,720	2.73	44,941,870	37.48
Insurance	1,285	0.00	1,344,562	0.37	2,152	0.00
Services	6,642,802	2.46	62,135,724	16.90	285,914	0.24
Individuals	27,049,649	10.03	195,463,714	53.18	367,077	0.31
Others	40,079,233	14.86	24,391,311	6.66	56,923,762	47.47
	269,721,034	100	367,581,075	100	119,921,887	100

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	2008					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Agriculture, forestry, hunting and fishing	10,414,918	3.82	34,461,318	10.44	679,404	0.25
Mining and quarrying	1,670,510	0.61	254,075	0.08	–	–
Textile	35,240,763	12.92	1,381,008	0.42	8,899,509	3.34
Chemical and pharmaceuticals	13,931,176	5.11	1,160,792	0.35	7,126,392	2.67
Cement	4,611,099	1.69	17,454	0.01	5,203,675	1.95
Sugar	6,490,201	2.38	663,341	0.20	2,500,375	0.94
Footwear and leather garments	2,023,653	0.74	142,938	0.04	491,410	0.18
Automobile and transportation equipment	2,422,517	0.89	292,281	0.09	2,407,819	0.90
Electronics and electrical appliances	2,768,742	1.01	319,654	0.10	–	–
Construction	–	–	–	–	2,494,184	0.94
Power (electricity), gas, water, sanitary	48,480,574	17.77	532,842	0.16	3,132,122	1.18
Wholesale and Retail Trade	24,867,705	9.11	47,715,623	14.45	6,842,008	2.57
Exports / imports	–	–	–	–	–	–
Transport, storage and communication	33,182,312	12.16	358,139	0.11	8,818,563	3.31
Financial	10,490,556	3.84	6,531,092	1.98	167,324,013	62.78
Insurance	200,000	0.07	2,593,403	0.79	–	–
Services	4,121,252	1.51	49,397,748	14.96	2,147,720	0.81
Individuals	32,721,115	11.99	153,817,203	46.59	–	–
Others	39,208,592	14.37	30,513,638	9.24	48,458,869	18.18
	<u>272,845,685</u>	<u>100</u>	<u>330,152,549</u>	<u>100</u>	<u>266,526,063</u>	<u>100</u>

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
43.1.1.2 Segment by sector						
Public / Government	79,707,503	29.55	11,100,632	3.02	39,390,760	32.85
Private	190,013,531	70.45	356,408,443	96.98	80,531,127	67.15
	<u>269,721,034</u>	<u>100</u>	<u>367,581,075</u>	<u>100</u>	<u>119,921,887</u>	<u>100</u>

	2008					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Public / Government	60,292,476	22.10	16,144,540	4.89	61,587,937	23.11
Private	212,553,209	77.90	314,008,009	95.11	204,938,126	76.89
	<u>272,845,685</u>	<u>100</u>	<u>330,152,549</u>	<u>100</u>	<u>266,526,063</u>	<u>100</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

43.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	2009		2008	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agriculture, forestry, hunting and fishing	713,511	384,054	912,008	446,712
Mining and quarrying	2,176	2,021	40,584	25,889
Textile	3,862,699	3,329,483	2,921,409	2,311,466
Chemical and pharmaceuticals	153,231	145,779	117,807	59,967
Cement	—	—	304	304
Sugar	1,177,714	557,152	387,854	135,490
Footwear and leather garments	118,061	101,686	107,162	91,361
Automobile and transportation equipment	133,671	77,419	116,026	42,522
Electronics and electrical appliances	338,647	321,521	557,891	518,597
Construction	68,039	60,621	79,761	55,999
Power (electricity), gas, water, sanitary	—	—	4,324	3,727
Wholesale and retail trade	5,010,321	3,453,025	3,147,146	2,165,778
Exports / imports	442,731	408,280	318,339	288,582
Transport, storage and communication	49,240	44,012	72,875	59,512
Financial	869,818	766,750	2,094,479	118,729
Services	479,395	349,113	295,928	180,636
Individuals	2,804,634	2,018,306	1,444,105	732,184
Others	7,014,835	3,659,123	5,650,875	2,658,434
	23,238,723	15,678,345	18,268,877	9,895,889

43.1.1.4 Details of non-performing advances and specific provisions by sector

Public/ Government	—	—	—	—
Private	23,238,723	15,678,345	18,268,877	9,895,889
	23,238,723	15,678,345	18,268,877	9,895,889

43.1.1.5 Geographical segment analysis

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencied & Commitments
	(Rupees in '000)			
Pakistan	22,732,437	500,734,995	71,762,985	115,393,307
Asia Pacific (including South Asia)	355,775	7,117,974	357,914	2,877,120
Middle East	260,934	3,888,909	192,381	1,651,460
	23,349,146	511,741,878	72,313,280	119,921,887

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencied & Commitments
	(Rupees in '000)			
Pakistan	21,487,087	430,301,251	59,735,146	259,953,518
Asia Pacific (including South Asia)	249,355	4,988,327	246,259	3,066,685
Middle East	150,298	9,996,180	150,728	3,231,095
	21,886,740	445,285,758	60,132,133	266,251,298

Total assets employed include intra group items of Rs. NIL (2008: Rs. NIL).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

43.1.2 Credit Risk – General Disclosures

The Bank has adopted Standardized approach of Basel II for calculation of capital charge against credit risk in line with State Bank requirements.

43.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company– Vital Information Systems), Fitch, Moody's and Standard & Pools . External Credit Assessment Institutions from which credit rating data for advances is obtained and then mapped to State Bank of Pakistan's Rating Grades.

Type of Exposures for which the ratings from the External Credit Rating Agencies are used by the Bank.

Exposures	JCR-VIS	PACRA	OTHER (S&P / Moody's / Fitch)
Corporate	Yes	Yes	–
Banks	Yes	Yes	Yes
Sovereigns	–	–	Yes
SME's	Yes	Yes	–

The criteria for transfer public issue ratings onto comparable assets in the banking book and the alignment of the alphanumerical scale of each agency used with risk buckets is the same as specified by the banking regulator SBP in BSD Circular No.8 table 2.3.

Long – Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA–	AAA AA+ AA AA–	AAA AA+ AA AA–	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA–	1
2	A+ A A–	A+ A A–	A+ A A–	A1 A2 A3	A+ A A–	2
3	BBB+ BBB BBB–	BBB+ BBB BBB–	BBB+ BBB BBB–	Baa1 Baa2 Baa3	BBB+ BBB BBB–	3
4	BB+ BB BB–	BB+ BB BB–	BB+ BB BB–	Ba1 Ba2 Ba3	BB+ BB BB–	4
5	B+ B B–	B+ B B–	B+ B B–	B1 B2 B3	B+ B B–	5,6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and Below	CCC+ and below	7

Short – Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A–1	A–1	F1	P–1	A–1+, A–1
S2	A–2	A–2	F2	P–2	A–2
S3	A–3	A–3	F3	P–3	A–3
S4	Others	Others	Others	Others	Others

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Credit Exposures subject to Standardised approach

Exposures	Rating	2009			2008		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
		(Rupees in '000)					
Corporate							
	1	14,146,516	–	14,146,516	11,850,806	–	11,850,806
	2	5,160,828	–	5,160,828	5,584,858	–	5,584,858
	3,4	764,389	–	764,389	2,626,326	–	2,626,326
	5,6	798,230	–	798,230	9,063	–	9,063
	Unrated	94,113,697	–	94,113,697	101,152,460	394,563	100,757,898
Bank							
	1	14,541,435	–	14,541,435	11,857,103	–	11,857,103
	2,3	436,070	–	436,070	–	–	–
	4,5	928	–	928	–	–	–
	6	4,108,093	–	4,108,093	–	–	–
	Unrated	2,497,023	–	2,497,023	5,415,127	–	5,415,127
Public Sector Entities in Pakistan							
	1	6,986,305	–	6,986,305	19,094,545	1,167,891	17,926,654
	2,3	–	–	–	–	–	–
	4,5	–	–	–	–	–	–
	6	–	–	–	–	–	–
	Unrated	75,506,214	71,273,287	4,232,927	44,366,189	27,384,120	16,982,069
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash							
	1	33,010,037	–	33,010,037	35,615,422	–	35,615,422
	2	–	–	–	–	–	–
	3	–	–	–	–	–	–
	4,5	5,965,352	–	5,965,352	–	–	–
	6	–	–	–	–	–	–
	Unrated	–	–	–	7,936,991	–	7,936,991
Mortgage		5,278,238	–	5,278,238	6,281,527	–	6,281,527
Retail		45,239,293	–	45,239,293	66,351,658	1,232,329	65,119,329

43.1.3 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

43.1.3.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

The Bank has strong policies and processes for collateral valuation and collateral management thus ensuring that collateral valuation happens at regular defined intervals. Collaterals are normally held for the life of exposure. Regular monitoring of coverage of exposure by the collateral and lien/ charge registered over the collaterals is carried out besides ensuring that collateral matches the purpose, nature and structure of the transaction and also reflect the form and capacity of the obligor, its operations, nature of business and economic environment. The Bank mitigates its risk by taking collaterals that may include assets acquired through the funding provided, as well as cash, government securities, marketable securities, current assets, fixed assets, and specific equipment, commercial and personal real estate.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

The Standardized Approach of Basel-II guidelines allows the Bank to take benefit of credit risk mitigation of financial collaterals against total exposures in the related loan facilities. As a prudent and conservative measure while calculating capital charge for credit risk of on balance sheet activities, Bank has taken only the benefit of Sovereign guarantee.

MCB manages limits and controls concentrations of credit risk as identified, in particular, to individual counterparties and groups, and also reviews exposure to industry sectors and geographical regions on a regular basis. Limits are applied in a variety of forms to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

Concentration of risk

Out of the total financial assets of Rs. 478,825.753 million (2008: Rs. 414,213.200 million) the financial assets which are subject to credit risk amount to Rs. 468,387.690 million (2008: Rs. 402,831.655 million). To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 152,915.75 million (2008: Rs. 86,198 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 20,916.298 million (2008: Rs. 22,116.321 million) is held by the Bank with the State Bank of Pakistan and central banks of other countries.

43.1.3.2 Equity position risk in the banking book

The Group takes proprietary equity positions for both trading and strategic purposes. The Bank has invested in its subsidiaries and associated companies to achieve long term strategic objectives. As of December 31, 2009 the composition of equity investments subsidiaries and associated companies is as follows:

Composition of equity investments

Exposures	Held for trading	Available for Sale	Associates
Equity investments – publicly traded	320,488	7,581,448	3,339,710
Equity investments – others	–	513,843	63,300
Total value	320,488	8,095,291	3,403,010

Classification of equity investments

Banks classify its equity investment portfolio in accordance with the directives of SBP as follows:

- Investments – Held for trading
- Investments – Available for sale
- Investments in associates

Policies, valuation and accounting of equity investments

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account currently.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

The cumulative realized gain of Rs. 694.667 million has been recognized in profit & loss account from sale of equity securities; however unrealized gain of Rs. 836.899 million was recognized in the balance sheet in respect of "AFS" securities. Further a provision for impairment in value of equity investments amounting to Rs. 1,496.395 million has been charged to profit and loss account.

43.2 Market Risk Management

Market risk arises from changes in market rates (such as Interest Rates, Foreign Exchange Rates and Equity Prices) as well as their correlations and volatilities. MCB is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign exchange and Capital market groups. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes Bank to interest rate risk, foreign exchange risk and equity price risk. Market risk is also assumed as a result of Bank's balance sheet and capital management activities.

The Bank's Market Risk Management structure consists of Risk Management Committee of the Board, ALCO, and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk Management Division is responsible for policy formulation, controlling of market risk including monitoring of exposures against limits; assessment of risks in new business; developing procedures, market risk measurement and reporting system. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

As per SBP instructions (BSD Circular 8, 2006) trading book shall consist of positions in financial instruments held with trading intent or in order to hedge other elements of the trading book. Hence the bank has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market risk by using conventional methods i.e. notional amounts and sensitivity. Bank has established a specific Market Risk Limit Policy providing guideline for assuming controlled market risk, its monitoring and management. A reasonable number of limits are set and approved. These Limits are compared with the numbers generated by the market risk management system based on the trading activity and the outstanding position on risk measurement date.

Besides conventional methods, the Bank uses VaR (Value at Risk) technique for market risk assessment of assets booked by its treasury and capital market groups. In-house and vendor based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Variance co-variance approach of VaR measure for conventional products and Monte Carlo simulation approach for derivative and structured products are being used by the bank.

Stress testing of both banking and trading books as per SBP guidelines is a regular feature.

The Bank is exposed to interest rate risk both in trading and banking books. Risk numbers along with the marked to market values of government securities held by the Bank's treasury are generated on daily basis. The risk numbers include duration, PVB, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

43.2.1 Foreign Exchange Risk Management

Foreign exchange risk represents exposures the Bank has due to changes in the values of current holdings and future cash flows denominated in currencies other than home currency. The types of instruments exposed to this risk include investments in foreign branches, foreign currency-denominated loans, foreign currency-denominated deposits, future cash flows in foreign currencies arising from foreign exchange transactions, etc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

The core objective of foreign exchange risk management is to ensure the foreign exchange exposure of the Bank remains within defined risk appetite and insulate Bank against losses that may arise due to volatile movements in foreign exchange rates or interest rates.

Limit structure to manage foreign exchange risk is in place. Gap limits on different tenures have been introduced for USD exposures. Gap limit for other major currencies will be introduced depending upon the significance of exposure in that currency. Bank's net open position and Foreign exchange exposure limit (FEEL) is monitored and reported on daily basis. Additionally, daily reports are generated to evaluate the exposure in different currencies. Risk management system generates VaR and PVBP numbers for foreign exchange portfolio to estimate the potential loss under normal conditions. Stress testing of foreign exchange portfolio is also performed and reported to senior management. All these activities are performed on a daily basis.

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	496,129,114	422,518,507	(1,108,310)	72,502,297
United States Dollar	14,317,231	11,828,720	(2,779,180)	(290,669)
Pound Sterling	277,235	1,870,038	1,596,226	3,423
Japanese Yen	109,825	167	(109,376)	282
Euro	762,031	3,211,166	2,504,675	55,540
Other currencies	146,442	–	(104,035)	42,407
	511,741,878	439,428,598	–	72,313,280

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	428,252,703	372,010,334	3,852,581	60,094,950
United States Dollar	15,326,446	9,314,526	(6,146,330)	(134,410)
Pound Sterling	396,816	1,260,620	876,926	13,122
Japanese Yen	118,906	282	(83,472)	35,152
Euro	1,079,049	2,566,438	1,500,295	12,906
Other currencies	111,838	1,425	–	110,413
	445,285,758	385,153,625	–	60,132,133

43.2.2 Equity Price Risk

Bank's proprietary positions in the equity instruments expose it to the equity price risk in its trading and banking books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR numbers generation and stress testing of the equity portfolio are also performed and reported to senior management on daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index. This exercise is done on internal based assumptions in addition to the criteria advised by the State Bank of Pakistan for Stress Testing on Equities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

	Effective Yield/ Interest rate	Total	2009									Not exposed to Yield/ Interest Risk		
			Exposed to Yield/ Interest risk											
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
(Rupees in '000)														
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks	0%	38,774,871	2,522,549	-	-	-	-	-	-	-	-	-	-	36,252,322
Balances with other banks	0.12% to 1%	6,077,354	1,017,691	-	-	-	-	-	-	-	-	-	-	5,059,663
Lendings to financial institutions	12.35% to 12.70%	3,000,000	1,000,000	2,000,000	-	-	-	-	-	-	-	-	-	-
Investments – net	4.5% to 14.88%	166,081,637	17,543,637	50,084,055	28,508,489	56,948,201	707,468	1,311,516	2,670,133	2,787,640	-	-	-	5,520,498
Advances – net	15.00%	253,248,265	151,948,502	50,649,882	37,987,411	12,662,470	-	-	-	-	-	-	-	-
Other assets – net		11,643,626	-	-	-	-	-	-	-	-	-	-	-	11,643,626
		478,825,753	174,032,379	102,733,937	66,495,900	69,610,671	707,468	1,311,516	2,670,133	2,787,640	-	-	-	58,476,109
Liabilities														
Bills payable		8,201,090	-	-	-	-	-	-	-	-	-	-	-	8,201,090
Borrowings	12.05% to 12.50%	44,662,088	33,662,171	4,441,734	1,058,442	1,058,442	1,049,275	-	-	-	-	-	-	-
Deposits and other accounts	5% to 9.5%	367,581,075	179,635,312	9,793,315	6,139,604	37,229,475	835,485	1,292,144	2,309,620	1,454,949	-	-	-	128,891,171
Other liabilities		12,306,709	-	-	-	-	-	-	-	-	-	-	-	12,306,709
		432,750,962	213,297,483	14,243,781	10,581,338	38,287,917	1,884,760	1,292,144	2,309,620	1,454,949	-	-	-	149,398,970
		46,074,791	(39,265,104)	88,490,166	55,914,562	31,322,754	(1,177,292)	19,372	360,513	1,332,691	-	-	-	(90,922,861)
On-balance sheet gap														
Off-balance sheet financial instruments														
Foreign exchange contracts purchase		23,832,214	11,904,381	10,021,332	1,906,501	-	-	-	-	-	-	-	-	-
Interest rate swaps – long position		83,333	-	-	-	83,333	-	-	-	-	-	-	-	-
Cross currency swaps – long position		124,845	-	-	-	-	124,845	-	-	-	-	-	-	-
		24,040,392	11,904,381	10,021,332	1,906,501	83,333	124,845	-	-	-	-	-	-	-
Foreign exchange contracts sale		23,037,004	9,518,707	7,797,744	5,720,553	-	-	-	-	-	-	-	-	-
Interest rate swaps – short position		83,333	-	-	-	83,333	-	-	-	-	-	-	-	-
Cross currency swaps – short position		124,845	-	-	-	-	124,845	-	-	-	-	-	-	-
		23,245,182	9,518,707	7,797,744	5,720,553	83,333	124,845	-	-	-	-	-	-	-
		795,210	2,385,674	2,223,588	(3,814,052)	-	-	-	-	-	-	-	-	-
Off-balance sheet gap														
Total yield / interest risk sensitivity gap														
		(36,879,430)	(36,879,430)	90,713,744	52,100,510	31,322,754	(1,177,292)	19,372	360,513	1,332,691	-	-	-	-
Cumulative yield / interest risk sensitivity gap														
		(36,879,430)	(36,879,430)	53,834,314	105,934,824	137,257,578	136,080,286	136,099,658	136,460,171	137,792,862	137,792,862	-	-	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

2008

Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk						Not exposed to Yield/ Interest Risk		
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years		Over 3 to 5 years	Over 5 to 10 years
(Rupees in '000)										
On-balance sheet financial instruments										
Assets										
0.90%	39,631,219	1,950,742	-	-	-	-	-	-	-	-
	4,106,526	759,437	-	-	-	-	-	-	-	-
1.20%	4,100,079	4,100,079	-	-	-	-	-	-	-	-
15.75% to 21%	95,590,602	35,399,737	45,481,121	4,980,612	708,396	286,557	674,063	2,459,769	980,996	95,823
6% to 17.56%	262,133,830	157,129,642	52,502,094	39,376,570	13,125,524	-	-	-	-	-
18.00%	9,069,899	-	-	-	-	-	-	-	-	-
	414,632,155	199,339,637	97,983,215	44,357,182	13,833,920	286,557	674,063	2,459,769	980,996	95,823
Liabilities										
	10,551,468	-	-	-	-	-	-	-	-	-
	22,663,840	9,086,591	7,918,373	5,658,876	-	-	-	-	-	-
15.50%	330,152,549	160,598,414	17,007,818	11,656,112	21,055,371	1,325,882	2,083,437	4,050,130	-	-
5 % to 9.5 %	8,968,852	-	-	-	-	-	-	-	-	-
	372,336,709	169,685,005	24,926,191	17,314,988	21,055,371	1,325,882	2,083,437	4,050,130	-	-
	42,295,446	29,654,632	73,057,024	27,042,194	7,221,451	(1,039,325)	(1,409,374)	(1,590,361)	980,996	95,823
On-balance sheet gap										
Off-balance sheet financial instruments										
	26,644,450	26,644,450	-	-	-	-	-	-	-	-
Forward outright purchase – Govt. securities	69,708,932	21,618,865	35,282,618	12,794,158	13,291	-	-	-	-	-
Foreign exchange contracts purchase	2,144,130	-	1,977,463	-	-	166,667	-	-	-	-
Interest rate swaps – long position	173,127	-	-	-	-	173,127	-	-	-	-
Cross currency swaps – long position	98,670,639	48,263,315	37,260,081	12,794,158	13,291	166,667	173,127	-	-	-
	67,476,228	21,427,005	19,037,097	19,365,275	7,629,100	17,751	-	-	-	-
Foreign exchange contracts sale	266,667	-	100,000	-	-	166,667	-	-	-	-
Interest rate swaps – short position	173,127	-	-	-	-	-	173,127	-	-	-
Cross currency swaps – short position	20,827,530	20,827,530	-	-	-	-	-	-	-	-
Forward outright sale – Govt securities	88,743,552	42,254,535	19,137,097	19,365,275	7,629,100	184,418	173,127	-	-	-
	9,927,087	6,008,780	18,122,984	(6,571,117)	(7,615,809)	(17,751)	-	-	-	-
Off-balance sheet gap										
Total yield / interest risk sensitivity gap	35,663,412	35,663,412	91,180,008	20,471,077	(14,837,260)	(1,057,076)	(1,409,374)	(1,590,361)	980,996	95,823
Cumulative yield / interest risk sensitivity gap	35,663,412	126,843,420	147,314,497	132,477,237	131,420,161	130,010,787	128,420,426	129,401,422	129,497,245	

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Reconciliation to total assets	2009	2008	Reconciliation to total liabilities	2009	2008
	(Rupees in '000)			(Rupees in '000)	
Balance as per balance sheet	511,714,878	445,285,758	Balance as per balance sheet	439,428,598	385,153,625
Less: Non financial assets			Less: Non financial liabilities		
Investments	3,403,010	1,384,432	Other liabilities	3,475,880	12,376,621
Operating fixed assets	18,099,010	17,320,485	Deferred tax liability	3,201,756	440,295
Deferred tax assets – net	–	–		6,677,636	12,816,916
Other assets	11,414,105	10,758,329			
	32,916,125	30,653,603			
Total financial assets	478,825,753	414,632,155	Total financial liabilities	432,750,962	372,336,709

43.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Bank understands that liquidity does not come for free, and surplus liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Because liquidity is critical to the ongoing viability of any financial institution, liquidity management is among the most important activities that MCB conducts. MCB recognizes that liquidity risk can arise from the Bank's activities and can be grouped into three categories:

- Inflows/outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

Bank monitors and assesses the impact of increase in NPLs, deposits concentration, deposits withdrawal, decline in earnings, expanded business opportunities, acquisitions and negative reputation, on its liquidity positions.

Liquidity Management

MCB's liquidity risk management framework is designed to identify measure and manage in a timely manner the liquidity risk position of the Bank. The underlying policies and procedures include: Risk Management policy, Treasury and Investment policy, Contingency Funding Plan and Limit Structure which are reviewed and approved regularly by the senior management /Board members. MCB liquidity risk policy envisages to project the Bank's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling balance sheet changes. MCB's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.

Intraday Liquidity Management

Intraday liquidity management is about managing the daily payments and cash flows. Bank has policies to ensure that sufficient cash is maintained during the day to make payments through local payment system. The policy of the Bank is to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet obligations, repay depositors and fulfill commitments.

Managing Funding Sources

Managing funding sources, as per policy MCB maintain a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash flows for meeting unexpected liquidity requirement. As a part of liquidity management MCB maintains borrowing relationships to ensure the continued access to diverse market of funding sources. MCB's sound credit rating together with excellent market reputation has enabled MCB to secure ample call lines with local and foreign banks. The level of liquidity reserves as per regulatory requirements also mitigates risks. MCB's investment in marketable securities is much higher than the Statutory Liquidity requirements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

43.4.1 Maturities of Assets and Liabilities – Based on contractual maturity of the assets and liabilities of the Bank

2009

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	38,774,871	38,774,871	—	—	—	—	—	—	—	—
Balances with other banks	6,077,354	6,077,354	—	—	—	—	—	—	—	—
Lendings to financial institutions	3,000,000	1,000,000	2,000,000	—	—	—	—	—	—	—
Investments – net	169,484,647	7,595,046	50,430,192	30,281,032	59,460,431	5,662,050	3,018,659	4,424,767	5,209,460	3,403,010
Advances – net	253,248,265	32,495,438	50,638,610	12,489,161	80,579,221	23,704,771	19,762,127	22,060,019	11,261,267	257,651
Operating fixed assets	18,099,010	88,572	177,145	265,717	531,434	1,062,868	1,062,868	2,125,736	5,314,340	7,470,330
Deferred tax assets	1,622,905	9,082	45,158	26,195	332,189	310,006	341,615	394,186	164,474	—
Other assets – net	23,057,731	4,405,161	4,251,638	201,363	3,460,971	260,081	—	10,478,517	—	—
	513,364,783	90,445,524	107,542,743	43,263,468	144,364,246	30,999,776	24,185,269	39,483,225	21,949,541	11,130,991
Liabilities										
Bills payable	8,201,090	8,201,090	—	—	—	—	—	—	—	—
Borrowings	44,662,088	33,662,171	4,450,466	4,441,734	1,058,442	1,049,275	—	—	—	—
Deposits and other accounts	367,581,075	308,509,483	9,793,315	6,139,604	37,229,475	852,485	1,292,144	2,309,620	1,454,949	—
Deferred tax liabilities	4,824,661	18,290	36,580	54,870	109,741	221,552	113,768	167,694	3,682,146	420,020
Other liabilities	15,782,589	6,296,091	1,090,620	1,694,516	2,593,895	1,976,687	443,678	869,033	818,069	—
	441,051,503	356,687,125	15,370,981	12,330,724	40,991,553	4,099,999	1,849,590	3,346,347	5,955,164	420,020
Net assets										
	72,313,280	(266,241,601)	92,171,762	30,932,744	103,372,693	26,899,777	22,335,679	36,136,878	15,994,377	10,710,971
Share capital	6,911,045									
Reserves	38,387,656									
Unappropriated profit	17,821,670									
Minority interest	71									
Surplus on revaluation of assets – net of tax	9,192,838									
	72,313,280									

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

43.4.1 Maturities of Assets and Liabilities – Based on contractual maturity of the assets and liabilities of the Bank

	2008									
Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	39,631,219	—	—	—	—	—	—	—	—	—
Balances with other banks	4,106,526	—	—	—	—	—	—	—	—	—
Lendings to financial institutions	4,100,079	—	—	—	—	—	—	—	—	—
Investments – net	98,165,391	46,011,877	5,013,425	4,760,623	3,852,594	1,926,341	4,755,241	2,861,218	2,670,612	
Advances – net	282,133,830	1,386,235	101,048,429	71,271,406	39,564,731	12,667,283	19,214,140	3,094,364	1,058,421	
Operating fixed assets	17,320,485	76,729	230,188	460,377	920,753	920,753	1,841,506	4,570,877	8,145,843	
Deferred tax assets	1,199,486	10,663	31,615	358,692	79,400	77,018	95,038	494,231	12,677	
Other assets – net	19,828,228	5,823,749	448,374	547,038	6,642,888	1,625	—	—	—	
	446,485,244	53,415,472	106,772,031	77,398,136	51,060,366	15,593,020	25,905,925	11,020,690	11,887,553	
Liabilities										
Bills payable	10,551,468	—	—	—	—	—	—	—	—	—
Borrowings	22,663,840	6,867,997	4,608,502	1,050,376	1,050,375	—	—	—	—	—
Deposits and other accounts	330,152,549	17,007,818	11,656,112	21,055,371	1,325,882	2,083,437	4,050,130	—	—	—
Deferred tax liabilities	1,639,781	62,137	91,373	182,746	365,492	147,080	294,160	57,400	401,743	
Other liabilities	21,345,473	4,380,863	5,177,673	1,343,818	1,420,253	502,860	984,145	1,087,890	—	—
	386,353,111	28,318,815	21,533,660	23,632,311	4,162,002	2,733,377	5,328,435	1,145,290	401,743	
Net assets	60,132,133	(205,665,427)	85,238,371	53,765,825	46,898,364	12,859,643	20,577,490	9,875,400	11,485,810	
Share capital	6,282,768									
Reserves	36,772,321									
Unappropriated profit	11,065,723									
Minority interest	69									
Surplus on revaluation of assets – net of tax	6,011,252									
	60,132,133									

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

43.4.2 Maturities of Assets and Liabilities – Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

2009											
Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)											
Assets											
Cash and balances with treasury banks	38,774,871	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,077,354	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,000,000	2,000,000	-	-	-	-	-	-	-	-	-
Investments – net	169,484,647	50,430,192	30,281,032	59,460,431	5,662,050	3,018,659	4,424,767	5,209,460	3,403,010		
Advances – net	253,248,265	50,638,610	12,489,161	80,579,221	23,704,771	19,762,127	22,060,019	11,261,267	257,651		
Operating fixed assets	18,099,010	177,145	265,717	531,434	1,062,868	1,062,868	2,125,736	5,314,340	7,470,330		
Deferred tax assets	1,622,905	45,158	26,195	332,189	310,006	341,615	394,186	164,474	-		
Other assets – net	23,057,731	4,251,638	201,363	3,460,971	260,081	-	10,478,517	-	-		
	513,364,783	107,542,743	43,263,468	144,364,246	30,999,776	24,185,269	39,483,225	21,949,541	11,130,991		
Liabilities											
Bills payable	8,201,090	-	-	-	-	-	-	-	-	-	-
Borrowings	44,662,088	4,450,466	4,441,734	1,058,442	1,049,275	-	-	-	-	-	-
Deposits and other accounts	367,581,075	42,646,512	91,180,668	122,270,538	25,468,818	19,318,014	15,796,725	8,045,411	6,444,890		
Deferred tax liabilities	4,824,661	36,580	54,870	109,741	221,552	113,768	167,694	3,682,146	420,020		
Other liabilities	15,782,589	1,090,620	1,694,516	2,593,895	1,976,687	443,678	869,033	818,069	-		
	441,051,503	48,224,178	97,371,788	126,032,616	28,716,332	19,875,460	16,833,452	12,545,626	6,864,910		
Net assets											
	72,313,280	59,318,565	(54,108,320)	18,331,630	2,283,444	4,309,809	22,649,773	9,403,915	4,266,081		
Share capital	6,911,045										
Reserves	38,387,656										
Unappropriated profit	17,821,670										
Minority interest	71										
Surplus on revaluation of assets – net of tax	9,192,838										
	72,313,280										

Refer the sub-note to note 43.4.2 also. Current and saving deposits do not have any contractual maturity. Therefore, current deposits and saving accounts have been classified between all nine maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

43.4.2 Maturities of Assets and Liabilities – Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

		2008									
Total		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks	39,631,219	39,631,219	-	-	-	-	-	-	-	-	
Balances with other banks	4,106,526	4,106,526	-	-	-	-	-	-	-	-	
Lendings to financial institutions	4,100,079	4,100,079	-	-	-	-	-	-	-	-	
Investments – net	98,165,391	26,313,460	46,011,877	5,013,425	4,760,623	3,852,594	1,926,341	4,755,241	2,861,218	2,670,612	
Advances – net	262,133,830	12,828,821	1,386,235	101,048,429	71,271,406	39,564,731	12,667,283	19,214,140	3,094,364	1,058,421	
Operating fixed assets	17,320,485	76,729	153,459	230,188	460,377	920,753	920,753	1,841,506	4,570,877	8,145,843	
Deferred tax assets	1,199,486	10,663	40,152	31,615	358,692	79,400	77,018	95,038	494,231	12,677	
Other assets – net	19,828,228	6,364,554	5,823,749	448,374	547,038	6,642,888	1,625	-	-	-	
	446,485,244	93,432,051	53,415,472	106,772,031	77,398,136	51,060,366	15,593,020	25,905,925	11,020,690	11,887,553	
Liabilities											
Bills payable	10,551,468	10,551,468	-	-	-	-	-	-	-	-	
Borrowings	22,663,840	9,086,590	6,867,997	4,608,502	1,050,376	1,050,375	-	-	-	-	
Deposits and other accounts	330,152,549	35,361,520	45,707,877	85,926,417	95,325,677	22,811,402	17,788,662	15,827,302	5,780,296	5,623,396	
Deferred tax liabilities	1,639,781	37,650	62,137	91,373	182,746	365,492	147,080	294,160	57,400	401,743	
Other liabilities	21,345,473	6,447,971	4,380,863	5,177,673	1,343,818	1,420,253	502,860	984,145	1,087,890	-	
	386,353,111	61,485,199	57,018,874	95,803,965	97,902,617	25,647,522	18,438,602	17,105,607	6,925,586	6,025,139	
Net assets	60,132,133	31,946,852	(3,603,402)	10,968,066	(20,504,481)	25,412,844	(2,845,582)	8,800,318	4,095,104	5,862,414	
Share capital											
Reserves	6,282,768										
Unappropriated profit	36,772,321										
Minority interest	11,065,723										
Surplus on revaluation of assets – net of tax	69										
	6,011,252										
	60,132,133										

Refer sub-note to note 43.4.2 also. Current and saving deposits do not have any contractual maturity. Therefore, current deposits and saving accounts have been classified between all nine maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

43.5 Operational Risk

Operational Risk is risk of loss resulting from an inadequacy or a failure ascribable to people, processes, technology or external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational Risk Management Division (ORMD) within Risk Management Group (RMG) is primarily responsible for oversight of bank-wide operational risk management. ORMD is independent of revenue generating functions. Although, respective business and support functions are the risk takers / owners, ORMD provides assistance and guidance for proactive operational risk management. The Risk Management Policy and bank-wide Operational Risk Management Framework (ORMF) have been developed in line with international best practices. The policy and framework are reviewed periodically so as to incorporate the current changes.

Major processes for operational risk management include, but not limited to Risk and Control Self Assessment, loss database management, enhancing operational risk awareness through workshops and sessions. ORMD has active coordination with audit and compliance for information sharing on Key Risk Indicators (KRIs) with respect to management of various operational risk aspects within the bank.

43.5.1 Operational Risk-Disclosures Basel II Specific

Currently, the Bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, a number of initiatives are underway for adoption of The Standardized Approach (TSA) / Alternative Standardized Approach (ASA) like business line mapping, risk and control self assessment exercises.

ORMD initiated the process of collecting loss data on key risk events in the year 2007. Based on periodical analysis of loss data, ORMD generates reports for senior management and Risk Management and Portfolio Review Committee (RM&PRC) of the Board. The report covers the significant risk events, impact analysis and recommendations for improvement in control / risk mitigation.

44. GENERAL

Comparative information has been reclassified and rearranged in these financial statements for the purpose of comparison. No significant reclassification has been made except for as follows:

Description	Amount (Rs. in 000)	Reclassified	
		From	To
Exchange income on import / export bills purchased / negotiated	86,665	Other income	Fee, commission and brokerage income
Key Deposits Account and collection of Zakat Account	92,531	Deposits and other accounts	Other Liabilities
Islamic Sukuk Certificates of Maple Leaf Cement Factory Limited	375,000	Advances	Investments
Contractual security guard cost	216,244	Salaries and allowances	Others (Administrative expenses)

45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 25, 2010 has announced a final cash dividend in respect of the year ended December 31, 2009 of Rs. 3.5 per share (2008: Rs. 2.5 per share) and bonus shares issue of 10% (2008: 10%). These consolidated financial statements for the year ended December 31, 2009 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION FOR ISSUE

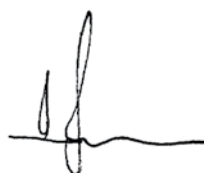
These consolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 25, 2010.




Atif Bajwa
President and Chief Executive



S. M. Muneer
Director



Dato' Mohammed Hussein
Director



Mian Umer Mansha
Director

Notes to the Consolidated Financial Statements

Annexure I

For the year ended December 31, 2009

1 Particulars of Investments in listed companies, mutual funds and modaraba – available for sale

Investee Entities	Note	Number of Ordinary and preference shares/ certificates/ units held	Paid-up value per share/ certificate/ unit	Total paid-up/ nominal value	Cost as at December 31, 2009
			Rupees	(Rupees in '000)	
Fully Paid-up Preference Shares					
Azgard Nine Limited		1,160,241	10	11,602	11,602
Masood Textile Mills Limited	1.1	5,000,000	10	50,000	50,000
					61,602
Fully Paid-up Ordinary Shares					
Abbott Laboratories Pakistan Limited		135,600	10	1,356	25,200
Allied Bank Limited		2,844,292	10	28,443	284,251
Arif Habib Limited		109,375	10	1,094	23,303
Arif Habib Securities Limited		1,529,875	10	15,299	214,004
Askari Bank Limited		5,358,220	10	53,582	301,018
Atlas Bank Limited		1,543,199	10	15,432	23,831
Attock Petroleum Limited		108,120	10	1,081	45,644
Bank Alfalah Limited		5,083,665	10	50,837	177,593
Bank Al-Habib Limited		5,453,011	10	54,530	217,490
Century Papers & Board Mills Limited		880,260	10	8,803	25,106
EFU General Insurance Limited		12,040	10	120	822
EFU Life Insurance Company Limited		7,569	10	76	369
Engro Chemical Pakistan Limited		676,149	10	6,761	177,902
Fauji Fertilizer Bin Qasim Company Limited		4,092,674	10	40,927	166,023
Fauji Fertilizer Company Limited		5,022,741	10	50,227	322,361
Glaxosmithkline Pakistan Limited		484,672	10	4,847	64,437
Habib Bank Limited		1,720,840	10	17,208	316,006
Habib Metropolitan Bank Limited		690,512	10	6,905	30,024
Hub Power Company Limited		1,239,925	10	12,399	29,110
IGI Insurance Company of Pakistan Limited		440,490	10	4,405	83,412
Indus Motor Company Limited		42,027	10	420	8,655
International Industries Limited		382,754	10	3,828	35,188
Jahangir Siddiqui and Company Limited		1,156,469	10	11,565	222,654
Kohinoor Energy Limited		55,000	10	550	1,566
Kot Addu Power Company Limited		1,406,600	10	14,066	62,931
Lucky Cement Limited		175,000	10	1,750	24,098
Mehr Dastagir Textile Mills Limited		1,616,912	10	16,169	16,169
Maple Leaf Cement Company Limited		3,833,500	10	38,335	68,266
Millat Tractors Limited		59,035	10	590	6,404
National Bank Of Pakistan		2,032,670	10	20,327	298,132
National Refinery Limited		30,000	10	300	10,774
Oil & Gas Development Company Limited		185,515	10	1,855	18,358
Orix Leasing Pakistan Limited		218,920	10	2,189	4,332
Packages Limited		21,911	10	219	5,941
Pak Suzuki Motor Company Limited		49,600	10	496	18,028
Pakistan Cables Limited		86,716	10	867	14,410
Pakistan Oilfields Limited		420,720	10	4,207	136,275
Pakistan Petroleum Limited		918,105	10	9,181	179,990
Pakistan State Oil Company Limited		191,600	10	1,916	97,408
Pakistan Telecommunication Company Limited		4,893,731	10	48,937	244,216
Pakistan Tobacco Company Limited		138,700	10	1,387	22,536
Rupali Polyester Limited		658,545	10	6,585	46,475
Soneri Bank Limited		3,419,172	10	34,192	119,546
Sui Northern Gas Pipelines Limited		47,728,822	10	477,288	2,205,253
Samba Bank Limited (Formerly Crescent Commercial Bank Limited)		30,963,000	10	309,630	147,150

Notes to the Consolidated Financial Statements

Annexure I

For the year ended December 31, 2009

Investee Entities	Name of Management Company	Number of Ordinary and preference shares/ certificates/ units held	Paid-up value per share/ certificate/ unit	Total paid-up/ nominal value	Cost as at December 31, 2009
			Rupees	(Rupees in '000)	
Thal Limited		44,856	5	224	4,256
The Bank of Punjab		6,423,100	10	64,231	170,996
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Pakistan Limited		33,280	50	1,664	47,892
United Bank Limited		2,370,400	10	23,704	238,644
Zulfiqar Industries Limited		30,537	10	305	3,557
Total					7,011,006

Fully Paid-up Modaraba Certificates

First Al-Noor Modaraba	Al-Noor Modaraba Management (Private) Limited	5,553,270	10	55,532.70	60,606
Carrying value (before revaluation and provision) listed shares 'available for sale'					7,133,214
Provision for diminution in value of investments					(3,420,986)
Surplus on revaluation of securities					690,169
Market value as at December 31, 2009					4,402,397

Fully Paid-up Ordinary Certificate/ Units of Mutual Funds	Name of Management Company	Number of units held	Paid-up value per unit	Total paid-up/ nominal value	Cost as at December 31, 2009
			Rupees	(Rupees in '000)	
MCB Dynamic Cash Fund	MCB Asset Management Company Limited	3,165,204	100	316,520	250,000
Atlas Islamic Fund	Atlas Asset Management Company Limited	20,967	500	10,484	10,000
MCB Dynamic Stock Fund (IPO)	MCB Asset Management Company Limited	833,874	100	83,387	82,981
MCB Dynamic Allocation Fund (IPO)	MCB Asset Management Company Limited	1,000,000	100	100,000	100,000
Carrying value before revaluation & provision					442,981
Provision for diminution in value of investments					(87,710)
Surplus on revaluation of securities					146,730
Market value as at December 31, 2009					502,001

- 1.1** These are redeemable after the end of the fourth year from June 2005 at the option of the issuer either in whole or multiples of 10% of outstanding issue at a price of Rs. 10 per share plus any accumulated preference dividend. Dividend rate is 6 months KIBOR + 200 bps per annum.

2 Particulars of Investment in mutual funds – held for trading

	Number of units held	Paid-up value per unit	Total paid-up/ nominal value	Cost as at December 31, 2009
		Rupees	(Rupees in '000)	
MCB Cash Management Optimizer Funds	506,035	100	50,604	50,604
MCB Dynamic Cash Fund	2,704,448	100	270,445	269,884
			321,049	320,488

Notes to the Consolidated Financial Statements

Annexure I

For the year ended December 31, 2009

3 Particulars of Investment held in unlisted companies-available for sale

Company Name	Percentage of holding (%)	Number of shares / certificates held	Cost as at December 31, 2009	Net Asset Value of total investment	Based on audited financial statements as at	Name of Chief Executive
(Rupees in '000)						
Shareholding more than 10%						
Fully paid up preference shares						
Fazal Cloth Mills Limited (2.1)	40.00%	10,000,000	100,000	–		Mr. Sheikh Naseem Ahmed
Fully paid up Ordinary Shares/ Certificates/ Units						
Pak Asian Fund Limited	10.22%	1,150,000	11,500	18,047	June 30, 2009	Mr. Ashfaq A. Berdi
Khushhali Bank Limited	17.60%	30,000,000	300,000	330,781	December 31, 2008	Mr. Ghalib Nishtar
Central Depository Company of Pakistan Limited	10.00%	5,000,000	10,000	156,421	June 30, 2009	Mr. Mohammad Hanif Jhakura
			321,500			
Shareholding upto 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
First Capital Investment Limited		250,000	2,500	2,446	June 30, 2009	Mr. Kamran Hafeez
National Institute of Facilitation Technology Private Limited		985,485	1,527	50,034	June 30, 2009	Mr. Muzaffar Mahmood Khan
National Investment Trust Limited		79,200	100	110,922	June 30, 2009	Mr. Tariq Iqbal Khan
SME Bank Limited		1,490,619	10,106	14,681	December 31, 2008	Mr. R. A. Chughtai
Pakistan Agro Storage and Services corporation		2,500	2,500	52,383	March 31, 2009	Mr. Chaudhry Abdul Majeed
Arabian Sea Country Club		500,000	5,000	715	June 30, 2009	Mr. Asif Ali Khan Abbasi
Society for Worldwide Inter Fund Transfer (SWIFT)		18	1,738	5,120	December 31, 2008	Mr. Lazara Campos
Credit Information Bureau of Sri Lanka		300	22	429	December 31, 2008	Mr. N.P.H.Amarasena
Lanka Clear (Private) Limited		100,000	737	1,426	December 31, 2007	Mr. Sarath Silva
Lanka Financial Services Bureau Limited		100,000	736	926	March 31, 2009	Mr. Anil Amrasoriya
Equity Participation Fund*		15,000	1,500	–	–	–
Al-Ameen Textile Mills Ltd.*		19,700	197	–	–	–
Ayaz Textile Mills Ltd.*		225,250	2,252	–	–	–
Custodian Management Services*		100,000	1,000	–	–	–
Musarrat Textile Mills Ltd.*		3,604,500	36,045	–	–	–
Sadiqabad Textile Mills Ltd.*		2,638,261	26,383	–	–	–
			92,343			
Cost of unlisted shares / certificates / units			513,843			
Provision against unlisted shares			(71,716)			
Carrying value of unlisted shares / certificates / units			442,127			

* These are fully provided unlisted shares.

3.1 These carry dividend rate of 6 months KIBOR + 2.5% per annum. The percentage of holding disclosed is in proportion to the preference share paid up capital.

Notes to the Consolidated Financial Statements

Annexure I

For the year ended December 31, 2009

4. Particulars of investments in Term Finance Certificates and Sukuk Bonds– (refer note 9)

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2009	Name of Chief Executive
	(Rupees)					(Rupees in '000)	
LISTED TERM FINANCE CERTIFICATES – available for sale							
Askari Bank Limited – issue no. I	20,000	5,000	100,000,000	6 months KIBOR + 1.5% p.a.	0.3% of principal amount in the first 90 months and the remaining principal in the 96th month from February 2005.	99,820	Mr.R. Mehakri
– issue no. II	19,980	5,000	99,900,000	6 months KIBOR + 1.5% p.a.	0.3% of principal amount in the first 90 months and the remaining principal in the 96th month from October 2005.	99,740	—do—
– issue no. III	50,000	5,000	250,000,000	6 months KIBOR + 2.5% p.a. for first five years & 6 months KIBOR +2.95% for next five years	0.32% of principal amount in the first 96 months and remaining principal in four equal semi annual installments starting from the 102nd month from issue.	250,000	—do—
	89,980		449,900,000				
Bank Al Habib Limited	20,000	5,000	100,000,000	6 months KIBOR + 1.5% p.a. with a floor and cap of 3.5% and 10% per annum respectively.	0.02% of total issue in equal installments in first 78 months and the remaining principal in 3 semi-annual installments from the 84th month from July 2004.	99,800	Mr. Abbas D. Habib
Bank Alfalah Limited – issue no. II	10,000	5,000	50,000,000	6 months KIBOR + 1.5% p.a.	0.25% of principal in the first 78 months and remaining principal in 3 semi-annual installments of 33.25% each of the issue amount starting from the 84th month from November 2004.	49,904	Mr. Sirajuddin Aziz
– issue no. II	39,720	5,000	198,600,000	6 months KIBOR + 1.5% p.a.	0.25% of the principal in the first 78 months and remaining in 3 semi annual installments of 33.25% each starting from the 84th month from November 2005.	198,295	—do—
– issue no. III	100,000	5,000	500,000,000	6 months KIBOR + 2.5% p.a.	0.26% of principal amount in the first 78 months and remaining principal in three semi –annual installment starting from the 84th month.	500,000	—do—
	149,720		748,600,000				
Soneri Bank Limited	30,000	5,000	150,000,000	6 months KIBOR + 1.6% p.a.	In 4 semi annual equal installments starting from the 78th month from May 2005.	149,730	Mr. Safar Ali K. Lakhani
United Bank Limited – issue no. III	56,978	5,000	284,890,000	6 months KIBOR + 1.7% p.a.	0.2% of the principal in the first 60 months and remaining principal in 6 equal semi annual installments from September 2006.	284,548	Mr. Atif R. Bokhari
Pak Arab Fertilizers Limited	20,000	5,000	100,000,000	6 months KIBOR + 1.5% p.a.	In six stepped –up semi-annual installments starting from the 30th month from July 2007.	99,940	Mr. Fawad Ahmed Mukhtar
Carrying value before revaluation						1,831,777	
Deficit on revaluation of securities						(96,233)	
Market value of listed TFCs (revalued amount)						1,735,544	
SUKUK BONDS – available for sale							
	Terms of Redemption		Rate of interest	Currency			
	Principal	Interest					
WAPDA Sukuk Bonds	At maturity	Half-yearly	6 Month KIBOR+0.35%	PKR		400,000	Mr. Muhammad Shakil
Deficit on revaluation of securities						(3,863)	
Market value of sukuk bonds						396,137	

Notes to the Consolidated Financial Statements

Annexure I

For the year ended December 31, 2009

Investee	Number of certificates held"	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2009	Name of Chief Executive
		(Rupees)				(Rs. in '000)	
TERM FINANCE CERTIFICATES – held to maturity							
Jahangir Siddiqui and Company Limited	56	5,000,000	280,000,000	6 months KIBOR + 1.5% to 2.2% p.a. over 10 years	In 4 equal semi-annual installments, starting from 8–1/2 years from December 2004.	279,384	Mr. Munaf Ibrahim
Pak Kuwait Investment Company (Private) Limited	100,000	5,000	500,000,000	3 months KIBOR + 1.25% p.a.	In 5 equal semi-annual installments commencing from the 36th month from June 2005.	200,000	Mr. Shamas ul Hasan
Allied Bank Limited	46,400	5,000	232,000,000	6 months KIBOR + 0.85% p.a. for first five years & 6 months KIBOR+1.30% for next 5 years.	0.38% of principal amount in the first 114 months and remaining principal will be paid at maturity	232,000	Mr. Aftab Manzoor
JDW Sugar Mills Limited	45,000	5,000	225,000,000	3 months KIBOR + 1.25% p.a.	Quarterly installments starting from March 23, 2010	225,000	Mr. Jehangir Khan Tareen
Kashaf Foundation	16,000	5,000	80,000,000	3 months KIBOR + 2.45% p.a.	Redemption due in two installment falling in April & July 2010	70,714	Roshaneh Zafar
Shakarganj Mills Limited	16,000	5,000	80,000,000	6 Month KIBOR +2.25% p.a.	In 10 equal semi-annual installments starting from 18th Month from the date of issue date .	80,000	Mr. Ahsan Saleem
Islamabad Electric Supply Company Limited	200,000	5,000	1,000,000,000	6 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	1,000,000	Raja Abdul Ghafoor
Gujranwala Electric Supply Company Limited	200,000	5,000	1,000,000,000	6 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	1,000,000	Muhammad Ibrahim Majoka
Faisalabad Electric Supply Company Limited	200,000	5,000	1,000,000,000	6 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	1,000,000	Tanveer Safder Cheema
Carrying value of unlisted TFCs						4,087,098	

The above excludes unlisted term finance certificates, debentures, bonds and participation term certificates of companies which are fully provided for in these financial statements.

5. Details of Bonds, Debentures and Federal Government Securities (refer note 9) – held to maturity

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency Amount	Carrying value as at December 31, 2009
	Principal	Interest				
					('000)	(Rupees in '000)
Debentures						
Singer (Sri Lanka) Plc.	At maturity	Half-yearly	21.85%	SLR	135,000	99,414
Federal Government Securities						
Government of Pakistan	Yearly	Yearly	Barclays Bank's 3 months USD LIBOR +1%	US\$	2,037	171,583
Government Compensation Bonds						
Public Sector Enterprises Bonds (PSE-90)	At maturity	Yearly	9.00%	PKR	–	286,557
Sukuk Bonds						
Government Sukuk Bonds	At maturity	Half-yearly	6 Month LIBOR+2.2%	US\$	13,102	1,103,702
WAPDA Sukuk Bonds	At maturity	Half-yearly	6 Month KIBOR+0.35%	PKR	–	400,000
Sui Southern Gas Company Limited Sukuk Bonds	At maturity	Quarterly	3 Month KIBOR+1.4%	PKR	–	262,500
Maple Leaf Cement Factory Limited Sukuk Bonds	In 8 unequal semi-annual installments.	Half-yearly	6 Month KIBOR+1.70%	PKR	–	375,000
Quetta Textile Mills Limited Sukuk Bonds	In 12 equal semi-annual installments.	Half-yearly	6 Month KIBOR+1.50%	PKR	–	75,000
J.D.W Sugar Mills Limited Sukuk Bonds	In 18 unequal quarterly installments.	Quarterly	3 Month KIBOR+1.25%	PKR	–	175,000
Sitara Energy Limited	In 8 equal semi-annual installments.	Half-yearly	6 Month KIBOR+1.15%	PKR	–	112,727
Century Paper and Boards Mills Limited Sukuk Bonds	At maturity	Half-yearly	6 Month KIBOR+1.35%	PKR	–	250,000
					13,102	2,753,929
Euro Bonds						
Euro Bonds – OBU Bahrain Treasury	At maturity	Half-yearly	6.88%	US\$	8,129	684,810

Notes to the Consolidated Financial Statements

Annexure I

For the year ended December 31, 2009

6 Summarized financial information of associated undertakings (refer note 9)

The gross amount of assets, liabilities, revenue, profit and net assets of associated undertakings are as follows:

Name of associated undertaking	Country of incorporation	Assets	Liabilities	Net assets (Rupees in '000)	Revenue	Profit after tax	% of interest held
2009							
First Women Bank Limited (unaudited based on September 30, 2009)	Pakistan	10,645,302	9,481,305	1,163,997	123,592 *	7,765	26.78%
Adamjee Insurance Company Limited (unaudited based on September 30, 2009)	Pakistan	21,364,087	10,882,002	10,482,085	5,187,372 **	2,308,817	29.13%
		<u>32,009,389</u>	<u>20,363,307</u>	<u>11,646,082</u>	<u>5,310,964</u>	<u>2,316,582</u>	
2008							
First Women Bank Limited (unaudited based on September 30, 2008)	Pakistan	8,625,499	7,561,236	1,064,263	369,150 *	94,561	26.78%
Adamjee Insurance Company Limited (unaudited based on September 30, 2008)	Pakistan	21,268,292	10,860,064	10,408,228	5,463,868 **	3,063,187	29.13%
		<u>29,893,791</u>	<u>18,421,300</u>	<u>11,472,491</u>	<u>5,833,018</u>	<u>3,157,748</u>	

* Represents net mark-up / interest income

** Represents net premium revenue

Islamic Banking Business

Report of Shariah Advisor

Based on review conducted in terms of Para B (2) of Annexure-I of SBP-IBD Circular No. 02 of 2008, it is reported that;

- i) I have examined, on test check basis, each class of transaction, the relevant documentation and procedures adopted by MCB Islamic Banking Division;
- ii) Affairs of MCB-Islamic Banking Division have been carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules as well as with specific fatawa and rulings issued by me from time to time;
- iii) Allocation of funds, weight-ages, profit sharing ratios, profits and charging of losses (if any) relating to PLS accounts conform to the basis vetted by me in accordance with Shariah rules and principles;
- iv) Earnings realized from sources or by means prohibited by Shariah rules and principles have been credited to charity account.

Dated: February 25, 2010



Muhammad Zubair Usmani
Sharia Advisor
MCB- Islamic Banking Division

Notes to the Consolidated Financial Statements

Annexure II

For the year ended December 31, 2009

Islamic Banking Business

The Bank is operating 11 Islamic banking branches at the end of December 31, 2009 (2008: 11 branches).

Balance Sheet

As at December 31, 2009

	2009 (Rupees in '000)	2008
ASSETS		
Cash and balances with treasury banks	315,766	185,177
Investments	1,671,364	1,781,727
Financing and receivables		
– Murabaha	1,466,368	2,573,116
– Ijara	771,734	1,197,762
– Islamic export refinance	1,239,498	978,303
Deferred Tax Asset	1,352	–
Other assets	2,725,991	2,561,843
	8,192,073	9,277,928
LIABILITIES		
Bills payable	15,779	73,540
Deposits and other accounts		
– Current accounts	231,793	175,350
– Saving accounts	1,450,493	1,110,499
– Term deposits	271,760	75,740
– Others	2,790	2,681
Borrowings from SBP	1,137,307	966,500
Due to head office	3,600,000	5,750,000
Deferred tax liability	–	6,650
Other liabilities	420,598	244,697
	7,130,520	8,405,657
NET ASSETS	1,061,553	872,271
REPRESENTED BY		
Islamic banking fund	850,000	650,000
Unappropriated profit	214,064	209,921
	1,064,064	859,921
Surplus on revaluation of assets – net of tax	(2,511)	12,350
	1,061,553	872,271
Remuneration to Shariah Advisor / Board	1,200	1,200
CHARITY FUND		
Opening Balance	2,093	4,227
Additions during the year	1,405	1,566
Payments / utilization during the year	(1,500)	(3,700)
Closing Balance	1,998	2,093

For the year ended December 31, 2009

Islamic Banking Business

Profit and Loss Account

For the year ended December 31, 2009

	2009	2008
	(Rupees in '000)	
Income / return / profit earned	974,180	838,551
Income / return / profit expensed	652,766	548,868
	321,414	289,683
Provision against loans and advances – net	37,736	10,430
Provision for diminution in the value of investments	–	–
Bad debts written off directly	–	–
	37,736	10,430
Net profit / income after provisions	283,678	279,253
Other income		
Fees, commission and brokerage income	16,102	6,299
Dividend income	–	–
Income from dealing in foreign currencies	7,446	1,526
Other Income	14,403	13,770
Total other income	37,951	21,595
	321,629	300,848
Other expenses		
Administrative Expenses	107,263	90,061
Other provisions / write offs	–	–
Other charges (Penalty paid to SBP)	302	866
Total other expenses	107,565	90,927
Extra ordinary / unusual items	–	–
Profit before taxation	214,064	209,921

Notes to the Consolidated Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year			Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Int/Acc/Mup	Others				
1	AL REHMAN ENGG WORKS 94 – Fruit Market, Allama Iqbal Town, Lahore	Mr. Ijaz Ahmed	35202-3581212-5	Muhammad Azeem	2,412	525	-	2,937	-	646	646
2	RIZWAN & CO. Galla Mandi, Hafizabad	Mr. Rizwan Mehmood	289-74-247430	Muhammad Siddique	2,999	793	-	3,793	-	750	750
3	AMERICAN BEVERAGES CORPORATION 13 Durand Road, Lahore	Mr. Mehmood Ali Ch	35202-7710843-7	Mohammad Ali Ch	1,997	1,534	-	3,531	-	1,775	1,775
4	M IMRAN House No 13, Street No 1, Main Road Salamat Pura, Lahore	Mr. Muhammad Imran	35201-9241168-9	Muhammad Ashraf	4,024	1,089	-	5,112	-	981	981
5	AFZAL & CO. 83 – D, New Muslim Town Lahore	Mr. Malik Afzal (Late)	35202-2740250-1	Malik Nazeer Hussain	2,281	479	-	2,759	-	596	596
6	AFSLAN TRADERS Village Fatoke P.O. Badomalhi, Tehsil & District Narowal	Sarrfaz Mohsin	34501-6155620-3	Muhammad Sharif Bhatti	1,993	1,200	104	3,297	-	572	572
7	STYLE ENTERPRISES (PVT) LTD Karnahan Road (Off Bus Stop) 16 KM, Ferozepur Road, Lahore.	Jawad Khurshid Ahmad Hamnand Khurshid Ahmad Atizaz Khurshid Ahmad	265-89-026787 265-85-026788 265-89-210305	Man Khurshid Ahmad Man Khurshid Ahmad Man Khurshid Ahmad	13,151	26,061	298	39,510	13,151	26,359	39,510
8	AFZAAL SHARIF Room NO 214 LSE Building, Lahore	Atzaal Sharif	35202-3364893-6	Ch. Muhammad Sharif	657	3,647	-	4,304	657	3,722	4,379
9	AFZAAL PETROLEUM Room NO 214 LSE Building, Lahore	Atzaal Sharif	35202-3364893-6	Ch. Muhammad Sharif	-	871	-	871	-	871	871
10	MUHAMMAD ARIF R/O Rukkan, P.O. Khas, Tehsil Malkwal Dist. Mandi bahaiddin	Man Muhammad Arif	34401-1652212-7	Man Muhammad Ramzan	7,797	1,214	-	9,011	-	711	711
11	M R Saleem (PVT) LTD	M R Saleem Rehmat Noor	270-34-327506 270-41-327507	Man Ahmed Yar W/O M R Saleem	3,584	3,257	-	6,841	-	2,658	2,658
12	MR. BADI-UZ-ZAMAN, R/o Sadu Sharif, Airport Swat	Mr. Badi-uz-Zaman	116-91-995162	Muhammad Ghafoor	3,610	5,245	30	8,885	3,610	5,405	9,015
13	JUNAID ENTERPRISES Attaturk Ave G-6/4, Islamabad	i) Syed Mohammad Ismail ii) Junaid Ismail	i) 61101-2348911-5 ii) 61101-1473675-5	i) Syed Yousaf Ali ii) Syed Mohammad Ismail	3,999	319	45	4,363	-	588	588

Notes to the Consolidated Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total (Rs. in '000)
		Name	NIC No.		Principal	Int/Acc/Mup	Others	Total				
14	SIDIQUE PROCESSING MILLS (PVT) LTD Sargodha Road, Naika Kohala, Fsd.	Ahsan Rasheed	33100-6570502-7	Rashid Ahmad	465	1,242	1,707	-	-	-	517	517
		Rashid Ahmad	33100-3922751-7	Nazir Ahmad								
		Faisal Rasheed	33100-8511457-9	Rashid Ahmad								
		Muhammad Zeeshan	33100-5100454-3	Mouhammad Yousaf								
		Muhammad Shakeel	33100-0290146-7	Abdul Rasheed								
15	PAKISTAN SEED SERVICES C Plot Sindhianwali Road, Pir Mahal	Khizar Hayyat	335-69-234907	Mian Muhammad Murad	214	861	83	1,158	-	-	632	632
16	AL NOOR PROCESSING & TEXTILE MILLS (PVT) LIMITED. Sargodha Road, Fsd	Riaz Ahmad Shaikh	33100-5073801-9	Haji Muhammad Jahanda	11,870	3,090	14,960	-	3,090	3,090		
		Anir Riaz Shaikh	33100-5073801-9	Riaz Ahmad Shaikh								
		Muhammad Saeed Shaikh	33102-1809203-9	Haji Bashir Ahmad								
		Sh Faisal Riaz	33100-4704334-9	Riaz Ahmad Shaikh								
		Muhammad Saad Shaikh	33100-9089265-9	Riaz Ahmad Shaikh								
		Bashir Ahmad	33100-6182504-1	Haji Mohammad Boota								
		Muhammad Hassan Riaz Shaikh	33100-2418142-1	Riaz Ahmad Shaikh								
		Uzair Saeed	33100-6340341-5	Muhammad Saeed Shaikh								
17	FINE FABRICS (PVT) LIMITED 3-1/A Peoples Colony, Faisalabad	Abid Anwar Faiq Javaid	246-44-237624 246-81-329084	Mian Anwar Elahi Javaid Anwar	5,147	6,631	1,511	13,289	-	-	6,631	6,631
18	J K FIBER MILLS LIMITED 3-1/A, Peoples Colony, Faisalabad	Abid Anwar	246-44-237624	Mian Anwar Elahi	10,832	22,701	1,511	35,044	-	-	22,701	22,701
		Faiq Javaid	246-81-329084	Javaid anwar								
		Javaid Anwar	244-40-669051	Mian Anwar Elahi								
		Farhat Jahan	244-46-255473	Zahid Anwar								
		Naggen Faiq	246-89-410204	Faiq Javaid								
		Samina Begum	246-54-237625	Mohammad Zakriya								
		Shaiq Javaid	244-76-669052	Javaid Anwar								
19	J K SPINNING MILLS LIMITED	Abid Anwar Faiq Javaid Javaid Anwar Farhat Jahan Naggen Faiq Samina Begum Shaiq Javaid	246-44-237624 246-81-329084 244-40-669051 244-46-255473 246-89-410204 246-54-237625 244-76-669052	Mian Anwar Elahi Javaid anwar Mian Anwar Elahi Zahid Anwar Faiq Javaid Mohammad Zakriya Javaid Anwar	650	960	1,511	3,121	-	-	960	960
20	CHENAB COTTON GINNING & OIL MILLS Mauza Jhoke Gamun Lare, Shujaabad Road Multan.	1. Ghulam Hussain 2. Muhammad Hanif 3. Muhammad Najeeb 4. Muhammad Rizwan	322-48-764267 322-59-637991 322-62-637986 322-65-637997	Haji Hussain Bux Haji Hussain Bux Haji Hussain Bux Muhammad Ramzan	12,642	29,140	90	41,872	12,642	-	29,230	41,872

Notes to the Consolidated Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Int/Acc/Mup	Others	Total				
21	DATA COTTON GINNING PROCESSING & OIL MILLS Tali Wala Road Chak NO 110 DB, Yazman Mandi Distt. Bahawalpur.	1. Muhammad Younas 2. Muhammad Sarfraz 3. Ghulam Rasool 4. Muhammad Yasin 5. Khalid Mehmood 6. Tariq Aziz 7. Javed Iqbal 8. Ilam Din	345-88-023564 345-77-333783 345-49-069001 345-68-197723 345-75-565389 345-72-023565 345-73-197724 345-25-197719	Ilam Din Ghulam Sarwar Ali Muhammad Ilam Din Muhammad Younas Muhammad Younas Ilam Din Nawab Din	13,788	11,307	69	25,164	13,788	-	11,376	25,164
22	MEHR DASTGIR TEXTILE MILLS LTD Mehr Dastgir, Shaheed Younas Road Multan	1. Kh. Muhammad Abdullah 2. Kh. Muhammad Yousaf 3. Kh. M. Abdul Rehman Jami 4. Kh. Muhammad Ali 5. Kh. Muhammad Hussain 6. Kh. Muhammad Mansoor 7. Kh. Muhammad Usman	36302-9279957-9 36302-0458568-3 36302-3799833-7 36302-3953552-9 36302-7531877-7 36302-0458520-5 36302-9514374-1	Kh. M. Ghulam Dastgir Kh. M. Ghulam Dastgir Kh. Muhammad Yousaf Kh. Muhammad Yousaf Kh. Muhammad Abdullah Kh. Muhammad yousaf Kh. Muhammad Abdullah	121,838	139,399	179	261,416	49,025	-	139,399	188,424
23	ZAFFAR CORPORATION Grain Market Chishtian	1. Tahir Iqbal	354-61-163199	Abdul Ghani	1,000	701	27	1,728	-	-	534	534
24	WAQAS OIL MILLS Katcha Sadqabad Road Mauza Tibba Laran, Rahim Yar Khan.	1. Muhammad Ishad	360-88-439657	Rana Abdul Aziz	2,300	692	89	3,081	-	-	781	781
25	MEHR DASTGIR LEATHER & FOOTWEAR INDUSTRIES PVT. LTD. Mehr Dastgir Shaheed Younas Road Multan	1. Kh. Muhammad Abdullah 2. Kh. Muhammad Yousaf 3. Kh. M. Abdul Rehman Jami	36302-9279957-9 36302-0458568-3 36302-3799833-7	Kh. M. Ghulam Dastgir Kh. M. Ghulam Dastgir Kh. Muhammad Yousaf	13,673	43,770	346	57,789	-	-	43,797	43,797
26	TRADERS IMPEX 5-c, 5th Floor State Life Building II Chundrigar Road Karachi	Mr. Muhammad Ibrahim	42301-5704994.5	S/o Abdullah Dawood	6,500	21,814	-	28,314	6,500	-	21,814	28,314
27	HAFEEZ RASHEED SONS 82-C, 11th Commercial Street DHA Phase-II, Karachi	Mr. Ahmed Bilal Gul Mr. Zahid Bilal Mr. Amir Iqbal Mr. Wajid Ali Khan	42301-0861540-0 42000-9705786-5 42401-4129606-5 61101-1912023-3	S/o Mian M. Hafeez S/o Mian M. Hafeez S/o Mian M. Hafeez S/o Abdur Rasheed	1,990	648	-	2,638	337	-	648	985
28	SEHAR CORPORATION 105, Amber Estate Sheshra-e-Faisal Karachi	Haji Khushi Muhammad Jawed Iqbal Bhatti Muhammad Khalid	507-28-038572 507-52-038573 507-86-038579	S/o Mehtabuddin Bhatti S/o Haji Khushi Muhammad Bhatti S/o Haji Khushi Muhammad Bhatti	7,755	555	-	8,310	855	-	555	1,410
29	SEA GOLD TRADING M/R, 6/29, M. Ieroz Street Jodia Bazar Karachi	Mrs. Dilshad Qazi	42101-836838-4	W/o Qazi Ehteshamul Haq	20,486	5,867	371	26,724	20,486	-	6,238	26,724
30	KASHMIR PLOYTEX LTD Industrial Estate Mirpur Azad Kashmir	Mr. Mohammad Ashraf Khan Mr. Farooq Khan Mr. Mohammad Yunus Khan Mrs. Harmeen Ara Hashmi	N/A N/A N/A N/A	N/A N/A N/A N/A	-	690	-	690	-	-	690	690

Notes to the Consolidated Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
31	ATTOCK TEXTILE MILLS Panther Plaza, F-8 Markaz Islamabad	Mr. Ashad Ali Chaudhry Mr. Rashid Ahmed Mrs. Rizwana Arshad Mrs. Said Begum Mrs. Fareeda Khanum Mrs. Afshan Shahid Ch. Mohammad Sharif	N/A N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A N/A	-	6,144	-	6,144	-	-	6,144	6,144
32	LARR SUGAR MILLS 16-E, Block 6, Rashid Minhas Street PECHS, Karachi	Mr. Abdul Rauf Mr. Muhammad Ahmed Mr. Asad Ahmed Dr. Syed Rafique Mustafa Shah	N/A N/A N/A N/A	N/A N/A N/A N/A	13,034	4,506	-	17,540	-	-	4,246	4,246
33	BHATTI CORPORATION H.S. Advani Street Plaza Quater Karachi	Muhammad Iqbal Bhatti	42201-9782985-3	S/o Elahi Bhatti	24,379	6,343	-	30,722	-	-	6,343	6,343
34	NINE STAR INTER NATIONAL 123-Princes Street Chand Bibi Road Nanakwara Karachi.	Farukh	42000-9919707-1	Baboo	2,500	883	-	3,383	-	-	1,097	1,097
35	MUHAMMAD BACHAL ALLIES KHURARO P.O. Mirakhan Dist: Larkana	Muhammad Bachal Alias Kuraro	427-93-000141	Muhammad Punhal Tunio	1,501	487	25	2,013	-	-	722	722
36	AURANGZEB TUNIO Arzi Bhutto Road Miro Khan Dist: Larkana	Aurangzeb Tunio	427-77-129000	S/o Ahmed Khan	1,000	323	25	1,348	-	-	1,180	1,180
37	SEAMLINE GARMENTS (PVT) LTD WSA-3, Block-18, FB Area Karachi	Syed Muhammad Arif (Late) Syed Husnain Raza Begum Shakira Arif Miss. Arjumand Arif		Syed Muqadas Hussain Syed Husnain Raza W/o Syed Muhammad Arif (Late) D/o Syed Muhammad Arif (Late)	12,753	1,684	-	14,437	-	-	2,610	2,610
38	LARAB INDUSTRIES COTTON G/P FACTORY OIL MILLS Khanpur Mehr Road Adilpur Taluka Ghotki	Asif Ali Kalwar Shumalis Subhan	45102-5187012-9 42201-9854186-4	Abduk1 Fateh W/o Subhan Ali	2,923	852	-	3,775	-	-	645	645
39	AZHAR SERVICES 1/5-D, Block-2, PECHS, Nursery Main Shakra-e-Faisal Karachi	Azhar Alam Khan Haideri	42201-9643141-3	Khusro Alam Khan	2,800	478	-	3,278	-	-	802	802
40	NOORANI RICE MILLS Sind Small Industrial Estate Larkana	Riazat Ali Abbasi	423-85-084621	Rustam Ali	1,113	599	-	1,712	-	-	1,295	1,295
41	RAFAT YAZDAN SIDDIQUI House No A-17, (St-16), Kda Kehkashan Clifton, Block 5, Karachi		42301-8385149-1	ANIS AHMED SIDDIQUI	5,724	652	-	6,376	-	652	5	656

Notes to the Consolidated Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Int/Acc/Mup	Others	Total				
42	MUHAMMAD YOUSAF House No 66, Haseeb Block, Aazam Garden, Multan Road, Lahore	35202-1528069-3		SARAAJ DIN	5,053	538	-	5,591	-	597	174	770
43	RAFAT YAZDAN SIDDIQUI House No A-17, (St-16), Kda Kehkashan Clifton, Block 5, Karachi	42301-8385149-1		ANIS AHMED SIDDIQUI	5,724	705	-	6,429	-	705	114	819
44	KHALIL USMAN B-304 Ruff Paradise Block 18 Gulistan E Johar Karachi	42000-1372861-9		AKHTER BAGUM	17,678	201	-	17,879	-	201	815	1,016
45	MUHAMMAD BULAND IQBAL KHAN House No A-117, Block-2, North Nazimabad, Karachi	42101-5538260-7		WAHID ALI KHAN	7,923	379	-	8,302	-	379	157	536
46	SHEIKH KHALID PERVAIZ 15/B, New Muslim Town, Lahore	35202-6908260-3		SH MUHD AASHIQ	19,230	2,714	-	21,944	430	3,043	369	3,842
47	MUNIR AHMAD 390/15-16 Rehmani Street, Bus Stop, Salamat Pura, Gt Road Lahore	35201-0806707-5		CH NAZIR AHMED	3,347	321	-	3,668	-	572	194	766
48	RAO MUHAMMAD AKRAM H No 5, Siro 6, Touheed Park, Darogawala, Lahore	35201-3813646-7		MUHAMMAD DIN RAO	5,911	639	-	6,549	-	1,081	343	1,424
49	MOHAMMAD SOHAIL IKHLAQ House No 122, Abn-E-Saeed Road, Canal Bank Scheme, Fatah Garh, Lahore	35202-8701430-3		MOHAMMAD IKHLAQ CH	13,376	1,721	-	15,097	-	2,208	621	2,829
50	MUHAMMAD SHAHID 130 Raza Block Alt, Lahore	35202-2778768-9		GHULAM MUHAMMAD	12,192	462	-	12,654	-	154	364	518
51	SYED HAROON AZIZ 102/ 2, Khayaban-E-Rahat, Lane-12, Phase VII, D.H.A, Karachi	42301-4299539-1		AZIZ AHMED	4,019	378	-	4,397	-	712	140	852
52	ASAD NASEER P-11/3, Kanal Road, Park Chak No 204, Faisalabad	33100-2904569-3		NASEER AHMED	14,379	2,131	-	16,510	-	-	2,571	2,571
53	SYED ASHRAF ALI House No 246 Qasimabad Liaquatabad Karachi	42101-8228717-5		SYED NAFASAT ALI	10,384	553	-	10,938	-	553	481	1,034

Notes to the Consolidated Financial Statements

Annexure III

For the year ended December 31, 2009

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Int/Acc/Mup	Others	Total				
54	ASMAT ULLAH KHAN House No 874, Satellite Town, Rawalpindi		37405-9543346-1	MAZ ULLAH KHAN	3,650	468	-	4,117	449	582	120	1,151
55	ASMAT ULLAH KHAN House No 874, Satellite Town, Rawalpindi		37405-9543346-1	MOAZ ULLAH KHAN	3,566	496	-	4,062	486	617	116	1,219
56	AMIR ALI 269 H Block Gulshan E Ravi Lahore		35200-1419640-9	MIAN ZULFIQAR ALI	6,809	486	-	7,295	-	611	374	986
57	NADEEM SHEHZAD House No Cb-509, Laneno 7, Chochar Harpal, Rawalpindi		37405-0266981-5	HAJI MUHAMMAD SULEMAN	1,050	116	-	1,166	500	165	35	700
58	SANIA RIASAT House No 19-E, Firdus Park Ghazi Road, Lahore		35201-0771511-4	MALIK RIASAT ALI	2,212	235	-	2,447	212	365	103	690
59	Syed Ashraf Ali House No 246 Qasimabad Liaquatabad Karachi		42101-8228717-5	SYED NAFASAT ALI	10,384	553	-	10,938	-	553	414	968
60	MOHAMMAD AKHTER CHOUDHRY House No 7212 Block N Dha Cantt Lahore		35201-1514624-9	CHOUDHRY PALTOO KHAN	13,202	346	-	13,548	-	346	581	927
61	TABINDA ALKAN JAFFERY House No 11, L Block, Johar Town, Lahore		35200-1429490-6	MOHAMMAD JAWAL BUTT	9,181	115	-	9,296	-	229	505	734
62	SYED ASHRAF ALI House No 246 Qasimabad Liaquatabad Karachi		42101-8228717-5	SYED NAFASAT ALI	10,384	576	-	10,960	-	576	415	991
63	MANSOOR HUMAYON H-1/25, Khayaban-E-Sirsyed, Ali Market, Sector-II, Rawalpindi		37405-0153130-1	ABDUL HAQ	4,268	73	-	4,341	-	572	148	720
64	ILLYAS QURESHI House No 525, Omer Block, Allama Iqbal Town, Lahore		35202-4059736-7	M YOUSAF QURESHI	7,171	207	-	7,378	-	289	332	621
65	SYED ASHRAF ALI House No 246 Qasimabad Liaquatabad Karachi		42101-8228717-5	MUHAMMAD AKBAR	5,468	553	-	6,022	-	553	415	968

Notes to the Consolidated Financial Statements

Annexure III

For the year ended December 31, 2009

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		Name	NIC No.		Principal	Int/Acc/Mup	Others	Total				
66	ASHGAR IQBAL 1-H, 112, Paf Falcon Complex, Karachi		42301-2836738-5	M BASHIR LONE	12,236	348	-	12,584	-	348	222	570
67	MUHAMMAD NAJEEB House No 298, St 18, G 10/2, Islamabad		61101-5157357-3	OH SANAILLAH	4,777	113	-	4,889	-	418	188	606
68	SHAFQAT 26-B1, Block-10, Township, Lahore		35202-2726742-6	AMINA BIBI	7,692	800	-	8,492	-	1,243	257	1,500
69	MUHAMMAD FAREH KHAN House No A 444 Block Dnorth Nazimabad		42101-0395342-5	MUHAMMAD JAWAID KHAN	732	73	-	805	407	116	69	592
70	WAJAHAT ALI Sector 5A-2L-160, North Karachi, Karachi.		42201-6976969-3	MUHAMMAD MUSTAFA	552	50	-	602	397	77	56	530
71	WARIS MEHMOOD BUTT New Miana Pura, East Roras Road, Stalkot		34603-8903076-3	MUHAMMAD HUSSAIN BUTT	721	140	-	861	219	145	143	506
72	MUHAMMAD TAHIR IQBAL House No F-550, Block-F, Muhallah Satellite Town, Rawalpindi		37405-0282847-3	MUHAMMAD IQBAL KHAN	788	94	-	882	223	188	96	507
73	ZULQARNAIN 22 Km, Multan Road, Lahore		34101-2586245-7	ZAKA ULLAH	688	18	-	706	328	98	118	544
74	AMIR JAVED Shair Shah Str Muhalla, Babu Sabu, Baker Mandi, Bund Road, Lahore		42201-1683122-3	MUHAMMAD JAVED	1,048	151	-	1,199	348	162	120	630
75	MUHAMMAD SALEEM KHAN Maimand Abad, Sino 1, Back Technical College, Kohat Road, Peshawar		17301-1618197-7	FAREED KHAN	969	115	-	1,084	367	130	260	756
76	TOUSEEF UL HAQ SIDDIQUI 233-C, Johar Town, Lahore		35202-5024520-1	TOYBGHAT ULLA SAADIQUE	2,856	-	-	2,856	2,003	-	-	2,003
Total					577,002	376,122	6,314	959,438	127,420	19,243	371,745	518,408

For the year ended December 31, 2009

Disposal of operating fixed assets (refer note 11.2.3)

Description	Cost	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal/ settlement	Particulars of buyers
(Rupees in '000)						
Furniture and fixture, electrical, computers and office equipment						
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000	2,821	2,821	–	497	Under Claim	Adam Jee Insurance Company
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	18,426	15,487	2,939	7,313	Auction/Quotation	Different Buyers
Vehicles						
Toyota Land Cruiser	7,650	3,672	3,978	4,250	Auction	Amir Shahid
Mercedes Benz	3,526	2,116	1,410	2,156	Auction	Riaz Ali
Mercedes Benz	3,526	2,163	1,363	2,200	Auction	Mohammad Junaid
Toyota Hilux	2,599	1,144	1,455	1,950	Auction	Amir Shahid
Honda Civic	1,248	882	366	987	Auction	Khurram Imtiaz
Toyota Corola	1,062	184	878	964	Under Claim	Adam Jee Insurance Company
Honda Civic	1,043	445	598	612	Retirement Benefit	Mr N.A Qazi
Honda Civic	1,037	498	539	926	Auction	Mr.Farhan Abdul Karim
Honda Civic	1,002	561	441	850	Auction	Ali Murtaza
	22,693	11,665	11,028	14,895		
Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	45,038	29,679	15,359	36,047		
Buildings						
8th Floor Techno City Karachi	34,340	1,188	33,152	34,340	Sale	MCB Asset Management Company Ltd.
2009	123,318	60,840	62,478	93,092		
2008	589,921	242,634	347,287	434,196		

Notes to the Consolidated Financial Statements

Annexure IV

For the year ended December 31, 2009

Summarized detail of the valuation of owned properties (refer note 11.2.1)

City	Land	Building	Total
	(Rupees in '000)		
Karachi	3,489,740	2,065,266	5,555,006
Hyderabad	89,981	42,407	132,388
Sukkur	48,591	14,049	62,640
Moro	5,698	1,735	7,433
Nausheroferoz	4,150	1,051	5,201
Mirpurkhas	15,687	5,397	21,084
Larkana	21,935	6,190	28,125
Gawadar	3,765	2,674	6,439
Mianwali	23,500	486	23,986
Jehlum	21,000	9,047	30,047
Muree	10,000	305	10,305
Jhang	14,063	2,874	16,937
Quetta	241,260	33,860	275,120
Islamabad	1,189,400	150,936	1,340,336
Abbottabad	15,000	6,531	21,531
Rawalpindi	300,836	84,738	385,574
Lahore	3,075,794	1,386,009	4,461,803
Kasur	16,380	1,673	18,053
Faisalabad	396,077	81,372	477,449
Gujrat	43,200	14,391	57,591
Gujranwala	41,534	7,862	49,396
Wazirabad	12,000	4,849	16,849
Muridke	18,000	3,231	21,231
Hafizabad	20,000	8,128	28,128
Sargodha	51,323	7,256	58,579
Okara	13,000	7,104	20,104
Sheikhupura	24,000	8,332	32,332
Vehari	3,885	1,228	5,113
Sialkot	50,000	4,505	54,505
Sahiwal	11,764	7,681	19,445
Chakwal	–	3,988	3,988
Azad Kashmir	57,352	7,970	65,322
Peshawar	67,017	21,054	88,071
Tandoallahyar	2,200	800	3,000
Muzaffarabad	43,582	6,085	49,667
Shadadpur	4,300	818	5,118
Haripur	23,070	3,507	26,577
Dir	3,484	3,739	7,223
Mingora	10,150	6,931	17,081
Rahim Yar Khan	8,100	8,535	16,635
Sadiqabad	15,120	5,924	21,044
Haroonabad	7,000	1,600	8,600
Chistian	667	915	1,582
Khanpur	9,380	–	9,380
Bahawalpur	13,750	11,711	25,461
D.G. Khan	20,500	12,945	33,445
Shujabad	4,800	1,837	6,637
Overseas	–	35,061	35,061
MCB Assets Management Company (subsidiary Company)	–	34,818	34,818
Grand total	9,562,035	4,139,405	13,701,440

Branch Network

As on December 31, 2009

COMMERCIAL BRANCH BANKING GROUP – SOUTH

	Circle/ No. of Brs.	Regions	No of Brs.	No. of Sub-Brs.
1.	KARACHI EAST 56	01. Karachi East	27	–
		02. Karachi North	29	1
2.	KARACHI WEST 54	03. Karachi South	28	–
		04. Karachi West	26	–
3.	HYDERABAD 60	05. Hyderabad	32	–
		06. Nawabshah	28	–
4.	QUETTA 35	Quetta Circle	28	–
		07. Makran	07	–
TOTAL CBBG – SOUTH			205	01

COMMERCIAL BRANCH BANKING GROUP – CENTRAL

	Circle/ No. of Brs.	Regions	No of Brs.	No. of Sub-Brs.
1.	LAHORE 73	01. Lahore City	29	2
		02. Lahore East	25	–
		03. Lahore West	19	–
2.	FAISALABAD 86	04. Faisalabad City	31	–
		05. Faisalabad Region	31	1
		06. Sheikhpura	24	–
3.	GUJRANWALA 87	07. Gujranwala	23	–
		08. Gujrat	32	1
		09. Sialkot	32	–
4.	SARGODHA 86	10. Jhang	28	1
		11. Mianwali	28	–
		12. Sargodha	30	1
TOTAL CBBG – CENTRAL			332	06

COMMERCIAL BRANCH BANKING GROUP – EAST

	Circle/ No. of Brs.	Regions	No of Brs.	No. of Sub-Brs.
1.	BAHAWALPUR 83	01. Bahawalpur	29	–
		02. Rahim Yar Khan	27	–
		03. Vehari	27	–
2.	MULTAN 90	04. Dera Ghazi Khan	30	–
		05. Multan	25	–
		06. Sahiwal	35	–
3.	SUKKUR 58	07. Larkana	29	–
		08. Sukkur	29	–
TOTAL CBBG – EAST			231	–

COMMERCIAL BRANCH BANKING GROUP – NORTH

	Circle/ No. of Brs.	Regions	No of Brs.	No. of Sub-Brs.
1.	ISLAMABAD 83	01. Chakwal	23	–
		02. Islamabad	18	–
		03. Jhelum	20	–
		04. Rawalpindi	22	1
2.	PESHAWAR 66	05. Kohat	20	–
		06. Mardan	24	–
		07. Peshawar	22	–
3.	ABBOTTABAD 90	08. Abbottabad	23	–
		09. Attock	26	–
		10. Muzaffarabad A.K.	23	–
		11. Swat	18	–
TOTAL CBBG – NORTH			239	01

Branch Network

As on December 31, 2009

CONSUMER BANKING GROUP

Regions	No of Brs.	No. of Sub-Brs.
Consumer Liability Central– Lahore	15	–
Consumer Liability North – Islamabad	10	–
Consumer Liability South– Karachi	16	–
Privilege Banking Karachi	04	–
TOTAL CBG	45	–

OPERATIONS GROUP

Circle	No of Brs.
Wholesale Banking Operations	10
Islamic Banking Operations	11
TOTAL	21

WHOLESALE BANKING GROUP

Circle	No of Brs.
TRANSACTION BANKING DIVISION	1

OVERSEAS OPERATIONS

	No of Brs.
Colombo	1
Kandy	1
Maradana	1
Pettah	1
Wellawatte	1
Offshore Banking Unit (OBU) – Bahrain	1
TOTAL NO. OF BRANCHES	6

Dubai (Rep. Office)	1
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WHOLESALE BANKING OPERATIONS

EPZ	1
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NO. OF ATMs	495
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SUMMARY

Group	Circles	Regions	No. of Brs.
CBBG–South	4	7	205
CBBG–East	3	8	231
CBBG–Central	4	12	332
CBBG–North	3	11	239
Consumer Banking Group	–	3	45
Operations Group	–	–	21
WBG–Transaction Banking Div.	–	–	1
Total	14	41	1,074
Overseas	–	–	6
WBOD (EPZ Br)	–	–	1
Grand Total	14	41	1,081

PROVINCE –WISE

Province	Branches	Sub – Brs.	Total
Punjab	665	7	672
Sindh	248	1	249
N.W.F.P.	106	–	106
Balochistan	37	–	37
Azad J. Kashmir	18	–	18
Domestic Total	1,074	8	1,082
Overseas	6	–	6
EPZ	1	–	1
Grand Total	1,081	8	1,089

Pattern of Shareholding

As of December 31, 2009

No. of Shareholders	Having Share		Shares Held	Percentage
	From	To		
17,581	1	100	680,484	0.0984
13,024	101	500	3,257,814	0.4713
8,886	501	1,000	6,833,699	0.9888
3,933	1,001	5,000	6,597,864	0.9546
261	5,001	10,000	1,889,372	0.2733
67	10,001	15,000	788,922	0.1141
53	15,001	20,000	944,768	0.1367
31	20,001	25,000	698,207	0.1010
21	25,001	30,000	583,588	0.0844
11	30,001	35,000	361,193	0.0522
12	35,001	40,000	451,734	0.0653
13	40,001	45,000	561,144	0.0811
16	45,001	50,000	767,135	0.1110
10	50,001	55,000	531,588	0.0769
5	55,001	60,000	289,117	0.0418
4	60,001	65,000	246,842	0.0357
8	65,001	70,000	546,139	0.0790
6	70,001	75,000	439,584	0.0636
6	75,001	80,000	457,222	0.0661
2	80,001	85,000	164,602	0.0238
2	85,001	90,000	177,000	0.0256
2	90,001	95,000	184,410	0.0266
7	95,001	100,000	697,900	0.1009
1	100,001	105,000	105,000	0.0151
3	105,001	110,000	321,246	0.0464
1	115,001	120,000	117,425	0.0169
3	120,001	125,000	369,735	0.0534
2	125,001	130,000	252,964	0.0366
2	130,001	135,000	266,101	0.0385
1	140,001	145,000	143,505	0.0207
2	145,001	150,000	297,792	0.0430
2	150,001	155,000	305,230	0.0441
2	155,001	160,000	311,551	0.0450
1	165,001	170,000	165,310	0.0239
1	170,001	175,000	172,200	0.0249
1	175,001	180,000	180,000	0.0260
1	185,001	190,000	190,000	0.0274
1	195,001	200,000	200,000	0.0289
1	200,001	205,000	201,685	0.0291
1	220,001	225,000	220,097	0.0318
1	225,001	230,000	230,000	0.0332
1	230,001	235,000	230,010	0.0332
3	240,001	245,000	733,251	0.1060
1	245,001	250,000	249,403	0.0360
1	250,001	255,000	250,176	0.0361
1	255,001	260,000	259,927	0.0376
2	260,001	265,000	524,066	0.0758
1	270,001	275,000	270,780	0.0391
1	275,001	280,000	279,907	0.0405
1	290,001	295,000	292,861	0.0423
2	305,001	310,000	615,492	0.0890
1	310,001	315,000	311,300	0.0450
2	320,001	325,000	641,595	0.0928
4	325,001	330,000	1,320,000	0.1909
1	335,001	340,000	338,014	0.0489
2	345,001	350,000	698,400	0.1010
1	350,001	355,000	355,000	0.0513

Pattern of Shareholding

As of December 31, 2009

No. of Shareholders	Having Share		Shares Held	Percentage
	From	To		
1	365,001	370,000	369,897	0.0535
1	370,001	375,000	373,808	0.0540
1	390,001	395,000	390,500	0.0565
1	415,001	420,000	419,077	0.0606
1	430,001	435,000	432,544	0.0625
1	455,001	460,000	456,606	0.0660
1	465,001	470,000	466,170	0.0674
2	475,001	480,000	958,245	0.1386
1	485,001	490,000	488,321	0.0706
1	495,001	500,000	500,000	0.0723
1	500,001	505,000	500,362	0.0724
1	505,001	510,000	506,046	0.0732
7	530,001	535,000	3,738,288	0.5409
1	565,001	570,000	566,123	0.0819
1	575,001	580,000	578,000	0.0836
3	590,001	595,000	1,776,823	0.2570
1	595,001	600,000	599,525	0.0867
1	600,001	605,000	600,279	0.0868
1	615,001	620,000	619,121	0.0895
1	620,001	625,000	623,644	0.0902
1	625,001	630,000	628,842	0.0909
1	645,001	650,000	649,425	0.0939
1	655,001	660,000	659,529	0.0954
1	680,001	685,000	684,281	0.0990
1	685,001	690,000	689,000	0.0996
1	705,001	710,000	708,893	0.1025
1	725,001	730,000	729,823	0.1056
1	750,001	755,000	753,649	0.1090
1	765,001	770,000	766,613	0.1109
1	785,001	790,000	789,399	0.1142
4	800,001	805,000	3,206,109	0.4639
2	805,001	810,000	1,614,659	0.2336
1	865,001	870,000	867,000	0.1254
2	890,001	895,000	1,782,492	0.2579
1	900,001	905,000	903,301	0.1307
1	915,001	920,000	920,000	0.1331
1	935,001	940,000	936,801	0.1355
1	980,001	985,000	980,144	0.1418
1	985,001	990,000	985,608	0.1426
1	990,001	995,000	994,750	0.1439
5	1,005,001	1,010,000	5,045,497	0.7300
1	1,140,001	1,145,000	1,145,000	0.1656
1	1,305,001	1,310,000	1,309,100	0.1894
1	1,325,001	1,330,000	1,330,000	0.1924
1	1,460,001	1,465,000	1,462,645	0.2116
6	1,485,001	1,490,000	8,929,103	1.2920
1	1,500,001	1,505,000	1,503,253	0.2175
1	1,770,001	1,775,000	1,770,523	0.2561
1	1,795,001	1,800,000	1,800,000	0.2604
1	1,870,001	1,875,000	1,874,867	0.2712
1	1,965,001	1,970,000	1,966,267	0.2845
1	1,980,001	1,985,000	1,983,850	0.2870
1	1,985,001	1,990,000	1,989,718	0.2879
1	1,990,001	1,995,000	1,993,850	0.2885
1	2,265,001	2,270,000	2,265,271	0.3277
3	2,395,001	2,400,000	7,190,740	1.0404
1	2,400,001	2,405,000	2,403,926	0.3478

Pattern of Shareholding

As of December 31, 2009

No. of Shareholders	Having Share		Shares Held	Percentage
	From	To		
1	2,445,001	2,450,000	2,449,512	0.3544
1	2,555,001	2,560,000	2,555,878	0.3698
1	2,585,001	2,590,000	2,588,080	0.3744
1	2,975,001	2,980,000	2,975,360	0.4305
1	2,995,001	3,000,000	2,996,818	0.4336
1	3,145,001	3,150,000	3,146,605	0.4553
1	3,280,001	3,285,000	3,282,181	0.4749
1	3,765,001	3,770,000	3,769,255	0.5453
1	3,770,001	3,775,000	3,774,639	0.5461
1	3,985,001	3,990,000	3,988,836	0.5771
1	4,105,001	4,110,000	4,109,835	0.5946
1	4,305,001	4,310,000	4,306,919	0.6231
1	4,415,001	4,420,000	4,418,040	0.6392
1	4,840,001	4,845,000	4,841,586	0.7005
1	4,860,001	4,865,000	4,863,088	0.7036
1	5,360,001	5,365,000	5,360,788	0.7756
1	5,735,001	5,740,000	5,738,823	0.8303
2	6,955,001	6,960,000	13,911,079	2.0128
1	7,410,001	7,415,000	7,413,929	1.0727
1	7,500,001	7,505,000	7,501,352	1.0854
1	8,210,001	8,215,000	8,214,098	1.1885
1	9,720,001	9,725,000	9,723,105	1.4068
1	12,400,001	12,405,000	12,400,139	1.7942
1	17,670,001	17,675,000	17,672,270	2.5571
1	19,860,001	19,865,000	19,861,026	2.8738
1	20,785,001	20,790,000	20,786,089	3.0076
1	20,800,001	20,805,000	20,804,334	3.0103
1	21,145,001	21,150,000	21,148,526	3.0601
1	21,350,001	21,355,000	21,354,517	3.0899
1	24,595,001	24,600,000	24,598,076	3.5592
1	34,465,001	34,470,000	34,466,212	4.9871
1	38,980,001	38,985,000	38,981,619	5.6404
1	40,320,001	40,325,000	40,323,108	5.8345
1	47,810,001	47,815,000	47,810,242	6.9179
1	138,220,001	138,225,000	138,220,905	19.9999
44,131	691,104,527			100

Catagories of Shareholders

As at December 31, 2009

Description	Shareholders	Shareholding	Percentage
DIRECTORS, CEO & CHILDREN	20	52,190,877	7.5518
ASSOCIATED COMPANIES	5	57,009,034	8.2490
NIT & ICP	2	5,835	0.0008
BANKS, DFI & NBF	40	2,239,307	0.3240
INSURANCE COMPANIES	19	46,052,057	6.6635
MODARABAS & MUTUAL FUNDS	54	7,208,703	1.0431
PUBLIC SECTOR COS. & CORP.	24	131,749,731	19.0636
GENERAL PUBLIC (LOCAL)	40,111	101,843,819	14.7364
GENERAL PUBLIC (FOREIGN)	3,533	2,400,126	0.3473
OTHERS	237	44,237,663	6.4010
FOREIGN COMPANIES	86	246,167,375	35.6194
Company Total	44,131	691,104,527	100.00

Notice of Annual General Meeting

Notice is hereby given that 62nd Annual General Meeting of the members of MCB BANK LIMITED will be held at Islamabad Hotel (Holiday Inn), G-6, Civic Centre, Islamabad on Friday, March 26, 2010 at 3:00 p.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of last Annual General Meeting held on March 27, 2009.
2. To receive, consider and adopt the audited accounts of MCB Bank Ltd. & consolidated accounts of MCB Bank Ltd. and its subsidiaries for the year ended 31st December 2009 together with the Directors' and Auditors' reports thereon including post facto approval of (a) donations of Rs.25 million to aid IDPs of Swat; (b) Rs 1.524 million remuneration to the Chairman; reported at notes 28 & 38 of annual report respectively, as required under SBP Prudential Regulations.
3. To approve as recommended by directors dividend @10 % in the form of bonus shares and final cash dividend @ 35 % i.e. Rs 3.5 per share, in addition to 75% (25% each 1st, 2nd & 3rd quarters) interim cash dividends already paid.
4. To approve that in the event of any member holding shares which were not an exact multiple of his/her entitlement, the Company Secretary be authorized to sell such entitlements in the Stock Market and to pay the proceeds of sale when realized to any recognized charitable institution.
5. To appoint auditors for 2010 and fix their remuneration.

The retiring auditors namely M/s. KPMG Taseer Hadi & Co., Chartered Accountants being eligible have offered themselves for re-appointment.

Special Business

6. To consider and, if deemed fit, pass the following special resolutions:
 - a) "RESOLVED that the existing fees and facilities provided to the members of the Board for attending the Board and Board Committee meetings shall remain unchanged until those are reviewed and revised subsequently. However, the Board Chairman shall be paid a fixed annual remuneration of Rs 25 million with effect from January 2010 as per the amendment by the State Bank of Pakistan in its Prudential Regulations G-1 vide BPRD Circular 14 dated August 07, 2009."

"ALSO RESOLVED that the chartered plane round trips (domestic and/or International) by the Chairman for Bank business will be limited to four in a calendar year starting January 2010 and any additional such trips may be paid by the Chairman out of his annual compensation. However, travel expenses on chartered planes already undertaken during 2006-2009, and paid by the Bank, are approved herewith as "Remuneration paid to the Chairman."

"FURTHER RESOLVED that the details of the four chartered plane round trips (domestic and/or International) by the Chairman, allowed by the Board on annual basis and approved by AGM, be placed before the Board for its information and record."

- b) "RESOLVED that the Directors residing abroad may be allowed reimbursement of traveling expenses for the spouses while accompanying for attending the board meetings subject to a maximum limit of twice in a financial year, in addition to the cost of boarding & lodging payments/reimbursements to the board members in connection with attending the meetings with effect from January 2007."

Statement required under section 160(1)(b) of Companies Ordinance, 1984 is attached with this notice.

7. Any other business with the permission of the Chair.

By order of the Board

ABDUS S. SAMI

Secretary

Islamabad: February 25, 2010.

Notes:

1. The share transfer books of the Bank will remain closed from March 19, 2010 to March 26, 2010 (both days inclusive) for entitlement of cash dividend/bonus shares to those members whose name appear on the register of members as at the close of business on March 18, 2010.
2. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the bank or not.

3. Members whose shares are deposited with Central Depository Company of Pakistan Limited are requested to bring their original Computerized National Identity Cards (C.N.I.C.) along with the participant's I.D. Number and their account numbers in Central Depository Company of Pakistan Limited to facilitate identification at the time of Annual General Meeting. In case of proxy, an attested copy of proxy's Identity Card (C.N.I.C.), Account & Participant's ID number be enclosed. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier).

Proxies, in order to be valid, must be deposited at the office of Share Registrar, THK Associates (Pvt.) Ltd., Ground Floor, State Life Building No.3, Dr.Ziauddin Ahmed Road, Karachi not less than 48 hours before the time of meeting.

4. Members are requested to promptly notify Bank's Registrar M/s. THK Associates (Pvt.) Limited of any change in their addresses to ensure delivery of mail.

Statement under Section 160(1)(b) of Companies Ordinance, 1984:

For Item 6 (a)

The remuneration to the Chairman needs to be revised in line with the amendments made by the State Bank of Pakistan in its Prudential Regulations G-1 through BPRD Circular No 14 of August 07, 2009, and prevalent national and international practices of compensating the members of the Board.

For Item 6 (b)

The Non-resident Board members required to stay in Pakistan longer period of time to attend Board of Directors' and Board Committees Meetings and, at times, spouses accompany them. Since Non-resident Board members are arriving from abroad, on bank's official business and required to stay longer period of time, it is obligatory on the bank to reimburse the cost of spouse ticket as well with a maximum limit of twice in a financial year in terms of State Bank of Pakistan BPRD Circular No 14 of August 07, 2009.

Form of Proxy

Folio No. _____

CDC Participants Identity Card No. _____

A/C. No. _____

I/We _____ of _____
a member / members of MCB Bank Limited, and holder of _____
shares do hereby appoint _____ of _____
or failing him / her _____ of _____ who is also a member of the
Company, vide Registered Folio No. _____ as my/our proxy to attend, speak and vote for me/us and
on my/our behalf at the 62nd Annual General Meeting of the Company to be held on Friday, March 26, 2010 at 3:00 p.m. at
Islamabad Hotel (Holiday Inn), G – 6, Civic Centre, Islamabad and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2010.

Dated:

Place:

Signature on
Five-Rupees
Revenue Stamp

The signature should agree with the
specimen registered with the Company.

Notes:

1. The Proxy Form should be deposited in the office of THK Associates (Pvt.) Ltd., Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi, as soon as possible but not less than 48 hours before the time of holding the meeting and in default Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he/she is a member of the company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.

Principal Office

MCB 15-Main Gulberg, Lahore

UAN: (042) 111-000-111

PABX: (042) 36041998-9

www.mcb.com.pk