



MCB Bank Limited  
&  
Subsidiary Companies

Consolidated Condensed Interim Financial Statements  
six months Ended June 30, 2009

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# MCB Bank Limited & Subsidiary Companies

## Consolidated Condensed Interim Balance Sheet

As at June 30, 2009

	Note	Unaudited June 30, 2009	Audited December 31, 2008
----- (Rupees in '000) -----			
<b>Assets</b>			
Cash and balances with treasury banks		41,419,860	39,631,219
Balances with other banks		5,970,484	4,106,526
Lendings to financial institutions	7	6,387,788	4,100,079
Investments - net	8	117,778,401	97,790,391
Advances - net	9	258,848,454	262,508,830
Operating fixed assets		17,609,347	17,320,485
Deferred tax assets - net		-	-
Other assets - net		21,509,522	19,828,228
		<b>469,523,856</b>	445,285,758
<b>Liabilities</b>			
Bills payable		6,283,252	10,551,468
Borrowings	10	16,482,925	22,663,840
Deposits and other accounts	11	361,817,195	330,245,080
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	472,289	440,295
Other liabilities		17,837,527	21,252,942
		<b>402,893,188</b>	385,153,625
<b>Net assets</b>		<b>66,630,668</b>	60,132,133
<b>Represented by:</b>			
Share capital		6,911,045	6,282,768
Reserves		37,557,977	36,772,321
Un-appropriated profit		14,294,296	11,065,723
		<b>58,763,318</b>	54,120,812
Minority interest		74	69
		<b>58,763,392</b>	54,120,881
Surplus on revaluation of assets - net of tax		7,867,276	6,011,252
		<b>66,630,668</b>	60,132,133

### Contingencies and commitments

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The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.4.

\_\_\_\_\_  
President and Chief Executive

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Director

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Director

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Director

MCB Bank Limited & Subsidiary Companies  
 Consolidated Condensed Interim Profit and Loss Account (Un-audited)  
 For the six months period ended June 30, 2009

Note	Quarter ended June 30, 2009	Half year ended June 30, 2009	Quarter ended June 30, 2008	Half year ended June 30, 2008
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	12,848,869	25,852,752	8,749,555	16,939,131
Mark-up / return / interest expensed	3,856,760	7,764,822	2,346,904	4,339,278
Net mark-up / interest income	8,992,109	18,087,930	6,402,651	12,599,853
Provision for diminution in the value of investments -net	567,677	518,495	210,431	210,431
Provision against loans and advances - net	1,582,415	3,373,762	626,467	1,241,687
Net mark-up / interest income after provisions	2,150,092	3,892,257	836,898	1,452,118
	6,842,017	14,195,673	5,565,753	11,147,735
<b>Non mark-up / interest income</b>				
Fee, commission and brokerage income	858,514	1,682,958	794,723	1,547,974
Income earned as trustee to various funds	4,147	8,158	5,762	10,939
Dividend income	81,246	148,929	31,960	118,883
Income from dealing in foreign currencies	(152,758)	279,073	(189,174)	(42,257)
Gain on sale of securities - net	18,707	131,979	127,978	738,434
Unrealized gain / (loss) on revaluation of investments classified as held for trading	22,345	28,431	(32,998)	(17,730)
Other income	271,667	530,405	285,742	578,046
Total non mark-up / interest income	1,103,868	2,809,933	1,023,993	2,934,289
	7,945,885	17,005,606	6,589,746	14,082,024
<b>Non-mark-up / interest expenses</b>				
Administrative expenses	2,286,125	4,921,062	1,477,498	3,174,403
Other provisions	465	3,534	-	-
Other charges	200,398	391,396	216,235	291,288
Total non mark-up / interest expenses	2,486,988	5,315,992	1,693,733	3,465,691
	5,458,897	11,689,614	4,896,013	10,616,333
Share of profit of associated undertaking	81,122	220,044	811,733	838,330
	5,540,019	11,909,658	5,707,746	11,454,663
Extra ordinary / unusual item	-	-	-	-
<b>Profit before taxation</b>	5,540,019	11,909,658	5,707,746	11,454,663
Taxation - Current period	2,454,578	4,611,320	1,497,744	3,586,700
- Prior years	(23,100)	(85,600)	(400,269)	(630,269)
- Deferred	(598,440)	(588,033)	136,997	15,351
Share of tax of associated undertaking	40,675	51,681	(33,743)	(30,711)
	1,873,713	3,989,368	1,200,729	2,941,071
<b>Profit after taxation</b>	3,666,306	7,920,290	4,507,017	8,513,592
Share of profit attributable to minority interest	(2)	(5)	(2)	(5)
<b>Profit attributable to ordinary shareholders</b>	3,666,304	7,920,285	4,507,015	8,513,587
Earnings per share - basic and diluted - Rupees	5.30	11.46	6.52	12.32

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.4.

\_\_\_\_\_  
 President and Chief Executive

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 Director

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**MCB Bank Limited & Subsidiary Companies**  
**Consolidated Condensed Interim Cash Flow Statement (Un-audited)**  
*For the six months period ended June 30, 2009*

	<b>Half year ended June 30, 2009</b>	<b>Half year ended June 30, 2008</b>
	----- (Rupees in '000) -----	
<b>Cash flows from operating activities</b>		
Profit before taxation	11,909,658	10,629,063
Less: Dividend income and share of profit of associated undertaking	<u>(368,973)</u>	<u>(209,402)</u>
	<b>11,540,685</b>	<b>10,419,661</b>
<b>Adjustments for non-cash charges</b>		
Depreciation	468,371	356,242
Amortisation	72,637	86,973
Provision against loans and advances	3,373,762	1,241,687
Provision / (reversal) for diminution in the value of investments	518,495	210,431
Other provisions	3,534	-
Gain on disposal of fixed assets -net	(11,623)	(13,047)
Un realized (gain) / loss on revaluation of 'held-for-trading' securities	<u>(28,431)</u>	<u>32,927</u>
	<b>4,396,745</b>	<b>1,915,213</b>
	<b>15,937,430</b>	<b>12,334,874</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(2,287,709)	(13,261,323)
Net investments in 'held for trading' securities	38,523	(25,301)
Advances - net	286,614	(11,256,745)
Other assets - net	<u>(1,827,510)</u>	<u>2,397,927</u>
	<b>(3,790,082)</b>	<b>(22,145,442)</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(4,268,216)	(2,756,291)
Borrowings	(6,180,915)	(24,908,277)
Deposits and other accounts	31,572,115	58,623,918
Other liabilities	<u>(7,160,227)</u>	<u>8,760,987</u>
	<b>13,962,757</b>	<b>39,720,337</b>
	<b>26,110,105</b>	<b>29,909,769</b>
Income tax paid	<u>(692,894)</u>	<u>(2,736,892)</u>
<b>Net cash flows from operating activities</b>	<b>25,417,211</b>	<b>27,172,877</b>
<b>Cash flows from investing activities</b>		
Net investments in available-for-sale securities	(22,076,625)	12,148,307
Net investments in held-to-maturity securities	4,185,347	(1,392,594)
Dividend income received	264,188	190,984
Investment in operating fixed assets - net of disposals	<u>(818,247)</u>	<u>(910,915)</u>
<b>Net cash flows from investing activities</b>	<b>(18,445,337)</b>	<b>10,035,782</b>
<b>Cash flows from financing activities</b>		
Payment of sub-ordinated loan	-	(479,232)
Dividend paid	<u>(3,329,282)</u>	<u>(5,029,923)</u>
<b>Net cash flows from financing activities</b>	<b>(3,329,282)</b>	<b>(5,509,155)</b>
Exchange difference on translation of net investment in foreign branches	<b>10,007</b>	<b>113,203</b>
<b>Increase in cash and cash equivalents</b>	<b>3,652,599</b>	<b>31,812,707</b>
Cash and cash equivalents at beginning of the period	<b>43,737,745</b>	<b>43,491,402</b>
Cash and cash equivalents at end of the period	<b>47,390,344</b>	<b>75,304,109</b>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

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**President and Chief Executive**

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**Director**

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**Director**

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**Director**

MCB Bank Limited & Subsidiary Companies  
Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)  
For the six months period ended June 30, 2009

	Capital Reserves			Other Reserves			Sub Total	Minority Interest	Total	
	Share capital	Share premium	Reserve for issue of bonus shares	Exchange translation reserve	Statutory reserve	General reserve				Unappropriated profit
(Rupees in '000)										
<b>Balance as at January 01, 2008</b>	6,282,768	9,702,528	-	(41,692)	6,740,091	17,600,000	7,054,472	47,338,167	63	47,338,230
<b>Change in equity for six month ended June 30, 2008</b>										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	14,888	14,888	-	14,888
Exchange differences on translation of net investment in foreign branches	-	-	-	114,009	-	-	-	114,009	-	114,009
Net income recognised directly in equity	-	-	-	114,009	-	-	14,888	128,897	-	128,897
Profit after taxation for six months period ended June 30, 2008	-	-	-	-	-	-	8,513,592	8,513,592	-	8,513,592
Share of profit attributable to minority interest	-	-	-	-	-	-	(5)	(5)	5	-
Total comprehensive income for the period ended June 30, 2008	-	-	-	114,009	-	-	8,528,475	8,642,484	5	8,642,489
Transferred to statutory reserve	-	-	-	-	767,690	-	(767,690)	-	-	-
Interim cash dividend	-	-	-	-	-	-	-	-	(2)	(2)
Transferred to general reserve reserve	-	-	-	-	-	1,000,000	(1,000,000)	-	-	-
Final cash dividend - December 31, 2007	-	-	-	-	-	-	(3,141,384)	(3,141,384)	(2)	(3,141,386)
Interim cash dividend - March 31, 2008	-	-	-	-	-	-	(1,884,831)	(1,884,831)	-	(1,884,831)
<b>Balance as at June 30, 2008</b>	6,282,768	9,702,528	-	72,317	7,507,781	18,600,000	8,789,042	50,954,436	64	50,954,500
<b>Change in equity for six month ended December 31, 2008</b>										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	6,485	6,485	-	6,485
Exchange differences on translation of net investment in foreign branches	-	-	-	119,925	-	-	-	119,925	-	119,925
Net income recognised directly in equity	-	-	-	119,925	-	-	6,485	126,410	-	126,410
Profit after taxation for six months period ended December 31, 2008	-	-	-	-	-	-	6,809,635	6,809,635	-	6,809,635
Share of profit attributable to minority interest	-	-	-	-	-	-	(7)	(7)	7	-
Total comprehensive income for the period ended December 31, 2008	-	-	-	119,925	-	-	6,816,113	6,936,038	7	6,936,045
Transferred to statutory reserve	-	-	-	-	769,770	-	(769,770)	-	-	-
Interim cash dividend	-	-	-	-	-	-	-	-	(2)	(2)
Interim cash dividend - June 30, 2008	-	-	-	-	-	-	(1,884,831)	(1,884,831)	-	(1,884,831)
Interim cash dividend - September 31, 2008	-	-	-	-	-	-	(1,884,831)	(1,884,831)	-	(1,884,831)
<b>Balance as at December 31, 2008</b>	6,282,768	9,702,528	-	192,242	8,277,551	18,600,000	11,065,723	54,120,812	69	54,120,881
<b>Change in equity for six month ended June 30, 2009</b>										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	10,687	10,687	-	10,687
Exchange differences on translation of net investment in foreign branches	-	-	-	10,007	-	-	-	10,007	-	10,007
Net income recognised directly in equity	-	-	-	10,007	-	-	10,687	20,694	-	20,694
Profit after taxation for six months period ended June 30, 2009	-	-	-	-	-	-	7,920,290	7,920,290	-	7,920,290
Share of profit attributable to minority interest	-	-	-	-	-	-	(5)	(5)	5	-
Total comprehensive income for the period ended June 30, 2009	-	-	-	10,007	-	-	7,930,972	7,940,979	5	7,940,984
Transferred to statutory reserve	-	-	-	-	775,649	-	(775,649)	-	-	-
Final cash dividend - December 31, 2008	-	-	-	-	-	-	(1,570,692)	(1,570,692)	-	(1,570,692)
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	-	(628,277)	-	-	-
Interim cash dividend - March 31, 2009	-	-	-	-	-	-	(1,727,781)	(1,727,781)	-	(1,727,781)
<b>Balance as at June 30, 2009</b>	<b>6,911,045</b>	<b>9,702,528</b>	<b>-</b>	<b>202,249</b>	<b>9,053,200</b>	<b>18,600,000</b>	<b>14,294,296</b>	<b>58,763,318</b>	<b>74</b>	<b>58,763,392</b>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

\_\_\_\_\_  
President and Chief Executive

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Director

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Director

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Director

## MCB Bank Limited & Subsidiary Companies

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

For the six months period ended June 30, 2009

#### 1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company	
- MCB Bank Limited	
	"Percentage holding of MCB Bank Limited"
Subsidiary Companies	
- Muslim Commercial Financial Services (Private) Limited	99.99%
- MNET Services (Private) Limited	99.95%
- MCB Trade Services Limited	100%
- MCB Asset Management Company Limited	99.99%

MCB Bank Limited ('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) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB - 15 Main, Gulberg Lahore respectively. The Bank operates 1,051 branches including 11 Islamic banking branches (December 31, 2008: 1,040 branches including 11 Islamic banking branches) within Pakistan and 7 (December 31, 2008: 7) branches outside the country (including the Karachi Export Processing Zone branch).

#### 2 BASIS OF PRESENTATION

- a) In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- b) The financial results of the Islamic banking branches have been consolidated in these consolidated condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 18 to these consolidated condensed interim financial statements.
- c) The consolidated condensed financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.
- d) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the unaudited financial statements for the period ended June 30, 2009 and the carrying value of investments held by the bank is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.
- e) Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost, thereafter adjusted for the post-acquisition change in the Group's share of net assets of the associate. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associate has been accounted for based on the financial statements for the period ended June 30, 2009.
- f) Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

#### 3 STATEMENT OF COMPLIANCE

- 3.1 These consolidated condensed interim financial statements have been prepared in accordance with 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 (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.

- 3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 3.3 The disclosures made in these consolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Group for the year ended December 31, 2008.
- 3.4 During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standards has resulted in certain increased disclosures only.

#### 4 BASIS OF MEASUREMENT

- 4.1 These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments, commitments in respect of certain forward exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.
- 4.2 These consolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to nearest thousand.

#### 5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

- 5.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2008.
- 5.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2008.

#### 6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for significant accounting estimates and judgments adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2008.

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>7. LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call money lendings	5,177,225	1,700,000
Repurchase agreement lendings	1,210,563	2,400,079
	<u>6,387,788</u>	<u>4,100,079</u>

	June 30, 2009		
	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----		
<b>8 INVESTMENTS - NET</b>			
<b>8.1 Investments by types</b>			
Held-for-trading securities	385,151	-	385,151
Available-for-sale securities	102,791,790	3,068,156	105,859,946
Held-to-maturity securities	12,360,199	-	12,360,199
	<u>115,537,140</u>	<u>3,068,156</u>	<u>118,605,296</u>
<b>Associates</b>			
Adamjee Insurance Company Limited	2,633,129	-	2,633,129
First Women Bank Limited	63,300	-	63,300
	<u>2,696,429</u>	<u>-</u>	<u>2,696,429</u>
<b>Investments at cost</b>	<u>118,233,569</u>	<u>3,068,156</u>	<u>121,301,725</u>
Less: Provision for diminution in the value of investments	(3,290,478)	-	(3,290,478)
<b>Investments (net of provisions)</b>	<u>114,943,091</u>	<u>3,068,156</u>	<u>118,011,247</u>
(Deficit) / surplus on revaluation of available for sale securities - net	(264,539)	3,262	(261,277)
Surplus on revaluation of 'held for trading' securities - net	28,431	-	28,431
<b>Investments at revalued amounts - net of provisions</b>	<u>114,706,983</u>	<u>3,071,418</u>	<u>117,778,401</u>

		December 31, 2008		
		Held by bank	Given as collateral	Total
		----- (Rupees in '000) -----		
Held-for-trading securities		523,205	-	523,205
Available-for-sale securities	8.2	77,768,664	6,287,636	84,056,300
Held-to-maturity securities		16,545,546	-	16,545,546
		94,837,415	6,287,636	101,125,051
<b>Associates</b>				
Adamjee Insurance Company Limited	8.3	2,511,489	-	2,511,489
First Women Bank Limited		63,300	-	63,300
		2,574,789	-	2,574,789
Investments at cost		97,412,204	6,287,636	103,699,840
Less: Provision for diminution in the value of investments		(3,044,962)	-	(3,044,962)
Investments (net of provisions)		94,367,242	6,287,636	100,654,878
Deficit on revaluation of available for sale securities - net		(2,763,336)	(1,620)	(2,764,956)
Deficit on revaluation of held-for-trading securities - net		(99,531)	-	(99,531)
Investments at revalued amounts - net of provisions		<u>91,504,375</u>	<u>6,286,016</u>	<u>97,790,391</u>

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2008: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2008: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

8.3 Investment of the group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) "Accounting for Investments in Associates". The market value of the investment as at June 30, 2009 amounted to Rs. 2,751.336 million (December 31, 2008: Rs. 3,032.786 million).

	June 30, 2009	December 31, 2008
	Rs. in '000	
Opening Balance	2,511,489	3,277,157
Share of profits	220,044	30,843
Dividend from Associate	(29,780)	(89,340)
Share of tax	(51,681)	(25,164)
	138,583	(83,661)
Share of unrealised deficit on investments - net of tax	(16,943)	(682,007)
Closing balance	<u>2,633,129</u>	<u>2,511,489</u>

8.4 The impairment loss recognized in the profit and loss account has been measured in accordance with State Bank of Pakistan BSD Circular No. 4 dated February 13, 2009 and BSD Circular No. 08 dated August 01, 2009.

The recognition of impairment loss based on the market values as at June 30, 2009 would have had the following effect on these consolidated condensed interim financial statements:

	June 30, 2009 (Rupees in '000)
Increase in 'Impairment Loss' in Profit and Loss Account	865,520
Decrease in tax charge for the year	302,932
Decrease in profit for the year - after tax	<u>562,588</u>
	Rupees
Decrease in earnings per share -after tax	<u>0.81</u>

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>9 ADVANCES - NET</b>		
Loans, cash credits, running finances, etc		
- In Pakistan	252,206,326	252,387,594
- Outside Pakistan	7,983,280	8,910,253
	<b>260,189,606</b>	261,297,847
Net Investment in finance lease		
- In Pakistan	4,715,508	5,356,835
- Outside Pakistan	80,890	90,733
	<b>4,796,398</b>	5,447,568
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	3,388,297	2,364,211
- Payable outside Pakistan	4,532,058	4,111,059
	<b>7,920,355</b>	6,475,270
Advances - gross	<b>272,906,359</b>	273,220,685
Provision against loans and advances		
- Specific provision	9.1 (13,171,896)	(9,895,889)
- General provision	(272,892)	(273,222)
- General provision against consumer loans	(582,849)	(533,693)
- General provision for potential lease losses (in Srilanka operations)	(30,268)	(9,051)
	<b>(14,057,905)</b>	(10,711,855)
Advances - net of provision	<b>258,848,454</b>	262,508,830

9.1 Advances include Rs. 20,863.442 million (December 31, 2008: Rs. 18,268.877 million) which have been placed under non-performing status as detailed below:

		June 30, 2009				
Category of Classification		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
----- Rupees in '000 -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	94,428		94,428	-	-
Substandard		3,489,282	33,315	3,522,597	761,834	761,834
Doubtful		3,863,054	51,722	3,914,776	1,768,067	1,768,067
Loss		9,547,317	3,784,324	13,331,641	10,641,995	10,641,995
		<b>16,994,081</b>	<b>3,869,361</b>	<b>20,863,442</b>	<b>13,171,896</b>	<b>13,171,896</b>
		December 31, 2008				
Category of Classification		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
----- Rupees in '000 -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	100,447		100,447	-	-
Substandard		5,440,860		5,440,860	897,768	897,768
Doubtful		2,595,782	501	2,596,283	1,186,556	1,186,556
Loss		6,457,011	3,674,276	10,131,287	7,811,565	7,811,565
		<b>14,594,100</b>	<b>3,674,777</b>	<b>18,268,877</b>	<b>9,895,889</b>	<b>9,895,889</b>

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

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>10 BORROWINGS</b>		
In Pakistan	14,702,003	17,742,776
Outside Pakistan	1,780,922	4,921,064
	<b>16,482,925</b>	<b>22,663,840</b>

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>10.1 Details of borrowings (secured / unsecured)</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
Export refinance scheme	9,243,987	9,217,004
Long term financing - export oriented products scheme	2,114,801	2,100,751
	<b>11,358,788</b>	11,317,755
Borrowings from other financial institutions	367,111	-
Repurchase agreement borrowings	3,069,192	6,325,021
	<b>3,436,303</b>	6,325,021
	<b>14,795,091</b>	17,642,776
<b>Unsecured</b>		
Overdrawn nostro accounts	369,621	4,418,990
Call borrowings	1,318,213	602,074
	<b>1,687,834</b>	5,021,064
	<b>16,482,925</b>	22,663,840

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>11 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	56,596,260	61,680,332
Savings deposits	171,160,083	150,925,503
Current accounts - non remunerative	125,101,222	105,376,753
Margin accounts	2,848,629	3,137,434
Others	484	563
	<b>355,706,678</b>	321,120,585
<b>Financial institutions</b>		
Remunerative deposits	4,517,427	5,197,969
Non-remunerative deposits	1,593,090	3,926,526
	<b>6,110,517</b>	9,124,495
	<b>361,817,195</b>	330,245,080

## 12 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	510,802	517,120
Accelerated tax depreciation	671,852	685,838
Net investment in finance lease	316,400	436,823
Others	8,793	-
	<b>1,507,847</b>	1,639,781

### Deductible temporary differences on:

Deficit on revaluation of securities	(41,939)	(661,966)
Provision for contributory benevolent scheme	(60,529)	(79,121)
Provision for post retirement medical benefits	(425,186)	(455,587)
Provision for gratuity	(2,260)	(2,260)
Provision for bad debts	(505,644)	-
Others	-	(552)
	<b>(1,035,558)</b>	(1,199,486)
	<b>472,289</b>	440,295

- 12.1** 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. 505.644 million on such provisions.

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>13 CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Transaction-related contingent liabilities / commitments</b>		
Guarantees in favour of:		
- Government	5,514,437	5,743,838
- Banks and financial institutions	12,879	36,030
- Others	18,937,417	15,148,692
Suppliers credit / payee guarantee	2,292,944	2,255,011
	<u>26,757,677</u>	<u>23,183,571</u>
<b>13.2 Trade-related contingent liabilities</b>	<u>61,246,225</u>	<u>54,869,480</u>
<b>13.3 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>222,572</u>	<u>226,246</u>
<b>13.4 Commitments to extend credit</b>		
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.		
	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>13.5 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	<u>50,423,600</u>	<u>69,708,932</u>
Sale	<u>52,319,880</u>	<u>67,476,228</u>
<b>13.6 Commitments for the acquisition of fixed assets</b>	-	<u>557,810</u>
<b>13.7 Other commitments</b>		
Cross currency swaps (notional amount)	<u>297,972</u>	<u>346,254</u>
Interest rate swaps (notional amount)	<u>250,000</u>	<u>2,410,797</u>
Forward outright sale of Government Securities	<u>50,000</u>	<u>20,827,530</u>
Outright purchase of Government Securities from SBP	-	<u>26,644,450</u>
	<u>61,246,225</u>	<u>54,869,480</u>
	<u>222,572</u>	<u>226,246</u>
	<u>50,423,600</u>	<u>69,708,932</u>
	<u>52,319,880</u>	<u>67,476,228</u>
	-	<u>557,810</u>
	<u>297,972</u>	<u>346,254</u>
	<u>250,000</u>	<u>2,410,797</u>
	<u>50,000</u>	<u>20,827,530</u>
	-	<u>26,644,450</u>
	<u>61,246,225</u>	<u>54,869,480</u>
	<u>222,572</u>	<u>226,246</u>
	<u>50,423,600</u>	<u>69,708,932</u>
	<u>52,319,880</u>	<u>67,476,228</u>
	-	<u>557,810</u>
	<u>297,972</u>	<u>346,254</u>
	<u>250,000</u>	<u>2,410,797</u>
	<u>50,000</u>	<u>20,827,530</u>
	-	<u>26,644,450</u>
	<u>61,246,225</u>	<u>54,869,480</u>
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	-	<u>557,810</u>
	<u>297,972</u>	<u>346,254</u>
	<u>250,000</u>	<u>2,410,797</u>
	<u>50,000</u>	

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Six months period ended June 30, 2009						Total
	Corporate Finance	Trading & Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Eliminations	
	------(Rupees in '000)-----						
Total income	71,334	5,587,141	13,526,746	9,738,096	81,199	(121,787)	<b>28,882,729</b>
Total expenses	(20,540)	(1,325,749)	(13,886,724)	(1,812,921)	(48,924)	121,787	<b>(16,973,071)</b>
Income tax expense	-	-	-	-	-	-	<b>(3,989,368)</b>
<b>Net income</b>	<b>50,794</b>	<b>4,261,392</b>	<b>(359,978)</b>	<b>7,925,175</b>	<b>32,275</b>	<b>-</b>	<b>7,920,290</b>
Segment assets - (Gross of NPLs Provisions)	-	138,450,307	132,625,282	211,630,322	448,580	(458,739)	<b>482,695,752</b>
<b>Total assets</b>	<b>-</b>	<b>138,450,307</b>	<b>132,625,282</b>	<b>211,630,322</b>	<b>448,580</b>	<b>(458,739)</b>	<b>482,695,752</b>
Segment non performing loans	-	-	<b>7,473,362</b>	<b>13,390,080</b>	-	-	<b>20,863,442</b>
Segment specific provision required	-	-	<b>4,718,222</b>	<b>8,453,674</b>	-	-	<b>13,171,896</b>
Segment liabilities	-	121,269,837	103,271,510	174,600,866	34,814	(458,739)	<b>398,718,288</b>
Deferred tax liabilities - net	-	-	-	-	-	-	<b>472,289</b>
Provision for taxation	-	-	-	-	-	-	<b>3,702,611</b>
<b>Total liabilities - net</b>	<b>-</b>	<b>121,269,837</b>	<b>103,271,510</b>	<b>174,600,866</b>	<b>-</b>	<b>(458,739)</b>	<b>402,893,188</b>
Segment return on assets (ROA) (%)	-	<b>6.16%</b>	<b>-0.56%</b>	<b>7.80%</b>	<b>14.39%</b>	-	<b>3.37%</b>
Segment cost of fund (%)	-	<b>3.05%</b>	<b>3.84%</b>	<b>4.09%</b>	-	-	<b>3.86%</b>
	Six months period ended June 30, 2008						
Total income	59,870	4,125,336	10,612,492	5,951,444	116,746	(154,138)	20,711,750
Total expenses	(19,192)	(634,475)	(7,880,868)	(796,430)	(80,260)	154,138	(9,257,087)
Income tax expense	-	-	-	-	-	-	(2,941,071)
<b>Net income</b>	<b>40,678</b>	<b>3,490,861</b>	<b>2,731,624</b>	<b>5,155,014</b>	<b>36,486</b>	<b>-</b>	<b>8,513,592</b>
Segment assets - (Gross of NPLs provision)	23,679	164,137,490	147,203,330	149,868,782	441,981	(445,097)	461,230,165
<b>Total assets</b>	<b>23,679</b>	<b>164,137,490</b>	<b>147,203,330</b>	<b>149,868,782</b>	<b>441,981</b>	<b>(445,097)</b>	<b>461,230,165</b>
Segment non performing loans	-	-	5,453,631	6,534,087	-	-	11,987,718
Segment specific provision required	-	-	3,656,803	4,381,278	-	-	8,038,081
Segment liabilities	23,689	163,332,474	142,824,758	144,704,844	441,981	(445,097)	450,882,649
Deferred tax assets	-	-	-	-	-	-	731,508
Provision for taxation	-	-	-	-	-	-	1,577,927
<b>Total liabilities - net</b>	<b>23,689</b>	<b>163,332,474</b>	<b>142,824,758</b>	<b>144,704,844</b>	<b>441,981</b>	<b>(445,097)</b>	<b>453,192,084</b>
Segment return on assets (ROA) (%)	343.58%	4.25%	3.91%	7.31%	16.51%	-	3.76%
Segment cost of fund (%)	-	5.20%	2.21%	2.77%	-	-	2.35%

## 17 RELATED PARTY TRANSACTIONS

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.

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

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

Type of related party	Directors		Associated companies		Other Related Parties	
	Half year ended June 30, 2009	Year ended Dec 31, 2008	Half year ended June 30, 2009	Year ended Dec 31, 2008	Half year ended June 30, 2009	Year ended Dec 31, 2008
----- (Rupees in '000) -----						
<b>Deposits</b>						
Deposits at beginning of the period / year	425,898	17,980	301,929	275,826	7,060,632	209,716
Deposits received during the period / year	11,185,099	10,910,613	31,786,989	302,979,123	21,768,110	50,640,762
Deposits repaid during the period / year	(11,521,645)	(10,502,695)	(30,627,246)	(302,953,020)	(17,759,691)	(43,789,846)
Deposits at the end of the period / year	89,352	425,898	1,461,672	301,929	11,069,051	7,060,632

### Advances (secured)

Balance at beginning of the period / year	-	-	-	-	-	1,661,869
Loan granted during the period / year	-	-	-	-	-	524,153
Repayment during the period / year	-	-	-	-	-	(2,186,022)
Balance at end of the period / year	-	-	-	-	-	-

					June 30, 2009	December 31, 2008
					7,163,228	5,399,019
----- (Rupees in '000) -----						
Receivable from Pension Fund						

	Directors		Associated companies		Other Related Parties	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
----- (Rupees in '000) -----						

### Adamjee Insurance Company Limited

Insurance premium paid	-	-	182,058	-	-	-
Insurance claim settled	-	-	28,429	61,895	-	-
Dividend received	-	-	29,780	44,670	-	-
Rent income received	-	-	8,846	489	-	-

### Mayban International Trust (Labuan) Berhad

Dividend paid	-	-	628,276	-	-	-
Bonus shares issued	-	-	125,655	-	-	-
Forward foreign exchange contracts (Notional)	-	-	2,434,674	-	-	-
Unrealized gain on forward foreign exchange contracts	-	-	16,506	-	-	-

### MCB Employees Foundation

- Service expenses	-	-	-	-	8,476	8,747
- Cash sorting expenses	-	-	-	-	9,626	8,142
- Cash in transit expenses	-	-	-	-	799	2,210

### MCB Employees Security System & Services (Private) Limited

- Security guard expenses	-	-	-	-	72,378	62,754
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### Others

- Remuneration of key management personnel	32,646	21,982	-	-	112,324	146,778
- Miscellaneous expenses	-	-	-	-	20,513	36,196
- Contribution to provident fund	-	-	-	-	73,562	64,564

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

## 18 ISLAMIC BANKING BUSINESS

The balance sheet of the bank's Islamic Banking Branches as at June 30, 2009 is as follows:

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>Assets</b>		
Cash and balances with treasury banks	329,823	185,177
Investments - net	1,727,505	1,781,727
Financing and receivables		
- Murabaha	1,895,925	2,573,116
- Ijara	956,117	1,197,762
- Islamic export refinance	929,378	978,303
Deferred tax assets	2,119	-
Other assets	1,416,027	2,561,843
	<b>7,256,894</b>	<b>9,277,928</b>
<b>Liabilities</b>		
Bills payable	13,538	73,540
Deposits and other accounts		
- Current accounts	252,784	175,350
- Saving accounts	1,423,157	1,110,499
- Term deposits	222,215	75,740
- Others	1,976	2,681
Borrowing from SBP	905,960	966,500
Due to head office	2,900,000	5,750,000
Deferred tax liability	-	6,650
Other liabilities	544,108	244,697
	<b>6,263,738</b>	<b>8,405,657</b>
<b>Net assets</b>	<b>993,156</b>	<b>872,271</b>
<b>Represented by:</b>		
Islamic Banking Fund	850,000	650,000
Unappropriated profit	147,092	209,921
	<b>997,092</b>	<b>859,921</b>
Surplus / (deficit) on revaluation of assets - net of tax	(3,936)	12,350
	<b>993,156</b>	<b>872,271</b>
Remuneration to Shariah Advisor / Board	623	1,200
<b>Charity fund</b>		
Opening balance	2,093	4,227
Additions during the period / year	908	1,566
Payments/ utilization during the period / year	(1,500)	(3,700)
Closing balance	1,501	2,093

The profit and loss account of the bank's Islamic banking Branches for the half year ended June 30, 2009 is as follows:

	<b>June 30, 2009</b>	June 30, 2008
	----- (Rupees in '000) -----	
Income / return / profit earned	<b>598,663</b>	346,042
Income / return / profit expensed	<b>376,839</b>	222,046
Net Income / Profit	<b>221,824</b>	123,996
Provision against loans and advances - net	<b>37,782</b>	9,277
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<b>37,782</b>	9,277
Net profit / income after provisions	<b>184,042</b>	114,719
<b>Other income</b>		
Fees, commission and brokerage income	<b>2,703</b>	3,099
Dividend income	-	-
Income from dealing in foreign currencies	<b>3,384</b>	982
Other Income	<b>5,306</b>	9,220
Total other income	<b>11,393</b>	13,301
	<b>195,435</b>	128,020
<b>Other expenses</b>		
Administrative expenses	<b>48,123</b>	43,445
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	<b>220</b>	666
Total other expenses	<b>48,343</b>	44,111
Extra ordinary / unusual items	-	-
Profit before taxation	<b>147,092</b>	83,909

## 19 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on August 8, 2009 has announced cash dividend in respect of the six months period ended June 30, 2009 of Rs. 2.50 per share (June 30, 2008: Rs 3 per share). These consolidated condensed interim financial statements for the six months period ended June 30, 2009 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

## 20 DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on August 8, 2009 .

\_\_\_\_\_  
President and Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director