



MCB Bank Limited

Un-consolidated Condensed Financial Statements
six months Ended June 30, 2009

MCB Bank Limited
Unconsolidated Condensed Interim Balance Sheet
As at June 30, 2009

	<i>Note</i>	Unaudited June 30, 2009	Audited December 31, 2008
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		41,419,860	39,631,172
Balances with other banks		5,913,683	4,043,100
Lendings to financial institutions	7	6,387,788	4,100,079
Investments - net	8	116,088,779	96,256,874
Advances - net	9	258,849,852	262,510,470
Operating fixed assets		17,555,245	17,263,733
Deferred tax assets - net		-	-
Other assets - net		21,467,231	19,810,476
		467,682,438	443,615,904
Liabilities			
Bills payable		6,283,252	10,551,468
Borrowings	10	16,482,925	22,663,840
Deposits and other accounts	11	361,834,511	330,274,155
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	469,467	437,137
Other liabilities		17,826,370	21,253,250
		402,896,525	385,179,850
Net assets		64,785,913	58,436,054
Represented by:			
Share capital		6,911,045	6,282,768
Reserves		37,553,942	36,768,765
Un-appropriated profit		12,258,082	9,193,332
		56,723,069	52,244,865
Surplus on revaluation of assets - net of tax		8,062,844	6,191,189
		64,785,913	58,436,054

Contingencies and commitments

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The annexed notes 1 to 20 form an integral part of these unconsolidated 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

Director

Director

Director

MCB Bank Limited

Unconsolidated 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	12,847,323	25,849,695	8,747,842	16,936,027
Mark-up / return / interest expensed	3,857,115	7,765,380	2,346,903	4,339,277
Net mark-up / interest income	<u>8,990,208</u>	<u>18,084,315</u>	6,400,939	12,596,750
Provision for diminution in the value of investments - net	<u>567,677</u>	<u>518,495</u>	210,431	210,431
Provision against loans and advances - net	<u>1,582,415</u>	<u>3,373,762</u>	626,467	1,241,687
	<u>2,150,092</u>	<u>3,892,257</u>	836,898	1,452,118
Net mark-up / interest income after provisions	<u>6,840,116</u>	<u>14,192,058</u>	5,564,041	11,144,632
Non mark-up / interest income				
Fee, commission and brokerage income	<u>856,635</u>	<u>1,679,984</u>	794,723	1,547,974
Dividend income	<u>92,561</u>	<u>190,024</u>	42,813	209,402
Income from dealing in foreign currencies	<u>(152,758)</u>	<u>279,073</u>	(189,174)	(42,257)
Gain on sale of securities - net	<u>20,843</u>	<u>133,332</u>	128,369	751,508
Unrealized gain / (loss) on revaluation of investments classified as held for trading	<u>13,686</u>	<u>1,360</u>	(44,262)	(46,032)
Other income	<u>238,920</u>	<u>474,195</u>	206,264	434,626
Total non mark-up / interest income	<u>1,069,887</u>	<u>2,757,968</u>	938,733	2,855,221
	<u>7,910,003</u>	<u>16,950,026</u>	6,502,774	13,999,853
Non-mark-up / interest expenses				
Administrative expenses	<u>2,282,655</u>	<u>4,906,908</u>	1,417,293	3,079,503
Other provisions	<u>465</u>	<u>3,534</u>	-	-
Other charges	<u>176,149</u>	<u>350,881</u>	215,005	291,287
Total non mark-up / interest expenses	<u>2,459,269</u>	<u>5,261,323</u>	1,632,298	3,370,790
	<u>5,450,734</u>	<u>11,688,703</u>	4,870,476	10,629,063
Extra ordinary / unusual item	-	-	-	-
Profit before taxation	<u>5,450,734</u>	<u>11,688,703</u>	<u>4,870,476</u>	<u>10,629,063</u>
Taxation - Current period	<u>2,451,359</u>	<u>4,605,510</u>	1,488,243	3,565,483
- Prior years	<u>(23,100)</u>	<u>(85,600)</u>	(400,269)	(630,269)
- Deferred	<u>(599,043)</u>	<u>(587,696)</u>	217,738	16,952
	<u>1,829,216</u>	<u>3,932,214</u>	<u>1,305,712</u>	<u>2,952,166</u>
Profit after taxation	<u>3,621,518</u>	<u>7,756,489</u>	<u>3,564,764</u>	<u>7,676,897</u>
Earnings per share - basic and diluted - Rupees	<u>5.24</u>	<u>11.22</u>	<u>5.16</u>	<u>11.11</u>

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

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MCB Bank Limited

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended June 30, 2009

	Half year ended June 30, 2009	Half year ended June 30, 2008
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	11,688,703	10,629,063
Less: Dividend income	(190,024)	(209,402)
	<u>11,498,679</u>	<u>10,419,661</u>
Adjustments for non-cash charges		
Depreciation	468,371	356,242
Amortisation	72,637	86,973
Provision against loans and advances - net	3,373,762	1,241,687
Provision for diminution in the value of investments - net	518,495	210,431
Other provisions	3,534	-
Gain on disposal of fixed assets - net	(11,623)	(13,047)
Unrealized loss / (gain) on revaluation of investments classified as held for trading	(1,360)	32,927
	<u>4,423,816</u>	<u>1,915,213</u>
	15,922,495	12,334,874
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,287,709)	(13,261,323)
Net investments in 'held for trading' securities	44,579	(25,301)
Advances - net	286,856	(11,256,745)
Other assets - net	(1,680,893)	2,397,927
	(3,637,167)	(22,145,442)
Increase / (decrease) in operating liabilities		
Bills payable	(4,268,216)	(2,756,291)
Borrowings	(6,180,915)	(24,908,277)
Deposits and other accounts	31,560,356	58,623,918
Other liabilities	(7,095,463)	8,760,987
	<u>14,015,762</u>	<u>39,720,337</u>
	26,301,090	29,909,769
Income tax paid	(763,315)	(2,736,892)
Net cash flows from operating activities	25,537,775	27,172,877
Cash flows from investing activities		
Net investments in available-for-sale securities	(22,091,625)	12,148,307
Net investments in held-to-maturity securities	4,200,347	(1,392,594)
Dividend income received	153,425	190,984
Investment in operating fixed assets - net of disposals	(820,897)	(910,915)
Net cash flows from investing activities	(18,558,750)	10,035,782
Cash flows from financing activities		
Payment of sub-ordinated loan	-	(479,232)
Dividend paid	(3,329,282)	(5,029,923)
Net cash flows from financing activities	(3,329,282)	(5,509,155)
Exchange difference on translation of the net investment in foreign branches	9,528	113,203
Increase in cash and cash equivalents	3,659,271	31,812,707
Cash and cash equivalents at beginning of the period	43,674,272	43,491,402
Cash and cash equivalents at end of the period	<u>47,333,543</u>	<u>75,304,109</u>

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

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

	Capital Reserves				Statutory reserve	Revenue reserves		Total
	Share capital	Share premium	Reserve for issue of bonus shares	Exchange translation reserve		General reserve	Unappropriated profit	
----- (Rupees in '000) -----								
Balance as at January 01, 2008	6,282,768	9,702,528	-	(41,981)	6,740,091	17,600,000	5,130,750	45,414,156
Change in equity for six month ended June 30, 2008								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	14,860	14,860
Exchange differences on translation of net investment in foreign branches	-	-	-	113,203	-	-	-	113,203
Net income recognised directly in equity	-	-	-	113,203	-	-	14,860	128,063
Profit after taxation for six months period ended June 30, 2008	-	-	-	-	-	-	7,676,897	7,676,897
Total comprehensive income for the period ended June 30, 2008	-	-	-	113,203	-	-	7,691,757	7,804,960
Transferred to statutory reserve	-	-	-	-	767,690	-	(767,690)	-
Transferred to general reserve	-	-	-	-	-	1,000,000	(1,000,000)	-
Final cash dividend - December 31, 2007	-	-	-	-	-	-	(3,141,384)	(3,141,384)
Interim cash dividend - March 31, 2008	-	-	-	-	-	-	(1,884,831)	(1,884,831)
Balance as at June 30, 2008	6,282,768	9,702,528	-	71,222	7,507,781	18,600,000	6,028,602	48,192,901
Change in equity for six month ended December 31, 2008								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	6,459	6,459
Exchange differences on translation of net investment in foreign branches	-	-	-	117,464	-	-	-	117,464
Net income recognised directly in equity	-	-	-	117,464	-	-	5,459	123,923
Profit after taxation for six months period ended December 31, 2008	-	-	-	-	-	-	7,697,703	7,697,703
Total comprehensive income for the period ended December 31, 2008	-	-	-	117,464	-	-	7,704,162	7,821,626
Transferred to statutory reserve	-	-	-	-	769,770	-	(769,770)	-
Interim cash dividend - June 30, 2008	-	-	-	-	-	-	(1,884,831)	(1,884,831)
Interim cash dividend - September 30, 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
Change in equity for six month ended June 30, 2009								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	10,660	10,660
Exchange differences on translation of net investment in foreign branches	-	-	-	9,528	-	-	-	9,528
Net income recognised directly in equity	-	-	-	9,528	-	-	10,660	20,188
Profit after taxation for six months period ended June 30, 2009	-	-	-	-	-	-	7,756,489	7,756,489
Total comprehensive income for the period ended June 30, 2009	-	-	-	9,528	-	-	7,767,149	7,776,677
Transferred to statutory reserve	-	-	-	-	775,649	-	(775,649)	-
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	-	(628,277)	-
Final cash dividend - December 31, 2008	-	-	-	-	-	-	(1,570,692)	(1,570,692)
Interim cash dividend - March 31, 2009	-	-	-	-	-	-	(1,727,781)	(1,727,781)
Balance as at June 30, 2009	6,911,045	9,702,528	-	198,214	9,053,200	18,600,000	12,258,082	56,723,069

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

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MCB Bank Limited

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

For the six months period ended June 30, 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 Depositary 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

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

3 STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated 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 unconsolidated 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 unconsolidated 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 statements required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank 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 unconsolidated 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 foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

4.2 These unconsolidated 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 polices adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank 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 bank 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 unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2008.

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
7 LENDINGS TO FINANCIAL INSTITUTIONS		
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) -----		

8 INVESTMENTS - NET

8.1 Investments by types

Held-for-trading securities	49,597	-	49,597
Available-for-sale securities	102,791,790	3,068,156	105,859,946
Held-to-maturity securities	12,345,199	-	12,345,199
	<u>115,186,586</u>	<u>3,068,156</u>	<u>118,254,742</u>
Associates	1,006,900	-	1,006,900
Subsidiaries	377,532	-	377,532
	<u>1,384,432</u>	<u>-</u>	<u>1,384,432</u>
Investments at cost	<u>116,571,018</u>	<u>3,068,156</u>	<u>119,639,174</u>
Less: Provision for diminution in the value of investments	(3,290,478)	-	(3,290,478)
Investments (net of provisions)	<u>113,280,540</u>	<u>3,068,156</u>	<u>116,348,696</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	1,360	-	1,360
Investments at revalued amounts - net of provisions	<u>113,017,361</u>	<u>3,071,418</u>	<u>116,088,779</u>

		December 31, 2008		
		Held by bank	Given as collateral	Total
		----- (Rupees in '000) -----		
Held-for-trading securities		197,374	-	197,374
Available-for-sale securities	8.2	77,753,664	6,287,636	84,041,300
Held-to-maturity securities		16,545,546	-	16,545,546
		94,496,584	6,287,636	100,784,220
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		377,532	-	377,532
		1,384,432	-	1,384,432
Investments at cost		95,881,016	6,287,636	102,168,652
Less: Provision for diminution in the value of investments		(3,044,962)	-	(3,044,962)
Investments (net of provisions)		92,836,054	6,287,636	99,123,690
Deficit on revaluation of available for sale securities - net		(2,761,998)	(1,620)	(2,763,618)
Deficit on revaluation of held-for-trading securities - net		(103,198)	-	(103,198)
Investments at revalued amounts - net of provisions		89,970,858	6,286,016	96,256,874

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 in Adamjee Insurance Company Limited has been carried at cost amounting to Rs. 943.600 million (December 31, 2008: Rs. 943.600 million). 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).

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 unconsolidated 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	562,588
	Rupees
Decrease in earnings per share -after tax	0.81

June 30, December 31,
2009 2008
----- (Rupees in '000) -----

9 ADVANCES - NET

Loans, cash credits, running finances, etc				
- In Pakistan		252,206,326	252,387,594	
- Outside Pakistan		7,983,280	8,910,253	
		260,189,606	261,297,847	
Net Investment in finance lease				
- In Pakistan		4,716,906	5,358,475	
- Outside Pakistan		80,890	90,733	
		4,797,796	5,449,208	
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	
		7,920,355	6,475,270	
Advances - gross		272,907,757	273,222,325	
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)	
		(14,057,905)	(10,711,855)	
Advances - net of provision		258,849,852	262,510,470	

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				
		Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification		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
		16,994,081	3,869,361	20,863,442	13,171,896	13,171,896
		December 31, 2008				
		Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification		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
		14,594,100	3,674,777	18,268,877	9,895,889	9,895,889

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) -----	
10 BORROWINGS		
In Pakistan	14,727,980	17,742,776
Outside Pakistan	1,754,945	4,921,064
	<u>16,482,925</u>	<u>22,663,840</u>

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	9,243,987	9,217,004
Long term financing - export oriented projects scheme	2,114,801	2,100,751
	<u>11,358,788</u>	<u>11,317,755</u>

Borrowings from other financial institutions	367,111	-
Repurchase agreement borrowings	3,069,192	6,325,021
	<u>3,436,303</u>	<u>6,325,021</u>
	<u>14,795,091</u>	<u>17,642,776</u>

Unsecured

Overdrawn nostro accounts	369,621	4,418,990
Call borrowings	1,318,213	602,074
	<u>1,687,834</u>	<u>5,021,064</u>
	<u>16,482,925</u>	<u>22,663,840</u>

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	56,596,260	61,680,332
Savings deposits	171,022,107	150,927,938
Current accounts - non remunerative	124,442,174	105,403,393
Margin accounts	2,848,629	3,137,434
Others	484	563
	<u>354,909,654</u>	<u>321,149,660</u>

Financial institutions

Remunerative deposits	4,656,474	5,197,969
Non-remunerative deposits	2,268,383	3,926,526
	<u>6,924,857</u>	<u>9,124,495</u>
	<u>361,834,511</u>	<u>330,274,155</u>

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	516,543
Accelerated tax depreciation	669,459	678,001
Net investment in finance lease	316,400	436,823
Others	6,104	2,444
	<u>1,502,765</u>	<u>1,633,811</u>

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 bad debts	(505,644)	-
	<u>(1,033,298)</u>	<u>(1,196,674)</u>
	<u>469,467</u>	<u>437,137</u>

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, December 31,
2009 2008
----- (Rupees in '000) -----

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

- Government
 - Banks and financial institutions
 - Others
- Suppliers credit / payee guarantee

5,514,437	5,743,838
12,879	36,030
18,937,417	15,148,692
2,292,944	2,255,011
<u>26,757,677</u>	<u>23,183,571</u>

13.2 Trade-related contingent liabilities

61,246,226 54,869,480

13.3 Other contingencies

Claims against the Bank not acknowledged as debts

222,572 226,246

13.4 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.

June 30, December 31,
2009 2008
----- (Rupees in '000) -----

13.5 Commitments in respect of forward foreign exchange contracts

- Purchase
- Sale

<u>50,423,600</u>	<u>69,708,932</u>
<u>52,319,880</u>	<u>67,476,228</u>

13.6 Commitments for the acquisition of fixed assets

- 557,810

13.7 Other commitments

- Cross currency swaps (notional amount)
- Interest rate swaps (notional amount)
- Forward outright sale of Government Securities
- Outright purchase of Government Securities from SBP

<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>-</u>	<u>26,644,450</u>

Six months ended
June 30, June 30,
2009 2008
---- (Rupees in '000) ----

14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

Profit after taxation

7,756,489 7,676,897

Weighted average number of shares outstanding during the period

Number of shares
691,104,527 691,104,527

Basic and diluted Earnings per share - after tax

Rupees
11.22 11.11

15 CREDIT RATING

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

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 and sales	Retail and consumer banking	Commercial banking	Eliminations	
	----- (Rupees in '000) -----					
Total income	62,330	5,547,489	13,428,580	9,640,560	(71,296)	28,607,663
Total expenses	(11,916)	(1,326,456)	(13,850,463)	(1,801,421)	71,296	(16,918,960)
Income tax expense	-	-	-	-	-	(3,932,214)
Net income	50,414	4,221,033	(421,883)	7,839,139	-	7,756,489
Segment assets - (Gross of NPLs Provisions)	-	137,940,124	132,092,486	210,821,724	-	480,854,334
Total assets	-	137,940,124	132,092,486	210,821,724	-	480,854,334
Segment non performing loans	-	-	7,473,362	13,390,080	-	20,863,442
Segment specific provision required	-	-	4,718,222	8,453,674	-	13,171,896
Segment liabilities	-	121,144,568	103,153,127	174,429,971	-	398,727,666
Deferred tax liabilities - net	-	-	-	-	-	469,467
Provision for taxation	-	-	-	-	-	3,699,392
Total liabilities - net	-	121,144,568	103,153,127	174,429,971	-	402,896,525
Segment return on assets (ROA) (%)	-	6.12%	-0.66%	7.75%	-	3.32%
Segment cost of fund (%)	-	3.05%	3.84%	4.09%	-	3.86%
	Six months period ended June 30, 2008					
Total income	46,176	3,947,198	10,243,094	5,659,222	(104,442)	19,791,248
Total expenses	(8,812)	(634,358)	(7,846,187)	(777,270)	104,442	(9,162,185)
Income tax expense	-	-	-	-	-	(2,952,166)
Net income	37,364	3,312,840	2,396,907	4,881,952	-	7,676,897
Segment assets - (Gross of NPLs provision)	-	163,148,105	146,276,754	148,949,738	-	458,374,597
Total assets	-	163,148,105	146,276,754	148,949,738	-	458,374,597
Segment non performing loans	-	-	5,453,631	6,534,087	-	11,987,718
Segment specific provision required	-	-	3,656,803	4,381,278	-	8,038,081
Segment liabilities	-	162,355,908	141,909,666	143,797,494	-	448,063,068
Deferred tax assets	-	-	-	-	-	729,813
Provision for taxation	-	-	-	-	-	1,543,635
Total liabilities - net	-	162,355,908	141,909,666	143,797,494	-	450,336,516
Segment return on assets (ROA) (%)	-	4.06%	3.36%	6.75%	-	3.41%
Segment cost of fund (%)	-	5.20%	2.21%	2.77%	-	2.35%

17 RELATED PARTY TRANSACTIONS

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.

Transactions between the bank and its related parties are carried out at an arm's length basis under the comparable uncontrolled price method. However, the transactions between the bank and one of its subsidiary MNET Services (Private) Limited are carried out on 'cost plus' method. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. There are no 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		Subsidiary companies		Other related parties		
	Half year ended	Year ended	Half year ended	Year ended	Half year ended	Year ended	Half year ended	Year ended	
	June 30, 2009	Dec 31, 2008	June 30, 2009	Dec 31, 2008	June 30, 2009	Dec 31, 2008	June 30, 2009	Dec 31, 2008	
----- (Rupees in '000) -----									
Deposits									
Deposits at beginning of the period / year	425,898	17,980	301,929	275,826	29,774	9,719	7,060,632	209,716	
Deposits received during the period / year	11,185,099	10,910,613	31,786,989	302,979,123	214,032	687,935	21,768,110	50,640,762	
Deposits repaid during the period / year	(11,521,645)	(10,502,695)	(30,627,246)	(302,953,020)	(226,488)	(667,880)	(17,759,691)	(43,789,846)	
Deposits at the end of the period / year	89,352	425,898	1,461,672	301,929	17,318	29,774	11,069,051	7,060,632	
Advances (secured)									
Balance at beginning of the period / year	-	-	-	-	1,640	2,116	-	1,661,869	
Loan granted during the period / year	-	-	-	-	-	-	-	524,153	
Repayment during the period / year	-	-	-	-	(242)	(476)	-	(2,186,022)	
Balance at end of the period / year	-	-	-	-	1,398	1,640	-	-	
							June 30, 2009	December 31, 2008	
							----- (Rupees in '000) -----		
Receivable from Pension Fund								7,163,228	5,399,019
	Directors		Associated companies		Subsidiary companies		Other related parties		
	June 30, 2009	June 30, 2008	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	-	-	-	-	-	
MNET Services (Private) Limited									
Dividend received	-	-	-	-	-	4,997	-	-	
Outsourcing service expenses	-	-	-	-	29,479	54,991	-	-	
Networking service expenses	-	-	-	-	20,359	472	-	-	
Payable for trade debts	-	-	-	-	21,145	-	-	-	
MCB Asset Management Company Limited									
- Dividend received	-	-	-	-	-	29,998	-	-	
- Markup paid	-	-	-	-	558	1,281	-	-	
- Markup payable	-	-	-	-	38	234	-	-	
- Others	-	-	-	-	448	681	-	-	
MCB Trade Services									
- Dividend received	-	-	-	-	11,315	10,918	-	-	
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	
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) -----	
Assets		
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
	7,256,894	9,277,928
Liabilities		
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
	6,263,738	8,405,657
Net assets	993,156	872,271
Represented by:		
Islamic Banking Fund	850,000	650,000
Unappropriated profit	147,092	209,921
	997,092	859,921
Surplus / (deficit) on revaluation of assets - net of tax	(3,936)	12,350
	993,156	872,271
Remuneration to Shariah Advisor / Board	623	1,200
Charity fund		
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:

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