



MCB Bank Limited

Un-consolidated Financial Information
Nine Months Ended September 30, 2008

MCB Bank Limited
Unconsolidated Condensed Interim Balance Sheet (Un-audited)
As at September 30, 2008

| | <i>Note</i> | Unaudited September 30, 2008 | Audited December 31, 2007 |
|---|-------------|---|---------------------------------|
| ----- (Rupees in '000) ----- | | | |
| Assets | | | |
| Cash and balances with treasury banks | | 47,724,177 | 39,683,883 |
| Balances with other banks | | 9,812,154 | 3,807,519 |
| Lendings to financial institutions | 7 | 18,701,207 | 1,051,372 |
| Investments - net | 8 | 90,662,180 | 113,089,261 |
| Advances - net | 9 | 248,796,129 | 218,960,598 |
| Operating fixed assets | | 17,074,218 | 16,024,123 |
| Deferred tax assets - net | | - | - |
| Other assets - net | | 20,794,920 | 17,868,761 |
| | | 453,564,985 | 410,485,517 |
| Liabilities | | | |
| Bills payable | | 7,314,386 | 10,479,058 |
| Borrowings | 10 | 39,385,829 | 39,406,831 |
| Deposits and other accounts | 11 | 323,967,918 | 292,098,066 |
| Sub-ordinated loan | | - | 479,232 |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities - net | 12 | 271,478 | 1,180,162 |
| Other liabilities | | 26,109,729 | 11,722,493 |
| | | 397,049,340 | 355,365,842 |
| Net assets | | 56,515,645 | 55,119,675 |
| Represented by: | | | |
| Share capital | | 6,282,768 | 6,282,768 |
| Reserves | | 36,432,636 | 34,000,638 |
| Un-appropriated profit | | 7,696,251 | 5,130,750 |
| | | 50,411,655 | 45,414,156 |
| Surplus on revaluation of assets - net of tax | | 6,103,990 | 9,705,519 |
| | | 56,515,645 | 55,119,675 |

Contingencies and commitments

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

President and Chief Executive

Director

Director

Director

MCB Bank Limited

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

For the nine months ended September 30, 2008

| Note | Quarter ended September 30, 2008 | Nine months ended September 30, 2008 | Quarter ended September 30, 2007 | Nine months ended September 30, 2007 |
|---|--|---|--|---|
| ----- (Rupees in '000) ----- | | | | |
| Mark-up / return / interest earned | 11,142,037 | 28,078,064 | 8,081,786 | 23,689,445 |
| Mark-up / return / interest expensed | 3,418,643 | 7,757,920 | 1,985,722 | 5,750,881 |
| Net mark-up / interest income | 7,723,394 | 20,320,144 | 6,096,064 | 17,938,564 |
| Provision against loans and advances | 754,723 | 1,996,410 | 253,407 | 1,441,713 |
| Provision for diminution in the value of investments | - | 210,431 | 156,886 | 130,913 |
| Bad debts written off directly | - | - | 45 | 199 |
| Net mark-up / interest income after provisions | 6,968,671 | 18,113,303 | 5,685,726 | 16,365,739 |
| Non mark-up / interest income | | | | |
| Fee, commission and brokerage income | 618,535 | 2,166,509 | 644,167 | 1,973,581 |
| Dividend income | 283,556 | 492,958 | 382,843 | 577,493 |
| Income from dealing in foreign currencies | 577,696 | 535,439 | 139,956 | 552,657 |
| Gain / (loss) on sale of securities - net | (33,388) | 689,818 | 299,669 | 1,273,968 |
| Gain / (loss) on trading in government securities - net | 5,383 | (12,347) | (71) | (121) |
| Other income | 194,377 | 629,003 | 239,446 | 697,529 |
| Total non mark-up / interest income | 1,646,159 | 4,501,380 | 1,706,010 | 5,075,107 |
| | 8,614,830 | 22,614,683 | 7,391,736 | 21,440,846 |
| Non-mark-up / interest expenses | | | | |
| Administrative expenses | 2,738,156 | 5,817,659 | 2,106,154 | 4,889,899 |
| Other provisions / (reversal) | - | - | - | (9,452) |
| Other charges | 209,715 | 501,002 | 5,642 | 179,435 |
| Total non mark-up/interest expenses | 2,947,871 | 6,318,661 | 2,111,796 | 5,059,882 |
| | 5,666,959 | 16,296,022 | 5,279,940 | 16,380,964 |
| Extra ordinary / unusual item | - | - | - | - |
| Profit before taxation | 5,666,959 | 16,296,022 | 5,279,940 | 16,380,964 |
| Taxation - current period | 1,940,004 | 5,505,487 | 1,615,178 | 4,958,076 |
| - prior years | (204,500) | (834,769) | - | (459,952) |
| - deferred | (15,007) | 1,945 | 80,510 | 635,460 |
| | 1,720,497 | 4,672,663 | 1,695,688 | 5,133,584 |
| Profit after taxation | 3,946,462 | 11,623,359 | 3,584,252 | 11,247,380 |
| Earnings per share - basic and diluted - Rupees | 11 6.28 | 18.50 | 5.70 | 17.90 |

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

President and Chief Executive

Director

Director

Director

MCB Bank Limited

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months ended September 30, 2008

| | September 30, 2008 | September 30, 2007 |
|--|------------------------------|-----------------------|
| | ----- (Rupees in '000) ----- | |
| Cash flows from operating activities | | |
| Profit before taxation | 16,296,022 | 16,380,964 |
| Less: Dividend income | (492,958) | (577,493) |
| | <u>15,803,064</u> | 15,803,471 |
| Adjustments for non-cash charges | | |
| Depreciation | 610,806 | 394,068 |
| Amortization | 104,443 | 143,327 |
| Provision against loans and advances | 1,996,410 | 1,441,713 |
| Provision for diminution in the value of investments | 210,431 | 130,913 |
| Provision of in the value of other assets | - | (9,452) |
| Bad debts written off directly | - | 199 |
| (Gain) / loss on disposal of fixed assets | (20,132) | (8,903) |
| Un realized loss on revaluation of 'held-for-trading' securities | 30,573 | 278 |
| Un realized loss on derivative financial instruments | 4,561,643 | 140,855 |
| | <u>7,494,174</u> | 2,232,998 |
| | 23,297,238 | 18,036,469 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | (17,649,835) | 18,168,526 |
| Held for trading securities | 52,966 | (47,654) |
| Advances - net | (31,831,941) | 6,272,931 |
| Other assets - net | 4,789,149 | (4,964,301) |
| | <u>(44,639,661)</u> | 19,429,502 |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | (3,164,672) | 2,020,244 |
| Borrowings from financial institutions | (21,002) | (373,815) |
| Deposits | 31,869,852 | 30,460,018 |
| Other liabilities | 1,732,998 | 394,859 |
| | <u>30,417,176</u> | 32,501,306 |
| | 9,074,753 | 69,967,277 |
| Income tax paid | (4,127,555) | (4,485,209) |
| Net cash flows from operating activities | <u>4,947,198</u> | 65,482,068 |
| Cash flows from investing activities | | |
| Net investments in available-for-sale securities | 22,491,019 | (64,281,862) |
| Net investments in held-to-maturity securities | (5,119,610) | 4,343,179 |
| Investments in subsidiary companies | - | (5,000) |
| Dividend income received | 244,600 | 577,493 |
| Investment in operating fixed assets - net of disposals | (1,480,143) | (2,690,214) |
| Net cash flows from investing activities | <u>16,135,866</u> | (62,056,404) |
| Cash flows from financing activities | | |
| Payment of sub-ordinated loan | (479,232) | (1,118,208) |
| Dividend paid | (6,828,565) | (2,702,776) |
| Net cash flows from financing activities | <u>(7,307,797)</u> | (3,820,984) |
| Exchange difference on translation of net investment in foreign branches | 269,662 | (31,239) |
| Increase in cash and cash equivalents | <u>14,044,929</u> | (426,559) |
| Cash and cash equivalents at January 1 | <u>43,491,402</u> | 39,042,993 |
| Cash and cash equivalents at September 30 | <u>57,536,331</u> | 38,616,434 |

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

President and Chief Executive

Director

Director

Director

MCB Bank Limited
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months ended September 30, 2008

| | Capital Reserves | | | Other Reserves | | | Total | |
|---|------------------|---------------|-----------------------------------|------------------------------|-------------------|-----------------|-------------|-----------------------|
| | Share capital | Share premium | Reserve for issue of bonus shares | Exchange translation reserve | Statutory reserve | General reserve | | Unappropriated profit |
| ----- (Rupees in '000) ----- | | | | | | | | |
| Balance as at January 01, 2007 | 5,463,276 | 9,702,528 | - | (53,637) | 5,213,535 | 9,800,000 | 5,530,973 | 35,656,675 |
| Change in Equity | | | | | | | | |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 8,045 | 8,045 |
| Exchange differences on translation of net investment in foreign branches | - | - | - | (31,239) | - | - | - | (31,239) |
| Total income recognized directly in equity | - | - | - | (31,239) | - | - | 8,045 | (23,194) |
| Profit after taxation for nine months period ended September 30, 2007 | - | - | - | - | - | - | 11,247,380 | 11,247,380 |
| Total recognized income for the period | - | - | - | (31,239) | - | - | 11,255,425 | 11,224,186 |
| Transferred to statutory reserve | - | - | - | - | 1,124,738 | - | (1,124,738) | - |
| Transferred to general reserve | - | - | - | - | - | 4,800,000 | (4,800,000) | - |
| Issue of bonus shares - December 31, 2006 | 819,492 | - | - | - | - | - | (819,492) | - |
| Final cash dividend - December 31, 2006 | - | - | - | - | - | - | (819,492) | (819,492) |
| Interim cash dividend - March 31, 2007 | - | - | - | - | - | - | (1,570,692) | (1,570,692) |
| Interim cash dividend - June 30, 2007 | - | - | - | - | - | - | (1,570,704) | (1,570,704) |
| Balance as at September 30, 2007 | 6,282,768 | 9,702,528 | - | (84,876) | 6,338,273 | 14,600,000 | 6,081,280 | 42,919,973 |
| Changes in equity | | | | | | | | |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 3,810 | 3,810 |
| Exchange differences on translation of net investment in foreign branches | - | - | - | 42,895 | - | - | - | 42,895 |
| Total expense / income recognized directly in equity | - | - | - | 42,895 | - | - | 3,810 | 46,705 |
| Profit after taxation for three months period ended December 31, 2007 | - | - | - | - | - | - | 4,018,182 | 4,018,182 |
| Total recognized income for the period | - | - | - | 42,895 | - | - | 4,021,992 | 4,064,887 |
| Transferred to statutory reserve | - | - | - | - | 401,818 | - | (401,818) | - |
| Transferred to general reserve | - | - | - | - | - | 3,000,000 | (3,000,000) | - |
| Interim cash dividend - September 30, 2007 | - | - | - | - | - | - | (1,570,704) | (1,570,704) |
| 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 | | | | | | | | |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 15,524 | 15,524 |
| Exchange differences on translation of net investment in foreign branches | - | - | - | 269,662 | - | - | - | 269,662 |
| Total expense / income recognized directly in equity | - | - | - | 269,662 | - | - | 15,524 | 285,186 |
| Profit after taxation for nine months period ended September 30, 2008 | - | - | - | - | - | - | 11,623,359 | 11,623,359 |
| Total recognized income for the period | - | - | - | 269,662 | - | - | 11,638,883 | 11,908,545 |
| Transferred to statutory reserve | - | - | - | - | 1,162,336 | - | (1,162,336) | - |
| Final cash dividend - December 31, 2007 | - | - | - | - | - | - | (3,141,384) | (3,141,384) |
| Transferred to general reserve | - | - | - | - | - | 1,000,000 | (1,000,000) | - |
| Interim cash dividend - March 31, 2008 | - | - | - | - | - | - | (1,884,831) | (1,884,831) |
| Interim cash dividend - June 30, 2008 | - | - | - | - | - | - | (1,884,831) | (1,884,831) |
| Balance as at September 30, 2008 | 6,282,768 | 9,702,528 | - | 227,681 | 7,902,427 | 18,600,000 | 7,696,251 | 50,411,655 |

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

President and Chief Executive

Director

Director

Director

MCB Bank Limited

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

As at September 30, 2008

1 STATUS AND NATURE OF BUSINESS

MCB Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg, Lahore respectively. The Bank operates 1,030 branches including 8 Islamic banking branches (December 31, 2007: 1020 branches including 8 Islamic banking branches) inside Pakistan and 7 (December 31, 2007: 6) branches outside the country (including the Karachi Export Processing Zone Branch). During the period Malayan Banking Berhad (Maybank) of Malaysia acquired 125,655,369 shares representing 20% stake in the Bank through Mayban International Trust (Labuan) Berhad.

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

This unconsolidated condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

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

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

4 BASIS OF MEASUREMENT

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

5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

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

6 SIGNIFICANT ACCOUNTING ESTIMATES

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

7. LENDINGS TO FINANCIAL INSTITUTIONS

| | September 30, 2008 | December 31, 2007 |
|-------------------------------|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| Call money lendings | 12,650,000 | 1,051,372 |
| Repurchase agreement lendings | 6,051,207 | - |
| | <u>18,701,207</u> | <u>1,051,372</u> |

| 8 INVESTMENTS - Net | | Held by bank | Given as collateral | Total |
|---|-----|--------------------------------|---------------------|-------------------|
| | | ----- September 30, 2008 ----- | | |
| 8.1 Investments by types | | | | |
| Held-for-trading securities | | 177,786 | - | 177,786 |
| Available-for-sale securities | 8.2 | 50,845,180 | 25,750,451 | 76,595,631 |
| Held-to-maturity securities | 8.2 | 16,221,633 | - | 16,221,633 |
| | | <u>67,244,599</u> | <u>25,750,451</u> | <u>92,995,050</u> |
| Associates | 8.3 | 1,006,900 | - | 1,006,900 |
| Subsidiaries | | 377,532 | - | 377,532 |
| | | <u>1,384,432</u> | <u>-</u> | <u>1,384,432</u> |
| | | <u>68,629,031</u> | <u>25,750,451</u> | <u>94,379,482</u> |
| Less: | | | | |
| Provision for diminution in the value of investments | | (665,943) | - | (665,943) |
| Deficit on revaluation of available for sale securities - net | | (2,985,340) | (22,341) | (3,007,681) |
| Deficit on revaluation of held-for-trading securities - net | | (43,678) | - | (43,678) |
| Investments - net | | <u>64,934,070</u> | <u>25,728,110</u> | <u>90,662,180</u> |

| | | Held by bank | Given as collateral | Total |
|---|-----|-------------------------------|---------------------|--------------------|
| | | ----- December 31, 2007 ----- | | |
| Held-for-trading securities | | 230,752 | - | 230,752 |
| Available-for-sale securities | 8.2 | 72,102,556 | 26,996,870 | 99,099,426 |
| Held-to-maturity securities | 8.2 | 11,102,023 | - | 11,102,023 |
| | | <u>83,435,331</u> | <u>26,996,870</u> | <u>110,432,201</u> |
| Associates | 8.3 | 1,006,900 | - | 1,006,900 |
| Subsidiaries | | 377,532 | - | 377,532 |
| | | <u>1,384,432</u> | <u>-</u> | <u>1,384,432</u> |
| | | <u>84,819,763</u> | <u>26,996,870</u> | <u>111,816,633</u> |
| Less: | | | | |
| Provision for diminution in the value of investments | | (468,288) | - | (468,288) |
| Surplus / (deficit) on revaluation of available for sale securities - net | | 1,790,011 | (35,990) | 1,754,021 |
| Deficit on revaluation of held-for-trading securities - net | | (13,105) | - | (13,105) |
| Investments - net | | <u>86,128,381</u> | <u>26,960,880</u> | <u>113,089,261</u> |

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

8.3 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (December 31, 2007: Rs. 943.600 million) as at September 30, 2008 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at September 30, 2008 amounted to Rs. 5,655.801 million (December 31, 2007: Rs. 10,671.631 million).

| 9 ADVANCES - net | | September 30, | December 31, |
|---|-----|---------------------|---------------------|
| | | 2008 | 2007 |
| ----- (Rupees in '000) ----- | | | |
| Loans, cash credits, running finances, etc | | | |
| - In Pakistan | | 236,249,756 | 208,587,014 |
| - Outside Pakistan | | 9,902,917 | 6,989,947 |
| | | <u>246,152,673</u> | <u>215,576,961</u> |
| Net Investment in Finance Lease | | | |
| - In Pakistan | | 5,786,131 | 6,904,399 |
| - Outside Pakistan | | 92,159 | 67,710 |
| | | <u>5,878,290</u> | <u>6,972,109</u> |
| Bills discounted and purchased (excluding treasury bills) | | | |
| - Payable in Pakistan | | 3,540,543 | 2,949,228 |
| - Payable outside Pakistan | | 5,252,191 | 4,234,574 |
| | | <u>8,792,734</u> | <u>7,183,802</u> |
| Advances - gross | | <u>260,823,697</u> | <u>229,732,872</u> |
| Less: Provision against loans and advances | | | |
| - Specific provision | 9.1 | (9,046,596) | (7,326,953) |
| - General provision | | (2,317,401) | (2,749,815) |
| - General provision against consumer loans | | (654,520) | (688,665) |
| - General Provision for potential lease losses (in Srilanka Operations) | | (9,051) | (6,841) |
| | | <u>(12,027,568)</u> | <u>(10,772,274)</u> |
| Advances - net of provision | | <u>248,796,129</u> | <u>218,960,598</u> |

- 9.1 Advances include Rs. 13,320.316 million (December 31, 2007: Rs. 10,725.308 million) which have been placed under non-performing status as detailed below:

| September 30, 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 | 112,154 | - | 112,154 | - |
| Substandard | | 1,367,218 | - | 1,367,218 | 305,842 |
| Doubtful | | 2,187,705 | 5,257 | 2,192,962 | 1,012,266 |
| Loss | | 6,895,793 | 2,752,189 | 9,647,982 | 7,728,488 |
| | | <u>10,562,870</u> | <u>2,757,446</u> | <u>13,320,316</u> | <u>9,046,596</u> |
| December 31, 2007 | | | | | |
| 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 | 101,910 | - | 101,910 | - |
| Substandard | | 842,804 | 11,438 | 854,242 | 205,291 |
| Doubtful | | 1,691,207 | 8,373 | 1,699,580 | 836,809 |
| Loss | | 5,374,166 | 2,695,410 | 8,069,576 | 6,284,853 |
| | | <u>8,010,087</u> | <u>2,715,221</u> | <u>10,725,308</u> | <u>7,326,953</u> |

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

10 BORROWINGS FROM FINANCIAL INSTITUTIONS

| | September 30, 2008 | December 31, 2007 |
|------------------------------|-----------------------|----------------------|
| ----- (Rupees in '000) ----- | | |
| In Pakistan | 33,610,233 | 35,497,881 |
| Outside Pakistan | 5,775,596 | 3,908,950 |
| | <u>39,385,829</u> | <u>39,406,831</u> |

10.1 Details of borrowings (secured / unsecured)

Secured

| | | |
|---|-------------------|-------------------|
| Borrowings from State Bank of Pakistan | | |
| Export refinance scheme | 5,721,508 | 5,593,462 |
| Long term financing - export oriented products scheme | 2,179,472 | 2,473,077 |
| | <u>7,900,980</u> | <u>8,066,539</u> |
| Borrowings from other financial institutions | - | 2,932,600 |
| Repurchase agreement borrowings | 25,709,253 | 26,931,342 |
| | <u>25,709,253</u> | <u>29,863,942</u> |
| | <u>33,610,233</u> | <u>37,930,481</u> |
| Unsecured | | |
| Overdrawn nostro accounts | 501,248 | 976,350 |
| Call borrowings | 5,274,348 | 500,000 |
| | <u>5,775,596</u> | <u>1,476,350</u> |
| | <u>39,385,829</u> | <u>39,406,831</u> |

11 DEPOSITS AND OTHER ACCOUNTS

Customers

| | | |
|-------------------------------------|--------------------|--------------------|
| Fixed deposits | 38,307,585 | 32,202,230 |
| Savings deposits | 164,647,737 | 151,555,718 |
| Current accounts - non remunerative | 108,055,454 | 95,966,877 |
| Margin accounts | 3,630,521 | 2,589,309 |
| Others | 816 | 4,288 |
| | <u>314,642,113</u> | <u>282,318,422</u> |

Financial institutions

| | | |
|---------------------------|--------------------|--------------------|
| Remunerative deposits | 4,185,126 | 9,233,602 |
| Non-remunerative deposits | 5,140,679 | 546,042 |
| | <u>9,325,805</u> | <u>9,779,644</u> |
| | <u>323,967,918</u> | <u>292,098,066</u> |

| | September 30, 2008 | December 31, 2007 |
|---|------------------------------|---------------------------|
| | ----- (Rupees in '000) ----- | |
| 12 DEFERRED TAX ASSETS / (LIABILITY) - net | | |
| The details of the tax effect of taxable and deductible temporary differences are as follows: | | |
| Taxable temporary differences on: | | |
| Surplus on revaluation of operating fixed assets | 519,665 | 468,916 |
| On net investment in finance lease | 504,535 | 599,174 |
| Accelerated tax depreciation | 587,381 | 561,852 |
| Surplus on revaluation of Securities | - | 156,700 |
| Others | 27,700 | 1,524 |
| | <u>1,639,281</u> | <u>1,788,166</u> |
| Deductible temporary differences on: | | |
| Provision for contributory benevolent scheme | (80,193) | (98,706) |
| Surplus on revaluation of Securities | (813,038) | - |
| Provision for post retirement medical benefits | (474,572) | (509,298) |
| | <u>(1,367,803)</u> | <u>(608,004)</u> |
| | <u>271,478</u> | <u>1,180,162</u> |
| 13 CONTINGENCIES AND COMMITMENTS | | |
| 13.1 Transaction-related contingent liabilities / commitments | | |
| Guarantees in favour of: | | |
| - Government | 7,350,798 | 5,283,799 |
| - Banks and financial institutions | 33,082 | 376,773 |
| - Others | 10,552,060 | 7,247,043 |
| Suppliers credit / pavee guarantee | <u>2,232,145</u> | <u>1,809,117</u> |
| | <u>20,168,085</u> | <u>14,716,732</u> |
| 13.2 Trade-related contingent liabilities | 63,001,008 | 61,677,285 |
| 13.3 Other contingencies | | |
| Claims against the Bank not acknowledged as debts | 213,749 | 134,079 |
| 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. | | |
| 13.5 Commitments in respect of forward foreign exchange contracts | | |
| Purchase | <u>92,862,878</u> | <u>62,077,338</u> |
| Sale | <u>99,700,544</u> | <u>69,362,417</u> |
| 13.6 Commitments for the acquisition of fixed assets | 37,520 | 78,670 |
| 13.7 Other commitments | | |
| Cross currency swaps (notional amount) | 384,535 | 1,845,484 |
| FX Options (notional amount) | | |
| - Purchase | - | 351,702 |
| - Sale | - | 351,702 |
| Interest rate swaps (notional amount) | 2,620,570 | 2,721,698 |
| | Nine months ended | September 30, 2008 |
| | September 30, 2007 | |
| | ---- (Rupees in '000) ---- | |
| 14 EARNINGS PER SHARE - BASIC AND DILUTED | | |
| Profit after taxation attributable to ordinary shareholders | <u>11,623,359</u> | <u>11,247,380</u> |
| | <i>Number of shares</i> | |
| Weighted average number of shares outstanding during the period | <u>628,276,843</u> | <u>628,276,843</u> |
| | <i>Rupees</i> | |
| Earnings per share | <u>18.50</u> | <u>17.90</u> |
| 15 CREDIT RATING | | |
| PACRA through its notification in June 2008 has assigned long-term credit rating of AA+ (double A plus) and short-term credit rating of A1+ (A one plus) to the Bank. | | |

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

| Nine months ended September 30, 2008 | | | | | | |
|---|-------------------------|---------------------------------|-----------------------|--------------------|-----------|---------------------|
| Corporate Finance | Trading and Sales | Retail & Consumer Banking | Commercial Banking | Eliminations | Total | |
| ------(Rupees in '000)----- | | | | | | |
| Total income | 67,651 | 7,701,854 | 14,852,328 | 10,133,611 | (176,000) | 32,579,444 |
| Total expenses | (10,584) | (892,546) | (13,303,972) | (2,252,320) | 176,000 | (16,283,422) |
| Income tax expense | - | - | - | - | - | (4,672,663) |
| Net income | 57,067 | 6,809,308 | 1,548,356 | 7,881,291 | - | 11,623,359 |
| Segment assets - (Gross of NPLs Provisions) | - | 126,259,271 | 146,856,708 | 189,495,602 | | 462,611,581 |
| Total assets | - | 126,259,271 | 146,856,708 | 189,495,602 | - | 462,611,581 |
| Segment non performing loans | | | 5,256,233 | 8,064,083 | | 13,320,316 |
| Segment specific provision required | | | 3,569,811 | 5,476,785 | | 9,046,596 |
| Segment liabilities | - | 112,929,469 | 122,620,065 | 159,339,852 | | 394,889,386 |
| Deferred tax liabilities - net | - | - | - | - | - | 271,478 |
| Provision for taxation | - | - | - | - | - | 1,888,476 |
| Total liabilities - net | - | 112,929,469 | 122,620,065 | 159,339,852 | - | 397,049,340 |
| Segment return on assets (ROA) (%) | - | 7.19% | 1.44% | 5.71% | - | 3.42% |
| Segment cost of fund (%) | - | 4.72% | 2.61% | 3.86% | - | 2.76% |
| Nine months ended September 30, 2007 | | | | | | |
| Total income | 168,507 | 9,409,726 | 11,321,062 | 8,124,379 | (259,122) | 28,764,552 |
| Total expenses | (11,873) | (1,772,416) | (9,145,667) | (1,712,754) | 259,122 | (12,383,588) |
| Income tax expense | - | - | - | - | - | (5,133,584) |
| Net income | 156,634 | 7,637,310 | 2,175,395 | 6,411,625 | - | 11,247,380 |
| Segment assets - (Gross of NPLs provision) | 14 | 145,478,164 | 127,894,469 | 115,886,879 | - | 389,259,526 |
| Total assets | 14 | 145,478,164 | 127,894,469 | 115,886,879 | - | 389,259,526 |
| Segment non performing loans | - | 313,039 | 4,665,231 | 4,568,014 | - | 9,546,284 |
| Segment specific provision required | - | 112,511 | 3,692,903 | 2,860,599 | - | 6,666,013 |
| Segment liabilities | (160,804) | 128,813,350 | 101,961,463 | 101,064,421 | - | 331,678,430 |
| Deferred tax assets | - | - | - | - | - | 405,414 |
| Provision for taxation | - | - | - | - | - | 2,380,478 |
| Total liabilities - net | (160,804) | 128,813,350 | 101,961,463 | 101,064,421 | - | 334,464,322 |
| Segment return on assets (ROA) (%) | 0.00% | 5.25% | 1.75% | 5.67% | - | 2.94% |
| Segment cost of fund (%) | 0.00% | 7.53% | 2.09% | 3.16% | - | 2.29% |

17 RELATED PARTY TRANSACTIONS

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

Transactions between the bank and its related parties are carried out at an arm's length basis under the comparable uncontrolled price method. However, the transactions between the bank and one of its subsidiary MNET Services (Private) Limited are carried out on 'cost plus' method. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. There are no 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 | |
|--|--------------------|--------------|----------------------|---------------|----------------------|--------------|-----------------------|--------------|
| | Nine months ended | Year ended | Nine months ended | Year ended | Nine months ended | Year ended | Nine months ended | Year ended |
| | September 30, 2008 | Dec 31, 2007 | September 30, 2008 | Dec 31, 2007 | September 30, 2008 | Dec 31, 2007 | September 30, 2008 | Dec 31, 2007 |
| ----- (Rupees in '000) ----- | | | | | | | | |
| Deposits | | | | | | | | |
| Deposits at beginning of the period / year | 17,980 | 19,099 | 275,826 | 522,641 | 9,719 | 279,729 | 209,716 | 314,045 |
| Deposits received during the period / year | 628,554 | 447,772 | 269,772,610 | 124,757,792 | 238,944 | 699,420 | 7,530,095 | 14,776,866 |
| Deposits repaid during the period / year | (636,191) | (448,891) | (269,207,178) | (125,004,607) | (216,229) | (969,430) | (7,655,447) | (14,881,195) |
| Deposits at the end of the period / year | 10,343 | 17,980 | 841,257 | 275,826 | 32,434 | 9,719 | 84,364 | 209,716 |

Advances (secured)

| | | | | | | | | |
|---|---|---|---|---|-------|-------|-------------|-------------|
| Balance at beginning of the period / year | - | - | - | - | 2,116 | 2,473 | 1,661,869 | 2,240,038 |
| Loan granted during the period / year | - | - | - | - | - | - | 524,153 | 1,442,020 |
| Repayment during the period / year | - | - | - | - | (286) | (357) | (2,186,022) | (2,020,189) |
| Balance at end of the period / year | - | - | - | - | 1,830 | 2,116 | - | 1,661,869 |

| | September 30, 2008 | December 31, 2007 |
|------------------------------|--------------------|-------------------|
| Receivable from Pension Fund | 3,718,677 | 10,651,047 |

----- (Rupees in '000) -----

| | Directors | | Associated companies | | Subsidiary companies | | Other Related Parties | |
|--|------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|-----------------------|--------------------|
| | September 30, 2008 | September 30, 2007 | September 30, 2008 | September 30, 2007 | September 30, 2008 | September 30, 2007 | September 30, 2008 | September 30, 2007 |
| | ----- (Rupees in '000) ----- | | | | | | | |

Adamjee Insurance Company Limited

| | | | | | | | | |
|-------------------------|---|---|--------|--------|---|---|---|---|
| Insurance premium paid | - | - | 74,624 | 67,865 | - | - | - | - |
| Insurance claim settled | - | - | 72,897 | 32,102 | - | - | - | - |
| Dividend received | - | - | 44,670 | 53,604 | - | - | - | - |
| Rent income received | - | - | 5,625 | 1,764 | - | - | - | - |

MNET Services (Private) Limited

| | | | | | | | | |
|------------------------------|---|---|---|---|--------|--------|---|---|
| Dividend received | - | - | - | - | 4,998 | - | - | - |
| Outsourcing service expenses | - | - | - | - | 75,123 | 47,018 | - | - |
| Networking service expenses | - | - | - | - | 498 | 4,712 | - | - |

Muslim Commercial Financial Services (Private) Limited

| | | | | | | | | |
|---------------------------|---|---|---|---|---|---|---|---|
| Custodian charges revenue | - | - | - | - | - | 3 | - | - |
|---------------------------|---|---|---|---|---|---|---|---|

MCB Asset Management Company Limited

| | | | | | | | | |
|---------------------|---|---|---|---|--------|--------|---|---|
| - Dividend received | - | - | - | - | 29,998 | - | - | - |
| - Markup paid | - | - | - | - | 1,295 | 15,840 | - | - |
| - Sale of Property | - | - | - | - | - | 30,750 | - | - |
| - Sale of car | - | - | - | - | - | 1,600 | - | - |
| - Markup payable to | - | - | - | - | 339 | 687 | - | - |
| - Others | - | - | - | - | 681 | 469 | - | - |

MCB Trade Services

| | | | | | | | | |
|---------------|---|---|---|---|---|-------|---|---|
| - Markup Paid | - | - | - | - | - | 8,410 | - | - |
|---------------|---|---|---|---|---|-------|---|---|

MCB Employees Foundation

| | | | | | | | | |
|----------------------------|---|---|---|---|---|---|--------|--------|
| - Service expenses | - | - | - | - | - | - | 13,257 | 14,415 |
| - Cash sorting expenses | - | - | - | - | - | - | 12,999 | 13,516 |
| - Cash in transit expenses | - | - | - | - | - | - | 5,863 | 1,781 |

Others

| | | | | | | | | |
|---|--------|---------|---|---|---|---|---------|---------|
| - Proceeds from sale of Vehicles to Executives | - | - | - | - | - | - | 16,329 | 5,278 |
| -(Loss) / Gain on sale of vehicles to executives | - | - | - | - | - | - | (540) | 257 |
| - Remuneration of key management personnel | 34,863 | 102,141 | - | - | - | - | 185,056 | 108,085 |
| - Miscellaneous expenses | - | - | - | - | - | - | 56,827 | 51,457 |
| - Contribution / (expense) on provident fund | - | - | - | - | - | - | 99,440 | 80,899 |

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

September 30, 2008 December 31, 2007

Assets

----- (Rupees in '000) -----

| | | |
|---------------------------------------|-------------------|------------------|
| Cash and balances with treasury banks | 397,956 | 601,665 |
| Investments - net | 1,781,727 | 1,419,000 |
| Financing and receivables | | |
| - Murabaha | 3,446,656 | 2,406,402 |
| - Ijara | 1,279,858 | 1,585,202 |
| - Islamic export refinance | 964,250 | 738,178 |
| Other Assets | 2,812,053 | 764,036 |
| | 10,682,500 | 7,514,483 |

Liabilities

| | | |
|-----------------------------|------------------|------------------|
| Bills payable | 19,850 | 47,115 |
| Deposits and other accounts | | |
| - Current Accounts | 299,670 | 440,567 |
| - Saving Accounts | 546,619 | 907,283 |
| - Term Deposits | 60,974 | 76,382 |
| - Others | 8,825 | 30,256 |
| Borrowing from SBP | 661,500 | 593,000 |
| Due to head office | 7,850,000 | 4,750,000 |
| Deferred tax liability | 4,988 | 4,988 |
| Other liabilities | 413,619 | 113,598 |
| | 9,866,045 | 6,963,189 |
| Net assets | 816,455 | 551,294 |

Represented by:

| | | |
|---|----------------|----------------|
| Islamic Banking Fund | 650,000 | 400,000 |
| Reserves | - | - |
| Unappropriated profit | 152,443 | 137,282 |
| | 802,443 | 537,282 |
| Surplus on revaluation of assets - net of tax | 14,012 | 14,012 |
| | 816,455 | 551,294 |

| | | |
|---|-----|-------|
| Remuneration to Shariah Advisor / Board | 879 | 1,179 |
|---|-----|-------|

Charity Fund

| | | |
|--|--------------|--------------|
| Opening Balance | 4,227 | 3,244 |
| Additions during the period / year | 1,525 | 983 |
| Payments/ utilization during the period / year | 3,700 | - |
| Closing Balance | 2,052 | 4,227 |

19 GENERAL

- Figures have been rounded off to the nearest thousand rupees.
- An amount of Rs. 331.415 million on account of postal, SWIFT and other charges recovered has been reclassified as other income. Previously, these charges were netted of with administrative expenses.

20 NON-ADJUSTING EVENT

- 20.1** The Board of Directors in its meeting held on October 24, 2008 has announced interim cash dividend Rs. 3 per share in respect of the nine months ended September 30, 2008 (September 30, 2007: Rs 2.50 per share). In addition, the Board of Directors has also approved the transfer to general reserve from unappropriated profit amounting to Rs. Nil (September 30, 2007: Rs. 3,000 million). This unconsolidated condensed interim financial information for the period ended September 30, 2008 does not include the effect of these appropriations which will be accounted for subsequent to the period end.

21 DATE OF AUTHORISATION FOR ISSUE

This unconsolidated condensed interim financial information was authorized for issue on October 24, 2008 by the Board of Directors of the Bank.

President and Chief Executive_____
Director_____
Director_____
Director