



MCB Bank Limited
&
Subsidiary Companies

Consolidated Financial Statements
For the year ended December 31, 2009

MCB Bank Limited & Subsidiary Companies

Consolidated Balance Sheet

As at December 31, 2009

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

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

President and Chief Executive

Director

Director

Director

MCB Bank Limited & Subsidiary Companies

Consolidated Profit and Loss Account

For the year ended December 31, 2009

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

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MCB Bank Limited & Subsidiary Companies

Consolidated Cash Flow Statement

For the year ended December 31, 2009

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

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

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MCB Bank Limited & Subsidiary Companies
Consolidated Statement of Changes in Equity
For the year ended December 31, 2009

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

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

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

MCB Bank Limited & Subsidiary Companies
Consolidated Statement of Comprehensive Income
For the year ended December 31, 2009

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

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

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

President and Chief Executive

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MCB Bank Limited & Subsidiary Companies

Consolidated Notes to the Financial Statements

For the year ended December 31, 2009

1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding company

- MCB Bank Limited

Subsidiary companies

	Percentage holding of MCB Bank Limited %
- MCB Financial Services Limited (formerly Muslim Commercial Financial Services (Private) Limited)	99.999
- MNET Services (Private) Limited	99.950
- MCB Trade Services Limited	100.000
- MCB Asset Management Company Limited	99.990
- "MCB Leasing" Closed Joint Stock Company	95.000

MCB Bank Limited (holding company)

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) representing two ordinary shares (2008: two ordinary shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB -15 Main Gulberg, Lahore, respectively. The Bank operates 1,074 branches including 11 Islamic banking branches (2008: 1,040 branches including 11 Islamic banking branches) within Pakistan and 7 branches (2008: 7 branches) outside the country (including the Karachi Export Processing Zone branch).

MCB Financial Services Limited (subsidiary company)

(formerly Muslim Commercial Financial Services (Private) Limited)

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

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

MNET Services (Private) Limited (subsidiary company)

MNET Services (Private) Limited is a private limited company incorporated in Pakistan under the Companies Ordinance, 1984 on September 7, 2001. The company's registered office and principal place of business are situated at MCB Building, F-6 / G-6, Jinnah Avenue, Islamabad and Sheikh Sultan Trust Building, Beaumont Road, Karachi respectively. The core objective of the company is to provide services in Information Technology and to develop computer software and other data processing equipment for planning, designing, management and execution of all types of financial, personal, organizational and institutional activities.

MCB Trade Services Limited (subsidiary company)

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

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

MCB Asset Management Company Limited (subsidiary company)

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

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

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

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

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

2. BASIS OF PRESENTATION

- 2.1** The consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.3** The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these financial statements.
- 2.4** For the purpose of translation, rates of Rs. 84.2416 per US Dollar (2008: Rs. 79.0985) and Rs. 0.7364 per SLR (2008: Rs.0.70) have been used.

3. STATEMENT OF COMPLIANCE

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

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

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

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

- IFRIC – 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a Bank distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

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

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

4. BASIS OF MEASUREMENT

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

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

a) Classification of investments

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

b) Provision against advances

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

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

c) Impairment of 'available for sale' equity investments

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

d) Taxation

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

e) Fair value of derivatives

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

f) Depreciation, amortization and revaluation of operating fixed assets

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

g) Staff retirement benefits

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policies

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

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

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

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

5.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of an associate accounted for under the equity basis of accounting.
- b) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiaries disposed off. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the financial statements as at December 31, 2008 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Material intra-Group balances and transactions have been eliminated.
- c) Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost, thereafter for the post-acquisition change in the Group's share of net assets of the associate, the cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in an associate has been accounted for on the basis of the financial statements for the year ended December 31, 2009.
- d) Minority interest is that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

5.3 Investments

The Group classifies its investments as follows:

a) Held for trading

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

b) Held to maturity

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

c) Available for sale

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

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

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

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

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

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

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

5.4 Sale and repurchase agreements

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

5.5 Advances

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

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

5.6 Operating fixed assets and depreciation

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

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

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

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

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

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

5.6.1 Intangible assets

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

5.6.2 Leased (Ijarah)

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

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

5.7 Impairment

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

5.8 Staff retirement benefits

MCB Bank Limited (holding company)

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

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
 - an approved contributory provident fund;
 - an approved gratuity scheme; and
 - a contributory benevolent scheme

- b) For clerical / non-clerical staff who joined the Group after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
 - an approved pension fund; and
 - contributory benevolent scheme

- c) For officers who joined the Group after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:
- an approved non-contributory provident fund introduced in lieu of the contributory provident fund; and
 - an approved pension fund.

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

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

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

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

MNET Services (Private) Limited (subsidiary company)

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

5.9 Employees' compensated absences

MCB Bank Limited (holding company)

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

5.10 Taxation

Current

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

Deferred

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

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

5.11 Provisions

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

5.12 Foreign currencies

5.12.1 Foreign currency transactions

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

5.12.2 Foreign operations

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

5.12.3 Translation gains and losses

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

5.12.4 Commitments

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

5.13 Revenue recognition

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

5.14 Operating leases

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

5.15 Cash and cash equivalents

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

5.16 Financial instruments

5.16.1 Financial assets and financial liabilities

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

5.16.2 Derivative financial instruments

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

5.16.3 Off setting

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

5.17 Share issuance cost

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

5.18 Segment reporting

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

5.18.1 Business segments

Corporate Finance

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

Trading and Sales

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

Retail and Consumer Banking

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

Commercial Banking

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

5.18.2 Geographical segments

The Group operates in three geographic regions being:

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

5.19 Dividend distribution and appropriation

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

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

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

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

6.3 This represents US Dollar settlement account maintained with SBP.

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

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

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

	<i>Note</i>	2009	2008
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	<i>8.2</i>	3,000,000	1,700,000
Repurchase agreement lendings	<i>8.3</i>	-	2,400,079
		3,000,000	4,100,079

8.1 Particulars of lendings

In local currency	3,000,000	4,093,079
In foreign currencies	-	7,000
	3,000,000	4,100,079

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

8.3 Securities held as collateral against lendings to financial institutions

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

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

9. INVESTMENTS - NET

9.1 Investments by types

	Note / Annexure	2009			2008		
		Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
		------(Rupees in '000)-----					
Held for trading securities							
- Shares in listed companies	9.5	-	-	-	177,786	-	177,786
- Market Treasury Bills	9.5	-	-	-	19,588	-	19,588
- Units in open ended mutual funds	9.5 & Annexure I (note 2)	320,488	-	320,488	325,831	-	325,831
		320,488	-	320,488	523,205	-	523,205
Available-for-sale securities							
- Market Treasury Bills	9.6	108,056,249	31,513,525	139,569,774	64,205,902	6,287,636	70,493,538
- Pakistan Investment Bonds	9.6	5,454,941	-	5,454,941	2,370,664	-	2,370,664
- Shares in listed companies	9.4 & Annexure I (note 1)	7,133,214	-	7,133,214	8,189,828	-	8,189,828
- Units in open ended mutual fund	9.4 & Annexure I (note 1)	442,981	-	442,981	676,909	-	676,909
- Shares in unlisted companies	9.4 & Annexure I (note 3)	513,843	-	513,843	515,724	-	515,724
- NIT units		5,253	-	5,253	5,253	-	5,253
- Sukuk Bonds	9.4 & Annexure I (note 4)	400,000	-	400,000	400,000	-	400,000
- Listed Term Finance Certificates (TFCs)	9.4 & Annexure I (note 4)	1,831,777	-	1,831,777	1,172,384	-	1,172,384
		123,838,258	31,513,525	155,351,783	77,536,664	6,287,636	83,824,300
Held-to-maturity securities							
- Market Treasury Bills	9.6	3,251,110	136,038	3,387,148	1,321,816	-	1,321,816
- Pakistan Investment Bonds	9.6	2,244,383	-	2,244,383	2,312,812	-	2,312,812
- Federal Government Securities	Annexure I (note 5)	171,583	-	171,583	392,216	-	392,216
- Provincial Government Securities		118	-	118	118	-	118
- Government Compensation Bonds	Annexure I (note 5)	286,557	-	286,557	870,771	-	870,771
- Sukuk Bonds	Annexure I (note 5)	2,753,929	-	2,753,929	2,401,260	-	2,401,260
- Euro Bonds	Annexure I (note 5)	684,810	-	684,810	4,969,516	-	4,969,516
- Term Finance Certificates (TFCs), Debentures, Bonds and Participation Term Certificates (PTCs)	Annexure I (note 4)	4,250,714	-	4,250,714	4,634,037	-	4,634,037
- Certificates of Investment		-	-	-	250,000	-	250,000
		13,643,204	136,038	13,779,242	17,152,546	-	17,152,546
Associates							
Adamjee Insurance Company Limited	9.7	3,339,710	-	3,339,710	2,511,489	-	2,511,489
First Women Bank Limited	9.12	63,300	-	63,300	63,300	-	63,300
		3,403,010	-	3,403,010	2,574,789	-	2,574,789
Investments at cost		141,204,960	31,649,563	172,854,523	97,787,204	6,287,636	104,074,840
Less: Provision for diminution in value of investments	9.3	(3,686,520)	-	(3,686,520)	(3,044,962)	-	(3,044,962)
Investments (net of provisions)		137,518,440	31,649,563	169,168,003	94,742,242	6,287,636	101,029,878
Surplus / (deficit) on revaluation of available for sale securities - net	21.2	331,588	(26,454)	305,134	(2,763,336)	(1,620)	(2,764,956)
Surplus / (deficit) on revaluation of 'held for trading' securities - net	9.5	11,510	-	11,510	(99,531)	-	(99,531)
Investments at revalued amounts - net of provisions		137,861,538	31,623,109	169,484,647	91,879,375	6,286,016	98,165,391

	<i>Note / Annexure</i>	2009	2008
		(Rupees in '000)	
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills	9.6	139,569,774	70,513,126
- Pakistan Investment Bonds	9.6	7,699,324	4,683,476
- Federal Government Securities	<i>Annexure I (note 5)</i>	171,583	322,216
- Government Compensation Bonds	<i>Annexure I (note 5)</i>	286,557	870,771
- Euro Bonds	<i>Annexure I (note 5)</i>	684,810	4,969,516
- Sukuk Bonds	<i>Annexure I (note 4 & 5)</i>	1,503,702	1,838,533
- Unlisted Term Finance Certificate	<i>Annexure I (note 4)</i>	3,000,000	3,000,000
Overseas Government Securities			
- Government of Sri Lanka Treasury Bonds	<i>Annexure I (note 5)</i>	-	70,000
- Market Treasury Bills		3,387,148	1,321,816
Provincial Government Securities		118	118
Associated Undertakings	<i>9.7 & Annexure I (note 6)</i>	3,403,010	2,574,789
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas	<i>Annexure I (note 1 & 2)</i>	7,071,612	8,306,012
- Unlisted companies / funds	<i>Annexure I (note 3)</i>	413,843	415,724
Units of Open Ended Mutual Funds	<i>Annexure I (note 1 & 2)</i>	763,469	1,002,740
Fully Paid-up Preference Shares:			
- Listed Companies	<i>Annexure I (note 1)</i>	61,602	61,602
- Unlisted Companies	<i>Annexure I (note 3)</i>	100,000	100,000
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates	<i>Annexure I (note 4)</i>	1,831,777	1,404,384
- Unlisted Term Finance Certificates	<i>Annexure I (note 4)</i>	1,129,096	897,448
- Debentures, Bonds and Participation Term Certificates (PTCs)	<i>Annexure I (note 4)</i>	121,618	129,589
- Certificates of Investment	<i>Annexure I (note 6)</i>	-	250,000
Other Investments:			
- Sukuk Bonds	<i>Annexure I (note 5)</i>	1,650,227	1,337,727
- NIT Units		5,253	5,253
Total investments at cost		172,854,523	104,074,840
Less: Provision for diminution in the value of investments	9.3	(3,686,520)	(3,044,962)
Investments (net of provisions)		169,168,003	101,029,878
Surplus / (deficit) on revaluation of available for sale securities - net	21.2	305,134	(2,764,956)
Surplus / (deficit) on revaluation of held for trading securities - net	9.5	11,510	(99,531)
Investments at revalued amounts - net of provisions		169,484,647	98,165,391
9.3 Particulars of provision			
Opening balance		3,044,962	468,288
Charge during the year	9.5	1,538,895	2,685,215
Reversal made during the year		(54,677)	(1,221)
		1,484,218	2,683,994
Adjustment on disposal of shares		(772,463)	-
Investment written off against provision		(70,197)	(107,320)
Closing balance		3,686,520	3,044,962
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Listed shares / Certificates / Units	9.5	3,510,603	2,787,910
Unlisted shares		71,716	70,477
		3,582,319	2,858,387
Held-to-maturity securities			
Unlisted TFCs, Debentures, Bonds and Participation Term Certificates		104,201	186,575
		3,686,520	3,044,962

9.4 Quality of 'available for sale' securities

Note	2009		2008		
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating	
Market Treasury Bills	9.4.1	139,261,981	Unrated	70,402,111	Unrated
Pakistan Investment Bonds	9.4.1	5,331,065	Unrated	1,902,599	Unrated
Listed Term Finance Certificates					
Askari Bank Limited		435,623	AA-	201,636	AA-
Bank Al-Habib Limited		91,619	AA	99,840	AA-
Bank Alfalah Limited		725,109	AA-	248,293	AA-
United Bank Limited		244,962	AA	307,572	AA
Allied Bank Limited		-	AA-	90,420	AA
Soneri Bank Limited		144,391	A+	149,790	A+
Pak Arab Fertilizers Limited		93,840	AA	99,980	AA
		1,735,544		1,197,531	
Shares in Listed Companies					
Abbott Laboratories Pakistan Limited		16,437	Not available	12,151	Not available
Allied Bank Limited		167,045	AA & A1+	80,985	AA & A1+
Arif Habib Limited		6,613	Not available	7,475	A- & A2
Arif Habib Securities Limited		75,377	Not available	64,347	Not available
Askari Bank Limited		146,279	AA & A1+	62,455	AA & A1+
Atlas Bank Limited		5,309	A- & A2	20,386	A- & A2
Attock Petroleum Limited		37,585	Not available	15,607	Not available
Azgard Nine Limited - preference shares		11,370	A+ & A1	10,268	A+ & A1
Bank Alfalah Limited		70,002	AA & A1+	50,400	AA & A1+
Bank Al-Habib Limited		178,641	AA+ & A1+	106,366	AA & A1+
Century Papers and Board Mills Limited		11,655	A- & A-2	12,650	A- & A2
Cherat Cement Company Limited		-	Not available	329	Not available
EFU General Insurance Company Limited		1,175	AA	1,601	AA
EFU Life Assurance Company Limited		1,041	AA-	2,700	AA-
Engro Chemical Pakistan Limited		123,918	AA & A1+	82,759	AA & A1+
Fauji Fertilizer Bin Qasim Company Limited		106,942	Not available	52,795	Not available
Fauji Fertilizer Company Limited		516,991	Not available	400,440	Not available
First Al - Noor Modaraba		15,660	BBB & A-3	20,658	BBB & A3
Glaxo Smithkline Pakistan Limited		52,960	Not available	36,806	Not available
Habib Bank Limited		212,420	AA+ & A-1+	92,010	AA+ & A1+
Habib Metropolitan Bank Limited		21,509	AA+ & A-1+	14,545	AA+ & A1+
Hub Power Company Limited		38,537	Not available	13,244	Not available
IGI Insurance Limited		38,715	AA	50,775	AA
Indus Motors Company Limited		8,259	Not available	5,164	Not available
International Industries Limited		22,460	Not available	17,595	Not available
JS Bank Limited		-	A- & A1	7,571	A- & A2
Jahangir Saddique & Company Limited		34,775	AA+ & A1+	60,460	AA+ & A1+
Kohinoor Energy Limited		1,705	Not available	1,059	Not available
Kot Addu Power Company Limited		64,521	Not available	28,890	Not available
Lucky Cement Limited		11,592	Not available	5,472	Not available
Maple Leaf Cement Company Limited		14,414	Not available	50,887	BBB+ & A2
Masood Textile Mills Limited - preference shares		50,000	Not available	50,000	Not available
Mehr Dastagir Textile Mills Limited		323	Not available	13,663	Not available
Millat Tractors Limited		22,421	Not available	12,216	Not available
National Bank of Pakistan		151,170	AAA & A-1+	85,237	AAA & A-1+
National Refinery Limited		5,305	AAA & A1+	2,855	AAA & A1+
Oil & Gas Development Company Limited		20,520	AAA & A-1+	107,487	AAA & A1+
Orix Leasing Pakistan Limited		1,675	AA & A1+	3,847	AA+ & A1+
Pace Pakistan Limited		-	A & A1	372	A+ & A1
Packages Limited		3,155	AA & A1+	1,779	AA & A1+
Pak Suzuki Motor Company Limited		4,412	Not available	3,949	Not available
Pakistan Cables Limited		4,423	Not available	5,210	Not available

Note	2009		2008	
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
Pakistan Cement Company Limited	-	Not available	147	Not available
Pakistan Oilfields Limited	97,090	Not available	81,553	Not available
Pakistan Petroleum Limited	174,064	Not available	71,952	Not available
Pakistan State Oil Company Limited	56,990	AA+ & A1+	67,461	AAA & A1+
Pakistan Telecommunication Company Limited	86,374	Not available	82,655	Not available
Pakistan Tobacco Company Limited	14,563	Not available	14,744	Not available
Rupali Polyester Limited	24,893	Not available	25,683	Not available
Samba Bank Limited (Formerly Crescent Commercial Bank)	102,487	A & A-1	-	Not available
Soneri Bank Limited	37,850	AA- & A1+	30,829	AA- & A1+
** Sui Northern Gas Pipelines Limited	1,183,675	AA & A1+	1,024,261	AA & A1+
Taj Textile Mills Limited	-	Not available	1	Not available
Thal Limited	3,807	Not available	3,058	Not available
The Bank of Punjab	125,250	AA- & A1+	84,785	AA- & A1+
* Trust Securities & Brokerage Limited	948	Not available	2,541	Not available
TRG Pakistan Limited	-	-	890	BBB+ & A2
Unilever Pakistan Limited	76,544	Not available	60,161	Not available
United Bank Limited	138,550	AA+ & A-1+	81,719	AA+ & A-1+
Zulfikar Industries Limited	2,001	Not available	3,644	Not available
	4,402,397		3,311,549	
Open Ended Mutual Fund				
Atlas Islamic Fund	10,239	Not available	7,794	Not available
KASB Liquid Fund			13,662	Not available
MCB Dynamic Allocation Fund	80,691	AM3+	55,046	Not available
MCB Dynamic Cash Fund	327,366	AM3+	288,355	Not available
MCB Dynamic Stock Fund	83,705	AM3+	154,376	Not available
	502,001		519,233	
Shares in Un-listed Companies				
	9.4.2			
* Khushhali Bank Limited	300,000	A-2 & A-	300,000	A- & A-1
* Equity Participation Fund	-	Not available	1,500	Not available
* National Investment Trust Limited	100	AM-DS	100	Not available
* SME Bank Limited	10,106	A-3 & BBB	10,106	BBB & A3
First Capital Investment (Private) Limited	2,446	AM4+	2,500	AM4+
Pak Asian Fund	11,500	Not available	11,500	Not available
Pakistan Agro Storage and Services Corporation	2,500	Not available		Not available
* Arabian Sea Country Club	715	Not available	2,900	Not available
* Central Depository Company of Pakistan Limited	10,000	Not available	10,000	Not available
* National Institutional Facilitation Technologies (Private) Limited	1,527	Not available	1,527	Not available
Society for Worldwide Inter Fund Transfer (SWIFT)	1,738	Not available	2,993	Not available
Fazal Cloth Mills Limited - preference share	100,000	Not available	100,000	Not available
Lanka Clearing (Private) Limited	736	Not available	700	Not available
Lanka Financial Services Bureau Limited	737	Not available	1,400	Not available
Credit Information Bureau of Srilanka	22	Not available	21	Not available
	442,127		445,247	
Other Investment				
Sukuk Bonds	9.4.1	396,137	Unrated	419,000
N.I.T. Units		3,346	5 Star	3,689
		152,074,598		78,200,959

9.4.1 These are Government of Pakistan guaranteed securities.

9.4.2 Unlisted companies are stated at carrying value.

* These are the strategic investments of the Group.

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

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

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

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

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

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

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

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

9.9 Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2008: Rs. 232.60 million) earmarked by the SBP and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2008: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.

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

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

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

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

10.2 Net investment in finance lease

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

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

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

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

Category of Classification	Note	2009				
		Specific	General	General provision against consumer loans	Leasing (general)	Total
		----- (Rupees in '000) -----				
Opening balance		9,895,889	273,222	533,693	9,051	10,711,855
Exchange adjustments		87,498	-	-	-	87,498
Provision made during the year		7,524,063	-	(39,259)	21,217	7,506,021
Reversals		(1,705,994)	(3,500)	-	-	(1,709,494)
		<u>5,818,069</u>	<u>(3,500)</u>	<u>(39,259)</u>	<u>21,217</u>	<u>5,796,527</u>
Amounts written off	10.5.1	(123,111)	-	-	-	(123,111)
Closing balance		<u>15,678,345</u>	<u>269,722</u>	<u>494,434</u>	<u>30,268</u>	<u>16,472,769</u>
----- (Rupees in '000) -----						
Category of Classification	Note	2008				
		Specific	General	General provision against consumer loans	Leasing (general)	Total
		----- (Rupees in '000) -----				
Opening balance		7,326,953	2,749,815	688,665	6,841	10,772,274
Exchange adjustments		204,103	-	-	-	204,103
Provision made during the year		6,041,412	-	(154,972)	2,210	6,043,622
Reversals		(2,076,930)	(2,476,593)	(154,972)	-	(4,708,495)
		<u>3,964,482</u>	<u>(2,476,593)</u>	<u>(154,972)</u>	<u>2,210</u>	<u>1,335,127</u>
Amounts written off	10.5.1	(1,599,649)	-	-	-	(1,599,649)
Closing balance		<u>9,895,889</u>	<u>273,222</u>	<u>533,693</u>	<u>9,051</u>	<u>10,711,855</u>
----- (Rupees in '000) -----						
		2009			2008	
		Specific	General (total)	Total	Specific	General (total)
----- (Rupees in '000) -----						
10.4.1 Particulars of provisions against advances		14,295,536	764,156	15,059,692	8,413,098	806,915
In local currency		14,295,536	764,156	15,059,692	8,413,098	806,915
In foreign currencies		1,382,809	30,268	1,413,077	1,482,791	9,051
		<u>15,678,345</u>	<u>794,424</u>	<u>16,472,769</u>	<u>9,895,889</u>	<u>815,966</u>

10.4.1 Particulars of provisions against advances

In local currency	14,295,536	764,156	15,059,692	8,413,098	806,915	9,220,013
In foreign currencies	1,382,809	30,268	1,413,077	1,482,791	9,051	1,491,842
	<u>15,678,345</u>	<u>794,424</u>	<u>16,472,769</u>	<u>9,895,889</u>	<u>815,966</u>	<u>10,711,855</u>

Category of Classification	Note	2009		2008	
		Specific	General (total)	Specific	General (total)
----- (Rupees in '000) -----					
Specific provision		5,818,069	3,964,482		
General provision	10.4.3	(3,500)	(2,476,593)		
General provision against consumer loans	10.4.5	(39,259)	(154,972)		
General provision for potential lease losses (in Srilanka operations)		21,217	2,210		
		<u>5,796,527</u>	<u>1,335,127</u>		

10.4.2 The following amounts have been charged to the profit and loss account:

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

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

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

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

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

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

	<i>Note</i>	2009	2008
		(Rupees in '000)	
10.6 Particulars of advances to directors, executives, associated companies, etc.			
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		3,844,485	3,228,484
Loans granted during the year		1,090,482	1,732,218
Repayments		(502,062)	(1,116,217)
Balance at end of the year		4,432,905	3,844,485
Debts due by controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		-	1,661,869
Loans granted during the year		-	524,153
Repayments		-	(2,186,022)
Balance at end of the year		-	-
		4,432,905	3,844,485

11. OPERATING FIXED ASSETS

Capital work-in-progress	<i>11.1</i>	1,134,089	510,226
Property and equipment	<i>11.2</i>	16,714,174	16,615,028
Intangible asset	<i>11.3</i>	250,747	195,231
		18,099,010	17,320,485

11.1 Capital work-in-progress

Civil works	871,181	210,051
Advances to suppliers and contractors	115,148	101,709
Others	147,760	198,466
	1,134,089	510,226

11.2 Property and equipment

Description	2008							Net book value at December 31, 2008	Annual rate of depreciation / estimated useful life
	-----Cost/ Revalued amount -----			----- Accumulated depreciation -----					
	At January 01, 2008	Additions/ (disposals)/ adjustment	At December 31, 2008	At January 01, 2008	Charge for the year / (depreciation on disposals)	At December 31, 2008			
----- (Rupees in '000) -----									
Land - Freehold	9,408,417	213,440 96,188	9,718,045	-	-	-	9,718,045	-	
Land - Leasehold	57,430	-	57,430	-	-	-	57,430	-	
Buildings on freehold land	3,960,149	118,674 168,881	4,247,704	979	91,202	92,181	4,155,523	50 years	
Buildings on leasehold land	65,567	-	65,567	20,082	4,980	25,062	40,505	10 to 50 years	
Furniture and fixture	636,720	70,487 (28,497)	678,710	289,047	34,977 (10,327)	313,697	365,013	10% to 33%	
Electrical, Computers and office Equipment	3,726,602	1,198,424 (227,028)	4,697,998	2,348,746	609,322 (216,461)	2,741,607	1,956,391	20% to 33%	
Vehicles	730,691	130,872 (320,632)	540,931	264,178	82,229 (127,597)	218,810	322,121	20%	
	18,585,576	1,731,897 (576,157) 265,069	20,006,385	2,923,032	822,710 (354,385) -	3,391,357	16,615,028		

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

(Rupees in '000)

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

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

(Rupees in '000)

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

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

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

11.2.3 Details of disposal of operating fixed assets

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

11.3 Intangible asset

Description	2009							Net book value at December 31, 2009	Annual rate of amortization
	Cost			Accumulated amortization					
	At January 01, 2009	Additions	At December 31, 2009	At January 01, 2009	Amortization for the year	At December 31, 2009			
------(Rupees in '000)-----								%	
Computer software	712,082	210,493	922,575	516,851	154,977	671,828	250,747	33.33	
	712,082	210,493	922,575	516,851	154,977	671,828	250,747		
Description	2008							Net book value at December 31, 2008	Annual rate of amortization
	Cost			Accumulated amortization					
	At January 01, 2008	Additions	At December 31, 2008	At January 01, 2008	Amortization for the year	At December 31, 2008			
------(Rupees in '000)-----								%	
Computer software	560,233	151,849	712,082	373,386	143,465	516,851	195,231	33.33	
	560,233	151,849	712,082	373,386	143,465	516,851	195,231		

12. OTHER ASSETS - NET	Note	2009	2008
		(Rupees in '000)	
Income / mark-up accrued on advances and investments - local currency		7,832,173	7,901,740
Income / mark-up accrued on advances and investments - foreign currencies		50,221	184,677
Advances, deposits, advance rent and other prepayments		2,891,194	2,612,432
Advance taxation (payments less provisions)		-	51,819
Compensation for delayed income tax refunds		44,802	44,802
Branch adjustment account		298,112	-
Non-banking assets acquired in satisfaction of claims	12.1	1,155,832	1,155,832
Unrealised gain on derivative financial instruments	12.2	194,400	1,507,969
Stationery and stamps on hand		82,466	83,077
Prepaid exchange risk fee		319	-
Receivable from the pension fund	36.3	9,322,304	5,399,019
Others		1,769,861	1,342,958
		23,641,684	20,284,325
Less: Provision held against other assets	12.3	583,953	456,097
		23,057,731	19,828,228

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

12.2 Unrealised gain on derivative financial instruments

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

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

13. CONTINGENT ASSETS

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

	<i>Note</i>	2009	2008
		(Rupees in '000)	
14. BILLS PAYABLE			
In Pakistan		8,131,031	10,522,565
Outside Pakistan		70,059	28,903
		8,201,090	10,551,468
15. BORROWINGS			
In Pakistan		43,658,408	17,742,776
Outside Pakistan		1,003,680	4,921,064
		44,662,088	22,663,840
15.1 Particulars of borrowings with respect to currencies			
In local currency		43,658,408	17,742,776
In foreign currencies		1,003,680	4,921,064
		44,662,088	22,663,840
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	<i>15.3 & 15.5</i>	8,829,527	9,217,004
Long term financing facility	<i>15.4 & 15.5</i>	80,220	2,044,460
Long term financing - export oriented projects scheme	<i>15.4 & 15.5</i>	2,018,330	56,291
		10,928,077	11,317,755
Borrowings from other financial institution	<i>15.6</i>	452,398	-
Repurchase agreement borrowings	<i>15.7</i>	31,606,331	6,325,021
		42,986,806	17,642,776
Unsecured			
Call borrowings	<i>15.8</i>	1,146,092	4,418,990
Overdrawn nostro accounts		529,190	602,074
		1,675,282	5,021,064
		44,662,088	22,663,840
15.3 The Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.			
15.4 The amount is due to SBP and have been obtained for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.			
15.5 Borrowings from SBP under the export refinance and long term financing for export oriented projects schemes are secured against the Bank's cash and security balances held by the SBP.			
15.6 These carry mark-up at the rate 5% per annum (2008: NIL).			
15.7 These carry mark-up rates ranging between 12.05% to 12.50% per annum (2008: 7.50% to 14.90% per annum) and are secured against government securities of carrying value of Rs. 31,513.525 million (2008: Rs. 6,287.636 million). These are repayable latest by January, 2010.			
15.8 These carry mark-up at the rate of 12.40% (2008: 15.50%). These are repayable by January, 2010.			

	2009	2008
	(Rupees in '000)	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	62,651,531	61,680,332
Saving deposits	173,773,442	150,925,503
Current accounts - non remunerative	123,898,324	105,284,222
Margin accounts	2,910,655	3,137,434
Others	767	563
	<u>363,234,719</u>	<u>321,028,054</u>
Financial institutions		
Remunerative deposits	2,258,295	5,197,969
Non-remunerative deposits	2,088,061	3,926,526
	<u>4,346,356</u>	<u>9,124,495</u>
	<u>367,581,075</u>	<u>330,152,549</u>
16.1 Particulars of deposits		
In local currency	336,156,945	312,921,764
In foreign currencies	31,424,130	17,352,391
	<u>367,581,075</u>	<u>330,152,549</u>

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

17. DEFERRED TAX LIABILITY / (ASSET) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

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

17.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable up to a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances can be carried over to succeeding years. However the management, based on the projections prepared by the Bank, is of the view that it would be able to get deduction of provision in excess of 1% of total advances and accordingly has recognised deferred tax amounting to Rs. 1,084.974 million on such provisions.

	Note	2009 (Rupees in '000)	2008
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		5,144,560	4,229,668
Mark-up / return / interest payable in foreign currencies		68,138	114,034
Accrued expenses		1,852,740	1,792,281
Unclaimed dividend		293,582	275,073
Staff welfare fund		56,244	65,531
Unrealised loss on derivative financial instruments	18.1	276,063	8,470,041
Provision for employees' compensated absences	36.3	541,116	752,947
Provision for post retirement medical benefits	36.3	1,370,424	1,400,413
Provision for employees' contributory benevolent scheme	36.3	246,444	274,446
Provision for gratuity		1,139	6,457
Security deposits received in respect of finance lease		1,041,833	1,320,327
Taxation (provision less payments)		1,089,437	-
Retention money		27,161	22,403
Insurance payable against consumer assets		298,504	398,369
Branch adjustment account		-	151,990
Others		3,475,204	2,071,493
		<u>15,782,589</u>	<u>21,345,473</u>

18.1 Unrealised loss on derivative financial instruments

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

19. SHARE CAPITAL

19.1 Authorised Capital

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

19.2 Issued, subscribed and paid-up capital

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

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

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

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

	<i>Note</i>	2009	2008
		(Rupees in '000)	
21. SURPLUS ON REVALUATION OF ASSETS			
- NET OF TAX			
Surplus / (deficit) arising on revaluation (net of tax) of:			
- fixed assets	21.1	8,269,854	8,293,851
- available-for-sale securities	21.2	395,187	(2,102,990)
Surplus / (deficit) arising on revaluation of assets of associated undertaking (net of tax)		527,797	(179,609)
		9,192,838	6,011,252
21.1 Surplus on revaluation of fixed assets-net of tax			
Surplus on revaluation of fixed assets as at January 01		8,810,971	8,578,731
Adjustment / surplus during the year		-	265,119
Surplus realised on disposal of revalued properties - net of deferred tax		(1,623)	-
Related deferred tax liability		(874)	-
		(2,497)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(22,374)	(21,373)
Related deferred tax liability		(12,046)	(11,506)
		(34,420)	(32,879)
Surplus on revaluation of fixed assets as at December 31		8,774,054	8,810,971
Less: Related deferred tax liability on:			
Revaluation as at January 01		517,120	469,482
Adjustment / surplus during the year			59,144
Disposal of revalued properties during the year transferred to profit and loss account		(874)	-
Incremental depreciation charged during the year transferred to profit and loss account		(12,046)	(11,506)
		504,200	517,120
		8,269,854	8,293,851
21.2 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		(307,793)	(91,427)
- Pakistan Investment Bonds		(123,876)	(468,065)
Listed Securities			
- Shares / Certificates / Units		690,169	(2,286,629)
- Open Ended Mutual Funds		146,730	37,018
- Term Finance Certificates		(96,233)	25,147
		740,666	(2,224,464)
Sukuk Bonds		(3,863)	19,000
		305,134	(2,764,956)
Add: Related deferred tax asset / (liability)	17	90,053	661,966
		395,187	(2,102,990)

22. CONTINGENCIES AND COMMITMENTS

	2009	2008
	(Rupees in '000)	
22.1 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	6,027,243	5,743,838
Banks and financial institutions	18,238	36,030
Others	16,049,739	15,148,692
Suppliers' credit / payee guarantee	2,421,640	2,255,011
	24,516,860	23,183,571
22.2 Trade-related contingent liabilities	47,577,037	54,869,480
22.3 Other contingencies		
Claims against the Bank not acknowledged as debts	542,415	226,246
22.4 Commitments to extend credit		

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	<i>Note</i>	2009	2008
		(Rupees in '000)	
22.5 Commitments in respect of forward foreign exchange contracts			
Purchase		23,832,214	69,983,697
Sale		23,037,004	67,476,228
22.6 Commitments for the acquisition of fixed assets		-	557,810
22.7 Other commitments			
Cross currency swaps (notional amount)	23.1 & 23.2	249,690	346,254
Interest rate swaps - (notional amount)	24.1 & 24.2	166,667	2,410,797
Forward outright sale of Government Securities		-	20,827,530
Outright purchase of Government Securities from SBP		-	26,644,450
22.8 Taxation			

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

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

23. DERIVATIVE INSTRUMENTS

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

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

Other Objectives include:

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

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

- Interest Rate Swaps
- Currency Swaps.

Risk management is performed at:

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

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

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

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

Risk Limits

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

23.1 Product analysis

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

Counterparties	2008					
	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	2	173,127	2	2,144,130		
Market Making	-	-	-	-		
With other entities for						
Hedging	-	-	-	-		
Market Making	2	173,127	2	266,667		
Total						
Hedging	2	173,127	2	2,144,130		
Market Making	2	173,127	2	266,667		

23.2 Maturity analysis

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

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

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

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

28.2 Auditors' remuneration

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

	2009	2008
	(Rupees in '000)	
29. OTHER CHARGES		
Fixed assets written off	17,477	-
Penalties of State Bank of Pakistan	30,000	300,000
Workers welfare fund	463,441	437,351
VAT Sri Lanka	103,707	80,473
Others	77,097	-
	<u>691,722</u>	<u>817,824</u>

30. TAXATION

For the year

Current	7,725,787	7,387,345
Deferred	300,663	16,348
	<u>8,026,450</u>	<u>7,403,693</u>

Prior years

Current	(2,232,933)	(865,344)
Deferred	1,889,762	-
	(343,171)	(865,344)

Share of tax of associated undertaking

	464	25,164
	<u>7,683,743</u>	<u>6,563,513</u>

30.1 Relationship between tax expense and accounting profit

Accounting profit for the year	<u>23,349,146</u>	<u>21,886,740</u>
Tax rate	<u>35%</u>	<u>35%</u>
Tax on income	8,172,201	7,660,359
Tax effect on separate block of income (taxable at reduced rate)	(114,935)	(234,934)
Tax effect of permanent differences	(18,306)	14,392
Tax effect of prior years provisions / reversals	(343,171)	(864,824)
Reversal of deferred tax liability on incremental depreciation	(12,046)	(11,480)
Tax charge for the year	<u>7,683,743</u>	<u>6,563,513</u>

31. CREDIT RATING

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

	<i>Note</i>	2009	2008
		(Rupees in '000)	
32. BASIC AND DILUTED EARNINGS PER SHARE PRE TAX			
Profit before taxation		<u><u>23,349,146</u></u>	<u><u>21,886,740</u></u>
		(Number of shares)	
Weighted average number of shares outstanding during the year		<u><u>691,104,527</u></u>	<u><u>691,104,527</u></u>
		(Rupees)	
Basic and diluted earnings per share - pre tax		<u><u>33.79</u></u>	<u><u>31.67</u></u>
		(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE AFTER TAX			
Profit after taxation		<u><u>15,665,399</u></u>	<u><u>15,323,215</u></u>
		(Number of shares)	
Weighted average number of shares outstanding during the year		<u><u>691,104,527</u></u>	<u><u>691,104,527</u></u>
		(Rupees)	
Basic and diluted earnings per share - after tax		<u><u>22.67</u></u>	<u><u>22.17</u></u>
* Weighted average number of shares outstanding for 2008 have been restated to give effect of bonus shares issued during the year.			
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	<u><u>38,774,871</u></u>	39,631,219
Balances with other banks	7	<u><u>6,077,354</u></u>	<u><u>4,106,526</u></u>
		<u><u>44,852,225</u></u>	<u><u>43,737,745</u></u>
		(Number)	
35. STAFF STRENGTH			
Permanent		<u><u>9,704</u></u>	10,488
Temporary/on contractual basis		<u><u>75</u></u>	<u><u>107</u></u>
Bank's own staff strength at the end of the year		<u><u>9,779</u></u>	10,595
Outsourced		<u><u>3,750</u></u>	<u><u>3,482</u></u>
Total staff strength		<u><u>13,529</u></u>	<u><u>14,077</u></u>

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

The Bank operates the following retirement benefits for its employees:

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

36.2 Principal actuarial assumptions

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

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

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

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

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

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

36.4 Movement in balance

(receivable) / payable

Opening balance of (receivable) / payable		(5,399,019)	(10,651,047)	274,446	282,019	1,400,413	1,455,135	752,947	974,464
Expense recognised	36.7	(3,923,285)	(5,399,319)	64,906	48,384	130,488	98,739	150,779	(75,692)
Refunds / (contributions) during the year		-	10,651,347	-	-	-	-	-	-
- Employees' contribution		-	-	12,338	-	-	-	-	-
Benefits paid		-	-	(105,246)	(55,957)	(160,477)	(153,461)	(362,610)	(145,825)
Closing balance of (receivable) / payable		(9,322,304)	(5,399,019)	246,444	274,446	1,370,424	1,400,413	541,116	752,947

36.5 Reconciliation of the present value of the defined benefit obligations

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

36.6 Changes in fair values of plan assets

Net assets as at January 01,	15,953,712	25,095,113	-	-	-	-	-	-
Expected return on plan assets	2,073,983	2,675,699	-	-	-	-	-	-
Contributions - Bank	-	(10,651,347)	-	55,957	-	-	-	-
Contributions - Employees	-	-	-	13,778	-	-	-	-
Benefits paid	(1,172,751)	(689,440)	-	(69,735)	-	-	-	-
Actuarial gain / (loss)	1,400,023	(476,313)	-	-	-	-	-	-
Net assets as at December 31,	<u>18,254,967</u>	<u>15,953,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

36.7 Charge for defined benefit plans and other benefits

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

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

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

36.8 Actual return on plan assets

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

36.9 Composition of fair value of plan assets

	Approved Pension Fund			
	2009		2008	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Defence saving certificates	-	-	4,580,964	28.71
Term deposit receipts	12,933,809	70.85	8,306,121	52.06
Listed equity shares	3,255,079	17.83	1,877,187	11.77
Open ended mutual funds units	127,412	0.70	89,072	0.56
Cash and bank balances	1,938,667	10.62	1,100,368	6.90
Fair value of plan total assets	<u>18,254,967</u>	<u>100</u>	<u>15,953,712</u>	<u>100</u>

36.9.1 Fair value of the Bank's financial instruments included in plan assets:

Shares of MCB	2,331,026	1,213,610
TDRs of MCB	12,933,809	8,306,121
Bank balance with MCB	1,926,220	1,091,138
	<u>17,191,055</u>	<u>10,610,869</u>

36.10 Other relevant details of above funds are as follows:

36.10.1 Pension Fund

	2009	2008	2007	2006	2005
	------(Rupees in '000)-----				
Present value of defined benefit obligation	4,072,653	4,295,986	4,747,389	4,752,693	5,503,819
Fair value of plan assets	(18,254,967)	(15,953,712)	(25,095,113)	#####	(10,554,024)
(Surplus) / deficit	<u>(14,182,314)</u>	<u>(11,657,726)</u>	<u>(20,347,724)</u>	<u>(10,057,864)</u>	<u>(5,050,205)</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	(368,717)	167,695	(325,849)	54,320	(304,748)
Assumptions gain / (loss)	-	-	-	-	172,866
	<u>(368,717)</u>	<u>167,695</u>	<u>(325,849)</u>	<u>54,320</u>	<u>(131,882)</u>
Actuarial gain / (loss) on assets					
Experience adjustment	1,400,023	(476,313)	9,694,483	4,634,045	5,268,939
Assumptions gain / (loss)	-	-	-	-	(138,502)
	<u>1,400,023</u>	<u>(476,313)</u>	<u>9,694,483</u>	<u>4,634,045</u>	<u>5,130,437</u>

36.10.2 Employees' Contributory Benevolent Scheme

Present value of defined benefit obligation	299,388	300,162	355,340	332,677	407,569
Fair value of plan assets	-	-	-	(20,650)	(18,976)
	<u>299,388</u>	<u>300,162</u>	<u>355,340</u>	<u>312,027</u>	<u>388,593</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	(53,700)	34,745	(60,968)	10,182	(228,823)
Assumptions gain / (loss)	-	-	-	-	107,003
	<u>(53,700)</u>	<u>34,745</u>	<u>(60,968)</u>	<u>10,182</u>	<u>(121,820)</u>
Actuarial gain / (loss) on assets					
Experience adjustment	-	-	(1,529)	(34)	(1)
Assumptions gain / (loss)	-	-	-	-	(418)
	<u>-</u>	<u>-</u>	<u>(1,529)</u>	<u>(34)</u>	<u>(419)</u>

36.10.3 Post Retirement Medical Benefits

Present value of defined benefit obligation	1,287,348	1,269,622	1,422,918	1,345,357	1,456,392
Fair value of plan assets	-	-	-	-	-
	<u>1,287,348</u>	<u>1,269,622</u>	<u>1,422,918</u>	<u>1,345,357</u>	<u>1,456,392</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	2,101	159,682	(40,893)	36,153	8,743
Assumptions gain / (loss)	-	-	-	(21,846)	(21,846)
	<u>2,101</u>	<u>159,682</u>	<u>(40,893)</u>	<u>14,307</u>	<u>(13,103)</u>

36.10.4 Compensated absences

Present value of defined benefit obligation	541,116	752,947	974,464	1,023,683	856,213
Fair value of plan assets	-	-	-	-	-
	<u>541,116</u>	<u>752,947</u>	<u>974,464</u>	<u>1,023,683</u>	<u>856,213</u>
Actuarial gain / (loss) on obligation					
	<u>(5,687)</u>	<u>75,692</u>	<u>(100,729)</u>	<u>-</u>	<u>-</u>

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

37. DEFINED CONTRIBUTION PLAN

37.1. MCB Bank Limited (holding company)

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

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

37.2. MCB Asset Management Company Limited (subsidiary company)

MCB Asset Management Company operates a recognized contribution fund for the permanent employees of the company. Contribution at the rate of 8.66% of the basic salary per annum are made both by the Company and employees to the fund.

37.3. MCB Financial Services Limited (formerly Muslim Commercial Financial Services (Private) Limited) (subsidiary company)

The company operates the provident fund scheme covering all permanent employees. Contribution at the rate of 8.33% per annum are made both by the Company and employees to the fund.

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

	President / Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	------(Rupees in '000)-----					
Fees	-	-	10,220	3,630	-	-
Managerial remuneration	38,830	27,016	1,524	1,524	664,995	606,993
Bonus and others	-	12,800	-	-	229,193	269,399
Retirement benefits	1,759	2,161	-	-	385,120	111,983
Rent and house maintenance	9,502	11,669	-	-	239,822	220,802
Utilities	2,111	2,593	-	-	52,362	48,582
Medical	-	82	-	-	16,394	16,909
Conveyance	417	-	-	-	231,325	184,936
	52,619	56,321	11,744	5,154	1,819,211	1,459,604
Number of persons	1	1	12	10	616	532

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

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Eliminations	Total
------(Rupees in '000)-----							
2009							
Total income	100,613	12,780,604	24,996,184	19,653,352	173,150	(126,943)	57,576,960
Total expenses	(32,405)	(3,162,280)	(27,876,511)	(3,172,934)	(110,627)	126,943	(34,227,814)
Income tax expense	-	-	-	-	-	-	(7,683,743)
Net income	<u>68,208</u>	<u>9,618,324</u>	<u>(2,880,327)</u>	<u>16,480,418</u>	<u>62,523</u>	<u>-</u>	<u>15,665,403</u>
Segment assets - (Gross of NPL's provision)	-	189,707,700	120,177,857	217,637,300	442,992	(545,626)	527,420,223
Provision for taxation	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total assets	<u>-</u>	<u>189,707,700</u>	<u>120,177,857</u>	<u>217,637,300</u>	<u>442,992</u>	<u>(545,626)</u>	<u>527,420,223</u>
Segment non performing loans	-	-	7,546,222	15,692,501	-	-	23,238,723
Segment specific provision required	-	-	5,091,169	10,587,176	-	-	15,678,345
Segment liabilities	-	161,049,018	99,061,825	175,558,045	14,143	(545,626)	435,137,405
Provision for taxation	-	-	-	-	-	-	1,089,437
Deferred tax liability	-	-	-	-	-	-	3,201,756
Total liabilities - net	<u>-</u>	<u>161,049,018</u>	<u>99,061,825</u>	<u>175,558,045</u>	<u>14,143</u>	<u>(545,626)</u>	<u>439,428,598</u>
Segment return on net assets (ROA) (%)	-	5.07%	-2.50%	7.96%	14.11%	-	3.06%
Segment cost of fund (%)	-	1.69%	3.78%	3.55%	3.55%	-	3.75%
2008							
Total income	83,793	10,524,180	19,390,630	15,905,084	210,289	(103,780)	46,010,196
Total expenses	(33,109)	(3,673,800)	(19,043,272)	(1,333,657)	(143,398)	103,780	(24,123,456)
Income tax expense	-	-	-	-	-	-	(6,563,513)
Net income	<u>50,684</u>	<u>6,850,380</u>	<u>347,358</u>	<u>14,571,427</u>	<u>66,891</u>	<u>-</u>	<u>15,323,227</u>
Segment assets - (Gross of NPL's provision)	-	114,648,895	152,526,314	188,080,852	397,706	(523,939)	455,129,828
	-	-	-	-	-	-	51,819
Total assets	<u>-</u>	<u>114,648,895</u>	<u>152,526,314</u>	<u>188,080,852</u>	<u>397,706</u>	<u>(523,939)</u>	<u>455,181,647</u>
Segment non performing loans	-	-	7,529,468	10,739,409	-	-	18,268,877
Segment specific provision required	-	-	4,078,564	5,817,325	-	-	9,895,889
Segment liabilities	-	107,373,831	117,913,020	159,937,095	13,323	(523,939)	384,713,330
Provision for taxation	-	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	440,295
Total liabilities - net	<u>-</u>	<u>107,373,831</u>	<u>117,913,020</u>	<u>159,937,095</u>	<u>13,323</u>	<u>(523,939)</u>	<u>385,153,625</u>
Segment return on net assets (ROA) (%)	-	5.98%	0.23%	7.99%	16.82%	-	3.44%
Segment cost of fund (%)	-	4.16%	2.97%	3.72%	-	-	3.01%

41. RELATED PARTY TRANSACTIONS AND BALANCES

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

Transactions between the Group and its related parties are carried at arm's length basis under the comparable uncontrolled price method. Details of loans and advances to the companies or firms in which the directors of the Group are interested as directors, partners or in case of private companies as members, are given in note 10.6 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan as disclosed in notes 36 and 37. Remuneration to executives is disclosed in note 38 to these financial statements.

	Directors		Associated companies		Other related parties	
	2009	2008	2009	2008	2009	2008
------(Rupees in '000)-----						
A. Balances						
Deposits						
Deposits at beginning of the year	425,898	17,980	301,929	275,826	8,045,311	3,543,454
Deposits received during the year	18,190,042	10,910,613	64,472,189	302,979,123	44,810,980	58,750,918
Deposits repaid during the year	(18,129,168)	(10,502,695)	(63,878,630)	(302,953,020)	(38,039,654)	(54,249,061)
Deposits at end of the year	486,772	425,898	895,488	301,929	14,816,637	8,045,311
Mark-up expense on deposits	12,791	4,908	110,305	81,271	1,363,087	539,779
Advances (secured)						
Balance at beginning of the year	-	-	-	-	-	1,661,869
Loans granted during the year	-	-	-	-	-	524,153
Repayments received during the year	-	-	-	-	-	(2,186,022)
Balance at end of the year	-	-	-	-	-	-
Receivable from Pension fund					9,322,304	5,399,019

B. Other transactions (including profit and loss related transactions)

	Directors		Associated companies		Other related parties	
	2009	2008	2009	2008	2009	2008
------(Rupees in '000)-----						
Associates						
Adamjee Insurance Company Limited						
- Insurance premium paid - net of refund	-	-	182,480	85,524	-	-
- Insurance claim settled	-	-	80,805	84,613	-	-
- Rent income received	-	-	8,942	7,424	-	-
- Dividend received	-	-	78,917	89,340	-	-
- Share of profit - net of tax under equity basis of accounting	-	-	199,732	5,679	-	-
- Share of deficit on revaluation of assets - net of tax	-	-	-	-	-	-
Mayban International Trust (Labuan) Berhad						
- Dividend paid	-	-	1,350,795	753,932	-	-
- Bonus shares issued	-	-	125,655	-	-	-
- Forward foreign exchange contracts (Notional)	-	-	3,408,431	-	-	-
- Unrealized loss on forward foreign exchange contracts	-	-	36,213	-	-	-
Other related parties						
MCB Employees Security System and Services (Private) Limited						
- Security guard expenses	-	-	-	-	146,508	126,237
MCB Employees Foundation						
- Stationery expenses	-	-	-	-	111,100	118,212
- Service expenses	-	-	-	-	16,750	17,461
- Cash sorting expenses	-	-	-	-	21,597	17,169
- Cash in transit expenses	-	-	-	-	801	4,475
Others						
Dividend income	-	-	-	-	28,694	196,105
Proceeds from sale of vehicles to key management personnel	-	-	-	-	-	11,537
Gain on sale of vehicles to key management personnel	-	-	-	-	-	267
Remuneration of key management personnel (other than directors)	-	-	-	-	219,228	162,482
Contribution / (expense) to provident fund	-	-	-	-	148,734	135,164
Other miscellaneous expenses	-	-	-	-	43,594	76,725

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

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Applications

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

42.2 Capital Management

Objectives and goals of managing capital

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

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

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ending on December 31, 2013. The raise is to be achieved in a phased manner requiring Rs. 6 billion paid up capital (net of losses) by the end of the financial year 2009. The paid up capital of the Bank for the year ended December 31, 2009 stands at Rs. 6.9 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at December 31, 2009 was 19.10 % of its risk weighted exposure.

Bank's regulatory capital is analysed into two tiers.

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

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

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

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

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

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

	Note	2009	2008
		-----Rupees in '000) -----	
42.3 Capital Structure			
Tier 1 Capital			
Shareholders equity /assigned capital		6,911,045	6,282,768
Share premium		9,702,528	9,702,528
Reserves		28,427,081	26,877,551
Unappropriated profits		17,821,670	11,065,723
Minority interest		71	69
		62,862,395	53,928,639
Deductions:			
Book value of intangible and goodwill		311,699	256,183
Other deductions	42.3.1	1,709,335	1,297,724
		2,021,034	1,553,907
Total Tier 1 capital		60,841,361	52,374,732
Tier 2 Capital			
General provisions subject to 1.25% of total risk weighted assets		794,424	815,966
Revaluation reserves up to 45%		4,451,016	2,596,362
Foreign exchange translation reserves		258,047	192,242
		5,503,487	3,604,570
Deductions:			
Other deductions	42.3.1	1,709,335	1,297,724
Total Tier 2 Capital		3,794,152	2,306,846
Total Regulatory Capital Base	A	64,635,513	54,681,578

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

42.4 Capital Adequacy

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

	Capital Requirements		Risk Weighted Assets	
	2009	2008	2009	2008
	-----Rupees in '000) -----			
Credit Risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Corporate portfolio	10,935,744	10,093,814	101,485,148	108,560,409
Banks / DFIs	1,071,946	378,680	9,947,804	4,072,758
Public sector entities	378,629	1,122,846	3,513,725	12,076,366
Sovereigns / cash & cash equivalents	642,809	737,972	5,965,352	7,936,991
Loans secured against residential property	199,068	204,416	1,847,383	2,198,534
Retail	3,656,141	4,541,037	33,929,470	48,839,497
Past due loans	830,629	1,029,875	7,708,344	11,076,451
Operating fixed assets	1,923,277	1,610,437	17,848,263	17,320,483
Other assets	2,387,601	1,703,281	22,157,254	18,319,025
	22,025,843	21,422,357	204,402,743	230,400,514
Off-Balance Sheet				
Non-market related	4,051,134	2,336,728	37,595,057	25,131,841
Market related	23,350	77,443	216,690	832,909
	4,074,484	2,414,171	37,811,747	25,964,750
Equity Exposure Risk in the Banking Book				
Listed	92,317	14,354	856,713	154,376
Unlisted	79,541	78,897	738,152	848,549
	171,858	93,251	1,594,865	1,002,925
Total Credit Risk	26,272,185	23,929,778	243,809,355	257,368,189
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	930,563	468,523	11,632,039	5,856,542
Equity position risk	697,195	485,076	8,714,947	6,063,450
Foreign exchange risk	765,954	797,287	9,574,417	9,966,088
Total Market Risk	2,393,712	1,750,886	29,921,403	21,886,080
Operational Risk				
Capital requirement for operational risks	5,171,286	4,382,249	64,641,080	54,778,112
Total	B	33,837,183	338,371,838	334,032,381

		2009	2008
		---(Rupees in '000) ---	
Capital Adequacy Ratio			
Total eligible regulatory capital held	A	64,635,513	54,681,578
Total Risk Weighted Assets	B	338,371,838	334,032,381
Capital Adequacy Ratio	A / B	19.10%	16.37%

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

43 RISK MANAGEMENT

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

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

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

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

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

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

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

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

43.1 Credit Risk

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

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

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

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

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

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

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

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

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

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

Management of Non Performing Loans

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

Stress Testing

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

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

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

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

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

43.1.1.5 Geographical segment analysis

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	------(Rupees in '000)-----			
Pakistan	22,732,437	500,734,995	71,762,985	115,393,307
Asia Pacific (including South Asia)	355,775	7,117,974	357,914	2,877,120
Middle East	260,934	3,888,909	192,381	1,651,460
	23,349,146	511,741,878	72,313,280	119,921,887
	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	------(Rupees in '000)-----			
Pakistan	21,487,087	430,301,251	59,735,146	259,953,518
Asia Pacific (including South Asia)	249,355	4,988,327	246,259	3,066,685
Middle East	150,298	9,996,180	150,728	3,231,095
	21,886,740	445,285,758	60,132,133	266,251,298

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

43.1.2 Credit Risk - General Disclosures

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

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

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

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

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

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

Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

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

Credit Exposures subject to Standardised approach

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

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

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

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

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

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

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

Concentration of risk

Out of the total financial assets of Rs. 478,825.753 million (2008: Rs. 414,213.200 million) the financial assets which are subject to credit risk amounting to Rs.468,387.690 million (2008: Rs. 402,831.655 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs.152,915.75 million (2008: Rs. 86,198 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 20,916.298 million (2008: Rs. 22,116.321 million) are held by the Bank with the State Bank of Pakistan and central banks of other countries.

43.1.3.2 Equity position risk in the banking book

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

Composition of equity investments

Exposures	Held for trading	Available for Sale	Associates
Equity investments – publicly traded	320,488	7,581,448	3,339,710
Equity investments - others	-	513,843	63,300
Total value	320,488	8,095,291	3,403,010

Classification of equity investments

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

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

Policies, valuation and accounting of equity investments

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

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

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

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

43.2 Market Risk Management

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

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

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

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

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

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

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

43.2.1 Foreign Exchange Risk Management

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

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

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

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----			
Pakistan Rupee	496,129,114	422,518,507	(1,108,310)	72,502,297
United States Dollar	14,317,231	11,828,720	(2,779,180)	(290,669)
Pound Sterling	277,235	1,870,038	1,596,226	3,423
Japanese Yen	109,825	167	(109,376)	282
Euro	762,031	3,211,166	2,504,675	55,540
Other currencies	146,442	-	(104,035)	42,407
	511,741,878	439,428,598	-	72,313,280

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----			
Pakistan Rupee	428,252,703	372,010,334	3,852,581	60,094,950
United States Dollar	15,326,446	9,314,526	(6,146,330)	(134,410)
Pound Sterling	396,816	1,260,620	876,926	13,122
Japanese Yen	118,906	282	(83,472)	35,152
Euro	1,079,049	2,566,438	1,500,295	12,906
Other currencies	111,838	1,425	-	110,413
	445,285,758	385,153,625	-	60,132,133

43.2.2 Equity Price Risk

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

Mismatch of Interest Rate Sensitive Assets and Liabilities

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

Effective Yield/ Interest rate	Total	2009 Exposed to Yield/ Interest risk									Not exposed to Yield/ Interest Risk	
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0%	38,774,871	2,522,549	-	-	-	-	-	-	-	-	36,252,322
Balances with other banks	0.12% to 1%	6,077,354	1,017,691	-	-	-	-	-	-	-	-	5,059,663
Lendings to financial institutions	12.35% to 12.70%	3,000,000	1,000,000	2,000,000	-	-	-	-	-	-	-	-
Investments - net	4.5% to 14.88%	166,081,637	17,543,637	50,084,055	28,508,489	56,948,201	707,468	1,311,516	2,670,133	2,787,640	-	5,520,498
Advances - net	15.00%	253,248,265	151,948,502	50,649,882	37,987,411	12,662,470	-	-	-	-	-	-
Other assets - net		11,643,626	-	-	-	-	-	-	-	-	-	11,643,626
		478,825,753	174,032,379	102,733,937	66,495,900	69,610,671	707,468	1,311,516	2,670,133	2,787,640	-	58,476,109
Liabilities												
Bills payable		8,201,090	-	-	-	-	-	-	-	-	-	8,201,090
Borrowings	12.05% to 12.50%	44,662,088	33,662,171	4,450,466	4,441,734	1,058,442	1,049,275	-	-	-	-	-
Deposits and other accounts	5% to 9.5%	367,581,075	179,635,312	9,793,315	6,139,604	37,229,475	835,485	1,292,144	2,309,620	1,454,949	-	128,891,171
Other liabilities		12,306,709	-	-	-	-	-	-	-	-	-	12,306,709
		432,750,962	213,297,483	14,243,781	10,581,338	38,287,917	1,884,760	1,292,144	2,309,620	1,454,949	-	149,398,970
On-balance sheet gap		46,074,791	(39,265,104)	88,490,156	55,914,562	31,322,754	(1,177,292)	19,372	360,513	1,332,691	-	(90,922,861)
Off-balance sheet financial instruments												
Foreign exchange contracts Purchase		23,832,214	11,904,381	10,021,332	1,906,501	-	-	-	-	-	-	-
Interest rate swaps - long position		83,333	-	-	-	83,333	-	-	-	-	-	-
Cross currency swaps - long position		124,845	-	-	-	-	124,845	-	-	-	-	-
		24,040,392	11,904,381	10,021,332	1,906,501	83,333	124,845	-	-	-	-	-
Foreign exchange contracts Sale		23,037,004	9,518,707	7,797,744	5,720,553	-	-	-	-	-	-	-
Interest rate swaps - short position		83,333	-	-	-	83,333	-	-	-	-	-	-
Cross currency swaps - short position		124,845	-	-	-	-	124,845	-	-	-	-	-
		23,245,182	9,518,707	7,797,744	5,720,553	83,333	124,845	-	-	-	-	-
Off-balance sheet gap		795,210	2,385,674	2,223,588	(3,814,052)	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(36,879,430)	90,713,744	52,100,510	31,322,754	(1,177,292)	19,372	360,513	1,332,691	-	
Cumulative yield / interest risk sensitivity gap			(36,879,430)	53,834,314	105,934,824	137,257,578	136,080,286	136,099,658	136,460,171	137,792,862	137,792,862	

Mismatch of Interest Rate Sensitive Assets and Liabilities

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

Effective Yield/ Interest rate	Total	2008										Not exposed to Yield/ Interest Risk
		Exposed to Yield/ Interest risk										
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
----- (Rupees in '000) -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.90%	39,631,219	1,950,742	-	-	-	-	-	-	-	-	37,680,477
Balances with other banks	1.20%	4,106,526	759,437	-	-	-	-	-	-	-	-	3,347,089
Lendings to financial institutions	15.75% to 21%	4,100,079	4,100,079	-	-	-	-	-	-	-	-	-
Investments - net	6% to 17.56%	95,590,602	35,399,737	45,481,121	4,980,612	708,396	286,557	674,063	2,459,769	980,996	95,823	4,523,528
Advances - net	18.00%	262,133,830	157,129,642	52,502,094	39,376,570	13,125,524	-	-	-	-	-	-
Other assets - net		9,069,899	-	-	-	-	-	-	-	-	-	9,069,899
		<u>414,632,155</u>	<u>199,339,637</u>	<u>97,983,215</u>	<u>44,357,182</u>	<u>13,833,920</u>	<u>286,557</u>	<u>674,063</u>	<u>2,459,769</u>	<u>980,996</u>	<u>95,823</u>	<u>54,620,993</u>
Liabilities												
Bills payable		10,551,468	-	-	-	-	-	-	-	-	-	10,551,468
Borrowings	15.50%	22,663,840	9,086,591	7,918,373	5,658,876	-	-	-	-	-	-	-
Deposits and other accounts	5 % to 9.5 %	330,152,549	160,598,414	17,007,818	11,656,112	21,055,371	1,325,882	2,083,437	4,050,130	-	-	112,375,385
Other liabilities		8,968,852	-	-	-	-	-	-	-	-	-	8,968,852
		<u>372,336,709</u>	<u>169,685,005</u>	<u>24,926,191</u>	<u>17,314,988</u>	<u>21,055,371</u>	<u>1,325,882</u>	<u>2,083,437</u>	<u>4,050,130</u>	<u>-</u>	<u>-</u>	<u>131,895,705</u>
On-balance sheet gap		<u>42,295,446</u>	<u>29,654,632</u>	<u>73,057,024</u>	<u>27,042,194</u>	<u>(7,221,451)</u>	<u>(1,039,325)</u>	<u>(1,409,374)</u>	<u>(1,590,361)</u>	<u>980,996</u>	<u>95,823</u>	<u>(77,274,712)</u>
Off-balance sheet financial instruments												
Forward Outright purchase - Govt. securities		26,644,450	26,644,450	-	-	-	-	-	-	-	-	-
Foreign exchange contracts Purchase		69,708,932	21,618,865	35,282,618	12,794,158	13,291	-	-	-	-	-	-
Interest rate swaps - long position		2,144,130	-	1,977,463	-	-	166,667	-	-	-	-	-
Cross currency swaps - long position		173,127	-	-	-	-	-	173,127	-	-	-	-
		<u>98,670,639</u>	<u>48,263,315</u>	<u>37,260,081</u>	<u>12,794,158</u>	<u>13,291</u>	<u>166,667</u>	<u>173,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign exchange contracts Sale		67,476,228	21,427,005	19,037,097	19,365,275	7,629,100	17,751	-	-	-	-	-
Interest rate swaps - short position		266,667	-	100,000	-	-	166,667	-	-	-	-	-
Cross currency swaps - short position		173,127	-	-	-	-	-	173,127	-	-	-	-
Forward Outright sale - Govt securities		20,827,530	20,827,530	-	-	-	-	-	-	-	-	-
		<u>88,743,552</u>	<u>42,254,535</u>	<u>19,137,097</u>	<u>19,365,275</u>	<u>7,629,100</u>	<u>184,418</u>	<u>173,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Off-balance sheet gap		<u>9,927,087</u>	<u>6,008,780</u>	<u>18,122,984</u>	<u>(6,571,117)</u>	<u>(7,615,809)</u>	<u>(17,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total yield / interest risk sensitivity gap			<u>35,663,412</u>	<u>91,180,008</u>	<u>20,471,077</u>	<u>(14,837,260)</u>	<u>(1,057,076)</u>	<u>(1,409,374)</u>	<u>(1,590,361)</u>	<u>980,996</u>	<u>95,823</u>	
Cumulative yield / interest risk sensitivity gap			<u>35,663,412</u>	<u>126,843,420</u>	<u>147,314,497</u>	<u>132,477,237</u>	<u>131,420,161</u>	<u>130,010,787</u>	<u>128,420,426</u>	<u>129,401,422</u>	<u>129,497,245</u>	
Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.												
Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.												

	2009		2008			2009		2008	
	(Rupees in '000)					(Rupees in '000)			
Reconciliation to total assets	511,741,878		445,285,758		Reconciliation to total liabilities	439,428,598		385,153,625	
Balance as per balance sheet					Balance as per balance sheet				
Less: Non financial assets					Less: Non financial liabilities				
Investments	3,403,010		2,574,789		Other liabilities	3,475,880		12,376,621	
Operating fixed assets	18,099,010		17,320,485		Deferred tax liability	3,201,756		440,295	
Deferred tax assets - net	-		-			6,677,636		12,816,916	
Other assets	11,414,105		10,758,329						
	32,916,125		30,653,603						
Total financial assets	478,825,753		414,632,155		Total financial liabilities	432,750,962		372,336,709	

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

2008

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	----- (Rupees in '000) -----									
Assets										
Cash and balances with treasury banks	39,631,219	39,631,219	-	-	-	-	-	-	-	-
Balances with other banks	4,106,526	4,106,526	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,100,079	4,100,079	-	-	-	-	-	-	-	-
Investments - net	98,165,391	26,313,460	46,011,877	5,013,425	4,760,623	3,852,594	1,926,341	4,755,241	2,861,218	2,670,612
Advances - net	262,133,830	12,828,821	1,386,235	101,048,429	71,271,406	39,564,731	12,667,283	19,214,140	3,094,364	1,058,421
Operating fixed assets	17,320,485	76,729	153,459	230,188	460,377	920,753	920,753	1,841,506	4,570,877	8,145,843
Deferred tax assets	1,199,486	10,663	40,152	31,615	358,692	79,400	77,018	95,038	494,231	12,677
Other assets - net	19,828,228	6,364,554	5,823,749	448,374	547,038	6,642,888	1,625	-	-	-
	446,485,244	93,432,051	53,415,472	106,772,031	77,398,136	51,060,366	15,593,020	25,905,925	11,020,690	11,887,553
Liabilities										
Bills payable	10,551,468	10,551,468	-	-	-	-	-	-	-	-
Borrowings	22,663,840	9,086,590	6,867,997	4,608,502	1,050,376	1,050,375	-	-	-	-
Deposits and other accounts	330,152,549	272,973,799	17,007,818	11,656,112	21,055,371	1,325,882	2,083,437	4,050,130	-	-
Deferred tax liabilities	1,639,781	37,650	62,137	91,373	182,746	365,492	147,080	294,160	57,400	401,743
Other liabilities	21,345,473	6,447,971	4,380,863	5,177,673	1,343,818	1,420,253	502,860	984,145	1,087,890	-
	386,353,111	299,097,478	28,318,815	21,533,660	23,632,311	4,162,002	2,733,377	5,328,435	1,145,290	401,743
Net assets	60,132,133	(205,665,427)	25,096,657	85,238,371	53,765,825	46,898,364	12,859,643	20,577,490	9,875,400	11,485,810
Share capital	6,282,768									
Reserves	36,772,321									
Unappropriated profit	11,065,723									
Minority interest	69									
Surplus on revaluation of assets - net of tax	6,011,252									
	60,132,133									

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

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

	2009									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	------(Rupees in '000)-----									
Assets										
Cash and balances with treasury banks	38,774,871	38,774,871	-	-	-	-	-	-	-	-
Balances with other banks	6,077,354	6,077,354	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,000,000	1,000,000	2,000,000	-	-	-	-	-	-	-
Investments - net	169,484,647	7,595,046	50,430,192	30,281,032	59,460,431	5,662,050	3,018,659	4,424,767	5,209,460	3,403,010
Advances - net	253,248,265	32,495,438	50,638,610	12,489,161	80,579,221	23,704,771	19,762,127	22,060,019	11,261,267	257,651
Operating fixed assets	18,099,010	88,572	177,145	265,717	531,434	1,062,868	1,062,868	2,125,736	5,314,340	7,470,330
Deferred tax assets	1,622,905	9,082	45,158	26,195	332,189	310,006	341,615	394,186	164,474	-
Other assets - net	23,057,731	4,405,161	4,251,638	201,363	3,460,971	260,081	-	10,478,517	-	-
	513,364,783	90,445,524	107,542,743	43,263,468	144,364,246	30,999,776	24,185,269	39,483,225	21,949,541	11,130,991
Liabilities										
Bills payable	8,201,090	8,201,090	-	-	-	-	-	-	-	-
Borrowings	44,662,088	33,662,171	4,450,466	4,441,734	1,058,442	1,049,275	-	-	-	-
Deposits and other accounts	367,581,075	36,409,499	42,646,512	91,180,668	122,270,538	25,468,818	19,318,014	15,796,725	8,045,411	6,444,890
Deferred tax liabilities	4,824,661	18,290	36,580	54,870	109,741	221,552	113,768	167,694	3,682,146	420,020
Other liabilities	15,782,589	6,296,091	1,090,620	1,694,516	2,593,895	1,976,687	443,678	869,033	818,069	-
	441,051,503	84,587,141	48,224,178	97,371,788	126,032,616	28,716,332	19,875,460	16,833,452	12,545,626	6,864,910
Net assets	72,313,280	5,858,383	59,318,565	(54,108,320)	18,331,630	2,283,444	4,309,809	22,649,773	9,403,915	4,266,081
Share capital	6,911,045									
Reserves	38,387,656									
Unappropriated profit	17,821,670									
Minority interest	71									
Surplus on revaluation of assets - net of tax	9,192,838									
	72,313,280									

Refer the sub-note to note 44.4.1 also. Current and saving deposits do not have any contractual maturity. Therefore, current deposits and saving accounts have been classified between all nine maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

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

	2008									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	------(Rupees in '000)-----									
Assets										
Cash and balances with treasury banks	39,631,219	39,631,219	-	-	-	-	-	-	-	-
Balances with other banks	4,106,526	4,106,526	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,100,079	4,100,079	-	-	-	-	-	-	-	-
Investments - net	98,165,391	26,313,460	46,011,877	5,013,425	4,760,623	3,852,594	1,926,341	4,755,241	2,861,218	2,670,612
Advances - net	262,133,830	12,828,821	1,386,235	101,048,429	71,271,406	39,564,731	12,667,283	19,214,140	3,094,364	1,058,421
Operating fixed assets	17,320,485	76,729	153,459	230,188	460,377	920,753	920,753	1,841,506	4,570,877	8,145,843
Deferred tax assets	1,199,486	10,663	40,152	31,615	358,692	79,400	77,018	95,038	494,231	12,677
Other assets - net	19,828,228	6,364,554	5,823,749	448,374	547,038	6,642,888	1,625	-	-	-
	<u>446,485,244</u>	<u>93,432,051</u>	<u>53,415,472</u>	<u>106,772,031</u>	<u>77,398,136</u>	<u>51,060,366</u>	<u>15,593,020</u>	<u>25,905,925</u>	<u>11,020,690</u>	<u>11,887,553</u>
Liabilities										
Bills payable	10,551,468	10,551,468	-	-	-	-	-	-	-	-
Borrowings	22,663,840	9,086,590	6,867,997	4,608,502	1,050,376	1,050,375	-	-	-	-
Deposits and other accounts	330,152,549	35,361,520	45,707,877	85,926,417	95,325,677	22,811,402	17,788,662	15,827,302	5,780,296	5,623,396
Deferred tax liabilities	1,639,781	37,650	62,137	91,373	182,746	365,492	147,080	294,160	57,400	401,743
Other liabilities	21,345,473	6,447,971	4,380,863	5,177,673	1,343,818	1,420,253	502,860	984,145	1,087,890	-
	<u>386,353,111</u>	<u>61,485,199</u>	<u>57,018,874</u>	<u>95,803,965</u>	<u>97,902,617</u>	<u>25,647,522</u>	<u>18,438,602</u>	<u>17,105,607</u>	<u>6,925,586</u>	<u>6,025,139</u>
Net assets	<u>60,132,133</u>	<u>31,946,852</u>	<u>(3,603,402)</u>	<u>10,968,066</u>	<u>(20,504,481)</u>	<u>25,412,844</u>	<u>(2,845,582)</u>	<u>8,800,318</u>	<u>4,095,104</u>	<u>5,862,414</u>
Share capital	6,282,768									
Reserves	36,772,321									
Unappropriated profit	11,065,723									
Minority interest	69									
Surplus on revaluation of assets - net of tax	<u>6,011,252</u>									
	<u>60,132,133</u>									

Refer sub-note to note 44.4.1 also. Current and saving deposits do not have any contractual maturity. Therefore, current deposits and saving accounts have been classified between all nine maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

43.5 Operational Risk

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

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

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

43.5.1 Operational Risk-Disclosures Basel II Specific

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

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

44. GENERAL

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

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

45. NON-ADJUSTING EVENT

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

46. DATE OF AUTHORIZATION FOR ISSUE

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

President and Chief Executive

Director

Director

Director

1 Particulars of Investments in listed companies, mutual funds and modarabas-available for sale

Investee Entities	Note	Number of Ordinary and preference shares/certificates/units held	Paid-up value per share/certificate/unit	Total paid-up/nominal value	Cost as at December 31, 2009
Fully Paid-up Preference Shares					
Azgard Nine Limited		1,160,241	10	11,602	11,602
Masood Textile Mills Limited	1.1	5,000,000	10	50,000	50,000
					61,602
Fully Paid-up Ordinary Shares					
Abbott Laboratories Pakistan Limited		135,600	10	1,356	25,200
Allied Bank Limited		2,844,292	10	28,443	284,251
Arif Habib Limited		109,375	10	1,094	23,303
Arif Habib Securities Limited		1,529,875	10	15,299	214,004
Askari Bank Limited		5,358,220	10	53,582	301,018
Atlas Bank Limited		1,543,199	10	15,432	23,831
Attock Petroleum Limited		108,120	10	1,081	45,644
Bank Alfalah Limited		5,083,665	10	50,837	177,593
Bank Al-Habib Limited		5,453,011	10	54,530	217,490
Century Papers & Board Mills Limited		880,260	10	8,803	25,106
EFU General Insurance Limited		12,040	10	120	822
EFU Life Insurance Company Limited		7,569	10	76	369
Engro Chemical Pakistan Limited		676,149	10	6,761	177,902
Fauji Fertilizer Bin Qasim Company Limited		4,092,674	10	40,927	166,023
Fauji Fertilizer Company Limited		5,022,741	10	50,227	322,361
Glaxosmithkline Pakistan Limited		484,672	10	4,847	64,437
Habib Bank Limited		1,720,840	10	17,208	316,006
Habib Metropolitan Bank Limited		690,512	10	6,905	30,024
Hub Power Company Limited		1,239,925	10	12,399	29,110
IGI Insurance Company of Pakistan Limited		440,490	10	4,405	83,412
Indus Motor Company Limited		42,027	10	420	8,655
International Industries Limited		382,754	10	3,828	35,188
Jahangir Siddiqui and Company Limited		1,156,469	10	11,565	222,654
Kohinoor Energy Limited		55,000	10	550	1,566
Kot Addu Power Company Limited		1,406,600	10	14,066	62,931
Lucky Cement Limited		175,000	10	1,750	24,098
Mehr Dastagir Textile Mills Limited		1,616,912	10	16,169	16,169
Maple Leaf Cement Company Limited		3,833,500	10	38,335	68,266
Millat Tractors Limited		59,035	10	590	6,404
National Bank Of Pakistan		2,032,670	10	20,327	298,132
National Refinery Limited		30,000	10	300	10,774
Oil & Gas Development Company Limited		185,515	10	1,855	18,358
Orix Leasing Pakistan Limited		218,920	10	2,189	4,332
Packages Limited		21,911	10	219	5,941
Pak Suzuki Motor Company Limited		49,600	10	496	18,028
Pakistan Cables Limited		86,716	10	867	14,410
Pakistan Oilfields Limited		420,720	10	4,207	136,275
Pakistan Petroleum Limited		918,105	10	9,181	179,990
Pakistan State Oil Company Limited		191,600	10	1,916	97,408
Pakistan Telecommunication Company Limited		4,893,731	10	48,937	244,216
Pakistan Tobacco Company Limited		138,700	10	1,387	22,536
Rupali Polyester Limited		658,545	10	6,585	46,475
Soneri Bank Limited		3,419,172	10	34,192	119,546
Sui Northern Gas Pipelines Limited		47,728,822	10	477,288	2,205,253
Samba Bank Limited (Formerly Crescent Commercial Bank Limited)		30,963,000	10	309,630	147,150
Thal Limited		44,856	5	224	4,256
The Bank of Punjab		6,423,100	10	64,231	170,996
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Pakistan Limited		33,280	50	1,664	47,892
United Bank Limited		2,370,400	10	23,704	238,644
Zulfiqar Industries Limited		30,537	10	305	3,557
Total					7,011,006

Investee Entities	Note	Number of Ordinary and preference shares/certificates/units held	Paid-up value per share/certificate/unit	Total paid-up/nominal value	Cost as at December 31, 2009
			Rupees	(Rupees in '000)	
Fully Paid-up Modaraba Certificates					
First Al-Noor Modaraba	Al-Noor Modaraba Management (Private) Limited	5,553,270	10	55,532.70	60,606
Total					60,606
Carrying value (before revaluation and provision) Listed Shares 'available for sale'					7,133,214
Provision for diminution in value of investments					(3,420,986)
Surplus on revaluation of securities					690,169
Market value as at December 31, 2009					4,402,397

Fully Paid-up Ordinary Certificates/Units of Mutual Funds	Name of Management Company	Number of units held	Paid-up value per unit	Total paid-up/nominal value	Cost as at December 31, 2009
			Rupees	(Rupees in '000)	
MCB Dynamic Cash Fund	MCB Asset Management Company Limited	3,165,204	100	316,520	250,000
Atlas Islamic Fund	Atlas Asset Management Company Limited	20,967	500	10,484	10,000
MCB Dynamic Stock Fund (IPO)	MCB Asset Management Company Limited	833,874	100	83,387	82,981
MCB Dynamic Allocation Fund (IPO)	MCB Asset Management Company Limited	1,000,000	100	100,000	100,000
Carrying value before revaluation & provision					442,981
Provision for diminution in value of investments					(87,710)
Surplus on revaluation of securities					146,730
Market value as at December 31, 2009					502,001

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

2 Particulars of Investments in mutual funds - held for trading

	Number of units held	Paid-up value per unit	Total paid-up/nominal value	Cost as at December 31, 2009
		Rupees	(Rupees in '000)	
MCB Cash Management Optimizer Fund	506,035	100	50,604	50,604
MCB Dynamic Cash Fund	2,704,448	100	270,445	269,884
			321,049	320,488

3) Particulars of Investment held in unlisted companies-available for sale

Company Name	Percentage of holding (%)	Number of shares / certificates held	Cost as at December 31, 2009	Net Asset Value of total investment	Based on audited financial statements as at	Name of Chief Executive
Shareholding more than 10%			(Rs ' 000 ')			
Fully paid up preference shares						
Fazal Cloth Mills Limited (3.1)	40.00%	10,000,000	100,000	-	-	Mr. Sheikh Naseem Ahmed
Fully paid up Ordinary Shares/ Certificates/ Units						
Pak Asian Fund Limited	10.22%	1,150,000	11,500	18,047	June 30, 2009	Mr. Ashfaq A. Berdi
Khushhali Bank Limited	17.60%	30,000,000	300,000	330,781	December 31, 2008	Mr. Ghalib Nishtar
Central Depository Company of Pakistan Limited	10.00%	5,000,000	10,000	156,421	June 30, 2009	Mr. Mohammad Hanif Jhakura
			321,500			
Shareholding upto 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
First Capital Investment Limited		250,000	2,500	2,446	June 30, 2009	Mr. Kamran Hafeez
National Institute of Facilitation Technology Private Limited		985,485	1,527	50,034	June 30, 2009	Mr. Muzaffar Mahmood Khan
National Investment Trust Limited		79,200	100	110,922	June 30, 2009	Mr. Tariq Iqbal Khan
SME Bank Limited		1,490,619	10,106	14,681	December 31, 2008	Mr. R. A. Chughtai
Pakistan Agro Storage and Services Corporation		2,500	2,500	52,383	March 31, 2009	Mr. Chaudhry Abdul Majeed
Arabian Sea Country Club		500,000	5,000	715	June 30, 2009	Mr. Asif Ali Khan Abbasi
Society for Worldwide Inter Fund Transfer (SWIFT)		18	1,738	5,120	December 31, 2008	Mr. Lazara Campos
Credit Information Bureau of Srilanka		300	22	429	December 31, 2008	Mr. N.P.H.Amarasena
Lanka Clear (Private) Limited		100,000	737	1,426	December 31, 2007	Mr. Sarath Silva
Lanka Financial Services Bureau Limited		100,000	736	926	March 31, 2009	Mr. Anil Amrasoriya
Equity Participation Fund*		15,000	1,500	-	-	-
Al-Ameen Textile Mills Ltd.*		19,700	197	-	-	-
Ayaz Textile Mills Ltd.*		225,250	2,252	-	-	-
Custodian Management Services*		100,000	1,000	-	-	-
Musarrat Textile Mills Ltd.*		3,604,500	36,045	-	-	-
Sadiqabad Textile Mills Ltd.*		2,638,261	26,383	-	-	-
			92,343			
Cost of unlisted shares/ certificates/ units			513,843			
Provision against unlisted shares			(71,716)			
Carrying value of unlisted shares/ certificates/ units			442,127			

* These are fully provided unlisted shares.

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

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

ANNEXURE - I

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2009 (Rupees in '000)	Name of Chief Executive
LISTED TERM FINANCE CERTIFICATES - available for sale							
Askari Bank Limited - issue no. I	20,000	5,000	100,000,000	6 months KIBOR + 1.5% p.a.	0.3% of principal amount in the first 90 months and the remaining principal in the 96th month from February 2005.	99,820	Mr.R. Mehakri
- issue no. II	19,980	5,000	99,900,000	6 months KIBOR + 1.5% p.a.	0.3% of principal amount in the first 90 months and the remaining principal in the 96th month from October 2005.	99,740	--do--
- issue no. III	50,000	5,000	250,000,000	6 months KIBOR + 2.5% p.a. for first five years & 6 months KIBOR +2.95% for next 5 years	0.32% of principal amount in the first 96 months and remaining principal in four equal semiannual installments starting from the 102nd month from issue.	250,000	--do--
	89,980		449,900,000				
Bank Al Habib Limited	20,000	5,000	100,000,000	6 months KIBOR + 1.5% p.a.with a floor and cap of 3.5% and 10% per annum respectively.	0.02% of total issue in equal installments in first 78 months and the remaining principal in 3 semi-annual installments from the 84th month from July 2004.	99,800	Mr. Abbas D. Habib
Bank Alfalah Limited - issue no. II	10,000	5,000	50,000,000	6 months KIBOR + 1.5% p.a.	0.25% of principal in the first 78 months and remaining principal in 3 semi-annual installments of 33.25% each of the issue amount starting from the 84th month from November 2004.	49,904	Mr. Sirajuddin Aziz
- issue no. II	39,720	5,000	198,600,000	6 months KIBOR + 1.5% p.a.	0.25% of the principal in the first 78 months and remaining in 3 semi annual installments of 33.25% each starting from the 84th month from November 2005.	198,295	--do--
- issue no. III	100,000	5,000	500,000,000	6 months KIBOR + 2.5% p.a.	0.26% of principal amount in the first 78 months and remaining principal in three semi -annual installment starting from the 84th month.	500,000	--do--
	149,720		748,600,000				
Soneri Bank Limited	30,000	5,000	150,000,000	6 months KIBOR + 1.6% p.a.	In 4 semi annual equal installments starting from the 78th month from May 2005.	149,730	Mr. Safar Ali K. Lakhani
United Bank Limited - issue no. III	56,978	5,000	284,890,000	6 months KIBOR + 1.7% p.a.	0.2% of the principal in the first 60 months and remaining principal in 6 equal semi annual installments from September 2006.	284,548	Mr. Atif R. Bokhari
Pak Arab Fertilizers Limited	20,000	5,000	100,000,000	6 months KIBOR + 1.5% p.a.	In six stepped -up semi-annual installments starting from the 30th month from July 2007.	99,940	Mr. Fawad Ahmed Mukhtar
Carrying value before revaluation						1,831,777	
Deficit on revaluation of securities						(96,233)	
Market value of listed TFCs (revalued amount)						1,735,544	
SUKUK BONDS - available for sale							
	Terms of Redemption		Rate of interest	Currency			
	Principal	Interest					
WAPDA Sukuk Bonds	At maturity	Half-yearly	6 Month KIBOR+0.35%	PKR		400,000	Mr. Muhammad Shakil Durrani
Deficit on revaluation of securities						(3,863)	
Market value of sukuk bonds						396,137	
TERM FINANCE CERTIFICATES - held to maturity							
Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2009	Name of Chief Executive
Jahangir Siddiqui and Company Limited	56	5,000,000	280,000,000	6 months KIBOR + 1.5% to 2.2% p.a. over 10 years	In 4 equal semi-annual installments, starting from 8-1/2 years from December 2004.	279,384	Mr. Munaf Ibrahim
Pak Kuwait Investment Company (Private) Limited	100,000	5,000	500,000,000	3 months KIBOR + 1.25% p.a.	In 5 equal semi-annual installments commencing from the 36th month from June 2005.	200,000	Mr. Shamas ul Hasan
Allied Bank Limited	46,400	5,000	232,000,000	6 months KIBOR + 0.85% p.a. for first five years & 6 months KIBOR+1.30% for next 5 years.	0.38% of principal amount in the first 114 months and remaining principal will be paid at maturity	232,000	Mr. Aftab Manzoor
JDW Sugar Mills Limited	45,000	5,000	225,000,000	3 months KIBOR + 1.25% p.a.	Quarterly installments starting from March 23, 2010	225,000	Mr. Jehangir Khan Tareen
Kashaf Foundation	16,000	5,000	80,000,000	3 months KIBOR + 2.45% p.a.	Redemption due on two installment falling in April & July 2010	70,714	Roshaneh Zafar
Shakarganj Mills Limited	16,000	5,000	80,000,000	6 Month KIBOR +2.25% p.a.	In 10 equal semi-annual installments starting from 18th Month from the date of issue date .	80,000	Mr. Ahsan Saleem
Islamabad Electric Supply Company Limited	200,000	5,000	1,000,000,000	6 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	1,000,000	Raja Abdul Ghafoor
Gujranwala Electric Supply Company Limited	200,000	5,000	1,000,000,000	6 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	1,000,000	Muhammad Ibrahim Majoka
Faisalabad Electric Supply Company Limited	200,000	5,000	1,000,000,000	6 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	1,000,000	Tanveer Safder Cheema
Carrying value of unlisted TFCs						4,087,098	

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

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

ANNEXURE - I

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

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

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

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

* Represents net mark-up / interest income

** Represents net premium revenue

ISLAMIC BANKING BUSINESS

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

Balance Sheet

As at December 31, 2009

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

ISLAMIC BANKING BUSINESS**Profit and Loss Account***For the year ended December 31, 2009*

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

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR 2009**

(Rupees in Thousand)

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
1	Al Rehman Engg Works 94 – Fruit Market Allama Iqbal Town Lahore	Mr. Ijaz Ahmed	35202-3581212-5	Muhammad Azeem	2,412	525		2,937			646	646
2	Rizwan & Co. Galla Mandi Hafizabad	Mr. Rizwan Mehmood	289-74-247430	Muhammad Siddique	2,999	793		3,792			750	750
3	American Beverages Corporation 13 Durand Road, Lahore	Mr. Mehmood Ali Ch	35202-7710843-7	Mohammad Ali Ch	1,997	1,534		3,531			1,775	1,775
4	M Imran House NO 13 Street NO 1 Main Road Salamat Pura Lahore	Mr. Muhammad Imran	35201-9241168-9	Muhammad Ashraf	4,024	1,089		5,113			981	981
5	Afzal & Co. 83 – D New Muslim Town Lahore	Mr. Malik Afzal (Late)	35202-2740250-1	Malik Nazeer Hussain	2,281	479		2,760			596	596
6	Arslan Traders Village Fattoke P.O. Badomalhi , Tehsil & District Narowal	Sarfraz Mohsin	34501-6155620-3	Muhammad Sharif Bhatti	1,993	1,200	104	3,297	-		572	572
7	Style Enterprises (Pvt) Ltd Kamahan Road (Off Bus Stop) 16 KM, Ferozepur Road, Lahore.	Jawad Khurshid Ahmad Hammad Khurshid Ahmad Aitzaz Khurshid Ahmad	265-89-026787 265-85-026788 265-89-210305	Mian Khurshid Ahmad Mian Khurshid Ahmad Mian Khurshid Ahmad	13,151	26,061	298	39,510	13,151		26,359	39,510
8	AFZAAL SHARIF Room NO 214 LSE Building Lahore	Afzaal Sharif	35202-3364893-6	Ch.Muhammad Sharif	657	3,647		4,304	657		3,722	4,379
9	AFZAAL PETROLEUM Room NO 214 LSE Building Lahore	Afzaal Sharif	35202-3364893-6	Ch.Muhammad Sharif	-	871	-	871	-		871	871
10	Muhammad Arif R/O Rukkan, P.O. Khas, Tehsil Malkwal Dist. Mandi bahauddin	Mian Muhammad Arif	34401-1652212-7	Mian Muhammad Ramzan	7,797	1,214		9,011	-		711	711
11	M R Saleem (PVT) LTD	M R Saleem Rehmat Noor	270-34-327506 270-41-327507	Mian Ahmed Yar W/O M R Saleem	3,584	3,257	-	6,841	-		2,658	2,658
12	Mr. Badi-uz-Zaman, R/o Saidu Sharif, Airport Swat	Mr. Badi-uz-Zaman	116-91-995162	Muhammad Ghafoor	3,610	5,245	30	8,885	3,610		5,405	9,015
13	Junaid Enterprises Attaturk Ave G-6/4, Islamabad	i) Syed Mohammad Ismail ii) Junaid Ismail	i) 61101-2348911-5 ii) 61101-1473675-	i) Syed Yousaf Ali ii) Syed Mohammad Ismail	3,999	319	45	4,363	0		588	588
14	Sidique Processing Mills (PVT) Ltd Sargodha Raod, Nalka Kohala, Fsd.	Ahsan Rasheed Rashid Ahmad Faisal Rasheed Muhammad Zeeshan Muhammad Shakeel	33100-6570502-7 33100-3922751-7 33100-8511457-9 33100-5100454-3 33100-0290146-7	Rashid Ahmad Nazir Ahmad Rashid Ahmad Mouhammad Yousaf Abdul Rasheed	465	1,242		1,707	0	0	517	517

(Rupees in Thousand)												
Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
15	Pakistan Seed Services C Plot Sindhianwali Road, Pir Mahal	Khizar Hayyat	335-69-234907	Mian Muhammad Murad	214	861	83	1,158	0	0	632	632
16	AL Noor Processing & Textile Mills (Pvt) Limited. Sargodha Road, Fsd	Riaz Ahmad Shaikh Amir Riaz Shaikh Muhammad Saeed Shaikh Sh Faisal Riaz Muhaamad Saad Shaikh Bashir Ahmad Muhammad Hassan Riaz Sh Uzair Saeed	33100-5073801-9 33100-5073801-9 33102-1809203-9 33100-4704334-9 33100-9089265-9 33100-6182504-1 33100-2418142-1 33100-6340341-5	Haji Muhammad Jahanda Riaz Ahmad Shaikh Haji Bashir Ahmad Riaz Ahmad Shaikh Riaz Ahmad Shaikh Haji Mohammad Boota Riaz Ahmad Shaikh Muhammad Saeed Shaikh	11,870	3,090		14,960	0	0	3,090	3,090
17	Fine Fabrics (Pvt) Limited 3-1/A Peoples Colony, Faisalabad	Abid Anwar Faiq Javaid	246-44-237624 246-81-329084	Mian Anwar Elahi Javaid Anwar	5,147	6,631	1,511	13,289	0	0	6,631	6,631
18	J K Fiber Mills Limited 3-1/A, Peoples Colony, Faisalabad	Abid Anwar Faiq Javaid Javaid Anwar Farhat Jahan Naggen Faiq Samina Begum Shaiq Javaid	246-44-237624 246-81-329084 244-40-669051 244-46-255473 246-89-410204 246-54-237625 244-76-669052	Mian Anwar Elahi Javaid anwar Mian Anwar Elahi Zahid Anwar Faiq Javaid Mohammad Zakirya Javaid Anwar	10,832	22,701	1,511	35,044	0	0	22,701	22,701
19	J K Spinning Mills Limited	Abid Anwar Faiq Javaid Javaid Anwar Farhat Jahan Naggen Faiq Samina Begum Shaiq Javaid	246-44-237624 246-81-329084 244-40-669051 244-46-255473 246-89-410204 246-54-237625 244-76-669052	Mian Anwar Elahi Javaid anwar Mian Anwar Elahi Zahid Anwar Faiq Javaid Mohammad Zakirya Javaid Anwar	650	960	1,511	3,121	0	0	960	960
20	Chenab Cotton Ginning & Oil Mills Mauza Jhoke Gamun Lare, Shujaabad Road Multan.	1. Ghulam Hussain 2. Muhammad Hanif 3. Muhammad Najeeb 4. Muhammad Rizwan	322-48-764267 322-59-637991 322-62-637986 322-65-637997	Haji Hussain Bux Haji Hussain Bux Haji Hussain Bux Muhammad Ramzan	12,642	29,140	90	41,872	12,642	0	29,230	41,872
21	Data Cotton Ginning Processing & Oil Mills Tail Wala Road Chak NO 110 DB, Yazman Mandi Distt. Bahawalpur.	1. Muhammad Younas 2. Muhammad Sarfraz 3. Ghulam Rasool 4. Muhammad Yasin 5. Khalid Mehmood 6. Tariq Aziz 7. Javed Iqbal 8. Ilam Din	345-88-023564 345-77-333783 345-49-069001 345-68-197723 345-75-565389 345-72-023565 345-73-197724 345-25-197719	Ilam Din Ghulam Sarwar Ali Muhammad Ilam Din Muhammad Younas Muhammad Younas Ilam Din Nawab Din	13,788	11,307	69	25,164	13,788	0	11,376	25,164
22	Mehr Dastgir Textile Mills Ltd Mehr Dastgir, Shaheed Younas Road Multan	1. Kh. Muhammad Abdullah 2. Kh. Muhammad Yousaf 3. Kh. M. Abdul Rehman Jam 4. Kh. Muhammad Ali 5. Kh. Muhammad Hussain 6. Kh. Muhammad Mansoor 7. Kh. Muhammad Usman	36302-9279957-9 36302-0458568-3 36302-3799833-7 36302-3953552-9 36302-7531877-7 36302-0458520-5 36302-9514374-1	Kh. M. Ghulam Dastgir Kh. M. Ghulam Dastgir Kh. Muhammad Yousaf Kh. Muhammad Yousaf Kh. Muhammad Abdullah Kh. Muhammad yousaf Kh. Muhammad Abdullah	121,838	139,399	179	261,416	49,025	0	139,399	188,424
23	Zaffar Corporation Grain Market Chishtian	1. Tahir Iqbal	354-61-163199	Abdul Ghani	1,000	701	27	1,728	0	0	534	534

(Rupees in Thousand)

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
24	Waqas Oil Mills Katcha Sadiqabad Road Mauza Tibba Laran, Rahim Yar Khan.	1. Muhammad Irshad	360-88-439657	Rana Abdul Aziz	2,300	692	89	3,081	0	0	781	781
25	Mehr Dastgir Leather & Footwear Industries Pvt. Ltd. Mehr Dastgir Shaheed Younas Road Multan	1. Kh. Muhammad Abdullah 2. Kh. Muhammad Yousaf 3. Kh. M. Abdul Rehman Jam	36302-9279957-9 36302-0458568-3 36302-3799833-7	Kh. M. Ghulam Dastgir Kh. M. Ghulam Dastgir Kh. Muhammad Yousaf	13,673	43,770	346	57,789	0	0	43,797	43,797
26	TRADERS IMPEX 5-c, 5th Floor State Life Building I.I Chundrigar Road Karachi	Mr. Muhammad Ibrahim	42301-5704994.5	S/o Abdullah Dawood	6,500	21,814	0	28,314	6,500	0	21,814	28,314
27	HAFEEZ RASHEED SONS 82-C, 11th Commercial Street DHA Phase-II, Karachi	Mr. Ahmed Bilal Gul Mr. Zahd Bilal Mr. Amir Iqbal Mr. Wajid Ali Khan	42301-0861540-0 42000-9705786-5 42401-4129606-5 61101-1912023-3	S/o Mian M. Hafeez S/o Mian M. Hafeez S/o Abdur Rasheed	1,990	648	0	2,638	337	0	648	985
28	SEHAR CORPORATION 105, Amber Estate Shsahra-e-Faisal Karachi	Haji Khushi Muhammad Jawed Iqbal Bhatti Muhammad Khalid	507-28-038572 507-52-038573 507-86-038579	S/o Mehtabuddin Bhati S/o Haji Khushi Muhammad Bhati S/o Haji Khushi Muhammad Bhati	7,755	555	0	8,310	855	0	555	1,410
29	SEA GOLD TRADING M/R, 6/29, M. feroz Street Jodia Bazar Karachi	Mrs. Dilshad Qazi	42101-836838-4	W/o Qazi Ehteshamul Haq	20,486	5,867	371	26,724	20,486	0	6,238	26,724
30	KASHMIR PLOYTEX LTD Industrial Estate Mirpur Azad Kashmir	Mr. Mohammad Ashraf Khan Mr. Farooq Khan Mr. Mohammad Younus Khar Mrs. Harmeem Ara Hashmi	N/A N/A N/A N/A	N/A N/A N/A N/A	0	690	0	690	0	0	690	690
31	ATTOCK TEXTILE MILLS Panther Plaza, F-8 Markaz Islamabad	Mr. Arshad Ali Chaudhry Mr. RashidAhmed Mrs. Rizwana Arshad Mrs. Said Begum Mrs. Fareeda Khanum Mrs. Afshan Shahid Ch. Mohammad Sharif	N/A N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A N/A	0	6,144	0	6,144	0	0	6,144	6,144
32	LARR SUGAR MILLS 16-E, Block 6, Rashid Minhas Street PECHS, Karachi	Mr. Abdul Rauf Mr. Muhammad Ahmed Mr. Asad Ahmed Dr. Syed Rafique Mustafa Sh	N/A N/A N/A N/A	N/A N/A N/A N/A	13,034	4,506	-	17,540	-	-	4,246	4,246
33	BHATTI CORPORATION H.S. Advani Street Plaza Quater Karachi	Muhammad Iqbal Bhatti	42201-9782985-3	S/o Ellahi Bhatti	24,379	6,343	-	30,722	-	-	6,343	6,343
34	NINE STAR INTER NATIONAL 123-Princes Street Chand Bibi Road Nanakwara Karachi.	Farukh	42000-9919707-1	Baboo	2,500	883	0	3,383	0	0	1,097	1,097
35	MUHAMMAD BACHAL ALLIES KHURARO P.O. Mirokhan Dist: Larkana	Muhammad Bachal Alias Kui	427-93-000141	Muhammad Punhal Tunio	1,501	487	25	2,013	0	0	722	722
36	AURANGZEB TUNIO Arzi Bhutto Road Miro Khan Dist: Larkana	Aurangzeb Tunio	427-77-129000	S/o Ahmed Khan	1,000	323	25	1,348	0	0	1,180	1,180
37	SEAMLINE GARMENTS (PVT) LTD WSA-3, Block-18, F.B.Area Karachi	Syed Muhammad Arif (Late) Syed Husnain Raza Begum Shakira Arif Miss. Arjumand Arif		Syed Muqadas Hussain Syed Husnain Raza Wd / o Syed Muhammad Arif (Late) D/oSyed Muhammad Arif (Late)	12,753	1,684	0	14,437	0	0	2,610	2,610

(Rupees in Thousand)												
Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
38	LARAIB INDUSTRIES COTTON G/P FACTORY OIL MILLS Khanpur Mehar Road Adilpur Taluka Ghotki	Asif Ali Kalwar	45102-5187012-9	Abdukl Fateh	2,923	852	0	3,775	0	0	645	645
		Shumails Subhan	42201-9854186-4	W/o Subhan Ali								
39	AZHAR SERVICES 1/5-D, Block-2, PECHS, Nursery Main Shahra-e-Faisal Karachi	Azhar Alam Khan Haideri	42201-9643141-3	Khusro Alam Khan	2,800	478	0	3,278	0	0	802	802
40	NOORANI RICE MILLS Sind Small Industrial Estate Larkana	Riazat Ali Abbasi	423-85-084621	Rustam Ali	1,113	599	0	1,712	0	0	1,295	1,295
41	RAFAT YAZDAN SIDDIQUI HOUSE NO A-17, (ST-16), KDA KEHKASHAN CLIFTON, BLOCK 5, KARACHI		42301-8385149-1	ANIS AHMED SIDDIQUI	5,724	652	-	6,376	-	652	5	657
42	MUHAMMAD YOUSAF HOUSE NO 66, HASEEB BLOCK, AAZAM GARDEN, MULTAN ROAD, LAHORE		35202-1528069-3	SARAAJ DIN	5,053	538	-	5,591	-	597	174	771
43	RAFAT YAZDAN SIDDIQUI HOUSE NO A-17, (ST-16), KDA KEHKASHAN CLIFTON, BLOCK 5, KARACHI		42301-8385149-1	ANIS AHMED SIDDIQUI	5,724	705	-	6,429	-	705	114	819
44	KHALIL USMAN B-304 RUFİ PARADISE BLOCK 18 GULISTAN E JOHAR KARACHI		42000-1372861-9	AKHTER BAGUM	17,678	201	-	17,879	-	201	815	1,016
45	MUHAMMAD BULAND IQBAL KHAN HOUSE NO A-117, BLOCK-2, NORTH NAZIMABAD, KARACHI		42101-5538260-7	WAHID ALI KHAN	7,923	379	-	8,302	-	379	157	536
46	SHEIKH KHALID PERVAIZ 15/B, NEW MUSLIM TOWN, LAHORE		35202-6908260-3	SH MUHD AASHIQ	19,230	2,714	-	21,944	430	3,043	369	3,842
47	MUNIR AHMAD 390/15-16 REHMANI STREET, BUS STOP, SALAMAT PURA, GT ROAD LAHORE		35201-0806707-5	CH NAZIR AHMED	3,347	321	-	3,668	-	572	194	766
48	RAO MUHAMMAD AKRAM H NO 5, STNO 6, TOUHEED PARK, DAROGAWALA, LAHORE		35201-3813646-7	MUHAMMAD DIN RAO	5,911	639	-	6,550	-	1,081	343	1,424
49	MOHAMMMAD SOHAIL IKHLAQ HOUSE NO 122, ABN-E-SAEED ROAD, CANAL BANK SCHEME, FATAH GARH, LAHORE		35202-8701430-3	MOHAMMAD IKHLAQ CH	13,376	1,721	-	15,097	-	2,208	621	2,829
50	MUHAMMAD SHAHID 130 RAZA BLOCK AIT, LAHORE		35202-2778768-9	GHULAM MUHAMMAD	12,192	462	-	12,654	-	154	364	518
51	SYED HAROON AZIZ 102/2, KHAYABAN-E-RAHAT, LANE-12, PHASE VII, D.H.A, KARACHI		42301-4299539-1	AZIZ AHMED	4,019	378	-	4,397	-	712	140	852
52	ASAD NASEER P-11/3, KANAL ROAD, PARK CHAK NO 204, FAISALABAD		33100-2904569-3	NASEER AHMED	14,379	2,131	-	16,510	-	-	2,571	2,571

(Rupees in Thousand)

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
53	SYED ASHRAF ALI HOUSE NO 246 QASIMABAD LIAQUATABAD KARACHI		42101-8228717-5	SYED NAFASAT ALI	10,384	553	-	10,937	-	553	481	1,034
54	ASMAT ULLAH KHAN HOUSE NO 874, SATELLITE TOWN, RAWALPINDI		37405-9543346-1	MAZ ULLAH KHAN	3,650	468	-	4,118	449	582	120	1,151
55	ASMAT ULLAH KHAN HOUSE NO 874, SATELLITE TOWN, RAWALPINDI		37405-9543346-1	MOAZ ULLAH KHAN	3,566	496	-	4,062	486	617	116	1,219
56	AMIR ALI 269 H BLOCK GULSHAN E RAVI LAHORE		35200-1419640-9	MIAN ZULFIQAR ALI	6,809	486	-	7,295	-	611	374	985
57	NADEEM SHEHZAD HOUSE NO CB-509, LANENO 7, CHOOHAR HARPAL, RAWALPINDI		37405-0266981-5	HAJI MUHAMMAD SULEMAN	1,050	116	-	1,166	500	165	35	700
58	SANIA RIASAT HOUSE NO 19-E, FIRDUS PARK GHAZI ROAD, LAHORE		35201-0771511-4	MALIK RIASAT ALI	2,212	235	-	2,447	212	365	103	680
59	Syed Ashraf Ali HOUSE NO 246 QASIMABAD LIAQUATABAD KARACHI		42101-8228717-5	SYED NAFASAT ALI	10,384	553	-	10,938	-	553	414	967
60	MOHAMMAD AKHTER CHOUDHRY HOUSE NO 7212 BLOCK N DHA CANTT LAHORE		35201-1514624-9	CHOUDHRY PALTOO KHAN	13,202	346	-	13,548	-	346	581	927
61	TABINDA ALKAN JAFFERY HOUSE NO 11, L BLOCK, JOHAR TOWN, LAHORE		35200-1429490-6	MOHAMMAD JAMAL BUTT	9,181	115	-	9,296	-	229	505	734
62	SYED ASHRAF ALI HOUSE NO 246 QASIMABAD LIAQUATABAD KARACHI		42101-8228717-5	SYED NAFASAT ALI	10,384	576	-	10,960	-	576	415	991
63	MANSOOR HUMAYON H-1/25, KHAYABAN-E-SIRSYED, ALI MARKET, SECTOR-II, RAWALPINDI		37405-0153130-1	ABDUL HAQ	4,268	73	-	4,341	-	572	148	720
64	ILLYAS QURESHI HOUSE NO 525, OMER BLOCK, ALLAMA IQBAL TOWN, LAHORE		35202-4059736-7	M YOUSAF QURESHI	7,171	207	-	7,378	-	289	332	621
65	SYED ASHRAF ALI HOUSE NO 246 QASIMABAD LIAQUATABAD KARACHI		42101-8228717-5	MUHAMMAD AKBAR	5,468	553	-	6,021	-	553	415	968
66	ASHGAR OQBAL 1-H, 112, PAF FALCON COMPLEX, KARACHI		42301-2836738-5	M BASHIR LONE	12,236	348	-	12,584	-	348	222	570
67	MUHAMMAD NAJEEB HOUSE NO 298, ST 18, G 10/2, ISLAMABAD		61101-5157357-3	CH SANAYULLAH	4,777	113	-	4,890	-	418	188	606
68	SHAFQAT 26-B1, BLOCK-10, TOWNSHIP, LAHORE		35202-2726742-6	AMNA BIBI	7,692	800	-	8,492	-	1,243	257	1,500
69	MUHAMMAD FAREH KHAN HOUSE NO A 444BLOCK DNORTH NAZIMABAD		42101-0395342-5	MUHAMMAD JAWAID KHAN	732	73	-	805	407	116	69	592

(Rupees in Thousand)

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Mark up Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
70	WAJAHAT ALI SECTOR 5A-2L-160, NORTH KARACHI, KARACHI.		42201-6976969-3	MUHAMMAD MUSTAFA	552	50	-	602	397	77	56	530
71	WARIS MEHMOOD BUTT NEW MIANA PURA, EAST RORAS ROAD, SIALKOT		34603-8903076-3	MUHAMMAD HUSSAIN BUTT	721	140	-	861	219	145	143	507
72	MUHAMMAD TAHIR IQBAL HOUSE NO F-550,BLOCK- F,MUHALLAH SATELLITE TOWN, RAWALPINDI		37405-0282847-3	MUHAMMAD IQBAL KHAN	788	94	-	882	223	188	96	507
73	ZULQARNAIN 22 KM, MULTAN ROAD, LAHORE		34101-2586245-7	ZAKA ULLAH	688	18	-	706	328	98	118	544
74	AMIR JAVED SHAIR SHAH STR MUHALLA, BABU SABU, BAKER MANDI, BUND ROAD, LAHORE		42201-1683122-3	MUHAMAD JAVED	1,048	151	-	1,199	348	162	120	630
75	MUHAMMAD SALEEM KHAN MAHMAND ABAD, STNO 1, BACK TECHNICAL COLLEGE, KOHAT ROAD, PESHAWAR		17301-1618197-7	FAREED KHAN	969	115	-	1,084	367	130	260	757
76	TOUSEEF UL HAQ SIDDIQUI 233-C, JOHAR TOWN, LAHORE		35202-5024520-1	TOYBGHAT ULLA SAADIQUE	2,856	-	-	2,856	2,003	-	-	2,003
Total					577,002	376,122	6,314	959,438	127,420	19,243	371,745	518,408

Disposal of operating fixed assets (refer note 11.2.3)

Description	Cost	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal/ settlement	Particulars of buyers
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----- (Rupees '000) -----

**Furniture and fixture,
electrical, computers and
office equipment**

Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000	2,821	2,821	-	497	Under Claim	Adamjee Insurance Company
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	18,426	15,487	2,939	7,313	Auction/Quotation	Different Buyers

Vehicles

Toyota Land Cruiser	7,650	3,672	3,978	4,250	Auction	Amir Shahid
Mercedes Benz	3,526	2,116	1,410	2,156	Auction	Riaz Ali
Mercedes Benz	3,526	2,163	1,363	2,200	Auction	Mohammad Junaid
Toyota Hilux	2,599	1,144	1,455	1,950	Auction	Amir Shahid
Honda Civic	1,248	882	366	987	Auction	Khurram Imtiaz
Toyota Corolla	1,062	184	878	964	Under Claim	Adamjee Insurance Company
Honda Civic	1,043	445	598	612	Retirement Benefit	Mr N.A Qazi
Honda Civic	1,037	498	539	926	Auction	Mr.Farhan Abdul Karim
Honda Civic	1,002	561	441	850	Auction	Ali Murtaza
	22,693	11,665	11,028	14,895		

Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	45,038	29,679	15,359	36,047		
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Buildings

8th Floor Techno City Karachi	34,340	1,188	33,152	34,340	Sale	MCB Asset Management Company Ltd.
	34,340	1,188	33,152	34,340		
2009	123,318	60,840	62,478	93,092		
2008	589,921	242,634	347,287	434,196		

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

City	Land	Building	Total
	(Rupees in '000)		
Karachi	3,489,740	2,065,266	5,555,006
Hyderabad	89,981	42,407	132,388
Sukkur	48,591	14,049	62,640
Moro	5,698	1,735	7,433
Nausheroferoz	4,150	1,051	5,201
Mirpurkhas	15,687	5,397	21,084
Larkana	21,935	6,190	28,125
Gawadar	3,765	2,674	6,439
Mianwali	23,500	486	23,986
Jehlum	21,000	9,047	30,047
Muree	10,000	305	10,305
Jhang	14,063	2,874	16,937
Quetta	241,260	33,860	275,120
Islamabad	1,189,400	150,936	1,340,336
Abbottabad	15,000	6,531	21,531
Rawalpindi	300,836	84,738	385,574
Lahore	3,075,794	1,386,009	4,461,803
Kasur	16,380	1,673	18,053
Faisalabad	396,077	81,372	477,449
Gujrat	43,200	14,391	57,591
Gujranwala	41,534	7,862	49,396
Wazirabad	12,000	4,849	16,849
Muridke	18,000	3,231	21,231
Hafizabad	20,000	8,128	28,128
Sargodha	51,323	7,256	58,579
Okara	13,000	7,104	20,104
Sheikhupura	24,000	8,332	32,332
Vehari	3,885	1,228	5,113
Sialkot	50,000	4,505	54,505
Sahiwal	11,764	7,681	19,445
Chakwal	-	3,988	3,988
Azad Kashmir	57,352	7,970	65,322
Peshawar	67,017	21,054	88,071
Tandoallahyar	2,200	800	3,000
Muzaffarabad	43,582	6,085	49,667
Shadadpur	4,300	818	5,118
Haripur	23,070	3,507	26,577
Dir	3,484	3,739	7,223
Mingora	10,150	6,931	17,081
Rahim Yar Khan	8,100	8,535	16,635
Sadiqabad	15,120	5,924	21,044
Haroonabad	7,000	1,600	8,600
Chistian	667	915	1,582
Khanpur	9,380	-	9,380
Bahawalpur	13,750	11,711	25,461
D.G. Khan	20,500	12,945	33,445
Shujabad	4,800	1,837	6,637
Overseas	-	35,061	35,061
MCB Assets Management Compnay (subsidiary company)		34,818	34,818
Grand total	9,562,035	4,139,405	13,701,440