



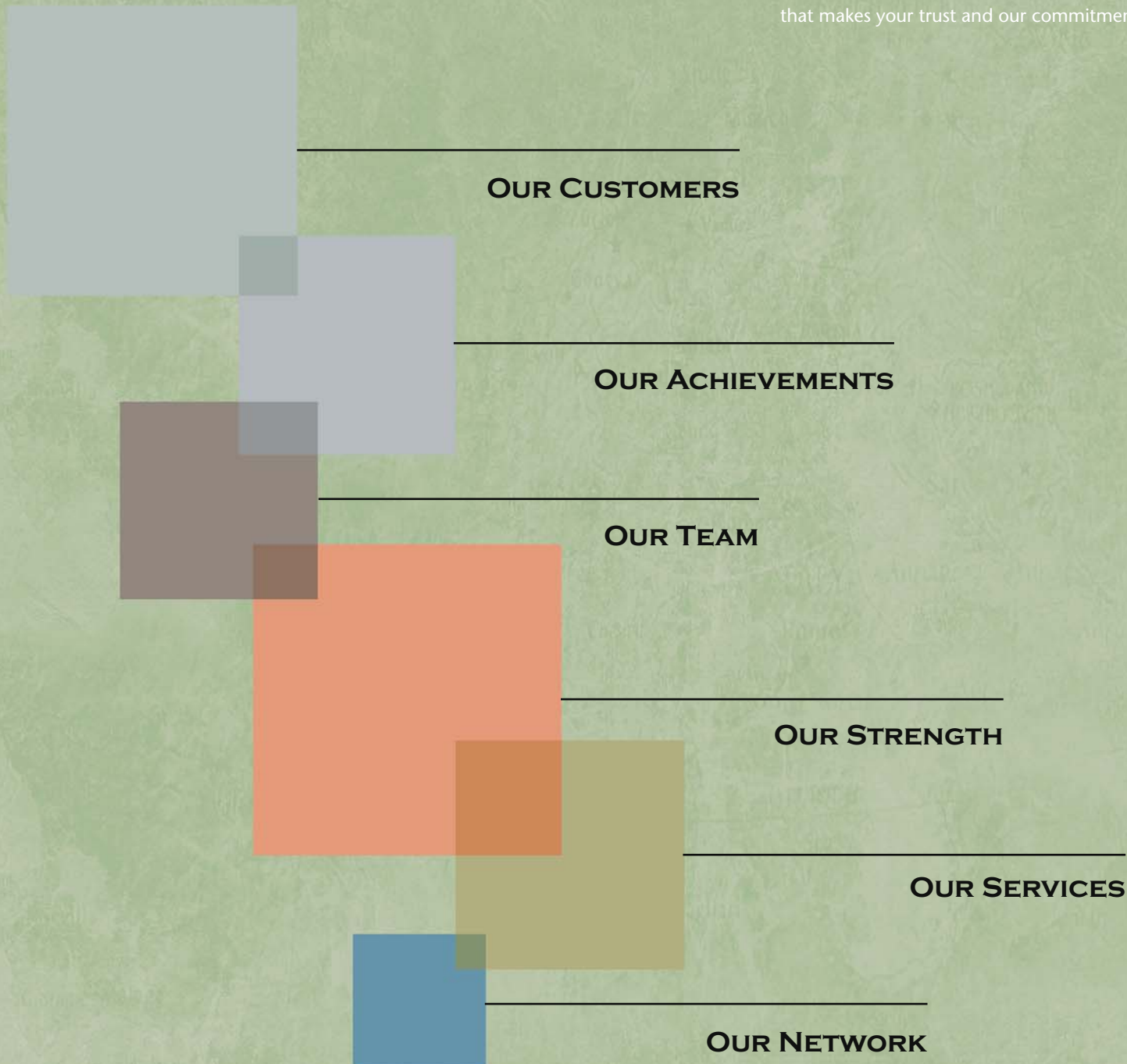
THE SPIRIT TO
LEAD...
THE STRENGTH TO
SUCCEED

ANNUAL REPORT 2007

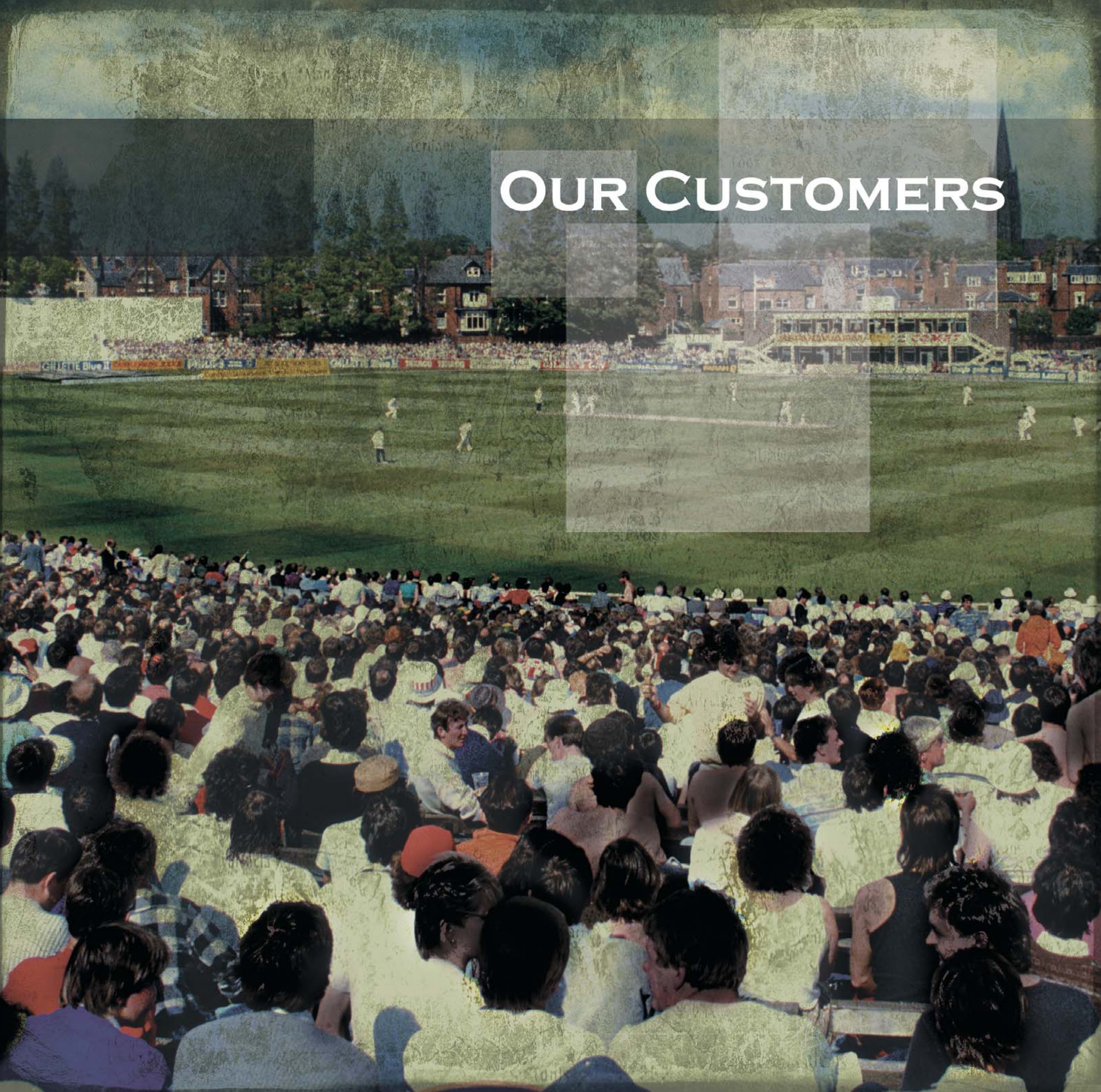
Leadership is the ability to affect human behaviour for achieving a designated goal. Immense desire and strong willpower make effective leaders. MCB is the leading entity of the country that has always been at the forefront of economical, technological, financial growth and stability.

Since our inception till now, MCB has portrayed such persona of a leader on which we are proud. In the past years, our skills, our commitment and our dedication not only helped us succeed, but also gave sustainability to our personality. We are the players in the field of economy and always try to excel and achieve our goals efficiently and effectively.

MCB has marked a trail of success in which there are many astounding accolades that makes your trust and our commitment, a winning combination.



OUR CUSTOMERS



Our valuable customer-base of over 4 million has always trusted and believed in us. Thanks to our combined vision, we have been able to maintain the previous accounts and also increase the customer-base over the years. We always believe in forging and maintaining the relationships with our customers.

OUR CUSTOMERS



OUR ACHIEVEMENTS



MCB is the only bank in Pakistan that has achieved 7 Euromoney Awards and 5 Asia Money Awards consecutively, along with several other awards including the Best Trade Finance Bank of Pakistan for two consecutive years. These accolades are the proof of our consistent effort in providing the customers with utmost care and quality.

our achievements

OUR TEAM



Corporate Information

Board of Directors

Mian Muhammad Mansha
Chairman

S.M. Muneer
Vice Chairman

Tariq Rafi
Shahzad Saleem
Sarmad Amin
Mian Raza Mansha
Aftab Ahmad Khan
Atif Yaseen
Dr. Muhammad Yaqub

Atif Bajwa
President & Chief Executive

Audit Committee

Dr. Muhammad Yaqub - Chairman
Tariq Rafi - Member
Mian Raza Mansha - Member
Atif Yaseen - Member

Chief Financial Officer

Tahir Hassan Qureshi

Company Secretary

Abdus S. Sami

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Riaz Ahmad & Co.
Chartered Accountants

Legal Advisors

Mandviwalla & Zafar
Advocates & Legal Consultants

Registered Office

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

Principal Office

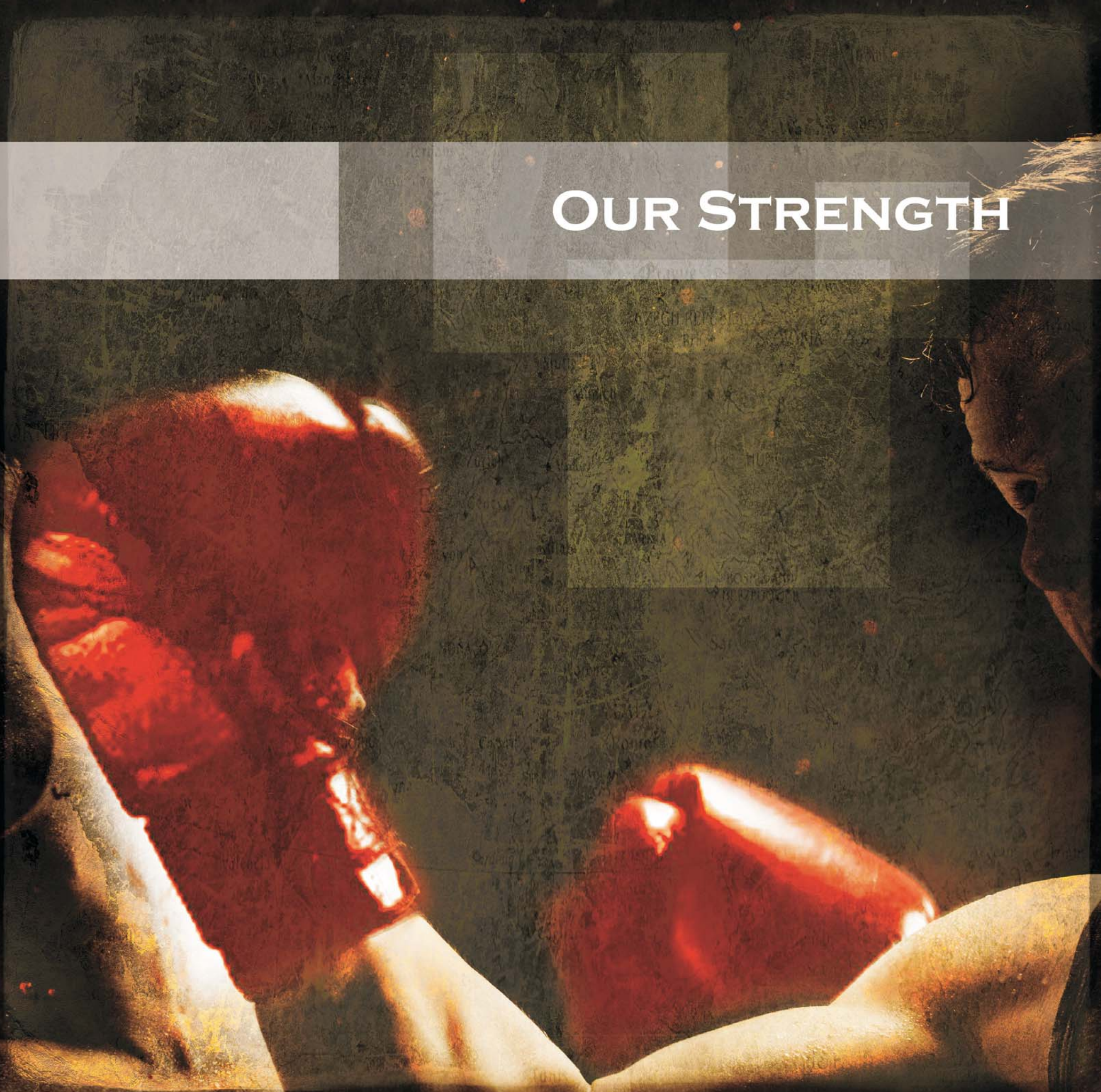
MCB 15-Main,
Gulberg, Lahore.

Registrar's and Share Registration Office

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

MCB is a team of committed, motivated and dedicated professionals who always maintain the quality of the services through outstanding behaviour and skills. We have the strength of above 10,000 employees backing and believing in us to move further. Our people are our most valuable asset. We are committed to a result-oriented culture and that is the reason we lead together.

OUR STRENGTH



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MCB is one of the leading banks of Pakistan with a deposit-base of about Rs. 290 billion and total assets of around Rs. 400 billion. MCB has earned the reputation of a solid financial institution over the 60 years of success and development. We always concentrate on growth through improving service quality, investment in technology and people, utilizing our extensive branch network and developing a large and stable deposit-base.

our strength

OUR SERVICES



We make every effort to exceed customers' expectations through superior and wide array of financial services and solutions.

We thrive on the challenge of understanding their needs and aspirations, both realized and unrealized, so that we can satisfy them with surety and security.

OUR SERVICES



OUR NETWORK

MCB, having a large network of over 1000 branches, is proudly operating all over the nation. Not just this, along with more than 700 online branches, we are constantly expanding and improving our wide branch network day by day to give our customers more convenience and accessibility, anytime and anywhere.

our network

MANAGEMENT COMMITTEE



(Top row, left to right)

Ali Muhammad Mahoon,
Shahid Saeed,
Munir Ahmed Saleem,
Mahreen Ahmed,
Nadeem Afzal,
Romana Abdullah,
Imran Maqbool,
Salman Zafar Siddiqi,
Agha Saeed Khan.

(2nd row, left to right)

Tahir Hasan Qureshi,
Faisal Farooq Khan,
Ali Munir,
Atif Bajwa,
Salman Ahmed Usmani,
Azfar Alam Nomani,
Muhtashim Ashai.

BOARD OF DIRECTORS



(Standing from left to right)

Atif Yaseen,
Sarmad Amin,
Aftab Ahmad Khan,
Tariq Rafi,
Atif Bajwa,
Shahzad Saleem,
Mian Raza Mansha.

(Sitting from left to right)

S. M. Muneer,
Mian Mohammad Mansha,
Dr. Muhammad Yaqub.

Products and Services



One of the largest network of over 700 online branches in the country and growing. Providing customers with 24/7 real time online transaction facilities.



Enjoy the convenience of extended banking hours from 9 to 5, even on Saturdays. To satisfy your banking needs at all MCB Full Day Banking branches across the country we now serve you a wide range of services throughout the day.



A deposit account for customers with substantial balances, offering profit on a daily product basis with the facility of unlimited withdrawals.

MCB Special Rupee Term Deposits

MCB's Special Rupee Term Deposits offer a very attractive long-term investment option with ease and convenience. Tenure options available are of 3 months, 6 months, 1 year, 3 years and 5 years. You can also avail a credit facility up to 75% of your total deposit.



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



Remit Express

International remittances with a two-way messaging facility delivered at your door-step within 24 to 72 hours.



MCB Islamic Banking provides Riba Free and Shariah Compliant solutions to various customer segments in a growing number of cities. With the help of Shariah Specialists, Lawyers and Professional Commercial Bankers, we have the best solutions to cater to your needs - the Islamic way.



MCB Smart Savings Account gives you the optimum value you deserve. A savings account where not only you get a competitive return but also enjoy unlimited number of fringe benefits.



MCB Enhanced Savings Account is meant for small-savers who are looking for higher returns on their savings. With the benefit of unlimited accessibility, it helps them to make their savings grow.



MCB provides the convenience of banking on the internet. Whether at office, home or travelling log on to www.mcb.com.pk and enjoy 24-hour access to all your accounts at MCB for the largest array of services such as Inter Bank Funds Transfer, Utility Bill Payments, Mobile Top-ups and many more.



There's no easier way to bank than the new enhanced MCB Call Center, which blends innovation and convenience to provide you banking services that go beyond your expectations. We make sure your banking needs are met 24/7 from the comfort of your very home because we at MCB, are just a call away!



MCB Personal Loan is simply a clean cash facility extended for personal use. It offers a fixed installment loan that provides you access to cash instantly without any collateral. Financing available is up to 5 years for amount up to Rs. 1 million.



A suite of Classic and Gold Credit Cards focusing primarily on providing convenience, safety, shopping pleasure and security giving a different feel to the world of Credit Cards through innovative features. These unique features include i-revolve which makes the variable mark-up rate available to you upon revolving and is the first of its kind in Pakistan. Other ad-ons include comprehensive insurance plans, installment plans, reward points, upfront loyalties and much more.



Banking at your finger tips. SMS anytime to get information regarding balance and mini statements.



One of the nation's largest network of over 360 ATMs and still growing. Get 24-hour convenience of cash withdrawal, mini-statement, utility bill payment, funds transfer services and much more.



MCB on wheels. Now not only do you get a world class banking service but we make sure of your convenience. Our new classy mobile ATMs ensure that you are given a service closer to you.



MNET is an electronic hub for ATM sharing plus other touch points. Members include 11 local and foreign financial institutions enjoying ATM sharing and bureau services.



A secure instrument of payment providing Cash Free Convenience. It is more than just an ordinary Debit Card, offering customers the peace of mind through unmatched and convenient services including easy bill payments, funds transfer, 24-hour cash withdrawal, balance inquiry and unlimited shopping pleasure.



MCB Business Sarmaya is a Running Finance facility against your residential property. It offers Running Finance up to 20 million with low mark-up and BTF facility at competitive rates.

Corporate Financing

Providing access to diversified financing options, including working capital loans, term loans, trade finance services and investment banking.

Instant Financing

Get a loan instantly at any MCB branch. Offering same day financing facility against liquid collateral at competitive pricing.



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



MCB Easy Bill Pay is an easy solution to pay your Utility and Mobile Phone bills. MCB ATM Card or MCB SmartCard holders can easily pay their bills through MCB ATMs, MCB Virtual-Internet Banking and MCB Call Center with security and peace of mind.



MCB Pyara Ghar is an ideal Home Finance product that lets you purchase, renovate or construct your home the way you have always wanted. Financing available is up to 20 years for amount up to Rs. 20 million.



MCB CAR4U gets you not only a car of your own choice but leads you to the best in life. It is affordable with competitive mark-up, flexible conditions, easy processing and above all, no hidden costs.



MCB Sabzazar is an agricultural financing scheme for farmers that offers two financing plans, MCB Shadabi Plan for short-term financial needs and MCB Khushali Plan for long-term financial requirements.

Directors' Report to Members

I am pleased to place before you, on behalf of the Board of Directors, the 60th annual report of your Bank for the year ended December 31, 2007.

Economy

Pakistan's economy is reported to have grown by 7% in the fiscal year 2006-07, underpinned by acceleration in investment. Agriculture and industry demonstrated moderate recovery over the previous year and the services sector continued to show substantial growth. Performance of the banking sector was particularly impressive reflecting cumulative favourable impact of financial sector reforms introduced since early 1990s. Total deposits of the banking system exceeded Rs. 3.5 trillion and its investment reached over a trillion rupees. The stock market and financial sector of Pakistan continued to do well in spite of the recent turbulence in the international financial markets. However, domestic inflation accelerated, as international food and energy prices reached new heights. Average inflation for the year was recorded at 7.6% while food inflation remained high at 10.7%. Persistent rise in aggregate domestic demand, reflecting mainly excessive government borrowing from the banking system, added to the mounting inflationary pressures. State Bank's efforts to contain inflationary pressures through a tight monetary policy were frustrated by a lax fiscal stance and rising budget deficit.

The widening trade deficit was due to a combination of adverse factors including slow export growth, high consumer imports and rising world oil prices. Substantial outflow of profit remittances, combined with slowing down of growth in inflows, particularly from privatization proceeds, the current account also recorded a large deficit, which led to some decline in foreign exchange reserves. High domestic inflation and balance of payment pressures also began to erode the value of the rupee which depreciated by over 3 per cent during the year.

In the period ahead, the economy of Pakistan will have to tackle major economic problems of high inflation, unemployment, poverty, budget deficit, and widening trade and current account gaps in order to continue to move on the path of sustained economic growth. Pakistan indeed has a very resilient economy, substantial natural and human resources and a dynamic private sector, and a proper and stable macroeconomic policy framework can help address all problems. In the framework of a coherent set of macroeconomic policies sustained over the long run, and a national resolve to move ahead with determination in an environment of political stability and improved law and order situation, the country is poised to make rapid economic progress. Private sector will need to continue to play a key role in addressing all these problems, promoting investment and creating new employment opportunities within a stable framework of economic policies framed by the new Government. In turn, a vibrant, profitable, well-governed and socially responsible banking sector is vital for capital formation and growth of the private sector.

Bank's Performance Review

I proudly announce yet another successful year to all shareholders and customers of the Bank. During the year, the Bank made substantial progress, recording strong growth in revenues and earnings. The main drivers were increased outreach, strengthened human resources, including changes at the senior management level, enhanced product portfolios, improved controls and vigilant credit risk management. A gradual move towards a clearer demarcation of the respective roles of the Board of

Directors, management and staff within the regulatory framework of the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, and increased institutionalization of decision making have laid a sound foundation of good governance in the Bank that augers well for the future.

Our primary focus was our customers and we worked diligently through the year to increase satisfaction and loyalty as the needs and expectations of our diversified base of customers continued to expand. A key initiative aimed at inculcating a segment based approach to the overall business was the segregation of the Retail Banking Group into Commercial & Consumer Banking groups. This is expected to help the Bank in providing customer centric solutions in a more efficient and focused manner. With its diversified and extensive branch network, the Commercial Banking Group generated healthy deposits and strengthened its SME lending. Footprint expansion continued throughout 2007 with new branches opening up, featuring all the latest and modern banking service facilities. A large number of existing branches were renovated to enable the Bank to provide superior service to its customers. Several service quality initiatives were rolled out to further improve services at the front end including Customer Satisfaction Surveys & extensive training and monitoring of service indicators at branches. These efforts contributed significantly towards the strong profitability of the Bank in 2007 and beyond. In 2008, the focus will be on increasing the deposit base of the Bank with further improvement in customer services.

The Consumer Banking group enhanced its products and services suite, and increased the number of product variants in asset products. MCB Visa Credit Card that was launched at the end of 2006 showed aggressive portfolio growth and the acquiring side of the card business continued to grow steadily. The group also made its mark by rejuvenating the alternate distribution channels and payments business. Aggressive sales efforts with a close eye on credit exposures led to both volume and profitability growth for the overall consumer business. As a result MCB emerged as one of the leading banks for consumer financing in Pakistan. Focus was also directed towards brand visibility and presence, as reflected in the improved appearance of the branches countrywide. Going forward, the focus of consumer bank will be on further strengthening the product suite with the introduction of new variants especially in credit cards and some new fee based initiatives. A wide product range coupled with multiple channels will help the Bank in increasing share of wallet for existing customers through aggressive cross selling, which remains a key strategic objective.

Wholesale Banking Group (WBG) continued to promote the franchise, witnessing growth in loans and cash management volumes. The group continued to follow its strategy of focusing on cross-selling a wide range of products and services to its existing client base while increasing its exposure on a selective basis. In the process, Bank managed to diversify its advances portfolio through exposure in the telecom and energy sectors. Going forward, WBG intends to focus on increasing its market share by building assets in high-growth sectors and enhancing its fee based income to further improve returns on capital for shareholders. Investment banking also performed well, executing some landmark transactions which have set a strong precedent for the entire banking industry.

The Treasury delivered another outstanding year in its quest to be the most efficient and dynamic treasury unit in the country. Focusing

predominantly on a sales oriented approach this year, the Group recorded strong revenue growth while effectively managing the Bank's Balance Sheet. The Structured Products and the Fixed Income Sales Desk further broadened and deepened the client base as the product line was assertively enhanced. Alongside, the Economic Research Desk continued to provide in-depth market insight to a diverse group of clients.

In 2007 the Information Technology Group's (ITG) focus was on strengthening the operational and network support. The network was improved and further stabilized in 670 branches with an aim to extending this to 1000+ branches during 2008. The Symbols (core banking system) conversion proceeded well with migration of 227 branches to Symbols at year end against a target of 150 branches. 2008 will see the start in the shift of the IT strategy with even closer alignment to the business and introduction of best IT practices, standards and technology. A more scalable and robust network design will be employed with consolidation of systems and information for improved support and reduced cost.

The Bank underwent restructuring in its management team. Some new to Bank while others joining through growth from within, the Management Committee members are fully geared to lead the Bank through competitive and challenging environment ahead. Functions were also realigned to give these the due focus. Recognizing that 'people' are our real competitive advantage, the Human Resource Group continued to attract, recruit and retain staff of the highest caliber. Because of high growth in the banking environment, attrition remains one of the key challenges for the organization. Going forward, HR will be working to implement a pro-active and innovative HR strategy to secure greater employee engagement and acquisition of talent, while driving organizational change.

The Operations Group continued the centralization initiative which will create an improved business and service focus at branches along with substantial cost savings and enhanced process efficiencies at both the front and back ends of the business.

Financials

During the year the Bank delivered superior returns, as both financial and operational efficiency displayed remarkable improvements. Despite the decline witnessed in the overall banking industry spreads, the Bank's profitability recorded a substantial increase.

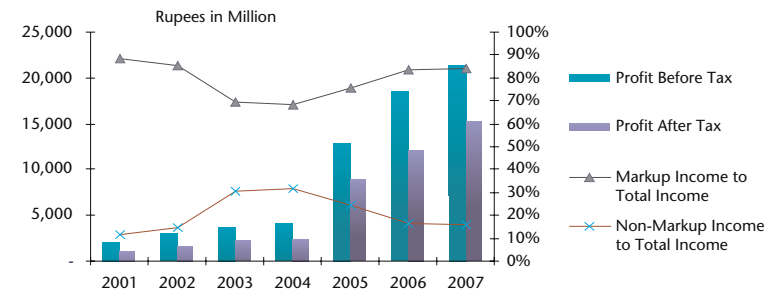
The profit before and after taxation, available for appropriation together with recommended appropriation is as under:

	Rs. in Million
Profit Before Taxation	21,308
Taxation	<u>6,043</u>
Profit After Taxation	15,265
Un-appropriated Profit Brought Forward	5,531
Transfer from Surplus on Revaluation of Fixed Assets (net of tax)	12
Profit Available for Appropriation	<u>5,543</u> 20,808
Appropriations	
Statutory Reserve	1,526
General Reserve	7,800
Final Cash Dividend – December 2006	819
Issue of Bonus Shares – December 2006	819

Interim Dividend – March 2007
 Interim Dividend – June 2007
 Interim Dividend – September 2007
 Total Appropriations
 Un-appropriated Profit Carried Forward

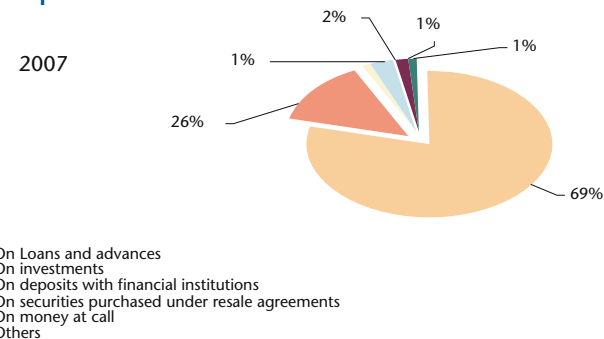
1,571
1,571
1,571
<u>15,677</u>
<u>5,131</u>

The Bank has maintained its significant increase in profit before tax by 15% and after tax by 26%, since 2006.



Interest income continued to be the major contributor towards the Bank's total income. Markup on loans and advances (Rs. 22 billion) remains the major portion of Overall Markup Income, however a healthy income on investments increased by a robust 70% over 2006.

Markup Earned



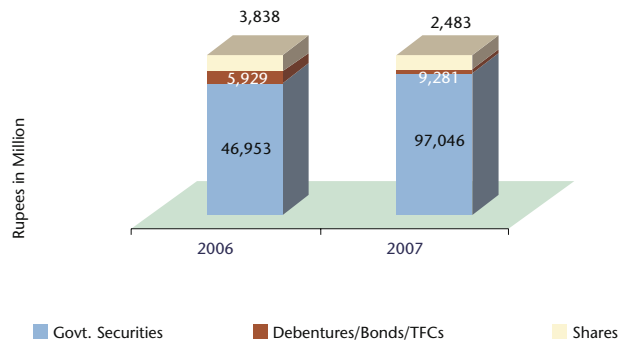
In Non-markup income the major contribution, of Rs. 2.6 billion, was made by fee, commission and brokerage income with an increase of 14%. Gain from investments witnessed increase of 148% from the previous year contributing Rs. 1.5 billion to the Bank's profit. Markup expense stood at Rs. 7.9 billion, a 74% increase from last year's figure of Rs. 4.5 billion.

MCB further tightened its operating expense base with a cost to income ratio of 18.57%, one of the lowest in the industry.

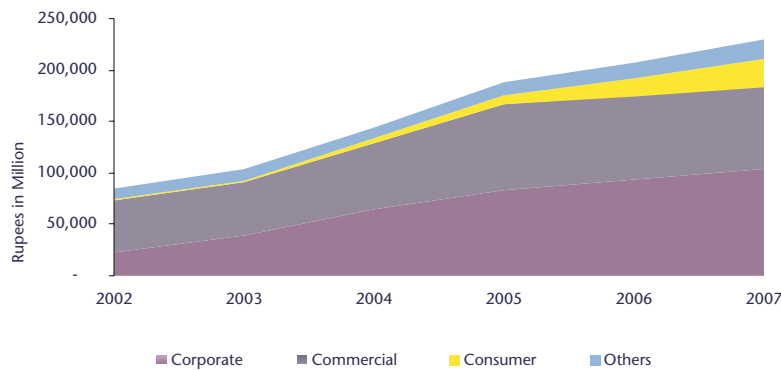
The balance sheet grew even stronger in 2007. The asset side of the Bank has greatly improved over the years depicting higher business volumes and fair value changes. Assets increased by Rs. 68 billion - 20% over 2006, whereas liabilities increased by Rs. 54 billion - 18% over 2006. This resulted in an increase in Shareholder's Equity before Surplus of Rs. 45 billion- up by 27% over 2006.

The increase in assets was driven by the increase in Investments and Advances that grew by 78% and 11% respectively.

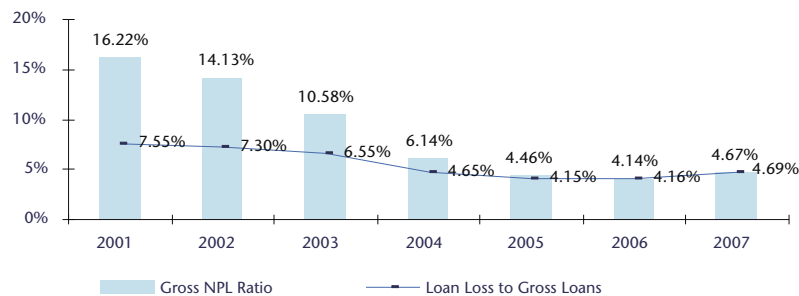
Major concentration of investments remained in Government securities, followed by shares in listed companies and a portion in debentures & TFCs.



With the Consumer portfolio leading, the Advance portfolio grew steadily. The portfolio was expanded strategically through diversification to ensure optimal segmental concentration. Most of the business areas performed strongly in terms of volume along with impressive rates of return.

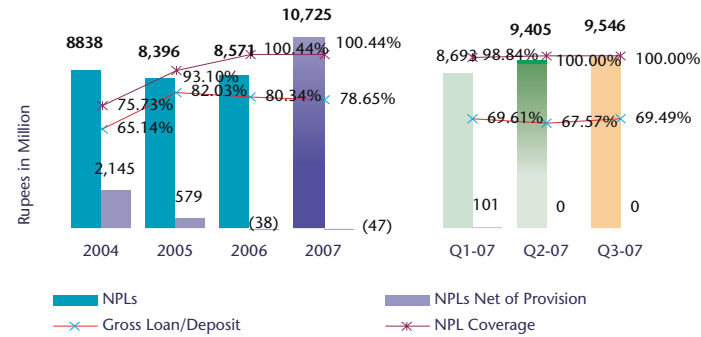


Despite increasing pressure on non-performing loans (NPL) in the local market, the bank managed to maintain its NPL at close to 2006 volumes.

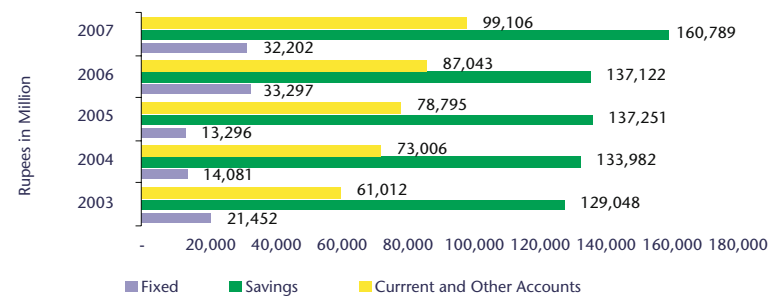


The Bank's classified portfolio has increased from 8.6 billion to 10.7 billion due to some non performing sectors and change in Risk Management Policies to recognize NPLs on obligor basis. The withdrawal of FSV benefit by State Bank of Pakistan had insignificant impact on provisioning as the

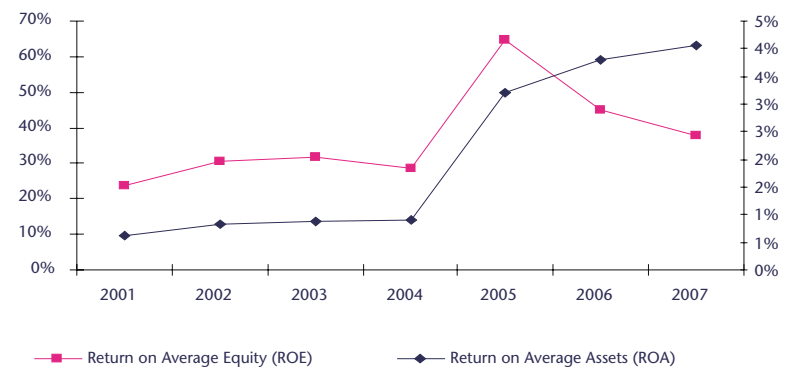
Bank had been following stringent policies over the years.



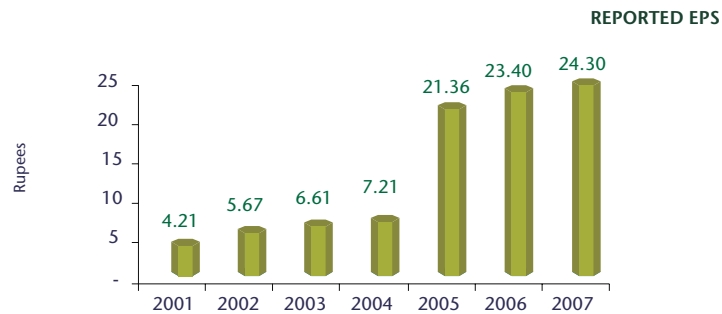
Due to our very strong branch franchise, deposits showed strong growth of 34 billion in 2007. The major increase has been witnessed in CASA. Saving deposits increased by 17% followed by 14% increase in current deposits whereas fixed deposits on the other hand decreased by 3%. The favourable deposits mix has been instrumental in maintaining the cost of funds on the lower side.



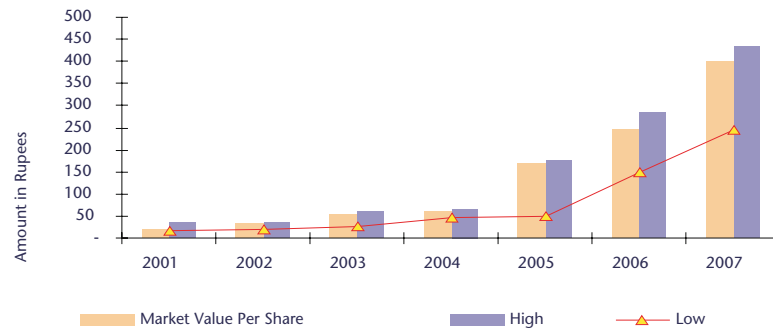
Reported earnings per share grew from 23.40 in 2006 to 24.30 in 2007, resulting in an increase of 3.85%.



The decline in ROE was due to increased equity which has further enhanced the Bank's per party lending limit. ROA continued to trend up due to increased profitability and strong mix of earning assets.



The results positively impacted the Market Price of MCB shares.

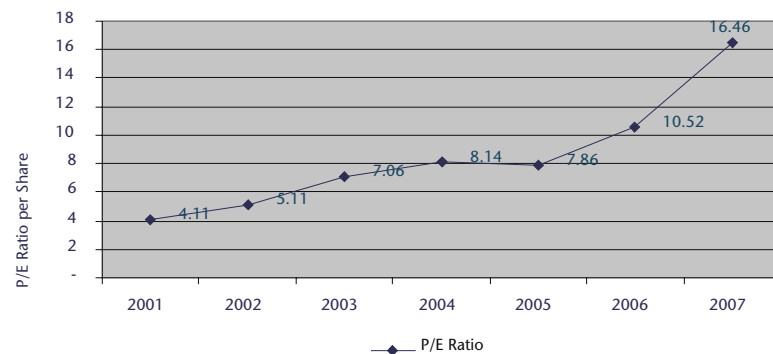


(Source: KSE/History/Dec. 31, 2007/Closing, KSE/Stocks & Bonds/Annual High and Low)

MCB shares traded at an average price of Rs. 399.95 per share over the course of 2007 and have moved higher since. This is significantly above the average share price of other banks listed on Karachi Stock Exchange (KSE).

The Bank has been one of the blue chip securities on the KSE. It continued to be on top of the charts throughout the year 2007. Despite the political turmoil in late December 2007, MCB managed to recoup its earlier position.

The combination of EPS and the Market price together enabled strong Price Earning Ratio.



The BFSR increased by one notch from D- to D by Moody's whereas Long & Short ratings have been maintained at AA+ & A1+ by PACRA respectively.

Dividend

The Board has recommended a final cash dividend @50%. This is in addition to 75% interim cash dividends announced during the year.

Pattern of Shareholding

The pattern of shareholding as at December 31, 2007 is annexed with the report.

Corporate and Financial Reporting Framework

The Board of Directors is fully cognizant of the need for good corporate governance practices in its own functioning and in the management of the Bank. Considerable progress has been made in enhancing corporate governance practices within the Bank, and this effort will be continued. Being independent of influence of management, the emphasis of the Board remained on policy making and general direction of the affairs of the Bank, without getting involved in the operational matters, which are best left in the professional hands of the management and staff. During the year, a detailed exercise was undertaken to review and revise the policy framework. All the existing policies, including those relating to Risk Management, Credit, Treasury & Investment, Internal Controls, Audit, IT Security, Human Resource, Budgeting & Expenditure and Accounting & Disclosure were reviewed and revised in line with the new Guidelines issued by the State Bank of Pakistan and keeping in view the best international practices. The Board intends to continue to evolve and improve the policy framework and move the Bank towards full adoption of best international practices.

During the year, Board Committees were reconstituted and their ToRs were amended to separate the roles and responsibilities of the Board and management in line with State Bank Guidelines, and to improve governance of the Bank. The new Board Committees are Audit Committee, Business Strategy and Development Committee, Credit Committee, Committee on Physical Planning, IT System and Contingency Arrangements, Risk Management Committee and Human Resource Committee. The main tasks of these Committees are to assist the Board in formulation and revision of policies and guidelines in their respective areas, and to monitor the performance of management and staff in relation to those policies and guidelines. These Committees play no operational role, which falls in the clearly defined jurisdiction of Management.

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

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

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, result of its operations, cash flow and change in equity
- Proper books of accounts of the Company have been maintained
- Appropriate accounting policies have been consistently applied
- The International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure having material impact there from has been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored
- There is no doubt upon the company's ability to continue as a going concern
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations
- Key operating and financial data are made available in the Annual Report
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements
- The Board met on 5 occasions and its meetings were attended by directors as under:

Name	Meetings Attended
Mian Mohammad Mansha	5
S. M. Muneer	4
Tariq Rafi	4
Shahzad Saleem	5
Sarmad Amin	4
Mian Umer Mansha**	1
Aftab Ahmad Khan*	5
Atif Yaseen	3
Dr. Mohammad Yaqub	4
Mian Raza Mansha **	1
Atif Bajwa***	3

* Aftab Ahmad Khan being re-designated as Executive Director w.e.f. September 9, 2007, attended last meeting as an executive director.

** Appointed in place of Mian Umer Mansha on Sept. 8, 2007.

*** Appointed on June 12, 2007. First two BoD meetings were attended by the Ex-President, Mohammad Aftab Manzoor.

A formal schedule of matters was specifically reserved for its decision. These matters include determining and reviewing the strategy of the Bank, overseeing the Bank's compliance with statutory and regulatory obligations, issues relating to the Bank's capital, and areas of operation, financial reporting, ensuring there is a sound system of internal control

and risk management

- Value of investment including accrued income of provident and pension fund as at 30.06.2007 on the basis of audited accounts is:

Provident Fund Pak Staff	Rs. 13,318 million
Pension Fund Pak Staff	Rs. 24,137 million

- The aggregate shares held by followings are:

a) Associated Companies, Undertakings & Related Parties	No. of Shares		
1 Siddiqsons Denim Mills			28,675,082
2 Din Leather (Pvt.) Ltd.			3,915,381
3 Adamjee Insurance Co. Ltd.			17,011,379
4 MCB Employees Pension Fund			50,588,856
5 MCB Provident Fund Pakistan Staff			26,602,295
6 Pak Asian Fund Ltd.			93
b) NIT			4,690
c) ICP			615
d) Directors	Self	Spouse & Children	Total
Mian Mohammad Mansha	4,424	3,626,215	3,630,639
S. M. Muneer	1,164	-	1,164
Tariq Rafi	2,470,383	66,435	2,536,818
Shahzad Saleem	1,611	-	1,611
Sarmad Amin	1,611	-	1,611
Aftab Ahmad Khan	8,819	-	8,819
Mian Raza Mansha	18,782,197	4,430,700	23,212,897
Atif Yaseen	20,000	-	20,000
Dr. Muhammad Yaqub	575	-	575
Other Executives	20,742	-	20,742

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

Name	Sale/Transfer
S. M. Muneer	1,070,293 gifted
Atif Yaseen	50,380 sold

Statement of Internal Controls

The Management is responsible for establishing and maintaining a system of adequate internal controls and procedures for implementing strategies and policies as approved by the Board of Directors, designed to provide reasonable assurance as to the integrity and reliability of those controls and reports produced there from; developing processes that identify, measure, monitor and control risks incurred by the Bank; maintaining an organizational structure that clearly assigns responsibilities, authority and reporting relationships; ensuring that delegated responsibilities are effectively carried out; setting appropriate internal control policies; monitoring the adequacy and effectiveness of the internal control system through evaluation and validation by internal auditors who have been entrusted the supervisory function with respect to review of internal

controls, the internal auditors reporting significant findings directly to the Audit Committee of the Board; and taking timely due cognizance of the observations/recommendations concerning the system of internal controls made by the internal auditors, external auditors and the regulators. In view of the above and based on its supervision the Management has evaluated the effectiveness of the Bank's internal controls that encompassed material matters and reports that the System of Internal Control is sound in design and has been effectively implemented and monitored for material aspects.

Keeping in view the risk exposure and identification, evaluation and management of significant risks faced by the Bank and based on regular review of internal controls and reports on their soundness, improvements are brought about by the Management with the approval of the Board of Directors in the internal controls and the policies. These are being continually reviewed and updated not only to conform to and achieve full compliance with State Bank of Pakistan's Guidelines on Internal Controls in letter and spirit both, but also to conform, wherever feasible and practicable, with international best practices and good corporate governance models. Accordingly, the Bank, during 2007, embarked on the risk-based phased implementation of the most widely recognized COSO framework for improving the quality of financial reporting *inter alia* through effective internal controls. This direction towards phased implementation has been endorsed by the Board.

However, it needs to be stated that systems are designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material mis-statement or loss.

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

This is and will continue to be an ongoing process to which the Board of Directors and the Management remain fully committed and supportive.

Risk Management

In keeping with Bank's track record of strong profitability and market leadership, the function of risk management has become a critical fulcrum of the Bank's long term vision and success. The approach of risk management has evolved beyond the classic exercise of balancing risk and reward. We have inculcated modern techniques which will allow business units of the Bank to create more shareholder value through a better understanding of our Bank and our customers.

The Risk Management Group controls the review and administration of lending solutions offered to our clients through a dedicated team of experienced professionals. It also manages the three main areas of risk that are inherent to all activities of the Bank namely credit risk, market risk and operational risk.

Credit Review and Credit Risk Control ensure that our lending decisions are in line with the Bank's strategy, our lending is prudently given, and that our recoveries are actively monitored.

Credit Risk Management identifies our target markets through economic research and data analysis. It defines how we lend to our customers

through detailed policies and procedural product manuals. It coordinates with business units to ensure that targeted lending activity is in line with the Bank's overall risk appetite and strategy.

Market Risk Management ensures that the Bank's exposures in financial markets are actively managed within reasonable limits.

Operational Risk Management helps the Bank understand our risks and improve our mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Bank.

Basel II Projects monitors the implementation of various projects in the areas of credit, market and operational risk that have been initiated to allow MCB Bank to adhere to, and adopt, the internationally accepted best practices of Basel II.

In addition to the internal Compliance unit within the Risk Management Group, the Risk Management Committee and the Credit Surveillance Committee provide oversight and direction to the activities of the Group.

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

Auditors

The present term of current auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants and Riaz Ahmad & Company, Chartered Accountants is expiring and the Audit Committee has suggested their names for another term.

The Board of Directors, on the suggestions of Audit Committee, recommended the names of both the auditors as statutory auditors for next term. Both firms being eligible offer themselves for re-appointment till the conclusion of next AGM.

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

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

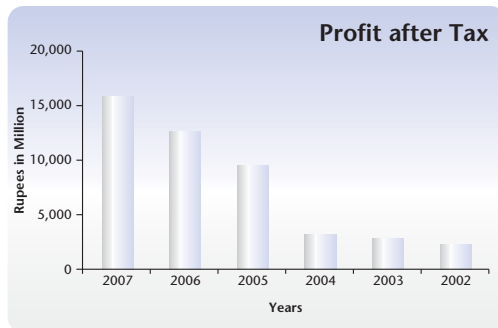
On behalf of Directors



Mian Mohammad Mansha
Chairman

February 15, 2008

Six Years Progress



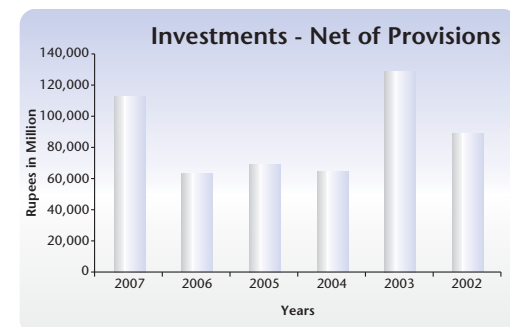
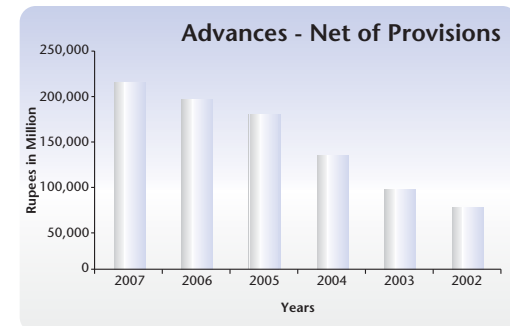
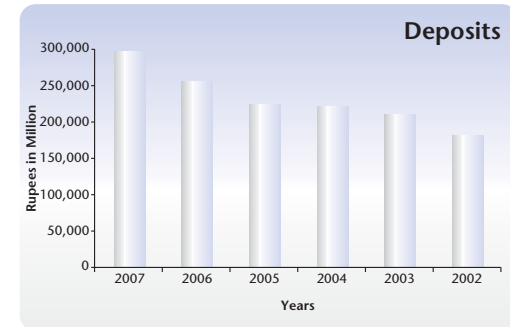
OPERATING RESULTS

	2007	2006	2005	2004	2003	2002
	(Rupees in Million)					
Mark-up / return / interest earned	31,787	25,778	17,756	9,084	10,370	15,386
Mark-up / return / interest expensed	7,866	4,525	2,781	2,058	2,933	6,075
Fund based income	23,921	21,253	14,975	7,026	7,437	9,311
Fee, Commission, brokerage & FX income	3,891	3,573	4,406	3,575	2,118	1,909
Dividend and capital gains	2,120	1,418	1,348	1,172	2,414	681
Total income	29,932	26,244	20,729	11,773	11,969	11,901
Operating expenses	5,563	6,549	6,638	7,286	7,525	8,079
Operating profit before tax and provision	24,369	19,695	14,091	4,487	4,444	3,822
Provisions/ write-offs	3,061	1,194	1,072	429	831	722
Profit before tax	21,308	18,501	13,019	4,058	3,613	3,100
Profit after tax	15,266	12,142	8,922	2,432	2,230	1,739
Dividends	7,854	3,960	1,715	843	843	666
Bonus shares	-	819	853	337	307	400
	BALANCE SHEET					
Authorised capital	10,000	6,500	6,500	6,500	3,500	3,500
Paid up capital	6,283	5,463	4,265	3,372	3,065	2,665
Shareholder's equity	45,414	35,657	18,311	9,199	7,726	6,314
Total Assets	410,486	342,108	298,781	259,174	272,324	235,139
Revaluation reserves	9,706	5,188	5,424	5,354	3,383	5,385
Deposits	292,098	257,462	229,342	221,069	211,511	182,706
Borrowings from financial institutions	39,407	23,943	27,378	7,591	32,628	21,988
Advances - net of provisions	218,961	198,239	180,323	137,318	97,200	78,924
Investments - net of provisions	113,089	63,486	69,481	67,195	128,277	89,577

Six Years Progress

	2007	2006	2005	2004	2003	2002
FINANCIAL RATIOS						
Gross Spread (Net mark-up income/ Gross income)	75.26%	82.44%	84.34%	77.35%	71.72%	60.52%
Income/ expense ratio	5.38 : 1	4.01 : 1	3.12 : 1	1.62 : 1	1.59 : 1	1.47 : 1
Return on average equity (ROE)	37.66%	45.00%	64.87%	28.73%	31.77%	30.77%
Return on average assets (ROA)	4.06%	3.79%	3.20%	0.91%	0.88%	0.82%
Advances/ deposits ratio	74.96%	77.00%	78.63%	62.12%	45.96%	43.20%
Price earning ratio	16.46	10.52	7.86	8.14	7.06	5.11
Earnings per share (EPS after tax) reported	24.30	23.40	21.36	7.21	7.28	6.52
Market Value						
December 31	399.95	246.10	167.80	58.70	51.40	33.35
High during the year	434.60	284.50	175.50	65.00	59.65	35.50
Low during the year	244.05	150.30	50.50	45.35	28.05	19.10
Breakup value per share	72.28	65.27	42.93	27.28	25.21	23.69
Breakup value per share including surplus/ deficit on revaluation	87.73	74.76	55.64	43.16	36.24	43.89
Capital Adequacy Ratio	17.88%	18.65%	12.54%	9.64%	0.00%	0.00%
Dividend per share	12.50	7.25	4.02	2.50	2.75	2.50
Dividend yield ratio	0.03	0.03	0.02	0.04	0.05	0.07
Dividend payout ratio	51.45%	32.61%	19.22%	34.65%	37.80%	38.33%
Number of branches*	1,026	994	952	946	986	1,045
Number of permanent employees*	9,946	9,011	9,377	9,889	10,164	10,926
Number of accounts*	3,902,140	4,350,245	4,248,399	4,122,338	4,433,539	4,463,530
OTHERS						
Imports	137,080	135,542	138,047	89,653	64,453	48,842
Exports	66,066	60,725	54,794	37,796	28,609	28,284

* Absolute numbers



Statement of Compliance with the Best Practices of Code of Corporate Governance for the year ended December 31, 2007

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

1. The Bank encourages representation of non-executive directors on its Board of Directors. At present all the directors on the Board are non-executive except for the President and Mr. Aftab Ahmad Khan.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mian Umer Mansha, Director tendered his resignation and Mian Raza Mansha was appointed to fill in the casual vacancy and Mr. Atif Aslam Bajwa appointed as President/CEO of the Bank in place of Mohammad Aftab Manzoor, other than that no casual vacancy occurred in the Board during the year.
5. The Bank in year 2002 prepared "Statement of Ethics and Business Practices" for directors and employees. It has been signed by the directors and employees. During the year the same has been circulated as required under the code.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated. The Company Secretary and Chief Financial Officer attended the meetings of the Board of Directors.
9. The appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms of employment has been approved by the Board. However, no new appointments have been made during the year.
10. The Board arranged orientation courses for its directors to appraise them of their duties and responsibilities.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than those disclosed in the annual report.
14. The Bank has complied with all the corporate and financial reporting requirements.
15. The Board has formed an audit committee. It comprises of four members, all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the audit committee are held at least once every quarter prior to approval of interim and final results of the Bank, as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The Board has set up an effective internal audit function. Personnel of Internal Audit Department are suitably qualified and are involved in the internal audit function on full time basis.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of The Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

On behalf of Directors



Mian Mohammad Mansha
Chairman

Dated: February 15, 2008

Auditors' Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the Best Practices contained in the Code of Corporate Governance prepared by the Board of Directors of MCB Bank Limited to comply with Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Bank is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2007.



KPMG TASEER HADI & CO.
Chartered Accountants
Lahore

Dated: February 15, 2008



RIAZ AHMAD & CO.
Chartered Accountants
Lahore


Auditors' Report to the Members

We have audited the annexed balance sheet of MCB Bank Limited ("the Bank") as at December 31, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (hereinafter referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for sixty one branches which have been audited by us and five branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.


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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than 60% of the total domestic loans and advances of the Bank, we report that:

- a) in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2007 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.


KPMG TASEER HADI & CO.
Chartered Accountants
Lahore

Dated: February 15, 2008


RIAZ AHMAD & CO.
Chartered Accountants
Lahore

Balance Sheet as at December 31, 2007

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
Assets			
Cash and balances with treasury banks	6	39,683,883	32,465,976
Balances with other banks	7	3,807,519	6,577,017
Lendings to financial institutions	8	1,051,372	21,081,800
Investments - net	9	113,089,261	63,486,316
Advances - net	10	218,960,598	198,239,155
Operating fixed assets	11	16,024,123	9,054,156
Deferred tax assets - net	12	-	172,373
Other assets - net	13	17,868,761	11,031,450
		410,485,517	342,108,243
Liabilities			
Bills payable	15	10,479,058	7,089,679
Borrowings	16	39,406,831	23,943,476
Deposits and other accounts	17	292,098,066	257,461,838
Sub-ordinated loan	18	479,232	1,597,440
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	1,180,162	-
Other liabilities	19	11,722,493	11,171,496
		355,365,842	301,263,929
Net assets		55,119,675	40,844,314
Represented by:			
Share capital	20	6,282,768	5,463,276
Reserves	21	34,000,638	24,662,426
Unappropriated profit		5,130,750	5,530,973
		45,414,156	35,656,675
Surplus on revaluation of assets - net of tax	22	9,705,519	5,187,639
		55,119,675	40,844,314
Contingencies and commitments	23		

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




 Atif Bajwa
 President and Chief Executive



 Tariq Rafi
 Director



 Mian Raza Mansha
 Director



 S. M. Muneer
 Director

Profit and Loss Account for the year ended December 31, 2007


	Note	2007 (Rupees in '000)	2006
Mark-up / return / interest earned	25	31,786,595	25,778,061
Mark-up / return / interest expensed	26	7,865,533	4,525,359
Net mark-up / interest income		23,921,062	21,252,702
Provision for diminution in the value of investments	9.3	105,269	121,197
Provision against loans and advances	10.4.2	2,959,583	1,014,540
Bad debts written off directly	10.5.1	199	47,000
		3,065,051	1,182,737
Net mark-up / interest income after provisions		20,856,011	20,069,965
Non-mark-up / interest income			
Fee, commission and brokerage income		2,634,610	2,311,235
Dividend income		632,300	811,801
Income from dealing in foreign currencies		693,408	692,010
Gain on sale of securities - net	27	1,500,865	605,865
Unrealized loss on revaluation of investments classified as held for trading	9.5	(13,105)	-
Other income - net	28	563,213	570,505
Total non-mark-up / interest income		6,011,291	4,991,416
		26,867,302	25,061,381
Non-mark-up / interest expenses			
Administrative expenses	29	5,022,416	6,482,592
(Reversal) / other provision - net	13.2	(3,743)	11,411
Other charges	30	540,594	66,708
Total non-mark-up / interest expenses		5,559,267	6,560,711
Extra ordinary / unusual item		-	-
Profit before taxation		21,308,035	18,500,670
Taxation - Current year		6,442,356	5,701,443
- Prior years		(1,294,473)	593,497
- Deferred		894,590	63,332
	31	6,042,473	6,358,272
Profit after taxation		15,265,562	12,142,398
Unappropriated profit brought forward		5,530,973	4,990,260
Transfer from surplus on revaluation of fixed assets - net of tax		11,855	32,166
		5,542,828	5,022,426
Profit available for appropriation		20,808,390	17,164,824
Basic and diluted earnings per share - after tax	34	24.30	19.33

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


 Atif Bajwa
 President and Chief Executive


 Tariq Rafi
 Director


 Mian Raza Mansha
 Director


 S. M. Muneer
 Director

Cash Flow Statement for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006
Cash flows from operating activities			
Profit before taxation		21,308,035	18,500,670
Less: Dividend income		(632,300)	(811,801)
		<hr/>	<hr/>
		20,675,735	17,688,869
Adjustments for non-cash charges			
Depreciation	11.2	599,196	555,292
Amortisation	11.3	191,201	121,285
Provision against loans and advances	10.4.2	2,959,583	1,014,540
Provision for diminution in the value of investments	9.3	105,269	121,197
(Reversal) / Provision for diminution in the value of other assets	13.2	(3,743)	11,411
Bad debts written off directly	10.5.1	199	47,000
Operating fixed assets written off	30	12,102	60,452
Gain on disposal of fixed assets - net	28	(13,032)	(24,903)
Deficit on revaluation of 'held for trading' securities	9.5	13,105	1,634
		<hr/>	<hr/>
		3,863,880	1,907,908
		<hr/>	<hr/>
		24,539,615	19,596,777
(Increase) / decrease in operating assets			
Lendings to financial institutions		20,030,428	(11,082,972)
Net investments in 'held for trading' securities		(230,752)	66,056
Advances - net		(23,681,225)	(18,977,942)
Other assets - net		(6,847,748)	(5,522,561)
		<hr/>	<hr/>
		(10,729,297)	(35,517,419)
Increase / (decrease) in operating liabilities			
Bills payable		3,389,379	(1,446,995)
Borrowings		15,463,355	(3,434,026)
Deposits		34,636,228	28,119,948
Other liabilities		770,163	1,100,295
		<hr/>	<hr/>
		54,259,125	24,339,222
		<hr/>	<hr/>
		68,069,443	8,418,580
Income tax paid		(6,170,144)	(4,877,358)
		<hr/>	<hr/>
Net cash flows from operating activities		61,899,299	3,541,222

Cash Flow Statement for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006
Cash flows from investing activities			
Net investments in 'available for sale' securities		(52,951,926)	(13,324,991)
Net investments in 'held to maturity' securities		3,564,123	19,336,261
Dividends received		646,480	792,100
Investments in operating fixed assets		(2,947,438)	(1,830,790)
Investment in subsidiary company		(20,000)	(299,980)
Sale proceeds of property and equipment disposed off		92,919	82,597
Net cash flows from investing activities		(51,615,842)	4,755,197
Cash flows from financing activities			
Redemption of subordinated loan		(1,118,208)	(640)
Proceeds from issue of Global Depository Receipts (net of expenses)		-	8,739,218
Dividend paid		(4,728,496)	(3,122,510)
Net cash flows from financing activities		(5,846,704)	5,616,068
Exchange differences on translation of the net investment in foreign branches		11,656	(1,088)
Increase in cash and cash equivalents		4,448,409	13,911,399
Cash and cash equivalents at beginning of the year		39,347,647	25,198,236
Effects of exchange rate changes on cash and cash equivalents		(304,654)	(66,642)
		39,042,993	25,131,594
Cash and cash equivalents at end of the year	35	<u>43,491,402</u>	<u>39,042,993</u>

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



 Atif Bajwa
 President and Chief Executive



 Tariq Rafi
 Director



 Mian Raza Mansha
 Director



 S. M. Muneer
 Director

Statement of Changes in Equity for the year ended December 31, 2007

	Share capital	Capital Reserves			Revenue Reserves			Total
		Share premium	Reserve for issue of bonus shares	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit	
----- (Rupees in '000) -----								
Balance as at December 31, 2005	4,265,327	1,308,194	-	(52,549)	3,999,295	3,800,000	4,990,260	18,310,527
Transferred to reserve for issuance of bonus shares	-	-	853,065	-	-	-	(853,065)	-
Issuance of bonus shares	853,065	-	(853,065)	-	-	-	-	-
Changes in equity for 2006								
Profit after taxation for the year ended December 31, 2006	-	-	-	-	-	-	12,142,398	12,142,398
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	32,166	32,166
Exchange differences on translation of net investment in foreign branches	-	-	-	(1,088)	-	-	-	(1,088)
Net income recognised directly in equity	-	-	-	(1,088)	-	-	32,166	31,078
Total recognised income and expense for the year ended December 31, 2006	-	-	-	(1,088)	-	-	12,174,564	12,173,476
Transferred to general reserve	-	-	-	-	-	6,000,000	(6,000,000)	-
Transferred to statutory reserve	-	-	-	-	1,214,240	-	(1,214,240)	-
Final cash dividend - December 2005	-	-	-	-	-	-	(426,533)	(426,533)
Interim cash dividend - March 2006	-	-	-	-	-	-	(1,023,679)	(1,023,679)
Interim cash dividend - June 2006	-	-	-	-	-	-	(1,023,679)	(1,023,679)
Interim cash dividend - September 2006	-	-	-	-	-	-	(1,092,655)	(1,092,655)
Issuance of Global Depository Receipts (GDRs) - note 20.3	344,884	8,760,054	-	-	-	-	-	9,104,938
GDRs issuance expense	-	(365,720)	-	-	-	-	-	(365,720)
Balance as at December 31, 2006	5,463,276	9,702,528	-	(53,637)	5,213,535	9,800,000	5,530,973	35,656,675

Statement of Changes in Equity for the year ended December 31, 2007

	Share capital	Capital Reserves			Revenue Reserves			Total
		Share premium	Reserve for issue of bonus shares	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit	
----- (Rupees in 000) -----								
Changes in equity for 2007								
Profit after taxation for the year ended December 31, 2007	-	-	-	-	-	-	15,265,562	15,265,562
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	11,855	11,855
Exchange differences on translation of net investment in foreign branches	-	-	-	11,656	-	-	-	11,656
Net income recognised directly in equity	-	-	-	11,656	-	-	11,855	23,511
Total recognised income and expense for the year ended December 31, 2007	-	-	-	11,656	-	-	15,277,417	15,289,073
Transferred to statutory reserve	-	-	-	-	1,526,556	-	(1,526,556)	-
Transferred to general reserve	-	-	-	-	-	7,800,000	(7,800,000)	-
Issue of bonus shares - Final December 31, 2006	819,492	-	-	-	-	-	(819,492)	-
Final cash dividend - December 2006	-	-	-	-	-	-	(819,492)	(819,492)
Interim cash dividend - March 2007	-	-	-	-	-	-	(1,570,692)	(1,570,692)
Interim cash dividend - June 2007	-	-	-	-	-	-	(1,570,704)	(1,570,704)
Interim cash dividend - September 2007	-	-	-	-	-	-	(1,570,704)	(1,570,704)
Balance as at December 31, 2007	<u>6,282,768</u>	<u>9,702,528</u>	<u>-</u>	<u>(41,981)</u>	<u>6,740,091</u>	<u>17,600,000</u>	<u>5,130,750</u>	<u>45,414,156</u>

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.




 Atif Bajwa
 President and Chief Executive



 Tariq Rafi
 Director



 Mian Raza Mansha
 Director



 S. M. Muneer
 Director

Notes to the Financial Statements for the year ended December 31, 2007

1. STATUS AND NATURE OF BUSINESS

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (representing four 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 1020 branches including 8 Islamic banking branches (2006: 988 branches including 6 Islamic banking branches) within Pakistan and 6 (2006: 6) branches outside the country (including the Karachi Export Processing Zone branch).

2. BASIS OF PRESENTATION

- 2.1** These financial statements represent separate financial statements of MCB Bank Limited. The consolidated financial statements of the Group are being issued separately.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised 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 to US Dollar, the rates of Rs. 62.000 and Rs. 60.910 per US Dollar and Rs. 0.5708 and Rs.0.5669 per SLR have been used for December 31, 2007 and December 31, 2006 respectively.

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 of 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. 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, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards effective for accounting period beginning on or after January 01, 2008 or later periods are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain increased disclosures in certain cases:

IFAS - 2 Ijarah

IFRS - 6 Exploration for and Evaluation of Mineral Resources

IAS - 1 Presentation of financial statements

IAS - 23 Borrowing cost (Revised)

IFRIC - 11 Group and Treasury Share Transactions

IFRIC - 12 Services Concession Arrangements

Notes to the Financial Statements for the year ended December 31, 2007

IFRIC - 13 Customer Loyalty Program

IFRIC - 14, IAS-19 The limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction.

Adoption of IFAS-2 will result in following changes:

- Assets underlying ijarah financing will be recorded as operating fixed assets separately from the assets in Bank's own use. These assets will be carried at cost less accumulated depreciation and impairment, if any.
- Rentals receivable from ijarah financing during the year will be taken to profit and loss account.

Adoption of Revised IAS 1 - Presentation of financial statements may only impact the presentation and extent of disclosures in 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 Pakistan Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to 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 Bank has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as 'held to maturity', the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) Provision against advances

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

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

c) Impairment of 'available for sale' equity investments

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

Notes to the Financial Statements for the year ended December 31, 2007

d) Taxation

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

e) Fair value of derivatives

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

f) Depreciation, amortisation and revaluation of operating fixed assets

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

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements (note 37) 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 effect the liability / asset under these plans in those years.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Investments

The Bank classifies its investments as follows:

a) Held for trading

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

b) Held to maturity

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

c) Available for sale

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

Investments are initially recognised 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 recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

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

Notes to the Financial Statements for the year ended December 31, 2007

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. Investments classified as 'held to maturity' are carried at amortised cost. Investments in subsidiaries and investments in associates are carried at cost less impairment, if any.

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

5.2 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 recognised 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 recognised as mark-up income / expense on a time proportion basis, as the case may be.

5.3 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 comprise of provisions against identified losses and provisions against 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. These provisions are maintained on a consistent basis. 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 recognised 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.

5.4 Operating fixed assets and depreciation

Property and equipment, other than land carrying value of which is not amortised, are stated at cost or revalued amounts 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 building 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 building (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 building (net of deferred taxation) is transferred directly to unappropriated profit.

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

5.5 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible

Notes to the Financial Statements for the year ended December 31, 2007

assets are amortised 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 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. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.7 Staff retirement benefits

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

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

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.
- d) For executives and officers who joined the Bank on or after January 01, 2000 the Bank operates an approved contributory provident fund.
- e) Post retirement medical benefits to entitled employees.

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

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

5.8 Employees' compensated absences

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

Notes to the Financial Statements for the year ended December 31, 2007

5.9 Taxation

Current

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

Deferred

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

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

5.10 Provisions

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

5.11 Foreign currencies

5.11.1 Foreign currency transactions

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

5.11.2 Foreign operations

The assets and liabilities of foreign branches are translated to Rupees at exchange rates prevailing at the balance sheet date.

The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

5.11.3 Translation gains and losses

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

5.11.4 Commitments

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

5.12 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognised on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognised 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.

Notes to the Financial Statements for the year ended December 31, 2007

- 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 recognised as income when these are realised.
- Unrealised 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 recognised on a time proportion basis.
- Dividend income is recognised when the Bank's right to receive dividend is established.
- Profit / loss on sale of investments is credited / charged to profit and loss account currently.

5.13 Operating leases

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

5.14 Cash and cash equivalents

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

5.15 Financial instruments

5.15.1 Financial assets and financial liabilities

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

5.15.2 Derivative financial instruments

Derivative financial instruments are initially recognised 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 derivative financial instruments are carried as assets when the fair value is positive and liability when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

5.15.3 Off setting

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

5.16 Share issuance cost

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

5.17 Segment reporting

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

5.17.1 Business segment

Corporate Finance

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

Notes to the Financial Statements for the year ended December 31, 2007

Trading and Sales

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

Retail and Consumer Banking

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

Commercial Banking

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

5.17.2 Geographical segments

The Bank operates in three geographic regions being:

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

5.18 Dividend distribution and appropriation

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

	Note	2007 (Rupees in '000)	2006
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	6.1	9,351,207	6,654,824
In hand - foreign currencies		962,498	733,261
In transit - local currency		1,148,109	559,178
With State Bank of Pakistan (SBP) in:	6.2		
Local currency current account		23,204,296	19,907,420
Foreign currency deposit account	6.3	1,068,318	1,893,759
With other central banks in foreign currency current account	6.2	244,441	69,212
With National Bank of Pakistan in local currency current account		3,705,014	2,648,322
		<u>39,683,883</u>	<u>32,465,976</u>

Notes to the Financial Statements for the year ended December 31, 2007

- 6.1** This includes national prize bonds amounting to Rs. 91.885 million (2006: Rs. 54.164 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** These include balance of Rs. 534.159 million (2006: Rs. 1,420.32 million) which carry interest rate of 4.24 % per annum (2006: 4.35% per annum).

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
7. BALANCES WITH OTHER BANKS			
Inside Pakistan - current account		1,263	-
Outside Pakistan			
- current account		3,234,443	4,046,021
- deposit account	7.1	571,813	2,530,996
		<u>3,807,519</u>	<u>6,577,017</u>

- 7.1** Balances with other banks outside Pakistan in deposit account carry interest rates ranging from 4.24% to 6.67% per annum (2006: 5.31% to 6.11% per annum).

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
8. LENDINGS TO FINANCIAL INSTITUTIONS			
In local currency			
Call money lendings	8.1	1,051,372	9,050,000
Repurchase agreement lendings	8.2	-	12,031,800
		<u>1,051,372</u>	<u>21,081,800</u>

- 8.1** These carry mark-up rates ranging from 9.65% to 12.19% per annum (2006: 10% to 12% per annum).

- 8.2** Securities held as collateral against lendings to financial institutions

	2007			2006		
	Held by bank	Further Given as collateral	Total	Held by bank	Further Given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	-	-	-	5,396,800	-	5,396,800
Pakistan Investment Bonds	-	-	-	6,635,000	-	6,635,000
	-	-	-	<u>12,031,800</u>	-	<u>12,031,800</u>

Market value of securities held as collateral against lendings to financial institutions as at December 31, 2007 amounted to Rs. Nil (2006: Rs. 12,456 million). These carry markup at the rate of Nil per annum (2006: 8.30% to 9.60% per annum).

Notes to the Financial Statements for the year ended December 31, 2007

9. INVESTMENTS - NET

9.1 Investments by types

	Note / Annexure	2007			2006		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----							
Held for trading securities							
- Shares in listed companies	9.5 & Annexure I (note 2)	230,752	-	230,752	-	-	-
Available for sale securities							
- Market Treasury Bills	9.6	58,268,118	26,996,870	85,264,988	25,574,416	11,298,388	36,872,804
- Pakistan Investment Bonds	9.6	2,726,418	-	2,726,418	1,352,350	-	1,352,350
- Shares in listed companies	Annexure I (note 1)	7,388,550	-	7,388,550	5,810,827	-	5,810,827
- Units in open ended mutual fund	Annexure I (note 1)	1,662,063	-	1,662,063	118,595	-	118,595
- Shares in unlisted companies	9.7 & Annexure I (note 3)	515,333	-	515,333	537,012	-	537,012
- NIT units		5,253	-	5,253	5,253	-	5,253
- Sukuk Bonds	Annexure I (note 4)	400,000	-	400,000	-	-	-
- Listed Term Finance Certificates (TFCs)	Annexure I (note 4)	1,136,821	-	1,136,821	1,450,659	-	1,450,659
		72,102,556	26,996,870	99,099,426	34,849,112	11,298,388	46,147,500
Held to maturity securities							
- Market Treasury Bills	9.6	216,881	-	216,881	-	-	-
- Pakistan Investment Bonds	9.6	2,377,654	-	2,377,654	2,439,089	-	2,439,089
- Federal Government Securities	Annexure I (note 5)	704,928	-	704,928	825,719	-	825,719
- Provincial Government Securities		118	-	118	118	-	118
- Government Compensation Bonds	Annexure I (note 5)	870,771	-	870,771	870,771	-	870,771
- Sukuk Bonds	Annexure I (note 5)	1,785,475	-	1,785,475	1,573,478	-	1,573,478
- Euro Bonds	Annexure I (note 5)	3,299,630	-	3,299,630	3,019,135	-	3,019,135
- Term Finance Certificates (TFCs), Debentures, Bonds and Participation Term Certificates (PTCs)	Annexure I (note 4)	1,346,566	-	1,346,566	2,387,836	-	2,387,836
- Certificates of Investment	Annexure I (note 6)	500,000	-	500,000	3,550,000	-	3,550,000
		11,102,023	-	11,102,023	14,666,146	-	14,666,146
Subsidiaries							
MNET Services (Private) Limited	Annexure I (note 7)	49,975	-	49,975	49,975	-	49,975
MCB Trade Services Limited		77	-	77	77	-	77
MCB Asset Management Company Limited		299,980	-	299,980	299,980	-	299,980
Muslim Commercial Financial Services (Private) Limited		27,500	-	27,500	7,500	-	7,500
		377,532	-	377,532	357,532	-	357,532
Associates							
Adamjee Insurance Company Limited	Annexure I (note 8)	943,600	-	943,600	943,600	-	943,600
First Women Bank Limited	9.8	63,300	-	63,300	63,300	-	63,300
		1,006,900	-	1,006,900	1,006,900	-	1,006,900
Investments at cost							
		84,819,763	26,996,870	111,816,633	50,879,690	11,298,388	62,178,078
Less: Provision for diminution in value of investments	9.3	(468,288)	-	(468,288)	(363,019)	-	(363,019)
Investments (net of provisions)							
Surplus / (deficit) on revaluation of available for sale securities - net	22.2	1,790,011	(35,990)	1,754,021	1,686,295	(15,038)	1,671,257
Deficit on revaluation of 'held for trading' securities - net	9.5	(13,105)	-	(13,105)	-	-	-
Investments at revalued amounts - net of provisions		<u>86,128,381</u>	<u>26,960,880</u>	<u>113,089,261</u>	<u>52,202,966</u>	<u>11,283,350</u>	<u>63,486,316</u>

Notes to the Financial Statements for the year ended December 31, 2007

	Note / Annexure	2007 (Rupees in '000)	2006
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills	9.6	85,481,869	36,872,804
- Pakistan Investment Bonds	9.6	5,104,072	3,791,439
- Federal Government Securities	Annexure I (note 5)	704,928	825,719
- Government Compensation Bonds	Annexure I (note 5)	870,771	870,771
- Euro Bonds	Annexure I (note 5)	3,299,630	3,019,135
- Sukuk Bonds	Annexure I (note 4 & 5)	1,585,475	1,573,478
Provincial Government Securities		118	118
Subsidiaries and Associated Undertakings	9.8 & Annexure I (note 7 & 8)	1,384,432	1,364,432
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas	Annexure I (note 1 & 2)	7,557,700	5,749,225
- Unlisted companies / funds	9.7 & Annexure I (note 3)	415,333	437,012
Units of Open Ended Mutual Funds	Annexure I (note 1)	1,662,063	118,595
Fully Paid-up Preference Shares:			
- Listed Companies	Annexure I (note 1)	61,602	61,602
- Unlisted Companies	Annexure I (note 3)	100,000	100,000
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates	Annexure I (note 4)	1,136,821	1,450,659
- Unlisted Term Finance Certificates	Annexure I (note 4)	1,223,068	1,946,344
- Debentures, Bonds and Participation Term Certificates (PTCs)	Annexure I (note 4)	123,498	441,492
- Certificates of Investment	Annexure I (note 6)	500,000	3,550,000
Other Investments:			
- Sukuk Bonds	Annexure I (note 5)	600,000	-
- NIT Units		5,253	5,253
Total investments at cost		111,816,633	62,178,078
Less: Provision for diminution in the value of investments	9.3	(468,288)	(363,019)
Investments (net of provisions)		111,348,345	61,815,059
Add: Surplus on revaluation of available for sale securities - net	22.2	1,754,021	1,671,257
Deficit on revaluation of held for trading securities - net	9.5	(13,105)	-
Investments at revalued amounts - net of provisions		113,089,261	63,486,316
9.3 Particulars of provision			
Opening balance		363,019	547,424
Charge during the year		138,046	298,119
Reversal made during the year		(32,777)	(176,922)
		105,269	121,197
Investment written off against provision		-	(305,602)
Closing balance		468,288	363,019
9.3.1 Particulars of provision in respect of Type and Segment			
Available for sale securities			
Listed shares / Certificates / Units		197,496	96,747
Unlisted shares		70,477	65,957
		267,973	162,704
Held to maturity securities			
TFCs, Debentures, Bonds and Participation Term Certificates		200,315	200,315
		468,288	363,019

Notes to the Financial Statements for the year ended December 31, 2007

9.4 Quality of 'available for sale' securities

	2007			2006				
	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit rating		Rated by	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit Rating		Rated by
		Long Term	Short Term			Long Term	Short Term	
Market Treasury Bills	85,071,912	(Unrated- Government Securities)			36,832,900	(Unrated - Government Securities)		
Pakistan Investment Bonds	2,711,499	(Unrated- Government Securities)			1,350,985	(Unrated - Government Securities)		
Listed Term Finance Certificates								
Askari Bank Limited (Formerly: Askari Commercial Bank Limited)	203,717	AA-	(Unrated)	PACRA	201,799	AA	(Unrated)	PACRA
Azgard Nine Limited	-	-	-	-	99,960	A+	(Unrated)	JCRVIS
Bank Al-Habib Limited	99,880	AA-	(Unrated)	PACRA	99,920	AA-	(Unrated)	PACRA
Bank Alfalah Limited	248,390	AA-	(Unrated)	PACRA	248,486	AA-	(Unrated)	PACRA
United Bank Limited	307,704	AA	(Unrated)	JCRVIS	284,890	AA-	(Unrated)	JCRVIS
Allied Bank Limited	-	-	-	-	117,020	A	(Unrated)	JCRVIS
First Dawood Investment Bank Limited	-	-	-	-	34,374	AA-	(Unrated)	PACRA
Hira Textile Mills Limited	-	-	-	-	49,910	A	(Unrated)	JCRVIS
Jahangir Siddiqui & Company Limited	49,940	AA+	(Unrated)	PACRA	149,764	AA+	(Unrated)	PACRA
Pakistan Services Limited	4,520	A	(Unrated)	JCRVIS	8,870	A	(Unrated)	JCRVIS
Soneri Bank Limited	149,850	A+	(Unrated)	PACRA	149,910	A+	(Unrated)	PACRA
Pak Arab Fertilizers Limited	100,000	AA	(Unrated)	JCRVIS	-	-	-	-
Sui Southern Gas Company Limited	-	-	-	-	12,567	AA	(Unrated)	PACRA
	1,164,001				1,457,470			
Shares in Listed Companies								
Abbott Laboratories Pakistan Limited	26,291			Not available	-			-
Al-Ghazi Tractors Limited	-			-	14,683			Not available
Allied Bank Limited	94,137	A	A1-	JCRVIS	47,311	A+	Not available	JCRVIS
Al-Meezan Mutual Fund	-			-	14,090	5 Star	(Unrated)	PACRA
Arif Habib Bank Limited	190	A-	A2	PACRA	-			Not available
Arif Habib Securities Limited	41,568			Not available	-			Not available
Askari Bank Limited (Formerly: Askari Commercial Bank Limited)	323,753	AA	A1+	PACRA	136,487	AA+	A1+	PACRA
Atlas Bank Limited	30,107	A-	A2	PACRA	-			-
Azgard Nine Limited - preference shares	9,572	A+	A1	PACRA	8,122	A	A1	PACRA
Azgard Nine Limited - ordinary shares	5,656	A+	A1	PACRA	-			-
Baig Spinning Mills Limited	-			-	1,385			Not available
Bank Alfalah Limited	153,265	AA	A1+	PACRA	8,012	AA	A1+	PACRA
Bank Al-Habib Limited	206,743	AA	A1+	PACRA	32,191	AA	A1+	PACRA
Bank Islami Pakistan Limited	2,430	A-	A2	PACRA	-			-
Bawany Sugar Mills Limited	-			-	76			Not available
BOC Pakistan Limited	-			-	3,163			Not available
Brothers Textile Mills Limited	-			-	211			Not available
BSJS Balanced Fund Limited	-			-	6,170	4 Star	(Unrated)	PACRA
Century Papers and Board Mills Limited	33,389			Not available	16,741			Not available
Cherat Cement Company Limited	1,143			Not available	-			-
Colony Mills Limited	-			-	2			Not available
Crescent Commercial Bank Limited	2,095	A	A-	JCRVIS	-			-
EFU General Insurance Company Limited	329,596	AA	(Unrated)	JCRVIS	175,943	AA	(Unrated)	JCRVIS
EFU Life Assurance Company Limited	3,123	A+	(Unrated)	JCRVIS	3,894			Not available
Engro Chemical Pakistan Limited	242,631	AA	A1+	PACRA	76,565	AA	A1+	PACRA
Escorts Investment Bank Limited	-			-	1,146	A	A1	JCRVIS
Fauji Cement Company Limited	-			-	395			Not available
Fauji Fertilizer Bin Qasim Company Limited	150,946			Not available	2,856			Not available
Fauji Fertilizer Company Limited	809,675			Not available	719,673			Not available
Faysal Bank Limited	-			-	7,295	AA	A1+	PACRA
First Al - Noor Modaraba	24,157	BBB	A3	JCRVIS	22,891	BBB	A3	JCRVIS
First Investec Modaraba	-			-	27			Not available
Glaxo Smithkline Pakistan Limited	83,631			Not available	19,860			Not available
Habib Bank Limited	127,315	AA+	A1+	JCRVIS	-			-
Habib Metropolitan Bank Limited	29,078	AA+	A1+	PACRA	5,227	AA+	A1+	PACRA
Honda Atlas Cars Limited	-			-	9,192			Not available
Balance carried forward	2,730,491				1,333,608			

Notes to the Financial Statements for the year ended December 31, 2007

	2007			2006				
	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit rating Long Term	Short Term	Rated by	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit Rating Long Term	Short Term	Rated by
Balance brought forward	2,730,491				1,333,608			
Hub Power Company Limited	831,260		Not available		735,869		Not available	
IGI Insurance Limited	59,643	AA	(Unrated)	PACRA	3,728	AA	(Unrated)	PACRA
Indus Motors Company Limited	20,748		Not available		55,575		Not available	
International Industries Limited	35,694		Not available		-		-	
JS Bank Limited	24,035		Not available		-		-	
Khurshid Spinning Mills Limited	-		-		33		Not available	
Kohinoor Energy Limited	1,749		Not available		1,382		Not available	
Kohinoor Industries Limited	-		-		604		Not available	
Kot Addu Power Company Limited	211,261		Not available		127,163		Not available	
Lucky Cement Limited	12,233		Not available		2,199		Not available	
Masood Textile Mills Limited - preference shares	50,000		Not available		50,000		Not available	
Meezan Balanced Fund	-		-		8,600	5 Star	(Unrated)	PACRA
Mehr Dastagir Textile Mills Limited	9,701		Not available		8,893		Not available	
Millat Tractors Limited	84,283		Not available		186,256		Not available	
Mirza Sugars Limited	-		-		77		Not available	
Mohammad Farooq Textile Mills Limited	-		-		138		Not available	
National Bank of Pakistan	237,572	AAA	A1+	JCRVIS	161,066	AAA	A1+	JCRVIS
NIB Bank Limited	7,101	A+	A1	PACRA	-		-	
Oil & Gas Development Company Limited	268,782	AAA	A1+	JCRVIS	54,352		Not available	
Orix Leasing Pakistan Limited	5,995	AA+	A1+	PACRA	5,410	AA+	A1+	PACRA
Pace Pakistan Limited	10,051		Not available		-		-	
Packages Limited	9,383	AA	A1+	PACRA	43,102	AA	A1+	PACRA
Pak Suzuki Motor Company Limited	8,109		Not available		-		-	
Pakistan Cables Limited	13,709		Not available		-		-	
Pakistan Cement Company Limited	1,140		Not available		-		-	
Pakistan Oilfields Limited	101,992		Not available		323,924		Not available	
Pakistan PTA Limited	-		-		216		Not available	
The Bank of Punjab	-		-		70,656	AA	A1+	PACRA
Pakistan Capital Market Fund	-		-		379	5 Star	(Unrated)	PACRA
Pakistan Petroleum Limited	280,602		Not available		76,908		Not available	
Pakistan Premier Fund	-		-		1,058	5 Star	(Unrated)	PACRA
Pakistan Reinsurance Company Limited	-		-		12,870		Not available	
Pakistan State Oil Company Limited	29,275	AAA	A1+	PACRA	254,782	AAA	A1+	PACRA
Pakistan Synthetics Limited	-		-		100		Not available	
Pakistan Telecommunication Company Limited	253,256		Not available		137,983		Not available	
Pakistan Tobacco Company Limited	21,568		Not available		-		-	
PICIC Commercial Bank Limited	11,825	A+	A1	JCRVIS	905	A+	A1	JCRVIS
PICIC Growth Fund	-		-		12,371	MFR 4 STAR	(Unrated)	JCRVIS
PICIC Investment Fund	-		-		1,192		Not available	
Prime Commercial Bank Limited	-		-		1,725	A+	A1	PACRA
Redco Textiles Limited	-		-		350		Not available	
Rupali Polyester Limited	26,671		Not available		22,423		Not available	
Sakrand Sugar Limited	-		-		187		Not available	
Saudi Pak Commercial Bank Limited	-		-		217	A-	A-2	JCRVIS
Shell Pakistan Limited	26,531		Not available		-		-	
Soneri Bank Limited	96,292	AA-	A1+	PACRA	-		-	
Standard Chartered Modaraba	-		-		3,599	AA+	A1+	PACRA
** Sui Northern Gas Pipelines Limited	3,128,624	AA	A1+	PACRA	3,126,238	AA-	A1+	PACRA
Taj Textile Mills Limited	1		Not available		1		Not available	
Thal Limited	3,327		Not available		49,350		Not available	
Tripack Films Limited	-		-		404	A+	A1	PACRA
* Trust Securities & Brokerage Limited	2,550		Not available		1,680		Not available	
Unilever Pakistan Limited	75,880		Not available		45,600		Not available	
United Bank Limited	304,339	AA	A1+	JCRVIS	389,875	AA	A1+	JCRVIS
UTP Growth Fund	-		-		1,843		Not available	
UTP Large Capital Fund (ABAMCO Composite Fund)	-		-		26,000		Not available	
Balance carried forward	8,995,673				7,340,891			

Notes to the Financial Statements for the year ended December 31, 2007

	2007			2006				
	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit rating		Rated by	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit Rating		Rated by
		Long Term	Short Term			Long Term	Short Term	
Balance brought forward	8,995,673				7,340,891			
WorldCall Telecom Limited	-		-		30	A+	A1	PACRA
Yousuf Weaving Mills Limited	-		-		75		Not available	
Zulfiqar Industries Limited	3,533			-	-			
	8,999,206				7,340,996			
Open Ended Mutual Fund								
AKD Opportunity Fund	-		-		4,765		Not available	
Atlas Income Fund	-		-		64,179	4 Star	(Unrated)	PACRA
Atlas Islamic Fund	10,613		Not available		10,000		Not available	
Atlas Stock Market Fund	-		-		15,314	4 Star	(Unrated)	PACRA
HBL Income Fund	30,000		Not available		-		-	
IGI Income Fund	30,009		Not available		-		-	
MCB Dynamic Cash Fund	1,272,334		Not available		-		-	
MCB Dynamic Stock Fund	323,366		Not available		-		-	
Meezan Islamic Fund	-		-		29,705	MFR 5 STAR	(Unrated)	JCRVIS
NAFA Cash Fund	10,003	MFR 5 STAR	(Unrated)	JCRVIS	-		-	
Unit Trust of Pakistan	92,054	5 Star	(Unrated)	PACRA	73,724	5 Star	(Unrated)	PACRA
	1,768,379				197,687			
Shares in Un-listed Companies								
* Khushhali Bank Limited	300,000	A-	A-1	JCRVIS	300,000	A-	A-1	JCRVIS
* Equity Participation Fund	1,500		Not available		1,500		Not available	
* Investment Corporation of Pakistan	-		-		22,824	AA	A1+	PACRA
* National Investment Trust Limited	100		Not available		100		Not available	
* Pakistan Agricultural Storage and Services Corporation	2,500		Not available		2,500		Not available	
* SME Bank Limited	10,106	BBB	A2	JCRVIS	10,106	BBB	A2	JCRVIS
First Capital Investment (Private) Limited	2,500	AM4+	(Unrated)	PACRA	2,500	AM4+	(Unrated)	PACRA
Musarrat Textile Mills Limited (de-listed)	36,045		Not available		-		-	
Pak Asian Fund	11,500		Not available		11,500		Not available	
Ayaz Textiles Mills Limited	2,253		Not available		-		-	
* Arabian Sea Country Club	5,000		Not available		4,920		Not available	
* Central Depository Company 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)	2,993		Not available		2,993		Not available	
Al-Ameen Textile Mills Limited	197		Not available		-		-	
Custodian Management Services	1,000		Not available		-		-	
Sadiqabad Textile Mills Limited	26,383		Not available		-		-	
Fazal Cloth Mills Limited - preference share	100,000		Not available		100,000		Not available	
Lanka Clearing (Private) Limited	570		Not available		567		Not available	
Lanka Financial Services Bureau Limited	1,142		Not available		-		-	
Credit Information Bureau of Sri Lanka	17		Not available		17		Not available	
	515,333				471,055			
Other Investment								
Sukuk Bonds	419,000	(Unrated - Government Securities)			-			
N.I.T. Units	6,620	4 Star	(Unrated)	PACRA	4,960	4 Star	(Unrated)	PACRA
	100,655,950				47,656,052			

* These are the strategic investments of the Bank.

** This includes 32.287 million shares valuing Rs. 2,116.414 million (2006: 32.287 million shares valuing Rs. 2,171.300 million) which are held as strategic investment by the Bank.

Notes to the Financial Statements for the year ended December 31, 2007

9.5 Unrealised loss on revaluation of investments classified as 'held for trading'

Investee Company	Unrealised loss as on December 31,		Cost as at December 31,	
	2007	2006	2007	2006
	------(Rupees in '000)-----			
Arif Habib Securities Limited	1,453	-	32,421	-
Attock Refinery Limited	3,421	-	51,972	-
Bank Al-Habib Limited	48	-	1,978	-
Bosicar Pakistan Limited	305	-	6,710	-
Engro Chemical Pakistan Limited	1,122	-	24,482	-
Fauji Cement Company Limited	145	-	1,635	-
Glaxo Smithkline Pakistan Limited	168	-	2,631	-
J.O.V & Company Limited	413	-	8,583	-
KASB Bank Limited	25	-	1,035	-
Lucky Cement Limited	142	-	3,054	-
National Bank of Pakistan	331	-	6,065	-
National Refinery Limited	525	-	9,369	-
PACE Pakistan Limited	223	-	8,099	-
Pakistan Cement Company Limited	195	-	1,335	-
Pakistan Oilfields Limited	2,418	-	30,842	-
Pakistan Petroleum Limited	983	-	19,362	-
Pakistan State Oil Company Limited	216	-	4,282	-
Thal Limited	59	-	1,624	-
TRG Pakistan Limited	31	-	1,424	-
United Bank Limited	882	-	13,849	-
	<u>13,105</u>	<u>-</u>	<u>230,752</u>	<u>-</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, 2007 amounted to Rs. 1,990.67 million and Rs. 237.70 million (2006: Market Treasury Bills Rs. Nil and Pakistan Investment Bonds Rs. 1,978.22 million) respectively.
- 9.7 This includes the Bank's subscription towards the paid-up capital of Khushhali Bank Limited amounting to Rs. 300 million (2006: Rs. 300 million). Pursuant to section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the Bank cannot sell or transfer their investment before a period of five years due on October 10, 2005, from the date of subscription. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. In addition, profit of Khushhali Bank Limited cannot be distributed as dividend under clause 35i of Khushhali Bank Ordinance 2000. However, Kushhali Bank Ordinance is in process of amendment under which the restriction on the dividend payment is expected to be deleted. Moreover, the Board of Directors of Khushhali Bank Limited has approved the conversion of Khushhali Bank under the Micro Finance Institutions Ordinance 2001 which does not restrict the distribution of dividend to members.
- 9.8 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (2006: Rs. 943.600 million) as at December 31, 2007 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2007 amounted to Rs. 10,671.631 million (2006: Rs. 4,481.877 million).
- 9.9 At December 31, 2007 market value of quoted investments was Rs. 113,041.129 million (2006: Rs. 53,852.405 million) while the book value of unquoted investments was Rs. 9,391.098 million (2006: Rs. 12,711.323 million).
- 9.10 Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2006: 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 (2006: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account. Further Euro Bonds issued by Government of Pakistan amounting to US Dollar 29 million (2006: US Dollar 29 million) / Rs. 1,798.00 million (2006: Rs. 1,766.39 million) (face value) are earmarked by Mashreq Bank PSC against the Bank's borrowings.
- 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.

Notes to the Financial Statements for the year ended December 31, 2007

	Note	2007	2006
		(Rupees in '000)	
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		208,587,014	189,472,034
Outside Pakistan		6,989,947	5,172,803
		<hr/>	<hr/>
		215,576,961	194,644,837
Net investment in finance lease	10.2		
In Pakistan		6,904,399	6,082,806
Outside Pakistan		67,710	85,865
		<hr/>	<hr/>
		6,972,109	6,168,671
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		2,949,228	1,761,803
Payable outside Pakistan		4,234,574	4,272,188
		<hr/>	<hr/>
		7,183,802	6,033,991
Advances - gross		<hr/>	<hr/>
		229,732,872	206,847,499
Provision against advances	10.4		
Specific provision		(7,326,953)	(5,953,234)
General provision	10.4.3	(2,749,815)	(2,277,467)
General provision against consumer loans	10.4.4	(688,665)	(373,823)
General provision for potential lease losses (in Srilanka operations)		(6,841)	(3,820)
		<hr/>	<hr/>
		(10,772,274)	(8,608,344)
Advances - net of provision		<hr/>	<hr/>
		218,960,598	198,239,155
		<hr/>	<hr/>
10.1 Particulars of advances (Gross)			
10.1.1	In local currency	212,239,278	193,486,349
	In foreign currencies	17,493,594	13,361,150
		<hr/>	<hr/>
		229,732,872	206,847,499
10.1.2	Short-term	153,980,682	144,595,484
	Long-term	75,752,190	62,252,015
		<hr/>	<hr/>
		229,732,872	206,847,499
		<hr/>	<hr/>

Notes to the Financial Statements for the year ended December 31, 2007

10.2 Net investment in finance lease

	2007				2006			
	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	2,245,023	4,516,185	7,229	6,768,437	2,207,825	3,872,902	55,599	6,136,326
Guaranteed residual value	300,233	1,160,175	648	1,461,056	874,230	389,307	5,014	1,268,551
Minimum lease payments	2,545,256	5,676,360	7,877	8,229,493	3,082,055	4,262,209	60,613	7,404,877
Finance charge for future periods	(521,489)	(735,127)	(768)	(1,257,384)	(380,207)	(840,305)	(15,694)	(1,236,206)
Present value of minimum lease payments	<u>2,023,767</u>	<u>4,941,233</u>	<u>7,109</u>	<u>6,972,109</u>	<u>2,701,848</u>	<u>3,421,904</u>	<u>44,919</u>	<u>6,168,671</u>

10.3 'Advances include Rs. 10,725.308 million (2006: Rs. 8,570.813 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2007								
		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	101,910	-	101,910	-	-	-	-	-	-
Substandard		842,804	11,438	854,242	202,432	2,859	205,291	202,432	2,859	205,291
Doubtful		1,691,207	8,373	1,699,580	832,623	4,186	836,809	832,623	4,186	836,809
Loss		5,374,166	2,695,410	8,069,576	5,319,633	965,220	6,284,853	5,319,633	965,220	6,284,853
		<u>8,010,087</u>	<u>2,715,221</u>	<u>10,725,308</u>	<u>6,354,688</u>	<u>972,265</u>	<u>7,326,953</u>	<u>6,354,688</u>	<u>972,265</u>	<u>7,326,953</u>
		(Rupees in '000)								
		Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned (OAEM)	10.3.1	87,699	-	87,699	-	-	-	-	-	-
Substandard		487,306	6,927	494,233	108,247	1,731	109,978	108,247	1,731	109,978
Doubtful		475,072	-	475,072	231,032	-	231,032	231,032	-	231,032
Loss		4,837,290	2,676,519	7,513,809	4,665,896	946,328	5,612,224	4,665,896	946,328	5,612,224
		<u>5,887,367</u>	<u>2,683,446</u>	<u>8,570,813</u>	<u>5,005,175</u>	<u>948,059</u>	<u>5,953,234</u>	<u>5,005,175</u>	<u>948,059</u>	<u>5,953,234</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.

Notes to the Financial Statements for the year ended December 31, 2007

10.4 Particulars of provision against advances

Note	Specific	General	2007		Total
			General provision against consumer loans (Rupees in '000)	Leasing (general)	
Opening balance	5,953,234	2,277,467	373,823	3,820	8,608,344
Exchange adjustments	(17,680)	-	-	(53)	(17,733)
Provision made during the year	10.4.2 2,169,319	472,348	314,842	3,074	2,959,583
Amounts written off	10.5.1 (777,920)	-	-	-	(777,920)
Closing balance	<u>7,326,953</u>	<u>2,749,815</u>	<u>688,665</u>	<u>6,841</u>	<u>10,772,274</u>

	Specific	General	2006		Total
			General provision against consumer loans (Rupees in '000)	Leasing (general)	
Opening balance	5,534,376	2,098,053	180,554	3,941	7,816,924
Exchange adjustments	17,278	-	-	(121)	17,157
Provision made during the year	10.4.2 641,857	179,414	193,269	-	1,014,540
Amounts written off	10.5.1 (240,277)	-	-	-	(240,277)
Closing balance	<u>5,953,234</u>	<u>2,277,467</u>	<u>373,823</u>	<u>3,820</u>	<u>8,608,344</u>

10.4.1 Particulars of provisions against advances

	2007			2006		
	Specific	General (total)	Total	Specific	General (total)	Total
	(Rupees in '000)					
In local currency	6,274,466	3,438,480	9,712,946	5,033,470	2,651,290	7,684,760
In foreign currencies	1,052,487	6,841	1,059,328	919,764	3,820	923,584
	<u>7,326,953</u>	<u>3,445,321</u>	<u>10,772,274</u>	<u>5,953,234</u>	<u>2,655,110</u>	<u>8,608,344</u>

	Note	2007		2006	
		(Rupees in '000)		(Rupees in '000)	
10.4.2 The following amounts have been charged to the profit and loss account:					
Specific provision	10.4	2,169,319		641,857	
General provision	10.4.3	472,348		179,414	
General provision against consumer loans	10.4.4	314,842		193,269	
General provision for potential lease losses (in Srilanka operations)		3,074		-	
		<u>2,959,583</u>		<u>1,014,540</u>	

10.4.3 General provision against advances represents provision maintained at around 1% of gross advances.

10.4.4 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.

Notes to the Financial Statements for the year ended December 31, 2007

10.5 Particulars of write offs:	Note	2007 (Rupees in '000)	2006
10.5.1 Against provisions Directly charged to the profit and loss account	10.4	777,920 199	240,277 47,000
		778,119	287,277
10.5.2 Write offs of Rs. 500,000 and above Write offs of below Rs. 500,000	10.5.3	750,520 27,599	282,613 4,664
		778,119	287,277
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, 2007 is given at Annexure- III. However, this write off does not affect the Bank's right to recover the debts from these customers.

10.6 Particulars of advances to directors, executives, associated companies, etc.

	Note	2007 (Rupees in '000)	2006
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		3,149,550	3,083,682
Loans granted during the year		976,231	659,589
Repayments		(897,297)	(593,721)
Balance at end of the year		3,228,484	3,149,550
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		2,242,511	1,297,320
Loans granted during the year		1,442,020	2,065,270
Repayments		(2,020,546)	(1,120,079)
Balance at end of the year		1,663,985	2,242,511
		4,892,469	5,392,061

11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	233,390	951,525
Property and equipment	11.2	15,607,660	7,730,633
Intangible asset	11.3	183,073	371,998
		16,024,123	9,054,156
11.1 Capital work-in-progress			
Civil works		92,308	418,328
Equipment		-	133,757
Advances against purchase of property		5,900	102,727
Advances to suppliers and contractors		71,094	182,747
Others		64,088	113,966
		233,390	951,525

Notes to the Financial Statements for the year ended December 31, 2007

11.2 Property and equipment

Description	2007												Net book Value at December 31, 2007	Annual rate of depreciation/ estimated useful life
	Cost/ Revalued amount						Accumulated depreciation							
	At January 01, 2007	Additions/ (disposals)	Write-off/ reversal due to revaluation	Revaluation surplus	Adjustment /transfer out	At December 31, 2007	At January 01, 2007	Charge for the year/ (depreciation on disposals)	Write-off/ reversal due to revaluation	Revaluation surplus	Transfer in/ (transfer out)	At December 31, 2007		
(Rupees in '000)														
Land - Freehold	3,896,428	1,426,790	-	4,085,199	-	9,408,417	-	-	-	-	-	-	9,408,417	-
Land - Leasehold	57,430	-	-	-	-	57,430	-	-	-	-	-	-	57,430	-
Buildings on freehold land	2,260,750	1,054,952 (31,400)	(224,068)	819,716	43,423	3,923,373	136,813	88,051 (796)	(224,068)	-	-	-	3,923,373	50 years
Buildings on leasehold land	57,536	8,031	-	-	-	65,567	17,995	2,087	-	-	-	20,082	45,485	10 to 50 years
Furniture and fixtures	549,565	106,820 (13,136)	(12,739)	-	-	630,510	270,559	32,646 (11,202)	(3,772)	-	-	288,231	342,279	10% to 33%
Electrical, Computers and office Equipments	3,053,439	838,723 (118,233)	(13,329)	-	(43,423)	3,717,177	2,038,503	414,705 (96,379)	(10,194)	-	-	2,346,635	1,370,542	20% to 33%
Vehicles	586,376	218,957 (84,167)	-	-	-	721,166	267,021	61,707 (58,672)	-	-	(9,024)	261,032	460,134	20%
	10,461,524	3,654,273 (246,936)	(250,136)	4,904,915	-	18,523,640	2,730,891	599,196 (167,049)	(238,034)	-	(9,024)	2,915,980	15,607,660	
2006														
Description	Cost/ Revalued amount					Accumulated depreciation					Net book Value at December 31, 2006	Annual rate of depreciation/ estimated useful life		
	At January 01, 2006	Additions/ (disposals)	Write-off	Adjustment /transfer out	At December 31, 2006	At January 01, 2006	Charge for the year/ (depreciation on disposals)	Write-off	Adjustment /transfer out	At December 31, 2006				
(Rupees in '000)														
Land - Freehold	3,858,796	110,316 (2,230)	-	** (70,454)	3,896,428	-	-	-	-	-	-	3,896,428	-	
Land - Leasehold	57,430	-	-	-	57,430	-	-	-	-	-	-	57,430	-	
Buildings on freehold land	2,137,700	305,386 (40,269)	(49,779)	** (88,363) (3,925)	2,260,750	80,420	59,013 (2,013)	-	(411) (196)	136,813	2,123,937	50 years		
Buildings on leasehold land	56,521	1,015	-	-	57,536	16,518	1,477	-	-	17,995	39,541	10 to 50 years		
Furniture and fixtures	1,087,369	59,367 (29,397)	(47,925)	*(519,849)	549,565	823,170	28,922 (24,310)	(37,374)	*(519,849)	270,559	279,006	10% to 33%		
Electrical, Computers and office Equipments	2,535,880	517,559	-	-	3,053,439	1,662,161	376,342	-	-	2,038,503	1,014,936	20% to 33%		
Vehicles	513,773	211,636 (117,980)	(122)	*(20,931)	586,376	302,043	89,538 (103,629)	-	*(20,931)	267,021	319,355	20%		
	10,247,469	1,205,279 (187,646)	(97,826)	(699,597) (6,155)	10,461,524	2,884,312	555,292 (129,952)	(37,374)	(541,191) (196)	2,730,891	7,730,633			

* In the previous years, the management had initiated a detailed exercise to centralise the fixed assets records of the Bank. Based on this exercise fully depreciated fixed assets (which are not in the Bank's use), have been adjusted. There was no net effect in the profit and loss account.

** This includes reversal of revaluation surplus of Rs. 152.709 million to write down the related assets to their expected realisable value. There was no net effect in the profit and loss account.

Notes to the Financial Statements for the year ended December 31, 2007

11.2.1 The land and buildings of the Bank have been revalued in December 2007 by independent valuers (Pee Dee Associates & Arch-e-Decon), valuation and engineering consultants, on the basis of market value. The impact of valuation has been incorporated as at December 31, 2007 and has resulted in surplus of Rs. 4,904.915 million over the written down value of Rs. 8,529.790 million of these assets (total revalued amount being Rs. 13,434.705 million - refer Annexure V for the details of locations). The details of revalued amounts are as follows:

(Rupees in '000)

Total revalued amount of land	9,465,847
Total revalued amount of buildings	3,968,858

Had the land and buildings not been revalued, the total carrying amounts as at December 31, 2007 would have been as follows:

(Rupees in '000)

Land	2,228,488
Buildings	2,629,098

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

Furniture and fixtures	1,015
Electrical, computer and office equipment	257,123
Vehicles	51,016

11.2.3 The carrying amount of properties held for disposal are as follows:

(Rupees in '000)

Property at Empress Market, Karachi	36
Property at MCHS Military Road, Sukkur	5,979
Property at New Garden Town, Lahore	4,007
Property at Peshawar Cantt, Peshawar	20,461

These properties are disclosed as held for disposal in accordance with the BSD circular no. 4 dated February 26, 2006.

11.2.4 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	2007						Net book Value at December 31, 2007	Annual rate of amortisation %
	Cost			Accumulated amortisation				
	At January 01, 2007	Additions	At December 31, 2007	At January 01, 2007	Amortisation for the year	At December 31, 2007		
----- (Rupees in '000) -----								
Computer software	553,396	2,276	555,672	181,398	191,201	372,599	183,073	33.33 to 50
	553,396	2,276	555,672	181,398	191,201	372,599	183,073	
Description	2006						Net book Value at December 31, 2007	Annual rate of amortisation %
	Cost			Accumulated amortisation				
	At January 01, 2007	Additions	At December 31, 2007	At January 01, 2007	Amortisation for the year	At December 31, 2007		

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

Computer software	309,151	244,245	553,396	60,113	121,285	181,398	371,998	33.33 to 50
	309,151	244,245	553,396	60,113	121,285	181,398	371,998	

Notes to the Financial Statements for the year ended December 31, 2007

12. DEFERRED TAX (LIABILITY) / ASSET - NET

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

	Note	2007 (Rupees in 000)	2006
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	22.1	(468,916)	(188,398)
Accelerated tax depreciation		(561,852)	(89,023)
Net investment in finance lease receivable		(599,174)	(167,406)
Surplus on revaluation of securities	22.2	(156,700)	-
Others		(1,524)	-
		(1,788,166)	(444,827)
Deductible temporary differences on:			
Deficit on revaluation of securities		-	14,343
Provision for contributory benevolent scheme		98,706	92,589
Provision for employees' compensated absences		-	5,060
Provision for post retirement medical benefits		509,298	505,208
		608,004	617,200
		(1,180,162)	172,373

12.2 Through Finance Act 2007, a new section 100A read with a schedule (the '7th Schedule') was inserted in the Income Tax Ordinance 2001 for the taxation of banking companies. The Schedule seeks to simplify the taxation of these banking companies and is applicable from the income year ending on December 31, 2008.

Deferred tax up to December 31, 2007 is being maintained by the Bank and it is confident that transitory provisions will be made where a mechanism will be set to claim the benefit of these disallowances.

	Note	2007 (Rupees in 000)	2006
13. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency	13.4	4,749,314	4,017,257
Income / mark-up accrued on advances and investments - foreign currencies		233,133	221,999
Advances, deposits, advance rent and other prepayments		1,000,134	767,249
Compensation for delayed income tax refunds		44,802	44,802
Branch Adjustment Account		208,737	238,096
Unrealised gain on derivative financial instruments	13.3	453,802	75,403
Non-banking assets acquired in satisfaction of claims	13.1	486,471	492,431
Stationery and stamps on hand		48,676	52,610
Prepaid exchange risk fee		139	139
Receivable from the pension fund	37.3	10,651,047	4,881,483
Others		498,492	755,671
		18,374,747	11,547,140
Less: Provision held against other assets	13.2	505,986	515,690
		17,868,761	11,031,450

13.1 The market value of non-banking assets with carrying value of Rs. 363.862 million (net of provision) as per the valuation report dated December 31, 2007 amounted to Rs. 442.271 million (2006: Based on valuation as of December 31, 2006 Rs. 386.835 million).

Notes to the Financial Statements for the year ended December 31, 2007

13.2 Provision held against other assets

	2007	2006
	(Rupees in '000)	
Opening balance	515,690	504,279
Charge for the year	17,257	15,410
Reversal during the year	(21,000)	(3,999)
Write off during the year	(3,743)	11,411
	(5,961)	-
Closing balance	505,986	515,690

Contract / Notional amount		Unrealised gain	
2007	2006	2007	2006
------(Rupees in '000)-----			

13.3 Derivative financial instruments

Unrealised gain on:				
Interest rate swaps	250,000	1,772,750	11,297	24,794
Forward exchange contracts	67,789,886	49,214,776	442,505	50,609
	68,039,886	50,987,526	453,802	75,403

13.4 This includes mark-up receivable from the pension fund and provident fund amounting to Rs. 37.636 million and Rs. Nil (2006: Rs. 55.695 million and Rs. 11.580 million) respectively.

14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2007 and December 31, 2006.

15. BILLS PAYABLE

	Note	2007	2006
		(Rupees in '000)	
In Pakistan		10,447,928	7,075,421
Outside Pakistan		31,130	14,258
		10,479,058	7,089,679

16. BORROWINGS

In Pakistan	35,497,881	20,304,629
Outside Pakistan	3,908,950	3,638,847
	39,406,831	23,943,476

16.1 Particulars of borrowings with respect to currencies

In local currency	35,497,881	20,304,629
In foreign currencies	3,908,950	3,638,847
	39,406,831	23,943,476

16.2 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan			
Export refinance scheme	16.3 & 16.5	5,593,462	6,727,670
Long term financing - export oriented products scheme	16.4 & 16.5	2,473,077	2,313,030
		8,066,539	9,040,700
Borrowings from other financial institution	16.6	2,932,600	2,932,817
Repurchase agreement borrowings	16.7	26,931,342	11,263,929
		37,930,481	23,237,446

Unsecured

Overdrawn nostro accounts		976,350	617,027
Call borrowings	16.8	500,000	89,003
		1,476,350	706,030
		39,406,831	23,943,476

Notes to the Financial Statements for the year ended December 31, 2007

- 16.3** 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.
- 16.4** The amount is due to SBP and have been obtained for providing long term finance to customers for export oriented products. 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.
- 16.5** Borrowings from SBP under the export refinance and long term financing for export oriented product schemes are secured against the Bank's cash and security balances held by the SBP.
- 16.6** This represents short term loans by an overseas branch of the Bank and carry mark-up rates ranging between 5.88% to 5.95% per annum (2006: 5.50% to 6.00% per annum), maturing during 2008. These are secured against Euro bonds of Rs. 1,798.00 million (2006: Rs. 1,766.39 million).
- 16.7** These carry mark-up rates ranging between 9.2 % to 10 % per annum (2006: 8.0% to 9.4% per annum) and are secured against Government securities of carrying value of Rs. 26,996.870 million (2006: Rs. 11,298.39 million). These are repayable by January, 2008.
- 16.8** These carry mark-up at the rate of 9.75%. These are repayable by January, 2008.

17. DEPOSITS AND OTHER ACCOUNTS

	2007	2006
	(Rupees in '000)	
Customers		
Fixed deposits	32,202,230	33,297,203
Savings deposits	151,555,718	136,872,384
Current accounts - non remunerative	95,966,877	81,658,304
Margin accounts	2,589,309	2,447,944
Others	4,288	4,336
	<u>282,318,422</u>	<u>254,280,171</u>
Financial institutions		
Remunerative deposits	9,233,602	249,506
Non-remunerative deposits	546,042	2,932,161
	<u>9,779,644</u>	<u>3,181,667</u>
	<u>292,098,066</u>	<u>257,461,838</u>
17.1 Particulars of deposits		
In local currency	278,068,722	243,494,049
In foreign currencies	14,029,344	13,967,789
	<u>292,098,066</u>	<u>257,461,838</u>

- 17.2** Deposits include deposits from related parties amounting to Rs. 513.241 million (2006: Rs. 1,135.514 million).

18. SUB-ORDINATED LOAN -UNSECURED (NON-PARTICIPATORY)

	Mark-up payable	Mark-up payment period	Mark-up not yet due (Rupees in '000)	2007	2006
Listed Term Finance Certificates	Semi-annually	2003-2008	5,846	<u>479,232</u>	<u>1,597,440</u>

The above liability is subordinated as to the payment of principal and profit to all other indebtedness of MCB Bank Limited (including deposits) and is not redeemable before maturity without prior approval of the State Bank of Pakistan. Rate of mark up on the liability is based on the cut-off yield of 5 year Pakistan Investment Bonds auctioned on the last working day before the beginning of each semi-annual redemption period plus 1.5 % subject to floor and cap of 11.75% and 15.75% per annum respectively. The subordinated loan will be fully redeemed in February, 2008.

Notes to the Financial Statements for the year ended December 31, 2007

19. OTHER LIABILITIES

	Note	2007	2006
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		1,550,832	1,887,635
Mark-up / return / interest payable in foreign currencies		76,656	122,854
Accrued expenses		784,759	591,403
Unclaimed dividend		1,313,371	510,275
Staff welfare fund		76,876	87,054
Unrealised loss on derivative financial instruments	19.1	541,962	31,137
Provision for employees' compensated absences	37.3	974,464	1,023,683
Provision for post retirement medical benefits	37.3	1,455,135	1,443,450
Provision for employees' contributory benevolent scheme	37.3	282,019	264,542
Security deposits received in respect of finance lease		1,468,077	1,273,642
Taxation (provision less payments)		1,345,312	2,367,574
Retention money		40,999	24,774
Insurance payable against consumer assets		391,729	368,511
Others		1,420,302	1,174,962
		<u>11,722,493</u>	<u>11,171,496</u>

Contract / Notional amount		Unrealised loss	
2007	2006	2007	2006
----- (Rupees in '000) -----			

19.1 Derivative financial instruments

Unrealised loss on:

Interest rate swaps

Forward exchange contracts

2,471,698	1,450,735	14,635	26,777
63,649,869	42,495,024	527,327	4,360
<u>66,121,567</u>	<u>43,945,759</u>	<u>541,962</u>	<u>31,137</u>

20. SHARE CAPITAL

20.1 Authorised Capital

2007	2006		Note	2007	2006
(Number of shares)				(Rupees in '000)	
<u>1,000,000,000</u>	<u>650,000,000</u>	Ordinary shares of Rs. 10 each	20.1.1	<u>10,000,000</u>	<u>6,500,000</u>

20.1.1 The Bank vide a special resolution dated March 28, 2007 increased its Authorised Share Capital from Rs.6,500 million to Rs.10,000 million.

20.2 Issued, subscribed and paid-up capital

						2007	2006
						(Rupees in '000)	
2007			2006				
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
----- (Number of shares) -----							
197,253,795	349,073,895	546,327,690	162,765,395	263,767,347	426,532,742	Opening balance	5,463,276
-	81,949,153	81,949,153	34,488,400	85,306,548	119,794,948	Shares issued during the year	819,492
<u>197,253,795</u>	<u>431,023,048</u>	<u>628,276,843</u>	<u>197,253,795</u>	<u>349,073,895</u>	<u>546,327,690</u>	Closing balance	<u>6,282,768</u>
							<u>5,463,276</u>

Notes to the Financial Statements for the year ended December 31, 2007

20.3 During the year 2006, the Bank was admitted to the Official List of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depositary Receipts (GDRs) issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S. The Bank had issued 8,622,100 GDRs each representing four ordinary equity shares at an offer price of US\$ 17.3970 per GDR (total receipt being US\$ 149.999 million). Accordingly, based on an exchange rate of Rs. 60.70 = US\$ 1.00 (which was the exchange rate on the date of the final offering circular relating to the GDR issue made by the Bank), 34,488,400 ordinary equity shares of nominal value of Rs. 10 each of the Bank were issued at a premium of Rs. 254 per ordinary equity share (total premium amount being Rs. 8,760.054 million).

Holders of GDRs are entitled, subject to the provisions of the Deposit Agreement, to receive dividend, if any and rank pari passu with other equity shareholders in respect of dividend. However, the holder of GDR have no voting rights or other direct rights of shareholders with respect to the equity shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated October 11, 2006, the deposited equity shares in respect of which the GDRs were issued may be withdrawn from the depository facility. Upon withdrawal, the holders will rank pari passu with other equity shareholders in respect of dividend, voting and other direct rights of shareholders. The GDRs are now fully fungible. The bank has obtained all required regulatory approvals for "Two Way Fungibility". Two way convertibility of GDRs would be limited to number of GDRs issued at the time of issuance i.e. 8.622 million, subject to availability of headroom and adjusted for subsequent corporate actions i.e. bonus shares, right issue and stock splits. As at December 31, 2007, 9.1 million (2006: 4.9 million) of the deposited equity shares had been withdrawn from the depository facility.

	Note	2007 (Number of shares)	2006
20.4			
Number of shares held by the related parties as at December 31, are as follows:			
Siddiqsons Denim Mills Limited		28,675,082	24,934,855
Din Leather (Private) Limited		3,915,381	3,404,680
Adamjee Insurance Company Limited		17,011,379	10,944,360
MCB Bank Limited Pension Fund		50,588,856	44,290,310
MCB Bank Limited Provident Fund (Pakistan staff)		26,602,295	23,132,431
		126,792,993	106,706,636

	Note	2007 (Rupees in '000)	2006
21. RESERVES			
Share premium		9,702,528	9,702,528
Exchange translation reserve		(41,981)	(53,637)
Statutory reserve	21.1	6,740,091	5,213,535
General reserve		17,600,000	9,800,000
		34,000,638	24,662,426

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

	Note	2007 (Rupees in '000)	2006
22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus arising on revaluation (net of tax) of:			
- fixed assets	22.1	8,108,198	3,502,039
- available-for-sale securities	22.2	1,597,321	1,685,600
		9,705,519	5,187,639

Notes to the Financial Statements for the year ended December 31, 2007

	Note	2007	2006
		(Rupees in '000)	
22.1 Surplus on revaluation of fixed assets-net of tax			
Surplus on revaluation of fixed assets as at January 01		3,690,437	3,892,779
Surplus on revaluation during the year		4,904,915	-
Reversal of revaluation surplus during the year		-	(152,709)
Surplus realised on disposal of revalued properties - net of deferred tax		-	(23,000)
Related deferred tax liability		-	(12,532)
		-	(35,532)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(11,855)	(9,166)
Related deferred tax liability		(6,383)	(4,935)
		(18,238)	(14,101)
Surplus on revaluation of fixed assets as at December 31		8,577,114	3,690,437
Less: Related deferred tax liability on:			
Revaluation as at January 01		188,398	238,881
Charge / (reversal) of deferred tax liability		286,901	(33,016)
Disposal of revalued properties during the year transferred to profit and loss account		-	(12,532)
Incremental depreciation charged during the year transferred to profit and loss account		(6,383)	(4,935)
		468,916	188,398
		8,108,198	3,502,039
22.2 Surplus / (deficit) on revaluation of available for sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		(193,077)	(39,904)
- Pakistan Investment Bonds		(14,919)	(1,365)
Listed Securities			
- Shares / Certificates / Units		1,809,520	1,626,245
- Open Ended Mutual Funds		106,317	79,470
- Term Finance Certificates		27,180	6,811
		1,943,017	1,712,526
Sukuk Bonds		19,000	-
Add: Related deferred tax (liability) / asset	12.1	1,754,021 (156,700)	1,671,257 14,343
		1,597,321	1,685,600
23. CONTINGENCIES AND COMMITMENTS			
23.1 Transaction-related contingent liabilities			
Guarantees in favour of:			
Government		5,283,799	3,810,101
Banks and financial institutions		376,773	13,441
Others		7,247,043	2,570,648
Suppliers' credit / payee guarantee		1,809,117	1,605,942
		14,716,732	8,000,132
23.2 Trade-related contingent liabilities		61,677,285	42,035,977
23.3 Other contingencies			
Claims against the Bank not acknowledged as debts		134,079	197,848
23.4 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.			

Notes to the Financial Statements for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006	
23.5	Commitments in respect of forward foreign exchange contracts			
	Purchase	<u>62,077,338</u>	<u>41,288,941</u>	
	Sale	<u>69,362,417</u>	<u>50,420,861</u>	
23.6	Commitments in respect of forward lending			
	Forward lending	-	1,853,461	
23.7	Commitments for the acquisition of fixed assets	78,670	1,366,761	
23.8	Other commitments			
	Cross currency swaps (notional amount)	24.1 & 24.2	1,845,484	95,000
	Fx Options (notional amount)	24.1		
	- Purchase		351,702	155,641
	- Sale		351,702	155,641
	Interest rate swaps - (notional amount)	24.1	2,721,698	3,223,485
	Forward outright sale of Government Securities		-	5,107,030
	Outright purchase of Government Securities from SBP		-	6,942,230

23.9 Taxation

The income tax assessments of the Bank have been finalised upto and including the Tax Year 2007. For the Tax Years 2003 to 2007, the department has amended the assessments on certain issues against which the Bank has filed appeal before the Commissioner (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 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 Bank has filed appeal before Commissioner of Income Tax (Appeals).

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 tax liability for interest in suspense of 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.

24. 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.

Notes to the Financial Statements for the year ended December 31, 2007

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

- Interest Rate Swaps
- Third Currency FX options
- 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. However, the risk management system is capable of generating risk numbers for options (i.e. Delta, Gamma, Vega, Theta and Rho).

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).

24.1 Product Analysis

Counter parties	2007					
	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	6	922,742	2	1,800,000	13	351,702
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	6	922,742	5	921,698	13	351,702
Total						
Hedging	6	922,742	2	1,800,000	13	351,702
Market Making	6	922,742	5	921,698	13	351,702
Counter parties						
With Banks for						
Hedging	1	95,000	2	1,772,750	7	155,641
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	1	95,000	6	1,450,735	7	155,641
Total						
Hedging	1	95,000	2	1,772,750	7	155,641
Market Making	1	95,000	6	1,450,735	7	155,641

* At the exchange rate prevailing at the end of the reporting period.

Notes to the Financial Statements for the year ended December 31, 2007

24.2 Maturity Analysis

Remaining Maturity	No. of Contracts	Notional Principal	2007		
			Negative	Mark to Market Positive	Net
			----- (Rupees in '000)		
Interest Rate Swaps					
Upto 1 month	1	18,182	-	-	-
3 to 6 month	1	53,516	(286)	-	(286)
6 month to 1 year	1	300,000	(2,129)	-	(2,129)
1 to 2 Year	2	1,850,000	(5,206)	-	(5,206)
2 to 3 Years	2	500,000	(7,014)	11,297	4,283
3 to 5 Years	-	-	-	-	-
Remaining Maturity					
			----- (Rupees in '000)		
Interest Rate Swaps					
1 to 2 Year	4	800,735	(11,222)	-	(11,222)
2 to 3 Years	2	1,922,750	(4,711)	7,490	2,779
3 to 5 Years	2	500,000	(10,844)	17,305	6,461
Remaining Maturity					
			----- (Rupees in '000)		
Cross currency swaps					
1 to 2 Years	2	588,660	-	-	-
2 to 3 Years	2	240,000	-	-	-
3 to 5 Years	8	1,016,824	-	-	-
Remaining Maturity					
			----- (Rupees in '000)		
Cross currency swaps					
1 to 2 Years	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	2	190,000	-	-	-
Remaining Maturity					
			----- (Rupees in '000)		
FX-Options					
Upto 1 month	2	206,007	-	-	-
1 to 3 month	22	456,321	-	-	-
3 to 6 month	2	41,076	-	-	-
Remaining Maturity					
			----- (Rupees in '000)		
FX-Options					
Upto 1 month	14	311,282	-	-	-

Notes to the Financial Statements for the year ended December 31, 2007

Note	2007	2006
	(Rupees in 000)	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	21,952,387	19,144,743
Financial institutions	141,613	86,455
	22,094,000	19,231,198
On investments in:		
Available for sale securities	7,519,820	3,911,514
Held to maturity securities	856,023	1,025,963
	8,375,843	4,937,477
On deposits with financial institutions	133,972	82,445
On securities purchased under resale agreements	548,202	689,962
On money at call	291,940	589,536
Others	342,638	247,443
	31,786,595	25,778,061
26. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	5,910,072	2,907,121
Securities sold under repurchase agreements	641,080	555,542
Other short-term borrowings	812,410	518,534
Sub-ordinated loan	98,135	187,726
Discount, commission and brokerage	319,427	297,010
Others	84,409	59,426
	7,865,533	4,525,359
27. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
- Market Treasury Bills	1,228	686
- Pakistan Investment Bonds	2,709	6,089
- Other Federal Government Securities	-	2,350
Shares / certificates / units		
- Listed	1,496,928	560,381
- Un-Listed	-	36,009
Term Finance Certificates	-	350
	1,500,865	605,865
28. OTHER INCOME - NET		
Rent on property / lockers	51,999	53,435
Net profit on sale of property and equipment	13,032	24,903
Exchange income on import / export bills purchased / negotiated	64,161	60,732
Bad debts recovered	28,135	51,872
Compensation for delayed income tax refunds	-	44,802
Others	405,886	334,761
	563,213	570,505

Notes to the Financial Statements for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006
29. ADMINISTRATIVE EXPENSES			
Salaries and allowances		5,747,483	4,641,863
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	37.8	(5,769,564)	(2,907,485)
- Post retirement medical benefits	37.8	145,388	471,812
- Employees' contributory benevolent scheme	37.8	60,094	142,896
- Employees' compensated absences	37.8	100,729	373,913
		(5,463,353)	(1,918,864)
Contributions to defined contribution plan - provident fund		109,778	98,789
Non-executive directors' fees		720	140
Rent, taxes, insurance, electricity		875,143	698,721
Legal and professional charges		305,790	151,389
Communications		360,055	199,010
Repairs and maintenance		376,937	336,027
Stationery and printing		265,442	223,362
Advertisement and publicity		363,090	164,981
Cash transportation charges		221,774	166,394
Instrument clearing charges		101,716	84,631
Donations	29.1	8,102	-
Auditors' remuneration	29.2	11,786	10,905
Depreciation	11.2	599,196	555,292
Amortization of intangible asset	11.3	191,201	121,285
Travelling, conveyance and fuel		320,957	317,536
Subscription		16,485	18,608
Entertainment		50,206	43,211
Staff retrenchment cost		-	443,655
Training Expenses		65,495	29,890
Petty Capital items		208,705	8,125
Credit Card Related Expenses		67,755	17,745
Others		217,953	69,897
		<u>5,022,416</u>	<u>6,482,592</u>

29.1 During the year, donation amounting to Rs. 6.077 million, Rs. 2.00 million and Rs. 0.025 million were paid to Pakistan Development Market Place (PDM) for 'Fund for the Circulation of People with Disabilities', 'President's Flood Relief Fund-2007' and 'Friends of Literacy and Mass Communication (FLAME)' respectively. Donation was not made to any donee in which the Bank or any of its directors or their spouses had any interest.

29.2 Auditors' remuneration

	2007			2006		
	KPMG Taseer Hadi & Co.	Riaz Ahmad & Co.	Total	KPMG Taseer Hadi & Co.	Riaz Ahmad & Co.	Total
	----- (Rupees in '000) -----					
Annual Audit fee	1,733	1,733	3,466	1,650	1,650	3,300
Fee for the audit of branches	1,410	1,410	2,820	1,400	1,350	2,750
Fee for audit of overseas branches	-	-	1,500	-	-	1,039
Fee for half year review	809	809	1,618	770	770	1,540
Special certifications, etc.	441	441	882	410	410	820
Out-of-pocket expenses	750	750	1,500	695	761	1,456
	<u>5,143</u>	<u>5,143</u>	<u>11,786</u>	<u>4,925</u>	<u>4,941</u>	<u>10,905</u>

Notes to the Financial Statements for the year ended December 31, 2007

	2007	2006
	(Rupees in '000)	
30. OTHER CHARGES		
(Reversal)/provision against fraud and forgeries	(440)	3,748
Fixed assets written off	12,102	60,452
Penalties of State Bank of Pakistan	413,004	2,048
Damages to premises	115,928	-
Others	-	460
	540,594	66,708
31. TAXATION		
For the year		
Current	6,442,356	5,701,443
Deferred	894,590	44,246
	7,336,946	5,745,689
Prior years		
Current	(1,294,473)	593,497
Deferred	-	19,086
	(1,294,473)	612,583
	6,042,473	6,358,272
31.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	21,308,035	18,500,670
Tax rate	35%	35%
Tax on income	7,457,812	6,475,235
Tax effect on separate block of income (taxable at reduced rate)	(154,445)	(244,993)
Tax effect of permanent differences	39,962	(479,618)
Tax effect of prior years provisions / reversals	(1,294,473)	612,583
Reversal of deferred tax liability on incremental depreciation	(6,383)	(4,935)
	6,042,473	6,358,272

32. CREDIT RATING

PACRA through its notification in June 2007, has assigned long term credit rating of AA+ [double A plus] and short-term credit rating of A1+ [A one plus] to the Bank (2006: through its notification in May 2006, AA+ [double A plus] for long term and A1+ [A one plus] for short term rating).

Notes to the Financial Statements for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006
33. BASIC AND DILUTED EARNINGS PER SHARE PRE TAX			
Profit before taxation		<u>21,308,035</u>	<u>18,500,670</u>
		(Number of shares)	
Weighted average number of shares outstanding during the year		<u>628,276,843</u>	<u>628,276,843</u>
		(Rupees)	
Basic and diluted earnings per share - pre tax		<u>33.92</u>	<u>29.45</u>
		(Rupees in '000)	
34. BASIC AND DILUTED EARNINGS PER SHARE AFTER TAX			
Profit after taxation		<u>15,265,562</u>	<u>12,142,398</u>
		(Number of shares)	
Weighted average number of shares outstanding during the year		<u>628,276,843</u>	<u>628,276,843</u>
		(Rupees)	
Basic and diluted earnings per share - after tax		<u>24.30</u>	<u>19.33</u>
		(Rupees in '000)	
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	<u>39,683,883</u>	<u>32,465,976</u>
Balances with other banks	7	<u>3,807,519</u>	<u>6,577,017</u>
		<u>43,491,402</u>	<u>39,042,993</u>
		(Number)	
36. STAFF STRENGTH			
Permanent		<u>9,721</u>	<u>9,011</u>
Temporary/on contractual basis		<u>39</u>	<u>168</u>
Bank's own staff strength at the end of the year		<u>9,760</u>	<u>9,179</u>
Outsourced		<u>7,360</u>	<u>5,751</u>
Total staff strength		<u>17,120</u>	<u>14,930</u>
37. DEFINED BENEFIT PLANS AND OTHER BENEFITS			
37.1 General description			
The Bank operates the following retirement benefits for its employees:			
- Pension fund (final salary plan) - funded			
- Benevolent scheme - funded			
- Post retirement medical benefits - unfunded			
- Employees compensated absence - unfunded			

Notes to the Financial Statements for the year ended December 31, 2007

37.2 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 as at December 31, 2007. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2007 (%)	2006 (%)	2007 (%)	2006 (%)	2007 (%)	2006 (%)	2007 (%)	2006 (%)
Valuation discount rate	10	9	10	9	10	9	-	9
Expected rate of return on plan assets	10	9	10	9	-	-	-	-
Salary increase rate	7	7	7	7	7	7	-	7
Indexation in pension	-	-	-	-	-	-	-	-
Medical cost inflation rate	-	-	-	-	5	5	-	-
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.

37.3 (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	
		2007	2006	2007	2006	2007	2006	2007	2006
(Rupees in 000)									
Present value of defined benefit obligations	37.5	4,747,389	4,752,693	355,340	332,677	1,422,918	1,345,357	974,464	1,023,683
Fair value of plan assets	37.6	(25,095,113)	(14,810,557)	-	(20,650)	-	-	-	-
Net actuarial gains / (losses) not recognised		9,696,677	5,176,381	(73,321)	(47,485)	(51,753)	(36,737)	-	-
Unrecognised negative past service cost		-	-	-	-	101,123	134,830	-	-
Unrecognised transitional liability		-	-	-	-	-	-	-	-
Unrecognised past service cost		-	-	-	-	(17,153)	-	-	-
Net (receivable) / payable recognised as at the year-end		(10,651,047)	(4,881,483)	282,019	264,542	1,455,135	1,443,450	974,464	1,023,683

The effect of increase of one percentage point and the effect of a decrease of one percentage point in the medical trend rates on the present value of medial obligation at December 31, 2007 would be Rs. 67.690 million (2006: Rs. 84.922 million) and Rs. 56.567 million (2006: Rs. 62.202 million) respectively.

37.4 Movement in balance (receivable) / payable

Opening balance of (receivable) / payable		(4,881,483)	(1,973,998)	264,542	307,216	1,443,450	1,300,336	1,023,683	856,213
Expense recognised	37.8	(5,769,564)	(2,907,485)	60,094	142,896	145,388	471,812	100,729	373,913
Refunds / (contributions) during the year		-	-	-	-	-	-	-	-
- Employees' contribution		-	-	-	15,141	-	-	-	-
- Bank's contribution / benefits paid		-	-	(42,617)	(200,711)	(133,703)	(328,698)	(149,948)	(206,443)
Closing balance of (receivable) / payable		(10,651,047)	(4,881,483)	282,019	264,542	1,455,135	1,443,450	974,464	1,023,683

37.5 Reconciliation of the present value of the defined benefit obligations

Present value of obligation as at January 01,		4,752,693	5,503,819	332,677	407,569	1,345,357	1,456,392	1,023,683	856,213
Current service cost		45,266	53,091	9,698	14,638	20,580	20,715	-	373,913
Interest cost		348,810	261,339	29,941	36,681	121,082	131,076	-	-
Benefits paid		(725,229)	(1,231,616)	(77,944)	(200,712)	(133,703)	(328,698)	(149,948)	(206,443)
Past service cost - vested		-	-	-	-	11,556	-	-	-
Past service cost - non-vested		-	-	-	-	17,153	-	-	-
Retrenchment loss		-	220,380	-	84,683	-	102,025	-	-
Curtailment gain		-	-	-	-	-	-	-	-
Actuarial (gains) / losses		325,849	(54,320)	60,968	(10,182)	40,893	(36,153)	100,729	-
Present value of obligation as at December 31,		4,747,389	4,752,693	355,340	332,677	1,422,918	1,345,357	974,464	1,023,683

Notes to the Financial Statements for the year ended December 31, 2007

37.6 Changes in fair values of plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2007	2006	2007	2006	2007	2006	2007	2006
	------(Rupees in '000)-----							
Net assets as at January 01,	14,810,557	10,554,024	20,650	18,976	-	-	-	-
Expected return on plan assets	1,508,469	1,066,621	1,859	1,708	-	-	-	-
Interest on borrowing from MCB								
Bank Limited - Main Branch	(193,167)	(212,517)	-	-	-	-	-	-
Contributions - Bank	-	-	42,617	185,571	-	-	-	-
Contributions - Employees	-	-	14,347	15,141	-	-	-	-
Benefits paid	(725,229)	(1,231,616)	(77,944)	(200,712)	-	-	-	-
Actuarial gain / (loss)	9,694,483	4,634,045	(1,529)	(34)	-	-	-	-
Net assets as at December 31,	37.10 25,095,113	14,810,557	-	20,650	-	-	-	-

37.7 Fair value of the Bank's shares held by the Pension Fund as at December 31, 2007 amounted to Rs. 20,233.013 million (2006: Rs. 10,899.845 million).

37.8 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:

Current service cost	45,266	53,091	9,698	14,638	20,580	20,715	-	373,913
Interest cost	348,810	261,339	29,941	36,681	121,082	131,076	-	-
Expected return on plan assets	(1,508,469)	(1,066,621)	(1,859)	(1,708)	-	-	-	-
Interest on borrowing from MCB								
Bank Limited - Main Branch	193,167	212,517	-	-	-	-	-	-
Net actuarial (gain) / loss recognised	(4,848,338)	(2,588,191)	36,661	23,743	25,877	18,369	100,729	-
Contributions employees	-	-	(14,347)	(15,141)	-	-	-	-
Retrenchment loss recognised	-	220,380	-	84,683	-	102,025	-	-
Amortisation of transitional liability	-	-	-	-	-	160,575	-	-
Recognised past service cost	-	-	-	-	11,556	91,269	-	-
Recognised negative past service cost	-	-	-	-	(33,707)	(52,217)	-	-
Recognised transitional liability	-	-	-	-	-	-	-	-
Curtailment gain	-	-	-	-	-	-	-	-
	<u>(5,769,564)</u>	<u>(2,907,485)</u>	<u>60,094</u>	<u>142,896</u>	<u>145,388</u>	<u>471,812</u>	<u>100,729</u>	<u>373,913</u>

The effect of increase of one percentage point and the effect of a decrease of one percentage point 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. 7.578 million (2006: Rs. 11.712 million) and Rs. 6.276 million (2006: Rs. 7.282 million) respectively.

37.9 Actual return on plan assets

Actual return on plan assets	<u>11,202,952</u>	<u>5,700,666</u>	<u>330</u>	<u>1,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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37.10 Composition of fair value of plan assets

	Approved Pension Fund				Employees' contributory benevolent scheme			
	2007		2006		2007		2006	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Defence saving certificates	4,810,576	17.98	5,164,914	30.82	-	-	20,650	100
Listed equity shares	21,778,377	81.39	11,563,955	68.99	-	-	-	-
Open ended mutual funds units	119,872	0.45	-	-	-	-	-	-
Cash and bank balances	48,157	0.18	31,899	0.19	-	-	-	-
Fair value of plan total assets	<u>26,756,982</u>	<u>100</u>	<u>16,760,768</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>20,650</u>	<u>100</u>
Borrowing	<u>(1,661,869)</u>		<u>(1,950,211)</u>		<u>-</u>		<u>-</u>	
Fair value of plan net assets	<u>25,095,113</u>		<u>14,810,557</u>		<u>-</u>		<u>20,650</u>	

Notes to the Financial Statements for the year ended December 31, 2007

37.11 Other relevant details of above funds are as follows:

37.11.1 Pension Fund

	2007	2006	2005	2004	2003
	(Rupees in '000)				
Present value of defined benefit obligation	4,747,389	4,752,693	5,503,819	6,542,624	6,190,017
Fair value of plan assets	(25,095,113)	(14,810,557)	(10,554,024)	(7,034,175)	(6,996,518)
(Surplus) / deficit	<u>(20,347,724)</u>	<u>(10,057,864)</u>	<u>(5,050,205)</u>	<u>(491,551)</u>	<u>(806,501)</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	(325,849)	54,320	(304,748)	(141,338)	40,950
Assumptions gain / (loss)	-	-	172,866	-	(194,418)
	<u>(325,849)</u>	<u>54,320</u>	<u>(131,882)</u>	<u>(141,338)</u>	<u>(153,468)</u>
Actuarial gain / (loss) on assets					
Experience adjustment	9,694,483	4,634,045	5,268,939	(254,840)	729,547
Assumptions gain / (loss)	-	-	(138,502)	-	208,192
	<u>9,694,483</u>	<u>4,634,045</u>	<u>5,130,437</u>	<u>(254,840)</u>	<u>937,739</u>

37.11.2 Employees' Contributory Benevolent Scheme

Present value of defined benefit obligation	355,340	332,677	407,569	362,104	355,177
Fair value of plan assets	-	(20,650)	(18,976)	(18,126)	(16,938)
	<u>355,340</u>	<u>312,027</u>	<u>388,593</u>	<u>343,978</u>	<u>338,239</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	(60,968)	10,182	(228,823)	(22,609)	49,270
Assumptions gain / (loss)	-	-	107,003	-	-
	<u>(60,968)</u>	<u>10,182</u>	<u>(121,820)</u>	<u>(22,609)</u>	<u>49,270</u>
Actuarial gain / (loss) on assets					
Experience adjustment	(1,529)	(34)	(1)	2	(14,972)
Assumptions gain / (loss)	-	-	(418)	-	-
	<u>(1,529)</u>	<u>(34)</u>	<u>(419)</u>	<u>2</u>	<u>(14,972)</u>

37.11.3 Post Retirement Medical Benefits

Present value of defined benefit obligation	1,422,918	1,345,357	1,456,392	1,121,548	1,108,068
Fair value of plan assets	-	-	-	-	-
	<u>1,422,918</u>	<u>1,345,357</u>	<u>1,456,392</u>	<u>1,121,548</u>	<u>1,108,068</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	(40,893)	36,153	8,743	-	27,994
Assumptions gain / (loss)	-	-	(21,846)	-	-
	<u>(40,893)</u>	<u>36,153</u>	<u>(13,103)</u>	<u>-</u>	<u>27,994</u>

37.11.4 Compensated absences

Present value of defined benefit obligation	974,464	1,023,683	856,213	603,624	607,314
Fair value of plan assets	-	-	-	-	-
	<u>974,464</u>	<u>1,023,683</u>	<u>856,213</u>	<u>603,624</u>	<u>607,314</u>
Actuarial gain / (loss) on obligation	<u>(100,729)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Notes to the Financial Statements for the year ended December 31, 2007

38. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 6,201 (2006: 4,977) employees where contributions are made by the Bank and employees at 8.33% per annum (2006: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs. 109.775 million (2006: Rs. 98.789 million) in respect of this fund.

The Bank also operates an approved non-contributory provident fund for 2,875 (2006: 2,876) employees who have opted for the new scheme, where contributions are made by the employees at 12% per annum (2006: 12% per annum) of the basic salary.

39. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

Note	President / Chief Executive		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	----- (Rupees in '000) -----					
Fees	-	-	720	140	-	-
Managerial remuneration	15,117	8,028	1,524	1,434	392,219	351,351
Bonus and others	63,212	7,845	-	-	323,811	258,072
Retirement benefits	1,259	669	-	-	32,672	29,267
Rent and house maintenance	6,803	3,852	-	-	176,499	158,108
Utilities	1,512	803	-	-	40,286	35,135
Medical	260	356	-	-	19,544	18,774
Conveyance	413	497	-	-	64,545	63,861
39.1	<u>88,576</u>	<u>22,050</u>	<u>2,244</u>	<u>1,574</u>	<u>1,049,576</u>	<u>914,568</u>
Number of persons	<u>2</u>	<u>1</u>	<u>10</u>	<u>9</u>	<u>489</u>	<u>429</u>

39.1 This includes remuneration of ex-president and current president.

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

40. 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'. These securities are being carried at amortised cost in order to comply with the requirements of BSD Circular 14 dated September 24, 2004. The fair value of these investments amounts to Rs. 2,228 million (2006: Rs. 1,978 million).

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 these financial statements.

The maturity and repricing profile and effective rates are stated in notes 44.4.1 and 44.2 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.

Notes to the Financial Statements for the year ended December 31, 2007

41. 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	Eliminations	Total
	----- (Rupees in '000) -----					
2007						
Total income	204,985	11,414,516	16,165,038	9,838,320	175,027	37,797,886
Total expenses	(9,355)	(1,544,111)	(13,762,373)	(998,985)	(175,027)	(16,489,851)
Income tax expense	-	-	-	-	-	(6,042,473)
Net income	<u>195,630</u>	<u>9,870,405</u>	<u>2,402,665</u>	<u>8,839,335</u>	<u>-</u>	<u>15,265,562</u>
Segment assets - (Gross of NPL's provision)	-	124,228,781	159,928,244	133,655,445	-	417,812,470
Deferred tax assets	-	-	-	-	-	-
Total assets	<u>-</u>	<u>124,228,781</u>	<u>159,928,244</u>	<u>133,655,445</u>	<u>-</u>	<u>417,812,470</u>
Segment non performing loans	<u>-</u>	<u>-</u>	<u>5,567,247</u>	<u>5,158,061</u>	<u>-</u>	<u>10,725,308</u>
Segment specific provision required	<u>-</u>	<u>-</u>	<u>3,803,244</u>	<u>3,523,709</u>	<u>-</u>	<u>7,326,953</u>
Segment liabilities	-	109,512,112	127,089,636	116,238,620	-	352,840,368
Provision for taxation	-	-	-	-	-	1,345,312
Deferred tax liability	-	-	-	-	-	1,180,162
Total liabilities - net	<u>-</u>	<u>109,512,112</u>	<u>127,089,636</u>	<u>116,238,620</u>	<u>-</u>	<u>355,365,842</u>
Segment return on net assets (ROA) (%)	-	7.95%	1.54%	6.79%	-	3.72%
Segment cost of fund (%)	-	5.38%	2.11%	2.77%	-	2.24%
2006						
Total income	122,341	8,282,364	12,861,157	9,819,292	(315,676)	30,769,478
Total expenses	(30,235)	(1,542,942)	(10,192,053)	(819,254)	315,676	(12,268,808)
Income tax expense	-	-	-	-	-	(6,358,272)
Net income	<u>92,106</u>	<u>6,739,422</u>	<u>2,669,104</u>	<u>9,000,038</u>	<u>-</u>	<u>12,142,398</u>
Segment assets - (Gross of NPL's provision)	133	95,175,652	139,469,250	113,244,069	-	347,889,104
Deferred tax assets	-	-	-	-	-	172,373
Total assets	<u>133</u>	<u>95,175,652</u>	<u>139,469,250</u>	<u>113,244,069</u>	<u>-</u>	<u>347,889,104</u>
Segment non performing loans	<u>-</u>	<u>-</u>	<u>5,711,301</u>	<u>2,859,512</u>	<u>-</u>	<u>8,570,813</u>
Segment specific provision required	<u>-</u>	<u>-</u>	<u>4,911,425</u>	<u>1,041,809</u>	<u>-</u>	<u>5,953,234</u>
Segment liabilities	29	3,649,058	274,023,262	21,224,006	-	298,896,355
Provision for taxation	-	-	-	-	-	2,367,574
Total liabilities - net	<u>29</u>	<u>3,649,058</u>	<u>274,023,262</u>	<u>21,224,006</u>	<u>-</u>	<u>301,263,929</u>
Segment return on net assets (ROA) (%)	-	7.08%	1.98%	8.02%	-	3.55%
Segment cost of fund (%)	-	7.71%	1.42%	7.46%	-	1.47%

42. RELATED PARTY TRANSACTIONS AND BALANCES

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

Transactions between the bank and its related parties are carried out at an arm's length basis under the comparable uncontrolled price method. However, the transactions between the bank and one of its subsidiary MNET Services (Private) Limited are carried out on 'cost plus' method. Details of loans and advances to the companies or firms in which the directors of the Bank are interested as directors, partners or in case of private companies as members, are given in note 10.6 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan as disclosed in notes 37 and 38. Remuneration to the executives and disposals of vehicles are disclosed in noted 39 and Annexure IV to these financial statements.

Notes to the Financial Statements for the year ended December 31, 2007

	Directors		Associated companies		Subsidiary companies		Other related parties	
	2007	2006	2007	2006	2007	2006	2007	2006
------(Rupees in '000)-----								
A. Balances								
Deposits								
Deposits at beginning of the year	19,099	61,996	522,641	785,634	279,729	5,311	314,045	214,191
Deposits received during the year	447,772	572,767	124,757,792	33,568,048	699,420	653,980	14,776,866	17,714,493
Deposits repaid during the year	(448,891)	(615,664)	(125,004,607)	(33,831,041)	(969,430)	(379,562)	(14,881,195)	(17,614,639)
Deposits at end of the year	<u>17,980</u>	<u>19,099</u>	<u>275,826</u>	<u>522,641</u>	<u>9,719</u>	<u>279,729</u>	<u>209,716</u>	<u>314,045</u>
Mark-up expense on deposits	1	16	42,703	35,684	10,091	11,638	-	121

Mark-up rates on deposits range from 0.1% to 6.75% (2006: 0.1% to 6.75%) per annum.

Advances (secured)

Balance at beginning of the year	-	-	-	-	2,473	-	2,240,038	1,297,320
Loans granted during the year	-	-	-	-	-	2,810	1,442,020	2,062,460
Repayments received during the year	-	-	-	-	(357)	(337)	(2,020,189)	(1,119,742)
Balance at end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,116</u>	<u>2,473</u>	<u>1,661,869</u>	<u>2,240,038</u>
Income on advances							193,167	257,354

Profit rates on advances to pension fund at 6 month KIBOR + 0.3% and to the provident fund at 6 month KIBOR + 0.3% with floor of 9%. At December 31, 2007, interest receivable from the above funds amounted to Rs. 37.636 million.

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

	Directors		Associated companies		Subsidiary companies		Other related parties	
	2007	2006	2007	2006	2007	2006	2007	2006
------(Rupees in '000)-----								
Associates								
Adamjee Insurance Company Limited								
- Insurance premium paid - net of refund	-	-	67,866	71,673	-	-	-	-
- Insurance claim settled	-	-	65,260	23,664	-	-	-	-
- Rent income received	-	-	2,147	2,197	-	-	-	-
- Dividend received	-	-	98,274	62,568	-	-	-	-
Subsidiary Companies								
MNET Services (Private) Limited								
- Outsourcing service charges	-	-	-	-	74,785	31,223	-	-
- Networking service charges	-	-	-	-	5,977	5,681	-	-
Muslim Commercial Financial Services (Private) Limited								
- Capital injection	-	-	-	-	20,000	-	-	-
- Custodian charges received	-	-	-	-	3	-	-	-
- Dividend received	-	-	-	-	-	1,875	-	-
- Accrued expenses	-	-	-	-	1,254	-	-	-
- Rent receivable	-	-	-	-	1,254	-	-	-

Notes to the Financial Statements for the year ended December 31, 2007

	Directors		Associated companies		Subsidiary companies		Other related parties	
	2007	2006	2007	2006	2007	2006	2007	2006
------(Rupees in 000)-----								
MCB Asset Management Company Limited								
- Capital injection	-	-	-	-	-	299,980	-	-
- Markup paid	-	-	-	-	15,869	-	-	-
- Proceeds from sale of premises	-	-	-	-	31,215	-	-	-
- Gain on sale of premises	-	-	-	-	612	-	-	-
- Sale of car	-	-	-	-	1,544	-	-	-
- Gain on sale of car	-	-	-	-	58	-	-	-
- Markup payable	-	-	-	-	456	-	-	-
- Others	-	-	-	-	740	-	-	-
MCB Trade Services Limited								
- Dividend received	-	-	-	-	-	2,288	-	-
- Markup paid	-	-	-	-	54	-	-	-
Other related parties								
MCB Employees Security System and Services (Private) Limited								
- Security guard expenses	-	-	-	-	-	-	115,718	87,767
MCB Employees Foundation								
- Stationary expenses	-	-	-	-	-	-	140,009	98,486
- Service expenses	-	-	-	-	-	-	19,641	15,488
- Cash sorting expenses	-	-	-	-	-	-	16,603	6,465
- Cash in transit expenses	-	-	-	-	-	-	3,474	3,452
- Proceeds from sale of car	-	-	-	-	-	-	611	-
- Gain on sale of car	-	-	-	-	-	-	4	-
Others								
Dividend income	-	-	-	-	-	-	182,664	102,220
Proceeds from sale of vehicles to key management personnel	-	-	-	-	-	-	5,987	1,678
Gain on sale of vehicles to key management personnel	-	-	-	-	-	-	583	898
Remuneration of key management personnel (other than directors)	-	-	-	-	-	-	136,276	145,674
Contribution / (expense) to provident fund	-	-	-	-	-	-	109,778	98,789
Other miscellaneous expenses	-	-	-	-	-	-	69,263	58,609
Non-executive directors' fee	720	140	-	-	-	-	-	-

The details of director's compensations are given in note 39 to these financial statements.

Notes to the Financial Statements for the year ended December 31, 2007

43. CAPITAL ADEQUACY

43.1 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.6 dated October 28, 2006 requires the minimum paid up capital (net of losses) for banks / development finance institutions to be raised to Rs. 6 billion by the year ending December 31, 2009. The raise is to be achieved in a phased manner requiring Rs. 4 billion paid up capital (net of losses) by the end of the financial year 2004. The paid up capital of the Bank for the year ended December 31, 2007 stands at Rs. 6.2 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 8 % of the risk weighted exposure. The Bank's CAR as at December 31, 2007 was 17.88 % 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 un-appropriated profits, etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, deficit on revaluation of available for sale investments.
- Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 50 % the balance in the related revaluation reserves), foreign exchange translation reserves, etc.

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Bank is not eligible for the Tier 3 capital.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 6 dated October 28, 2006. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The required capital adequacy ratio (8% 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 and market 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 the entire organisation 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. It is not the sole basis used for decision making viz-a-viz development taken place on Basel II regulatory framework which will be applicable with effect from January 01, 2009.

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

Notes to the Financial Statements for the year ended December 31, 2007

43.2 Capital adequacy ratio

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

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)		
Regulatory Capital Base					
Tier I Capital					
Shareholders capital		6,282,768	5,463,276		
Reserves (excluding exchange translation reserve)		34,042,619	24,716,063		
Unappropriated profits		5,130,750	5,530,972		
		45,456,137	35,710,311		
Less: Adjustments	43.2.9	(735,904)	(334,407)		
Total Tier I Capital		44,720,233	35,375,904		
Tier II Capital					
Subordinated debt (up to 50% of total Tier I Capital)	43.2.1	-	95,846		
General provisions subject to 1.25% of total risk weighted assets		3,445,321	2,655,110		
Foreign exchange translation reserves		(41,981)	(53,637)		
Revaluation reserve (up to 50%)		5,346,654	2,593,820		
Total Tier II Capital		8,749,994	5,291,139		
Eligible Tier III Capital		-	-		
Total Regulatory Capital (a)		53,470,227	40,667,043		
Risk-Weighted Exposures					
	Note	2007		2006	
		Book Value	Risk Adjusted	Book Value	Risk Adjusted
------(Rupees in '000)-----					
Credit Risk					
Balance Sheet Items:					
Cash and other liquid assets	43.2.2	43,491,402	1,502,506	39,042,993	1,845,070
Money at call		1,051,372	210,274	21,081,800	1,810,000
Investments	43.2.3	112,858,509	12,746,477	63,486,316	13,765,510
Loans and advances	43.2.4	211,805,755	179,881,292	189,059,791	151,249,812
Fixed assets		16,024,123	16,024,123	9,054,156	9,054,156
Other assets	43.2.5	17,868,761	17,656,938	11,203,823	11,006,803
		403,099,922	228,021,610	332,928,879	188,731,351
Off Balance Sheet items:					
Loan repayment guarantees	43.2.6	15,375,233	15,190,831	8,217,622	6,857,274
Stand by letters of credit	43.2.7	58,809,106	29,404,554	39,997,162	19,998,580
Outstanding foreign exchange contracts - market related	43.2.8	131,239,366	876,345	86,499,132	421,430
		205,423,705	45,471,730	134,713,916	27,277,284
Credit risk-weighted exposures			273,493,340		216,008,635
Market Risk					
General market risk		1,184,281		143,425	
Specific market risk		757,421		-	
Foreign exchange risk		108,364		20,875	
Total capital charge on market risk			2,050,066		164,300
Market risk-weighted exposures (total capital charge x 12.5)			25,625,831		2,053,750
Total Risk-Weighted exposures (b)			299,119,171		218,062,385
Capital Adequacy Ratio [(a) / (b) x 100]			17.88%		18.65%

Notes to the Financial Statements for the year ended December 31, 2007

43.2.1 The liability against term finance certificates amounting to Rs. 479.232 million is subordinated as to the payment of principal and profit to all other indebtedness of the Bank (including deposits). These will be fully redeemed in February 2008.

For the purpose of inclusion of subordinated loan in supplementary capital, a discount of 100% has been applied on the amount that will be redeemed in 1 year time.

43.2.2 Balances with other banks includes balances with National Bank of Pakistan in local currency current account amounting to Rs. 3,705.014 million (2006: Rs. 2,548.255 million) classified under cash and balances with treasury banks in these financial statements.

43.2.3 Investments exclude investment in held-for- trading portfolio amounting to Rs. 230.752 million (2006: Rs. NIL).

43.2.4 Advances secured against government securities / own deposits / cash margin amounting to Rs. 10,600.164 million (2006: Rs. 11,834.474 million) have been deducted from gross advances. Advances are gross of general provision amounting to Rs. 3,445.321 million.

43.2.5 Other assets include deferred tax asset - net amounting to Rs. NIL (2006: Rs. 172.373 million).

43.2.6 Cash margin amounting to Rs. 948.147 million (2006: Rs. 813.378 million) have been deducted from loan repayment guarantees.

43.2.7 Cash margin amounting to Rs. 508.791 million (2006: Rs. 858.262 million) have been deducted from standby letters of credit.

43.2.8 Forward foreign exchange contracts with maturity of less than or equal to 14 days from the original maturity amounting to Rs. 2,692.471 million (2006: Rs. 8,624.154 million) have been excluded from the above.

43.2.9 The adjustments to Tier I capital represents net deductions for investments in subsidiary companies and deficit on revaluation of available for sale securities (net of deferred tax).

44. RISK MANAGEMENT

The wide variety of Bank's businesses necessitates a risk management system to identify, measure, monitor and manage risks effectively. Bank's risk management framework is based on three pillars; risk principles, organizational structures and prudent risk measurement and monitoring processes which are closely aligned with the activities of the Bank so as to ensure that risks are kept within an acceptable level.

Risk Management Organization

The Bank risk management function is independent of the business areas. Based on the State Bank of Pakistan's (SBP) guidelines and Bank for International Settlement's Frameworks, the bank has constituted a Risk Management Committee (RMC), developed an elaborate risk identification measurement and management framework and has also reorganized risk management function broadly based on the following:

- Setting up of separate risk areas (as detailed below)
- Engaging the advisory services of an international consultant for the overall risk management function.

The head of risk management is a member of risk management & management committees of the Bank and is responsible for credit, market and operational risk management activities within the Bank in close coordination with respective business areas. To ensure independence, head of risk management is directly reporting to the RMC.

For each risk, i.e. credit, operational and market, a specific department has been established with the mandate to:

- Identify, measure, monitor and mitigate risk while ensuring that risk / reward relationship is maintained at an optimal level.
- Ensure that the business conducted is consistent with the risk appetite of the Bank.
- Formulate and implement risk policies, procedures and methodology in coordination with business areas.
- Conduct periodic reviews to ensure that the risks are within acceptable parameters, and
- Develop & implement risk management infrastructure & systems that are appropriate for each area and flexible to cater risk emanating from changing banking environment.
- The most important risk that Bank management assumes are specific banking risks and risks arising from the general business environment.

The Bank's risk management process distinguishes among various kinds of specific banking risks and mainly comprises of credit risk, liquidity risk, operational risk and market risk. The policies and procedures for managing risks are outlined below:

Notes to the Financial Statements for the year ended December 31, 2007

44.1 Credit risk

Credit risk makes up the largest part of the Bank's risk exposures. The bank measures and manages its credit risk by adopting the following policies:

- Consistent standards are applied for credit decision processes.
- The approval of credit limits for counter parties and the management of individual credit exposures are subject to pre-fact credit review.
- Every extension of credit or material change to a credit facility (such as tenor of facility, collateral structure or major covenants) requires credit approval and independent pre-fact review at the appropriate levels.
- The bank assigns credit approval and credit review authorities to individuals according to their qualifications, experience and training and the management reviews these powers periodically
- The approval process is checked through independent pre-fact review by Risk Management Group (RMG) and post-fact by internal audit function.

In addition, the below listed initiatives have been initiated by the Bank for enhancement of risk management capabilities:

The Risk Management Group has reviewed and updated the existing Policy documents in order to comply with the requirements of SBP prescribed policy framework. In this regard following policies have been reviewed and updated in line with best practices:

- Risk Management Policy
- Credit Policy
- Market Risk Limits Policy
- Investment Policy
- Credit Handbook
- Operational Risk Framework
- Country Risk Policy

Development and implementation of risk based credit MIS (CRMIS).

Credit handbook has been updated and rolled out which would provide comprehensive guidelines for credit process and to adopt latest developments and best practices in the area of credit risk.

Portfolio Management function has been initiated.

Credit Administration role has been revitalized and Credit Risk Control roll out plan has been implemented.

Concentration of credit and deposits

Out of the total financial assets of Rs. 380,637 million (2006: Rs. 325,641 million) the financial assets which are subject to credit risk amounting to Rs. 369,175 million (2006: Rs. 317,694 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 97,047 million (2006: Rs. 46,953 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 24,517 million (2006: Rs. 21,870 million) are held by the Bank with the State Bank of Pakistan and central banks of other countries.

Notes to the Financial Statements for the year ended December 31, 2007

44.1.1 Segmental information

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

44.1.1.1 Segments by class of business	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees in 000)	Percent (%)	(Rupees in 000)	Percent (%)	(Rupees in 000)	Percent (%)
Agriculture, forestry, hunting and fishing	2,023,407	0.88	33,955,983	11.62	1,785,793	0.84
Mining and quarrying	256,233	0.11	232,217	0.08	66,491	0.03
Textile	35,741,728	15.56	1,331,384	0.46	7,250,420	3.40
Chemical and pharmaceuticals	8,061,429	3.51	787,584	0.27	3,448,972	1.62
Cement	5,310,127	2.31	152,889	0.05	1,090,783	0.51
Sugar	5,936,493	2.58	439,663	0.15	23,717	0.01
Footwear and leather garments	2,063,300	0.90	324,337	0.11	974,005	0.46
Automobile and transportation equipment	480,156	0.21	130,494	0.04	583,265	0.27
Electronics and electrical appliances	1,681,402	0.73	78,700	0.03	-	-
Construction	-	-	-	-	1,219,191	0.57
Power (electricity), gas, water, sanitary	14,837,745	6.46	1,992,295	0.68	1,672,359	0.78
Wholesale and Retail Trade	22,838,333	9.94	37,318,876	12.78	7,015,754	3.29
Exports / imports	183,913	0.08	-	-	-	-
Transport, storage and communication	11,370,208	4.95	2,420,960	0.83	1,158,025	0.54
Financial	15,369,157	6.69	8,691,403	2.98	154,620,283	72.48
Insurance	200,000	0.09	1,847,660	0.63	-	-
Services	3,796,219	1.65	4,136,923	1.42	-	-
Individuals	31,855,010	13.87	136,928,992	46.88	-	-
Others	67,817,877	29.48	61,327,706	21.00	32,408,049	15.19
	<u>229,732,872</u>	<u>100.00</u>	<u>292,098,066</u>	<u>100.00</u>	<u>213,317,107</u>	<u>100.00</u>
	2006					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees in 000)	Percent (%)	(Rupees in 000)	Percent (%)	(Rupees in 000)	Percent (%)
Agriculture, forestry, hunting and fishing	1,889,845	0.91	32,900,524	12.78	2,228,461	1.39
Mining and quarrying	389,106	0.19	348,899	0.14	112,220	0.07
Textile	28,932,854	13.99	1,989,420	0.77	8,668,281	5.39
Chemical and pharmaceuticals	4,993,570	2.41	1,353,387	0.53	5,938,173	3.69
Cement	6,609,300	3.20	228,468	0.09	3,310,583	2.06
Sugar	6,054,687	2.93	407,092	0.16	21,317	0.01
Footwear and leather garments	1,561,433	0.75	240,342	0.09	635,504	0.40
Automobile and transportation equipment	738,737	0.36	286,083	0.11	837,143	0.52
Electronics and electrical appliances	2,330,500	1.13	48,081	0.02	-	-
Power (electricity), gas, water, sanitary	3,153,770	1.52	1,444,291	0.56	4,029,755	2.51
Exports / imports	21,419,484	10.36	34,013,464	13.21	6,121,691	3.81
Transport, storage and communication	17,293,669	8.36	1,969,668	0.77	5,892,594	3.66
Financial	15,160,198	7.33	1,670,441	0.65	117,338,576	72.95
Insurance	204,077	0.10	487	0.00	-	-
Services	4,508,695	2.18	3,168,557	1.23	-	-
Individuals	20,767,887	10.04	121,616,467	47.24	-	-
Others	70,839,687	34.25	55,776,167	21.66	5,708,710	3.55
	<u>206,847,499</u>	<u>100.00</u>	<u>257,461,838</u>	<u>100.00</u>	<u>160,843,008</u>	<u>100.00</u>

Notes to the Financial Statements for the year ended December 31, 2007

44.1.1.2 Segments by sector

	2007					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Public / Government	27,213,253	11.85	14,793,604	5.06	35,552,582	16.67
Private	202,519,619	88.15	277,304,462	94.94	177,764,525	83.33
	<u>229,732,872</u>	<u>100.00</u>	<u>292,098,066</u>	<u>100.00</u>	<u>213,317,107</u>	<u>100.00</u>
	2006					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Public / Government	27,704,174	13.39	7,264,482	2.82	41,788,324	25.98
Private	179,143,325	86.61	250,197,356	97.18	119,054,684	74.02
	<u>206,847,499</u>	<u>100.00</u>	<u>257,461,838</u>	<u>100.00</u>	<u>160,843,008</u>	<u>100.00</u>

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

	2007		2006	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	----- (Rupees in '000) -----			
Agriculture, forestry, hunting and fishing	267,996	58,282	319,684	118,003
Mining and quarrying	17,741	15,988	4,238	4,238
Textile	1,279,026	970,589	1,087,981	1,020,228
Chemical and pharmaceuticals	21,800	21,676	32,720	32,720
Cement	750	750	750	750
Sugar	20,572	20,572	36,398	36,398
Footwear and leather garments	71,301	61,381	92,500	87,629
Automobile and transportation equipment	3,461	1,881	44,903	43,405
Electronics and electrical appliances	132,910	132,910	303,162	275,670
Construction	85,057	74,338	159,747	154,601
Power (electricity), gas, water, sanitary	1,884	1,884	1,935	1,839
Wholesale and retail trade	4,823,241	2,712,213	3,949,587	2,012,221
Exports / imports	354,637	341,318	421,130	369,771
Transport, storage and communication	34,967	21,662	27,408	25,913
Financial	53,159	53,159	65,243	65,243
Insurance	-	-	-	-
Services	288,365	214,851	167,651	89,656
Individuals	783,526	479,321	261,553	179,773
Others	2,484,915	2,144,178	1,594,223	1,435,176
	<u>10,725,308</u>	<u>7,326,953</u>	<u>8,570,813</u>	<u>5,953,234</u>

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

Public/ Government	-	-	52,633	-
Private	10,725,308	7,326,953	8,518,180	5,953,234
	<u>10,725,308</u>	<u>7,326,953</u>	<u>8,570,813</u>	<u>5,953,234</u>

Notes to the Financial Statements for the year ended December 31, 2007

44.1.1.5 Geographical segment analysis

	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	------(Rupees in '000)-----			
Pakistan	21,138,395	399,926,878	54,949,917	209,721,347
Asia Pacific (including South Asia)	113,260	3,414,763	112,855	2,045,760
Middle East	56,380	7,143,876	56,903	1,550,000
	<u>21,308,035</u>	<u>410,485,517</u>	<u>55,119,675</u>	<u>213,317,107</u>
	2006			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	------(Rupees in '000)-----			
Pakistan	18,239,074	333,949,788	40,582,718	160,150,678
Asia Pacific (including South Asia)	103,834	2,949,729	103,834	692,330
Middle East	157,762	5,208,726	157,762	-
	<u>18,500,670</u>	<u>342,108,243</u>	<u>40,844,314</u>	<u>160,843,008</u>

Total assets employed include intra group items of Rs. NIL (2006: Rs. NIL).

44.2 Market Risk Management

The Bank is exposed to interest rate risk, foreign exchange risk and equity price risk. The Bank is using in-house and vendor based solutions for calculating mark to market value of its positions and generating VaR (value at risk) and sensitivity numbers. Besides conventional methods, the Bank is using VaR for market risk assessment of assets booked by treasury and capital market groups. The Bank is using variance co-variance approach of VaR measure for conventional products and Monte Carlo simulation approach for derivative and structured products.

Further stress testing of both banking and trading books are performed in line with SBP guidelines.

The Bank is exposed to interest rate risk both in trading and banking books. Presently the market risk reporting system is generating risk numbers of government securities held by the Bank's treasury. The risk management system generates daily reports based upon the marked to market of these assets. These reports provide risk numbers i.e. duration, PVBP, and VaR on individual security basis. The system also generates summarized reports on portfolio basis. These reports are presented to the senior management for review on a daily basis.

44.2.1 Foreign Exchange Risk Management

The core objective of foreign exchange risk management is to ensure the foreign exchange exposure of the Bank remain within defined risk appetite (10% of paid up capital). Daily reports are generated to evaluate the exposure in different currencies. Further 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.

	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----			
Pakistan Rupee	391,981,415	344,616,818	7,291,655	54,656,252
United States Dollar	16,508,535	8,051,231	(8,154,730)	302,574
Pound Sterling	228,698	1,073,197	901,837	57,338
Japanese Yen	129,669	173	(130,985)	(1,489)
Euro	1,540,000	1,624,423	100,924	16,501
Other currencies	97,200	-	(8,701)	88,499
	<u>410,485,517</u>	<u>355,365,842</u>	<u>-</u>	<u>55,119,675</u>

Notes to the Financial Statements for the year ended December 31, 2007

	2006			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
------(Rupees in '000)-----				
Pakistan Rupee	315,967,111	284,618,641	6,086,875	37,435,345
United States Dollar	23,199,011	13,634,488	(7,191,418)	2,373,105
Pound Sterling	555,830	1,197,433	17,304	(624,299)
Japanese Yen	23,809	120,878	113,102	16,033
Euro	617,960	1,014,993	(54,068)	(451,101)
Other currencies	1,744,522	677,496	1,028,205	2,095,231
	<u>342,108,243</u>	<u>301,263,929</u>	<u>-</u>	<u>40,844,314</u>

44.2.2 Equity Price Risk

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.

44.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	Effective Yield/ Interest rate	Total	2007								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	4.24%	39,683,883	534,159	-	-	-	-	-	-	-	-	39,149,724
Balances with other banks	6.18%	3,807,519	571,813	-	-	-	-	-	-	-	-	3,235,706
Lendings to financial institutions	11.20%	1,051,372	51,372	1,000,000	-	-	-	-	-	-	-	-
Investments - net	9.78%	111,704,827	20,916,251	13,498,301	19,123,566	33,051,162	4,033,023	1,267,859	2,345,401	4,179,487	1,939,961	11,349,816
Advances - net	10.89%	218,960,598	5,965,111	27,227,275	49,538,582	61,024,392	17,891,332	17,891,332	35,782,665	1,455,964	2,183,945	-
Other assets - net		5,428,894	-	-	-	-	-	-	-	-	5,428,894	-
		<u>380,637,093</u>	<u>28,038,706</u>	<u>41,725,576</u>	<u>68,662,148</u>	<u>94,075,554</u>	<u>21,924,355</u>	<u>19,159,191</u>	<u>38,128,066</u>	<u>5,635,451</u>	<u>4,123,906</u>	<u>59,164,140</u>
Liabilities												
Bills payable		10,479,058	-	-	-	-	-	-	-	-	-	10,479,058
Borrowings	6.56%	39,406,831	33,027,113	3,300,305	606,336	-	-	-	2,473,077	-	-	-
Deposits and other accounts	2.02%	292,098,066	161,711,194	4,555,291	3,418,892	12,850,476	2,283,975	1,974,594	4,354,242	1,842,888	-	99,106,514
Sub-ordinated loan	11.75% to 15.75%	479,232	-	479,232	-	-	-	-	-	-	-	-
Other liabilities		7,708,567	-	-	-	-	-	-	-	-	-	7,708,567
		<u>350,171,754</u>	<u>194,738,307</u>	<u>8,334,828</u>	<u>4,025,228</u>	<u>12,850,476</u>	<u>2,283,975</u>	<u>1,974,594</u>	<u>6,827,319</u>	<u>1,842,888</u>	<u>-</u>	<u>117,294,139</u>
On-balance sheet gap		<u>30,465,339</u>	<u>(166,699,601)</u>	<u>33,390,748</u>	<u>64,636,920</u>	<u>81,225,078</u>	<u>19,640,380</u>	<u>17,184,597</u>	<u>31,300,747</u>	<u>3,792,563</u>	<u>4,123,906</u>	<u>(58,129,999)</u>
Off-balance sheet financial instruments												
Forward lendings		-	-	-	-	-	-	-	-	-	-	-
Outright purchase - Govt. securities		-	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts:		-	-	-	-	-	-	-	-	-	-	-
- Purchase		62,077,338	16,646,098	18,595,351	17,000,385	9,835,504	-	-	-	-	-	-
Interest rate swaps		2,721,698	18,182	-	53,516	300,000	1,850,000	500,000	-	-	-	-
Cross currency swaps		1,845,484	-	-	-	-	588,660	240,000	1,016,824	-	-	-
		<u>66,644,520</u>	<u>16,664,280</u>	<u>18,595,351</u>	<u>17,053,901</u>	<u>10,135,504</u>	<u>2,438,660</u>	<u>740,000</u>	<u>1,016,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign exchange contracts:		-	-	-	-	-	-	-	-	-	-	-
- Sale		69,362,417	23,865,234	18,208,526	8,633,379	18,655,278	-	-	-	-	-	-
		<u>69,362,417</u>	<u>23,865,234</u>	<u>18,208,526</u>	<u>8,633,379</u>	<u>18,655,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Off-balance sheet gap		<u>(2,717,897)</u>	<u>(7,200,954)</u>	<u>386,825</u>	<u>8,420,522</u>	<u>(8,519,774)</u>	<u>2,438,660</u>	<u>740,000</u>	<u>1,016,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total yield / interest risk sensitivity gap		<u>(173,900,555)</u>	<u>33,777,573</u>	<u>73,057,442</u>	<u>72,705,304</u>	<u>22,079,040</u>	<u>17,924,597</u>	<u>32,317,571</u>	<u>3,792,563</u>	<u>4,123,906</u>	<u>-</u>	<u>-</u>
Cumulative yield / interest risk sensitivity gap		<u>(173,900,555)</u>	<u>(140,122,982)</u>	<u>(67,065,540)</u>	<u>5,639,764</u>	<u>27,718,804</u>	<u>45,643,401</u>	<u>77,960,972</u>	<u>81,753,535</u>	<u>85,877,441</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended December 31, 2007

	Effective Yield/ Interest rate	Total	2006								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	4.35%	32,465,976	1,420,319	-	-	-	-	-	-	-	-	31,045,657
Balances with other banks	5.77%	6,577,017	2,409,176	-	-	121,820	-	-	-	-	-	4,046,021
Lendings to financial institutions	9.13%	21,081,800	11,396,800	7,985,000	1,700,000	-	-	-	-	-	-	-
Investments - net	9.22%	62,121,885	7,636,492	1,791,960	11,713,325	19,433,349	178,700	499,162	7,652,449	4,216,642	113,816	8,885,990
Advances - net	10.10%	198,239,155	3,025,175	40,581,531	31,723,075	60,657,360	35,631,318	13,810,935	10,921,950	1,864,789	23,022	-
Other assets - net	-	5,155,639	-	-	-	-	-	-	-	-	-	5,155,639
		325,641,472	25,887,962	50,358,491	45,136,400	80,212,529	35,810,018	14,310,097	18,574,399	6,081,431	136,838	49,133,307
Liabilities												
Bills payable	-	7,089,679	-	-	-	-	-	-	-	-	-	7,089,679
Borrowings	5.56%	23,943,476	14,880,574	4,440,262	2,130,468	179,142	-	-	-	2,313,030	-	-
Deposits and other accounts	1.17%	257,461,838	138,302,691	7,950,363	6,229,354	7,688,296	2,840,110	1,333,264	4,286,583	1,788,431	-	87,042,746
Sub-ordinated loan	11.75% to 15.75%	1,597,440	-	637,440	-	480,000	480,000	-	-	-	-	-
Other liabilities	-	6,072,247	-	-	-	-	-	-	-	-	-	6,072,247
		296,164,680	153,183,265	13,028,065	8,359,822	8,347,438	3,320,110	1,333,264	4,286,583	4,101,461	-	100,204,672
On-balance sheet gap		29,476,792	(127,295,303)	37,330,426	36,776,578	71,865,091	32,489,908	12,976,833	14,287,816	1,979,970	136,838	(51,071,365)
Off-balance sheet financial instruments												
Forward lendings	-	1,853,461	1,853,461	-	-	-	-	-	-	-	-	-
Outright purchase - Govt securities	-	6,942,230	-	-	-	-	-	-	-	-	-	6,942,230
Foreign exchange contracts:												
- Purchase	-	41,288,941	16,883,524	21,223,894	2,160,021	1,021,502	-	-	-	-	-	-
Interest rate swaps	-	3,223,485	-	-	-	-	800,735	1,922,750	500,000	-	-	-
		53,308,117	18,736,985	21,223,894	2,160,021	1,021,502	800,735	1,922,750	500,000	-	-	6,942,230
Foreign exchange contracts:												
- Sale	-	50,420,861	13,876,815	9,573,175	20,298,836	6,672,035	-	-	-	-	-	-
Outright sale - Govt securities	-	5,107,030	-	-	-	-	-	-	-	-	-	5,107,030
		55,527,891	13,876,815	9,573,175	20,298,836	6,672,035	-	-	-	-	-	5,107,030
Off-balance sheet gap		(2,219,774)	4,860,170	11,650,719	(18,138,815)	(5,650,533)	800,735	1,922,750	500,000	-	-	1,835,200
Total yield / interest risk sensitivity gap			(122,435,133)	48,981,145	18,637,763	66,214,558	33,290,643	14,899,583	14,787,816	1,979,970	136,838	
Cumulative yield / interest risk sensitivity gap			(122,435,133)	(73,453,988)	(54,816,225)	11,398,333	44,688,976	59,588,559	74,376,375	76,356,345	76,493,183	

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.

	2007		2006			2007		2006	
	(Rupees in '000)		(Rupees in '000)			(Rupees in '000)		(Rupees in '000)	
Balance as per balance sheet	410,485,517		342,108,243		Balance as per balance sheet	355,365,842		301,263,929	
Less: Non financial assets					Less: Non financial liabilities				
Investments	1,384,434		1,364,431		Other liabilities	4,013,926		5,099,249	
Operating fixed assets	16,024,123		9,054,156		Deferred tax liability	1,180,162		-	
Deferred tax asset	-		172,373			5,194,088		5,099,249	
Other assets	12,439,867		5,875,811						
	29,848,424		16,466,771						
Total financial assets	380,637,093		325,641,472		Total financial liabilities	350,171,754		296,164,680	

Notes to the Financial Statements for the year ended December 31, 2007

44.4 Liquidity Risk

It is the policy of the Bank to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet all our obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitments made. The Bank manages liquidity risk in three stages:

- Balance sheet management;
- Liquidity management; and
- Intraday liquidity management.

Balance sheet management

Balance sheet management is the practice of reviewing the actual and planned strategic growth of business and its impact from a balance sheet integrity and sustainability perspective. As such the goal is to identify any risks arising from structural imbalances and concentrations, and seek to alter plans in order to avoid these developing into a liquidity problem.

Liquidity management

Liquidity management is the day to day practice of ensuring that the Bank is able to meet all its payment obligations as they fall due without having to sell assets or borrow funds at short notice at adverse market prices. While primarily focused on the management of cash-flows, MCB maintains a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash-flow for meeting liquidity requirements. Another precautionary measure is the active maintenance of borrowing relationships to ensure the continued access to diverse market of funding sources.

Intraday liquidity management

Intraday liquidity is the practice of ensuring that the Bank has sufficient cash during the day to make payments through the local payment system. In this respect, MCB maintains cash balances from which payments are made or generate a cash balances through the receipt of payments due or from borrowing or the outright sale or pledging of qualifying securities with the State Bank of Pakistan.

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

	2007									
	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	39,683,883	39,683,883	-	-	-	-	-	-	-	-
Balances with other banks	3,807,519	3,807,519	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,051,372	51,372	1,000,000	-	-	-	-	-	-	-
Investments - net	113,089,261	24,269,921	14,302,761	20,917,643	37,450,361	4,620,702	1,267,859	2,756,134	5,563,919	1,939,961
Advances - net	218,960,598	5,965,111	27,227,275	49,538,582	61,024,392	17,891,332	17,891,332	35,782,665	1,455,964	2,183,945
Operating fixed assets	16,024,123	55,169	8,199	165,501	331,003	853,421	662,005	824,106	392,654	12,732,065
Deferred tax assets	608,004	-	-	-	354	119,129	178,517	297,646	1,773	10,585
Other assets - net	17,868,761	2,414,006	1,259,203	957,612	2,100,422	2,130,209	3,681,785	5,325,524	-	-
	411,093,521	76,246,981	43,797,438	71,579,338	100,906,532	25,614,793	23,681,498	44,986,075	7,414,310	16,866,556
Liabilities										
Bills payable	10,479,058	10,479,058	-	-	-	-	-	-	-	-
Borrowings	39,406,831	33,027,113	3,300,305	606,336	-	-	-	2,473,077	-	-
Deposits and other accounts	292,098,066	260,817,708	4,555,291	3,418,892	12,850,476	2,283,975	1,974,594	4,354,242	1,842,888	-
Sub-ordinated loan	479,232	-	479,232	-	-	-	-	-	-	-
Deferred tax liabilities	1,788,166	4,165	8,333	12,498	82,665	49,996	49,996	99,991	192,325	1,288,197
Other liabilities	11,722,493	2,225,621	2,084,452	2,031,494	2,217,241	868,314	868,314	868,249	558,808	-
	355,973,846	306,553,665	10,427,613	6,069,220	15,150,382	3,202,285	2,892,904	7,795,559	2,594,021	1,288,197
Net assets										
	55,119,675	(230,306,684)	33,369,825	65,510,118	85,756,150	22,412,508	20,788,594	37,190,516	4,820,289	15,578,359
Share capital	6,282,768									
Reserves	34,000,638									
Unappropriated profit	5,130,750									
Surplus on revaluation of assets - net of tax	9,705,519									
	55,119,675									

The above maturity profile has been prepared in accordance with International Accounting Standard (IAS) 30: Disclosure in the financial statements of banks and similar financial institutions based on contractual maturities. The maturity profile disclosed in note 44.4.2 includes maturities of current and saving deposits determined by the Assets and Liabilities Management Committee (ALCO) keeping in view the historical withdrawal pattern of these deposits.

Notes to the Financial Statements for the year ended December 31, 2007

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

	2006									
	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	32,465,976	32,465,976	-	-	-	-	-	-	-	-
Balances with other banks	6,577,017	6,455,197	-	-	121,820	-	-	-	-	-
Lendings to financial institutions	21,081,800	11,396,800	7,985,000	1,700,000	-	-	-	-	-	-
Investments - net	63,486,316	8,311,286	7,053,609	11,727,876	19,453,516	619,665	795,144	10,752,156	4,640,755	132,309
Advances - net	198,239,155	3,025,175	40,581,531	31,723,075	60,657,360	35,631,318	13,810,935	10,921,950	1,864,789	23,022
Operating fixed assets	9,054,156	75,944	159,497	307,593	1,091,204	739,757	501,313	229,566	436,846	5,512,436
Deferred tax assets	617,200	-	-	-	359	120,931	181,217	302,148	1,800	10,745
Other assets - net	11,031,450	5,720,961	664,312	480,562	44,802	630,000	3,490,813	-	-	-
	342,553,070	67,451,339	56,443,949	45,939,106	81,369,061	37,741,671	18,779,422	22,205,820	6,944,190	5,678,512
Liabilities										
Bills payable	7,089,679	7,089,679	-	-	-	-	-	-	-	-
Borrowings	23,943,476	14,880,574	4,440,262	2,130,468	179,142	-	-	-	2,313,030	-
Deposits and other accounts	257,461,838	225,345,437	7,950,363	6,229,354	7,688,296	2,840,110	1,333,264	4,286,583	1,788,431	-
Sub-ordinated loan	1,597,440	-	637,440	-	480,000	480,000	-	-	-	-
Deferred tax liabilities	444,827	1,036	2,073	3,109	20,564	12,437	12,437	24,874	47,843	320,454
Other liabilities	11,171,496	3,369,864	623,301	460,994	2,878,406	498,190	501,349	1,023,194	954,932	861,266
	301,708,756	250,686,590	13,653,439	8,823,925	11,246,408	3,830,737	1,847,050	5,334,651	5,104,236	1,181,720
Net assets	<u>40,844,314</u>	<u>(183,235,251)</u>	<u>42,790,510</u>	<u>37,115,181</u>	<u>70,122,653</u>	<u>33,910,934</u>	<u>16,932,372</u>	<u>16,871,169</u>	<u>1,839,954</u>	<u>4,496,792</u>
Share capital	5,463,276									
Reserves	24,662,426									
Unappropriated profit	5,530,973									
Surplus on revaluation of assets - net of tax	5,187,639									
	<u>40,844,314</u>									

The above maturity profile has been prepared in accordance with International Accounting Standard (IAS) 30: Disclosure in the financial statements of banks and similar financial institutions based on contractual maturities. The maturity profile disclosed in note 44.4.2 includes maturities of current and saving deposits determined by the Assets and Liabilities Management Committee (ALCO) keeping in view the historical withdrawal pattern of these deposits.

Notes to the Financial Statements for the year ended December 31, 2007

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

	2007									
	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	39,683,883	39,683,883	-	-	-	-	-	-	-	-
Balances with other banks	3,807,519	3,807,519	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,051,372	51,372	1,000,000	-	-	-	-	-	-	-
Investments - net	113,089,261	24,269,921	14,302,761	20,917,643	37,450,361	4,620,702	1,267,859	2,756,134	5,563,919	1,939,961
Advances - net	218,960,598	5,965,111	27,227,275	49,538,582	61,024,392	17,891,332	17,891,332	35,782,665	1,455,964	2,183,945
Operating fixed assets	16,024,123	55,169	8,199	165,501	331,003	853,421	662,005	824,106	392,654	12,732,065
Deferred tax assets	608,004	-	-	-	354	119,129	178,517	297,646	1,773	10,585
Other assets - net	17,868,761	2,414,006	1,259,203	957,612	2,100,422	2,130,209	3,681,785	5,325,524	-	-
	411,093,521	76,246,981	43,797,438	71,579,338	100,906,532	25,614,793	23,681,498	44,986,075	7,414,310	16,866,556
Liabilities										
Bills payable	10,479,058	10,479,058	-	-	-	-	-	-	-	-
Borrowings	39,406,831	33,027,113	3,300,305	606,336	-	-	-	2,473,077	-	-
Deposits and other accounts	292,098,066	29,996,252	33,628,921	76,432,222	85,863,528	21,973,538	16,579,245	15,741,140	6,927,894	4,955,326
Sub-ordinated loan	479,232	-	479,232	-	-	-	-	-	-	-
Deferred tax liabilities	1,788,166	4,165	8,333	12,498	82,665	49,996	49,996	99,991	192,325	1,288,197
Other liabilities	11,722,493	2,225,621	2,084,452	2,031,494	2,217,241	868,314	868,314	868,249	558,808	-
	355,973,846	75,732,209	39,501,243	79,082,550	88,163,434	22,891,848	17,497,555	19,182,457	7,679,027	6,243,523
Net assets										
	55,119,675	514,771	4,296,195	(7,503,212)	12,743,098	2,722,945	6,183,943	25,803,618	(264,717)	10,623,033
Share capital	6,282,768									
Reserves	34,000,638									
Unappropriated profit	5,130,750									
Surplus on revaluation of assets - net of tax	9,705,519									
	55,119,675									

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.

Notes to the Financial Statements for the year ended December 31, 2007

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

	2006									
	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	32,465,976	32,465,976	-	-	-	-	-	-	-	-
Balances with other banks	6,577,017	6,455,197	-	-	121,820	-	-	-	-	-
Lendings to financial institutions	21,081,800	11,396,800	7,985,000	1,700,000	-	-	-	-	-	-
Investments - net	63,486,316	8,311,286	7,053,609	11,727,876	19,453,516	619,665	795,144	10,752,156	4,640,755	132,309
Advances - net	198,239,155	3,025,175	40,581,531	31,723,075	60,657,360	35,631,318	13,810,935	10,921,950	1,864,789	23,022
Operating fixed assets	9,054,156	75,944	159,497	307,593	1,091,204	739,757	501,313	229,566	436,846	5,512,436
Deferred tax assets	617,200	-	-	-	359	120,931	181,217	302,148	1,800	10,745
Other assets - net	11,031,450	5,720,961	664,312	480,562	44,802	630,000	3,490,813	-	-	-
	342,553,070	67,451,339	56,443,949	45,939,106	81,369,061	37,741,671	18,779,422	22,205,820	6,944,190	5,678,512
Liabilities										
Bills payable	7,089,679	7,089,679	-	-	-	-	-	-	-	-
Borrowings	23,943,476	14,880,574	4,440,262	2,130,468	179,142	-	-	-	2,313,030	-
Deposits and other accounts	257,461,838	26,101,223	32,870,784	69,126,607	70,585,549	20,010,179	14,028,581	14,123,596	6,263,182	4,352,137
Sub-ordinated loan	1,597,440	-	637,440	-	480,000	480,000	-	-	-	-
Deferred tax liabilities	444,827	1,036	2,073	3,109	20,564	12,437	12,437	24,874	47,843	320,454
Other liabilities	11,171,496	3,369,864	623,301	460,994	2,878,406	498,190	501,349	1,023,194	954,932	861,266
	301,708,756	51,442,376	38,573,860	71,721,178	74,143,661	21,000,806	14,542,367	15,171,664	9,578,987	5,533,857
Net assets	40,844,314	16,008,963	17,870,089	(25,782,072)	7,225,400	16,740,865	4,237,055	7,034,156	(2,634,797)	144,655
Share capital	5,463,276									
Reserves	24,662,426									
Unappropriated profit	5,530,973									
Surplus on revaluation of assets - net of tax	5,187,639									
	<u>40,844,314</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.

Notes to the Financial Statements for the year ended December 31, 2007

44.5 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. This definition includes legal risk, but excludes strategic and reputational risks. It is one of the three risk areas addressed by Basel II guidelines.

The Operational Risk Management Division (ORMD) is primarily responsible for the management of operational risk across the bank. Although individual business units and support functions are risk owners, ORMD assists them in identification, assessment, and mitigation of operational risks. A comprehensive Operational Risk Framework has been developed and was approved by the President in May 2007. Furthermore, the Risk Management Policy, which addresses operational risk issues at the policy level, was also reviewed and revised during the year.

The strategy for mitigating operational risks is to first better understand the Bank's internal risk and control profile, and then prioritize processes for managing operational risk.

Major processes for operational risk management include, but are not limited to, a Risk & Control Self Assessment exercise, regular reporting of operational losses and control breaches through ORMD to senior management, setting and monitoring of tolerance limits, and improving awareness of, and adherence to, operational risk aspects across the Bank.

Key mitigating tools have been developed in the form of Business Continuity Planning, Outsourcing and Insurance policies.

Being a relatively new area of focus for risk management, operational risk is still in a stage of evolution. However, the Bank has ensured that best business practices are incorporated as much as possible.

45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 15, 2008 has announced a final cash dividend in respect of the year ended December 31, 2007 of Rs. 5 per share (2006: Rs. 1.50 per share) and bonus shares Nil (2006: 15%). These financial statements for the year ended December 31, 2007 do not include the effect of these appropriations which will be accounted for subsequent to the year-end.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on February 15, 2008.



Atif Bajwa
President and Chief Executive



Tariq Rafi
Director



Mian Raza Mansha
Director



S. M. Muneer
Director

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

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	Balance as at December 31, 2007
------(Rupees in '000)-----					
Fully Paid-up Preference Shares					
Azgard Nine Limited		1,160,241	10	11,602	11,602
Masood Textile Mills Limited	1.1	5,000,000	10	50,000	50,000
					61,602
Fully Paid-up Ordinary Shares					
Abbott Laboratories Pakistan Limited		124,100	10	1,241	21,732
Allied Bank Limited		723,300	10	7,233	90,161
Arif Habib Bank Limited		19,000	10	190	190
Arif Habib Securities Limited		240,000	10	2,400	40,428
Askari Bank Limited (Formerly Askari Commercial Bank Limited)		3,245,642	10	32,456	300,669
Atlas Bank Limited		1,771,000	10	17,710	29,560
Azgard Nine Limited (Ordinary Shares)		125,000	10	1,250	4,972
Bank Alfalah Limited		2,854,100	10	28,541	152,937
Bank Al-Habib Limited		2,678,017	10	26,780	168,212
Bank Islami Pakistan Limited		150,000	10	1,500	2,686
Century Papers & Board Mills Limited		438,460	10	4,385	17,657
Cherat Cement Company Limited		28,800	10	288	1,669
Crescent Commercial Bank Limited		100,000	10	1,000	2,140
EFU General Insurance Limited		805,070	10	8,051	63,229
EFU Life Insurance Company Limited		5,046	10	50	369
Engro Chemical Pakistan Limited		913,004	10	9,130	228,341
Fauji Fertilizer Bin Qasim Company Limited		3,589,674	10	35,897	157,419
Fauji Fertilizer Company Limited		6,818,316	10	68,183	601,703
Glaxosmithkline Pakistan Limited		434,672	10	4,347	54,790
Habib Bank Limited		530,700	10	5,307	145,932
Habib Metropolitan Bank Limited		409,842	10	4,098	26,376
Hub Power Company Limited		27,254,425	10	272,544	661,568
IGI Insurance Company of Pakistan Limited		144,048	10	1,440	44,255
Indus Motor Company Limited		65,000	10	650	13,386
International Industries Limited		252,966	10	2,530	29,336
JS Bank Limited		1,100,000	10	11,000	25,382
Kohinoor Energy Limited		55,000	10	550	1,566
Kot Addu Power Company Limited		4,360,400	10	43,604	221,686
Lucky Cement Limited		105,000	10	1,050	13,120
Mehr Dastagir Textile Mills Limited		1,616,912	10	16,169	16,169
Millat Tractors Limited		311,583	10	3,116	52,815
National Bank of Pakistan		1,023,357	10	10,234	253,007
NIB Bank Limited		325,000	10	3,250	7,331
Oil & Gas Development Company Limited		2,250,165	10	22,502	276,570
Orix Leasing Pakistan Limited		220,800	10	2,208	5,025
Pace Pakistan Limited		275,000	10	2,750	9,915
Packages Limited		25,793	10	258	7,244
Pak Suzuki Motor Company Limited		24,600	10	246	9,939
Pakistan Cables Limited		78,833	10	788	14,410
Pakistan Cement Company Limited		100,000	10	1,000	1,393
Pakistan Oilfields Limited		305,000	10	3,050	103,954
Pakistan Petroleum Limited		1,145,080	10	11,451	290,535
Pakistan State Oil Company Limited		72,000	10	720	25,520
Pakistan Telecommunication Company Limited		6,022,731	10	60,227	305,432
Pakistan Tobacco Company Limited		138,700	10	1,387	22,536

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

Investee entities	Number of ordinary and preference shares/certificates/units held	Paid-up value per share/certificate/unit	Total paid-up/nominal value	Balance as at December 31, 2007	
			------(Rupees in '000)-----		
PICIC Commercial Bank Limited	275,000	10	2,750	11,849	
Rupali Polyester Limited	658,545	10	6,585	46,475	
Shell Pakistan Limited	65,300	10	653	27,753	
Soneri Bank Limited	2,218,700	10	22,187	100,330	
Sui Northern Gas Pipelines Limited	47,728,822	10	477,288	2,205,253	
Taj Textile Mills Limited	400	10	4	1	
Thal Limited	11,700	5	59	602	
Trust Securities & Brokerage Limited	300,000	10	3,000	3,000	
Unilever Pakistan Limited	33,280	50	1,664	47,892	
United Bank Limited	1,760,200	10	17,602	296,364	
Zulfiqar Industries Limited	25,238	10	252	3,557	
Total				7,266,342	
Fully Paid-up Modaraba Certificates	Name of Management Company				
First Al-Noor Modaraba	Al-Noor Modaraba Management (Private) Limited	5,553,270	10	55,533	60,606
Total				60,606	
Carrying value (before revaluation and provision) Listed Shares 'available for sale'				7,388,550	
Provision for diminution in value of investments				(197,496)	
Surplus on revaluation of securities				1,808,152	
Carrying value as at December 31, 2007				8,999,206	
Fully Paid-up Ordinary Certificates/ Units of Mutual Funds	Name of Management Company	Number of Ordinary and Preference shares	Paid-up value per share/certificate/unit	Total paid-up/nominal value	Carrying value as at December 31, 2007
NAFA Cash Fund	National Fullerton Asset Management Limited	952,562	10	9,526	10,000
HBL Income Fund	Habib Asset Management Company	287,246	100	28,725	30,000
IGI Income Fund	IGI Funds Limited	286,287	100	28,629	30,000
MCB Dynamic Cash Fund*	MCB Asset Management Company Limited	12,151,257	100	1,215,126	1,250,000
Atlas Islamic Fund	Atlas Asset Management Company Limited	20,597	500	10,299	10,000
MCB Dynamic Stock Fund (IPO)*	MCB Asset Management Company Limited	3,033,874	100	303,387	301,909
Unit Trust Of Pakistan		636,262	10	6,363	30,154
Carrying value before revaluation					1,662,063
Surplus on revaluation of securities					106,317
Carrying value as at December 31, 2007					1,768,380

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.

* MCB Dynamic Cash Fund and MCB Dynamic Stock Fund are carried at fair value of Rs. 1,272.30 million (cost Rs. 1,250.00 million) and Rs. 323.365 million (cost Rs. 301.909 million), (2006: Nil and Nil) respectively as the Bank's management is of the view that these are not its associated undertakings.

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

2. Particulars of Investments in listed companies-Held for trading

	Number of ordinary shares held	Paid-up value per share	Total paid-up/nominal value	Balance as at December 31, 2007
National Bank of Pakistan	24,700	10	247	6,065
Pakistan Petroleum Limited	75,000	10	750	19,362
Pakistan State Oil Company Limited	10,000	10	100	4,282
Arif Habib Securities Limited	178,800	10	1,788	32,421
Attock Refinery Limited	193,200	10	1,932	51,972
Bank Al-Habib Limited	25,000	10	250	1,978
Bosicar Pakistan Limited	300,000	10	3,000	6,710
Engro Chemical Pakistan Limited	87,900	10	879	24,482
Fauji Cement Company Limited	100,000	10	1,000	1,635
Glaxosmithkline Pakistan Limited	12,800	10	128	2,631
J. O. V. & Company	50,000	10	500	8,583
KASB Bank Limited	50,000	10	500	1,035
Lucky Cement Limited	25,000	10	250	3,054
National Refinery Limited	24,500	10	245	9,369
Pace Pakistan Limited	215,500	10	2,155	8,099
Pakistan Cement Company Limited	100,000	10	1,000	1,335
Pakistan Oilfields Limited	85,000	10	850	30,842
Thal Limited	5,500	5	28	1,624
TRG Pakistan Limited	99,500	10	995	1,424
United Bank Limited	75,000	10	750	13,849
Total	1,737,400			230,752

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

Company Name	Percentage of Holding (%)	Number of Shares / certificates held	Carrying value as at December 31, 2007 (Rupees in '000)	Net asset value of total investment		Name of the Chief Executive
				(Rupees in '000)	Based on audited financial statements as at	
Shareholding more than 10%						
Fully paid up preference shares						
Fazal Cloth Mills Limited (2.2)	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	19,770	June 30, 2007	Mr. Ashfaq A. Berdi
Khushhali Bank Limited	17.60%	300	300,000	311,062	December 31, 2006	Mr. Ghalib Nishtar
Central depository Company Limited *	10.00%	3,022,500	10,000	105,097	June 30, 2007	Mr. Mohammad Hanif Jhakura
			321,500			
Shareholding upto 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
First Capital Investment Limited		250,000	2,500	3,746	June 30, 2007	Mr. Mohammad Faisal Potrik
Equity Participation Fund		15,000	1,500	8,795	June 30, 2007	Mr. Jamil Nasim
National Institute Of Facilitation Technology		662,584	1,527	38,485	June 30, 2007	Mr. Muzaffar Mahmood Khan
National Investment Trust Limited		52,800	100	267,554	June 30, 2007	Mr. Tariq Iqbal Khan
SME Bank Limited (Formerly SBFC)		1,490,619	10,106	17,786	December 31, 2006	Mr. Mansur Khan
Society for Worldwide Inter Fund Transfer (SWIFT)		31	2,993	6,004	December 31, 2006	Mr. Leonard H.Shcrank
Lanka Clearing (Private) Limited		100,000	571	1,163	March 31, 2007	Mr. Sarath De Silva
Credit Information Bureau of Srilanka		300	17	14	December 31, 2005	Mr. N.P.H.Amarasena
Arabian Sea Country Club		500,000	2,900	2,900	June 30, 2007	Mr. Asif Ali Khan Abbasi
Lanka Financial Services Bureau Limited		200	1,142			
			23,356			
Carrying value of unlisted shares/ certificates/ units			444,856			
Provision against unlisted shares			70,477			
			515,333			

3.1 The above excludes shares of companies which are fully provided for in these financial statements. All the above companies are incorporated in Pakistan, except for Lanka Clearing (Private) Limited, Credit Information Bureau of Srilanka, Lanka Financial Services Bureau Limited and SWIFT.

3.2 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.

* Increase in share capital consequent to the issuance of bonus shares after the balance sheet date has been taken in the determination of net asset value disclosed above.

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

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

Investee	Number of certificates held	Paid up value per certificate ----- (Rupees) -----	Total paid up value (before redemption)	Profit	Principal redemption	Balance as at December 31, 2006 (Rupees in '000)	Name of Chief Executive
LISTED TERM FINANCE CERTIFICATES - available for sale							
Askari Bank Limited (Formerly; Askari Commercial 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.	99,900	Mr. Shaharyar Ahmad
- 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.	99,820	--do--
	39,980		199,900,000				
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.	99,880	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.	49,942	Mr. Muhammad Saleem Akhtar
- issue no. III	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.	198,448	--do--
	49,720		248,600,000				
Jahangir Siddiqui and Company Limited	40,000	5,000	200,000,000	Base rate + 1.5% p.a. with a floor and cap of 7.5% and 13% respectively (base rate is the cut-off yield of the last successful 5-year PIB auction by SBP)	In 4 equal semi-annual installments from the 42nd month from April 2003.	49,940	Mr. Munaf Ibrahim
Pakistan Services Limited	20,000	5,000	100,000,000	SBP Discount Rate + 2.25% p.a. with a floor and cap of 9.75% and 13.75% respectively.	In 7 equal semi-annual installments and will commence from the 24th month from November 2003 after a grace period of 18 months.	4,265	Mr. Murtaza Hashwani
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.	149,850	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.	284,776	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.	100,000	Mr. Khalil-ur- Rehman Tarin (M.D.)
Carrying value before revaluation						1,136,821	
Add: Revaluation surplus						27,180	
Carrying value of listed TFCs (revalued amount)						1,164,001	

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

SUKUK BONDS - available for sale

	At maturity	Half-yearly	Terms of Redemption		Rate of interest	Currency	
			Principal	Interest			
WAPDA Sukuk Bonds			6 Month	PKR		400,000	Mr. Muhammad Shakil Durrani
			KIBOR+0.35%				
Carrying value before revaluation						19,000	
Add: Revaluation surplus							
Carrying value of Sukuk bonds (revalued amount)						419,000	
UN-LISTED TERM FINANCE CERTIFICATES - held to maturity							
Jahangir Siddiqui and Company Limited	56	5,000,000	280,000,000	6 months KIBOR + 1.5% to 2.2% p.a. over 10 years	In 4 equal semi-annual installments, starting from 8-1/2 years from December 2004.	279,608	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.	500,000	Mr. Istaqbal Mehdi (M.D.)
Pakistan Mobile Corporation Limited	100,000	5,000	500,000,000	6 months KIBOR + 1.6% p.a.	In 5 equal semi-annual installments starting from the 36th month from March 2004.	300,000	Mr. Zuhair A. Khaliq
Carrying value of unlisted TFCs						1,079,608	

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 and Federal Government Securities (refer note 9) - held to maturity

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency Amount (in '000)	Carrying value as at December 31, 2006 (Rupees in '000)
	Principal	Interest				
Federal Government Securities						
Federal Government Securities Government of Pakistan	Yearly	Yearly	"Barclays Bank's 3 months USD LIBOR +1%"	US\$	6,110	378,845
Government of Srilanka Treasury Bonds						
Srilanka Development Bonds	At maturity	Half-yearly	11.75%	SLRs	353,474	201,763
	At maturity	Half-yearly	6.55%	US\$	2,000	124,320
					361,584	704,928
Government Compensation Bonds						
Heavy Mechanical Complex	At maturity	Yearly	6.00%	PKR	-	27,224
Public Sector Enterprises Bonds (PSE-89)	At maturity	Yearly	6.00%	PKR	-	556,990
Public Sector Enterprises Bonds (PSE-90)	At maturity	Yearly	9.00%	PKR	-	286,557
					-	870,771
Sukuk Bonds						
Government Sukuk Bonds	At maturity	Half-yearly	6 Month LIBOR+2.2%	US\$	12,669	785,475
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	6 Month KIBOR+1.4%	PKR	-	350,000
Century Paper and Boards Mills Limited Sukuk Bonds	At maturity	Half-yearly	6 Month KIBOR+1.35%	PKR	-	250,000
					12,669	1,785,475
Euro Bonds						
Euro Bonds - OBU Bahrain	At maturity	Half-yearly	6.75%	US\$	47,805	2,963,910
Euro Bonds - OBU Bahrain Treasury	At maturity	Half-yearly	6.88%	US\$	3,908	242,296
Euro Bonds - Srilanka	At maturity	Half-yearly	6.75%	US\$	1,503	93,424
					53,216	3,299,630

* The above excludes bonds, which are fully provided for in these financial statements.

Notes to the Financial Statements for the year ended December 31, 2007

6. Details of certificates of investment (refer note 9) - held to maturity in local currency

Annexure - I

Company Name	Carrying value at December 31, 2007 (Rupees in '000)	Profit rate (%)	Maturity date
Pak Libya Holding Company Limited	250,000	9.85	February 7, 2008
Saudi Pak Commercial Bank Limited	250,000	9.80	February 25, 2008
	500,000		

7. Investment in subsidiaries

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

Name	% of holding	Country of incorporation	Year of incorporation
Muslim Commercial Financial Services (Private) Limited	* 99.997	Pakistan	1992
MNET Services (Private) Limited	* 99.950	Pakistan	2001
MCB Trade Services Limited	100.00	Hong Kong	2005
MCB Asset Management Company Limited	99.990	Pakistan	2005

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

8. Summarised 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	% of interest held
----- (Rupees in '000) -----							
2007							
First Women Bank Limited (unaudited based on September 30, 2007)	Pakistan	8,148,575	7,102,478	1,046,097	375,134*	111,845	26.78%
Adamjee Insurance Company Limited (unaudited based on September 30, 2007)	Pakistan	14,362,406	9,368,665	4,993,741	4,100,951**	1,543,244	29.13%
		22,510,981	16,471,143	6,039,838	4,476,085	1,655,089	
2006							
First Women Bank Limited	Pakistan	8,232,447	7,401,926	830,521	360,263*	105,752	26.78%
Adamjee Insurance Company Limited	Pakistan	10,567,871	7,068,793	3,499,078	3,899,013**	1,287,706	29.13%
		18,800,318	14,470,719	4,329,599	4,259,276	1,393,458	

* Represents net mark-up / interest income

** Represents net premium revenue

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - II

ISLAMIC BANKING BUSINESS

The Bank is operating 8 Islamic banking branches at the end of December 31, 2007 as compared to 6 Islamic banking branches at the end of December 31, 2006.

	2007	2006
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	601,665	92,053
Investments	1,419,000	800,000
Financing and receivables		
-Murabaha	2,406,402	1,592,019
-ljara	1,585,202	1,073,014
-Islamic export refinance	738,178	268,347
Other assets	764,036	505,909
Total Assets	7,514,483	4,331,342
LIABILITIES		
Bills payable	47,115	14,517
Deposits and other accounts		
-Current accounts	440,567	121,102
-Saving accounts	907,283	264,268
-Term deposits	76,382	54,439
-Others	30,256	7,968
Borrowings from SBP	593,000	316,782
Due to head office	4,750,000	2,750,000
Deferred Tax Liability	4,988	-
Other liabilities	113,598	434,076
	6,963,189	3,963,152
NET ASSETS	551,294	368,190
REPRESENTED BY		
Islamic banking fund	400,000	280,000
Unappropriated profit	137,282	88,190
	537,282	368,190
Surplus on revaluation of assets - net of tax	14,012	-
	551,294	368,190
Remuneration to Shariah Advisor / Board	1,179	935
CHARITY FUND		
Opening Balance	3,244	2,757
Additions during the year	983	487
Payments / utilization during the year	-	-
Closing Balance	4,227	3,244

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - III

Statement showing written-off Loans or any other financial relief of five hundred thousand rupees or above provided during the year 2007.

(Rupees in '000)

Sr. No.	Name and 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	Interest/Mark-up	Other	Total					
1	M/S JOHNSON & PHILLIPS (PAKISTAN) LTD C-10, South Avenue, S.I.T.E, Karachi.	1. Shehryar Anwer Saeed 2. Mohammad Asad Khan 3. Nadeem S. Qureshi 4. Raja Ahmed Khan 5. Fayaz Ahmed Longi 6. Ms.shahnila Parekh				123,071	68,919	-	191,990	118,971	-	68,919	187,890
2	M/S GANDAF STEEL INDUSTRIES (PVT) LTD 93-94, Industrial Area, I-9, Islamabad.	1. Muhammad Nasir Khan 2. Muhammad Raza Khan	101-55-519788 101-46-046586	Haji Muhammad Umar Khan Haji Muhammad Umar Khan		27,398	28,119	500	56,017	27,398	5,526	23,093	56,017
3	M/S RIZWAN TEXTILE MILLS LTD No.4, 1st Floor, Malik Complex, 80-West Blue Area, Islamabad.	1. Kamran Sadiq 2. Ms.Munawar Begum 3. Miss.Shazia Sadiq 4. Muhammad Sadiq 5. Mrs.Bushra Kamran 6. Rizwan Sadiq 6. Rizwan Sadiq H # 141, St.14, Sector E-7, Islamabad. 7. Muhammad Munsif H # 680, Chaklala Scheme-III, Rawalpindi.	221-92-588474 61101-2967863-6 221-77-693829 61101-8663515-9 61101-5463383-6 61101-6788739-1 37405-0314737-3	Muhammad Sadiq W/o Muhammad Sadiq Muhammad Sadiq Haji Malik Abdullah Khan W/o Kamran Sadiq Muhammad Sadiq Muhammad Afsar		58,929	79,908	750	139,587	58,929	28,647	43,749	131,325
4	M/S.ARSALA INTERNATIONAL 947/14, F.B.Area, Karachi.	1. Gulzar Ahmed Chandio 2. Asadullah Khan	42201-4721258-9	Haji Ali Nawaz Imdadullah Khan		643	1,461	12	2,116	643	-	1,473	2,116
5	M/S.GULZAR TIN BOX & TIN CUTTING INDUSTRY R-59, Block-2, F.B.Area, Karachi	Gulzar Ahmed Chandio	42201-4721258-9	Haji Ali Nawaz		224	943	42	1,209	224	-	985	1,209
6	M/S.STANDARD CONTAINERS Plot No.DF-1534, Survey No.885, Bhangoria Goth, F.B.Area, Karachi.	Zakir Noor Khan	42201-0484185-1	Saadat Noor khan		297	1,063	21	1,381	297	-	1,084	1,381
7	M/S.SINDH ENGINEERING CONCERN 6/3,Al-Hayat Chambers, Sultan Ahmed Shah Road, Karachi.	Sibghatullah	409-86-161780	Abdul Jabbar		703	1,611	52	2,366	528	-	1,663	2,191
8	M/S.ALI'S INTERNATIONAL 242/1, Sector-24, Korangi Industrial Area, Karachi.	Kazi Rahat Ali	514-61-177211	Hakeem Musarrat Ali		11,486	8,758	-	20,244	-	-	5,804	5,804
9	M/S.GHAZI VEGITABLE GHEE & OIL MILLS LTD 16-Street No.37, F-8/1, Islamabad.	1. Aziz Muhammad Khan 2. Bashir Ahmed 3. Mrs.Hamida Begum 4. Javed Mehmood Khan 5. Khalid Abbasi 6. Maqsood Khan 7. M.Saghir Khan	101-45-478911 701-57-527083 701-42-423660 701-92-289011 703-76-011688 703-48-011686 701-51-052413	Ali Moahammad Khan Noor Akbar Khan W/o M.Younas Khan(Late) Khan Mohammad Khan Mohammad Maqsood Khan Itar Khan Sardar Mohammad Feroz Khan		90,971	17,060	-	108,031	90,246	9,204	7,856	107,306
10	M/S.ZAM COTTON MILLS LTD. 51-A-III, Gulberg-III, Lahore.	1. Muhammad Zarak Khan 2. Mrs.Mumtaz Abbas Khan 3. Mrs.Sarwar Jehan Begum 4. Mst.Zarmina 5. Mst.Mehar Sultana 6. Muhammad Zarif 7. Imtiaz Ali	136-89-081180 136-48-081177 128-24-072575 136-89-081179 139-34-075380 122-35-060037 139-90-075377	Muhammad Abbas Khan W/o Muhammad Abbas Khan W/o Amir Khan Hoti D/o Muhammad Abbas Khan W/o Ajab Gul Mehboob Khan Ajab Gul		106,151	164,390	-	270,541	80,151	10,217	154,173	244,541

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - III

Statement showing written-off Loans or any other financial relief of five hundred thousand rupees or above provided during the year 2007.

(Rupees in '000)

Sr. No.	Name and Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at beginning of				Principal Written-off	Interest/ Mark-up Written-off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest/ Mark-up	Other	Total				
11	M/S.THARPARKER SUGAR MILLS LTD Kot Ghulam Muhammad, Mirpurkhas, Sindh.	1. Imtiaz Ali Shah 2. Ali Qutub Shah 3. Adil Ali Shah 4. Irfan Ali Shah 5. Imdad Ali Shah 6. Imran Iqbal 7. Ashraf Kothari	475-88-080553 501-34-442248 475-93-317732 475-91-080557 477-47-004643 516-88-096663 511-52-043771	S. Ghulam Hyder Shujah M. Shah Abid Ali Shah S. Ghulam Hyder M. Iqbal M. Iqbal Jan Muhammad	8,249	-	-	8,249	3,249	-	-	3,249
12	M/S.SAKRAND SUGAR MILLS LTD 41-K, Block-6, P.E.C.H.S., Karachi.	1. A. Sattar Kerio 2. Mrs. Hamida Bano 3. Miss.Zahida Bano Kerio 4. Miss.Shahida Kerio PRESENT MANAGEMENT Mr. Khalid Mirza (Receiver appointed by court)			34,973	-	-	34,973	32,658	-	-	32,658
13	M/S.KIRAN SUGAR MILLS LTD Dubber Road, Rohri, Distt Sukkur.	1. Islamuddin Shaikh 2. Asif Iqbal 3. Haji Haroon Kapadia 4. Akhtar Ali 5. Muhammad Saeed Khan 6. Mrs.Noorin Islamuddin	45504-2238311-9 42201-057315-1 517-39-048473 32102-5708852-7 42201-8138073-7 409-57-229189	Noor Mohammad M. Yaseen Zubari Haji Habib Kapadia Abdul Shakoor Inayat Ali Khan Islamuddin Shaikh	26,666	-	-	26,666	26,666	-	-	26,666
14	M/S.BAWANY SUGAR MILLS LTD Dewan Centre 3-A, Lalazar, Beach Hotel Road, Karachi.	1. Shamsuddin Khawaja 2. Mrs.Husna Amjad Qazi 3. M.Arshad Mirza 4. Mohammad Din 5. M.Ashiq 6. Qazi Amjad Abbasi 7. Abdul Hasan	458-52-028641 502-61-049068 449-61-301151 494-78-012093 455-91-027431 450-58-131152 458-91-186608	Ali Muhammad Amjad Qazi Abbasi M. Iqbal Mirza Shamsuddin Memon M. Ismail (Late) Qazi Abdul Majeed Abid Abbasi M. Hassan Khan	5,559	2,312	-	7,871	4,134	475	-	4,609
15	M/S KIM FOODS (PVT) LTD. 15-B, Old Jamrud Road, University Town, Peshawar.	1. Abdul Moqees Tahir 2. Khalid Bashir Sheikh 3. Maqbool Hussain 4. Muhammad Irfanuddin 5. Qari Munir Ahmed 6. Mrs.Rizwan Imtiaz 7. Umar Farooq 8. Waseem Malik	101-64-038838 027-42-388078 502-93-761172 240-88-669246 101-89-038840 285-62-242947	Abdul Ghaffar Nasir Sh.Muhammad Bashir Mirza Khan Abdul Ghaffar Ishfaq Ahmed Qari Abdul Ghaffar Nasir Malik Muhammad Tufail	4,103	8,453	55	12,611	4,103	175	8,333	12,611
16	MUHAMMAD SHAKEEL FARIDI 227-A, Gulberg Colony, Faisalabad.	Muhammad Shakeel Faridi	33102-1775994-5	Muhammad Jamil Chiragh	1,625	-	-	1,625	1,625	-	-	1,625
17	M/S.YADGAR DISTRIBUTORS (PVT) LTD Opp GPO, Paris Road, Sialkot.	1. Hafeez M. Yad 2. Tanveer Hafeez 3. Ms. Zarina Javed	300-25-097847 45453-5564654-6 54531-3215456-6	Ghulam Sabir Hafeez Muhammad Hafeez Muhammad	895	870	-	1,765	895	-	870	1,765
18	M/S.ALI MODERN TRADERS 87-Badami Bagh, Lahore.	M.Azam Khan	35202-3654889-7	M. Ayub	552	684	98	1,334	552	-	782	1,334
19	M/S.ADVANCE CHEMICALS (PVT) LTD Butt House, 1-A, Faiz Road, Old Muslim Town, Lahore.	1. Mian Maqbool Ahmed 2. Raheel Pervaiz 3. Muhammad Nazir Ch. 4. Mrs. Zubaida Asad Gillani 5. Nisar A. Bajwa	35203-4879562-2 35204-8456465-4 35204-5648456-2 35206-4484451-3	Mian M. Shafi Ch. M. Siddique Ch. M. Siddique W/o Syed Ahmed Hussain	1,932	1,211	-	3,143	1,932	932	279	3,143
20	M/S.AGHA FABRICS (PVT) LTD 29 Khaid Street, Islamia Park, Lahore.	1. Agha Asad Nizam 2. Mrs.Attia Asad 3. Agha Nizam- ud -Din	35207-9874113-3 21456-4641313-3 35204-8744133-3	Agha Nizam-ud-Din W/o Agha Asad Qazi Ghulam Mohy-ud-Din	4,900	6,200	50	11,150	4,900	-	6,250	11,150
21	M/S.CAPITAL TRADERS (PVT) LTD Capital Road, Sialkot.	1. Mian Mehmood Hussain 2. Aamir Rahim 3. Jahangir Mehmood	35206-545464-5 300-65-200167	Hakim Din Abdul Rahim Hakim Din	28,253	8	-	28,261	28,253	8	-	28,261

Notes to the Financial Statements for the year ended December 31, 2007

Statement showing written-off Loans or any other financial relief of five hundred thousand rupees or above provided during the year 2007.

Annexure - III

(Rupees in '000)

Sr. No.	Name and Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at beginning of				Principal Written-off	Interest/Mark-up Written-off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest/Mark-up	Other	Total				
22	M/S.LIFE CARE ENTERPRISES Capital Road, Sialkot.	1. Hamid Mehmood 2. Mrs.Tasneem Maqsood 3. Umar Mehmood 4. Mrs.Waseem Khushnud	35202-4556451-5 35204-5648456-6 35204-4446468-9 35206-4844654-6	Hakim Din Madsood Ahmed Mian Mehmood Hussain W/o Khushnud Ahmed	1,921	-	16	1,937	1,921	-	16	1,937
23	M/S.AL-IMRAN TRADING CORPORATION 41-A, Street No.2, Cavalary Ground, Lahore.	1. Muhammad Ikram 2. Mrs. Zahida Parveen 3. Nazar Hussain 4. Mrs.Kalsoom Akhtar	35224-4644544-6 11564-5131311-5 64645-6111113-1 32454-6546546-1	Nazir Hussain Muhammad Ikram Muhammad Hayat Nazir Hussain	613	716	53	1,382	613	716	53	1,382
24	M/S.TAJ TEXTILE MILLS LTD 31/C-1, Ghalib Road, Gulberg-III, Lahore.	1. Jahangir Elahi 2. Amir Jahangir 3. Tanveer Elahi 4. Shahrukh Elahi 5. Tariq Latif 6. Muhammad Asif 7. Sheikh M.Ashraf	35203-2214695-4 35626-6565656-5 35489-4861113-1 35203-2154456-6 35602-1554646-5	Ehsan Elahi Jahangir Elahi Ehsan Elahi Tanveer Elahi Abdul Latif Muhammad Shafi Sh. Nasir-ud-Din	84,354	12,589	132	97,075	12,383	-	12,721	25,104
25	M/S.TECHNO GLASS INDUSTRIES LTD 198-G, Model Town, Lahore.	1. Shaukat Hussain Bukhari 2. Sakhawat Hussain Bukhari 3. S.M.Tahir-ul-Hassan 4. Muhammad Zahid 5. Syed Azhar Pervaiz 6. Imdad Ali 7. Ms.Zubaida Chandh	654-13-213211 35204-5645321-3 35204-4631315-5 535-13-213211 654-53-213211	Talib Hussain Zafar-ul-Hassan Fazal Hussain Syed M. Aslam Noor Muhammad	20,320	11,745	15	32,080	18,789	11,745	15	30,549
26	M/S.REGAL CERAMICS LIMITED 13 KM Lahore, G.T.Road, Gujranwala.	1. Malik Saleem Ismail 2. Jahangir Ali Shamsi 3. Azizuddin Hassan Ali 4. Ahmed Muhammad Hussain 5. Muhammad Amir Hassan Ali 6. Muhammad Amir Ismail 7. Rahim Pervaiz Ismail 8. Mrs.S.Ali 9. Mehmood Muhammad Hussain	87646-5464313-1 64548-4764654-8 65546-4789745-6	Muhammad Ismail Hassan Ali Charan Hassan Ali Charan Muhammad Hussain Hassan Ali Charan M. Ismail Ali Charan M. Ismail Ali Charan W/o Sikandar Ali Muhammad Hussain	27,027	14,555	-	41,582	27,027	-	14,555	41,582
27	M/S.TESH (PVT) LTD 30-Nicholson Road, Lahore.	1. Salah uddin Ahmed 2. Waheed uddin Sahaf 3. Qamar Javed Bukhari 4. Amar Khurshid Mirza 5. Mrs.Pervaiz 6. Mrs.Sidra Waheed 7. Mrs.Salah Bukhari	275-37-015894 35205-4564654-5 35206-6454513-2	Qamar-ud-Din Sahaf Qamar-ud-Din Sahaf Syed Noor Shah Col Khurshid Mazahir W/o Waheed uddin Sahaf W/o Qamar Javed Bukhari	23,403	3,312	-	26,715	23,403	3,312	-	26,715
28	M/S.FRESH JUICES LTD 218-P, Model Town extension, Lahore.	1. AkhtarHussain Ch. 2.Mrs.Malika Jamila 3. Malik Dil Muhammad 4. Ch.Sardar Hussain 5. Muhammad Alam 6. Muhammad Latif	11151-5454313-1 54131-3211454-6 35454-4312354-5 55154-5413313-3 45454-5444466-8 54132-1145446-6	Ch. Fazal Hussain W/o Akhtar Hussain Muhammad Akram Ch. Fazal Hussain Haji ghulam Qadir Ch. Sultan	7,559	-	-	7,559	5,217	-	-	5,217
29	M/S.MODERN TEXTILE INDUSTRIES 24-1/A, Industrial Estate, Multan.	Zia Mohyuddin	322-76-523128	Ghulam Mohyuddin	4,915	16,249	57	21,221	4,915	-	16,306	21,221
30	M/S.ZAKRIA TEXTILES 1765-10, Khanewal Road, Near Khana Farhang-e-Iran, Multan.	1.Mian Muhammad Arif 2.Muhammad Ali 3.Muhammad Shoaib 4.Ms.Razia Sultana	36302-7156917-7 322-58-581844 322-85-049172 322-32-049158	Sh. Ashiq Hussain Sh. Ashiq Hussain Sh. Ashiq Hussain W/o Sh. Ashiq Hussain	15,816	23,945	439	40,200	15,327	-	24,384	39,711

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - III

Statement showing written-off Loans or any other financial relief of five hundred thousand rupees or above provided during the year 2007.

(Rupees in '000)

Sr. No.	Name and Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at beginning of				Principal Written-off	Interest/Mark-up Written-off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest/Mark-up	Other	Total				
31	M/S.ZAMIR TEXTILE MILLS LTD Atta Turk Block, New Garden Town, Lahore.	1.A.Sheikh 2.Liaquat Malik 3.Ms.Yasmeen A.Sheikh			5,381	5,733	-	11,114	5,381	-	5,733	11,114
32	M/S.ARIF INDUSTRIES 6-C, Chagla Street, Opp Gordhandas Market, Karachi.	Mrs.Afshan A.Khaliq		W/o Abdul Khaliq	5,670	12,530	140	18,340	5,670	-	12,670	18,340
33	M/S.ABDULLAH GARMENTS (PVT) LTD 6-C, Chagla Street, Opp Gordhandas Market, Karachi.	1.Khaliq A.Sattar 2.M.Ilyas A.Sattar 3.Mrs.Afshan A.Khaliq 4.Mrs.Najma M.Ilyas	511-49-019048 511-88-019047	Abdul Sattar Abdul Sattar W/o Abdul Khaliq W/o M. Ilyas	5,868	12,812	139	18,819	5,868	-	12,951	18,819
34	M/S.BHANBHORE BULK STORAGE 6/3.Al-Hayat Chambers, Block 7&8, JCHS, Sultan Ahmed Shah Road, Karachi.	1.Aminuddin Tariq 2.Mst.Azhar Khatoon 3.Azmat Elahi 4.Bashira Dilnawaz 5.Sibghatullah 6.Syed Attiquddin Ahmed 7.Tariq Qureshi	409-86-161780	Abdul Jabbar	17,333	4,662	-	21,995	17,333	4,662	-	21,995
35	M/S.TARIQ SULTAN & CO. 6-B, Block-6, PECHS, Shahra-e-Faisal, Karachi.	1.Khalid Sultan Khawaja 2.Majid Sultan Khawaja 3.Abrar Sethi	135-91-022829	Khawaja Muhammad Yousuf Khawaja Muhammad Yousuf Shafiq Sethi	28,315	70,085	-	98,400	23,211	24,945	45,140	93,296
36	M/S.DANNEMAN FABRICS LTD 10th Floor, Building No.1, Lakson Square, Karachi.	1.Imran Hussain 2.Muzaffar Hussain 3.Nawabzada Ahmed Hussain 4.Akber Liaquat Ali 5.Ali Murad Bozdar 6.Ms.Aisha Baig Muhammad 7.Mrs.Sumayra Ayazuddin			80,420	14,804	-	95,224	74,339	-	14,804	89,143
37	M/S.KAMRAN AND CO. Market Road, Hyderabad.	Amir Ali Khoja		Javed Bhai	1,500	3,252	-	4,752	1,500	436	2,816	4,752
38	M/S.ALI PAPER BOARD INDUSTRIES 27-KM Lahore, Sheikhpura Road, Lahore.	1.Farooq Alam Butt 2.Sirajuddin Butt 3.Asad Akhtar 4.muhammad Saleem Lone 5.Sheikh Amir Ali 6.Sheikh Amir Haider 7.Syed Nisar Ahmed			2,033	3,618	-	5,651	2,033	-	3,618	5,651
39	M/S.SABICO INTERNATIONAL 2./23, Abdullah Square, Altaf Hussain Hali Road, New Challi, Karachi.	Abdul Razzak		H. A. Rehman	2,232	-	-	2,232	2,232	-	-	2,232
40	M/S.OOSMAN BROTHERS Oosman Chambers, Abdullah Haroon Road, Karachi.	1.Anwar Oosman 2.Samir Anwar		Oosman Haji Wali Muhammad Anwar Oosman	2,554	6,901	141	9,596	2,554	-	7,042	9,596
41	M/S.HANIF ADAMJEE & OTHERS Adamjee House, I.I.Chundrigar Road, Karachi.	M.Hanif Adamjee		A. Waheed Adamjee	4,011	740	83	4,834	4,011	-	823	4,834

Notes to the Financial Statements for the year ended December 31, 2007

Statement showing written-off Loans or any other financial relief of five hundred thousand rupees or above provided during the year 2007.

Annexure - III

(Rupees in '000)

Sr. No.	Name and Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at beginning of				Principal Written-off	Interest/Mark-up Written-off	Other Fin. Reliefs Provided	Total	
		Name	NIC No.		Principal	Interest/Mark-up	Other	Total					
42	M/S.RANKIN (PVT) LTD 111-A, SMCCHS, Shahra-e-Faisal, Karachi.	1. Jahanzaib Attiq Siddiqui 2. Atif Attiq Siddiqui 3. Shoukat Ali			1,503	2,884	53	4,440	1,503	-	2,937	4,440	
43	M/S.CHIRAGH SUN ENGINEERING LTD 4-Down Stream Unit, Pakistan Steel Mills, Karachi.	1. Rana Mushtaq Ahmed 2. Rana Saeed Ahmed Zafar 3. Lt.Col.(Rtd) Muhammad Shafi 4. Lt.Col.(Rtd) M.Zafar Khan 5. Col.(Rtd) Abdul Rashid 6. Brig (Rtd) Mian M.Mehmood 7. M.Mubashir Khan			1,118	1,908	-	3,026	839	-	1,908	2,747	
44	M/S.AZEEM TAPES LIMITED Industrial Estate, Jamrud Road, Peshawar.	1. Muhammad Ishaq Jan 2. Fuad Ishaq 3. Shabir Ahmed 4. Mrs. Khursheed Ishaq 5. Mrs. Yasmeen Fuad 6. Mrs. Aisha Manzoor 7. Mrs. Afia Shabir	17301-5076941-9 17301-7483063-9 17301-1681253-3 17301-8595265-6 17301-2244725-8 17301-9388979-0 17301-4482908-4	Mian Muhammad Azeem Muhammad Ishaq Jan Muhammad Aslam W/o Muhammad Ishaq Jan W/o Fuad Ishaq W/o Manzoor Ahmed W/o Shabir Ahmed	1,747	484	-	2,231	1,657	-	484	2,141	
45	M/S.A.H.TRADERS 12, Wazir Mansion, Nicol Road, Karachi.	Bahadur Hamani		Pardhan Bhai	1,812	-	-	1,812	1,812	-	-	1,812	
46	M/S.NOMOREE & CO. Haji Sir Abdullah Haroon Road Waqf Building-2, North Napier Road, Karachi.	1. Zakaria Ibrahim Namoree (Late) 2. Abdul Satter Abu Bakar	517-58-094820	Abu Bakar Namoree	1,631	-	246	1,877	1,631	-	246	1,877	
47	M/S.FEROZ A.KARIM (EX-STAFF) 415/2, Azizabad, Near Jauharabad P.S., Federal B Area, Karachi.	Feroz A. Karim (Ex-Staff)		501-89-196170	Abdul Karim	706	56	95	857	706	56	95	857
48	M/S.IQBAL TRADERS 11-Feroz Chamber, Saleh Muhammad Street, Karachi.	Sh.Gulzar Ahmed		509-46-209120	Mian Muhammad Bux	635	348	-	983	635	348	-	983
49	KHALID ZUHAIR 18-B, South Circular Avenue, Phase-II, DHA, Karachi.	Khalid Zuhair			Riaz Hussain Zuhair	1,030	-	-	1,030	910	-	-	910
50	M/S.ES ES IMPEX A-1/4, A-1/5, Mezzanine Floor, Block-4, Al-Karam Square, Karachi.	1. Shibly Shabkhez Ali Khan Sherwani 2. Saleem Ahmed Khan 3. Mrs. Nazli Razi (Late)	42101-2455308-1	Muhammad Ahmed	746	-	-	746	746	-	-	746	
Total					889,753	615,898	3,189	1,508,840	750,520	101,404	504,630	1,356,554	
Grand Total					889,753	615,898	3,189	1,508,840	750,520	101,404	504,630	1,356,554	

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - IV

Disposal of operating fixed assets (refer note 11.2.4)

Description	Cost/ revalued amount	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal/ settlement	Particulars of buyers	Location
	----- (Rupees in '000) -----						
Furniture and fixture, electrical, computer and office equipment							
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000	29,322	29,094	228	325	Auction	Fatima Scrap Karachi	Karachi
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	102,047	78,487	23,560	17,459			
Vehicles							
Suzuki Cultus	604	604	-	60	Retirement Benefit	Mr. Hurmat Hussain, EX-VP	Gujranwala
Suzuki Cultus	604	604	-	60	Retirement Benefit	Mr. Irfan Akhtar Khan, EX-VP	Karachi
Toyota Corolla	939	939	-	94	Retirement Benefit	Mr. Zahid Akhtar, EX-SVP	Karachi
Suzuki Cultus	609	609	-	61	Retirement Benefit	Mr. Atiq Ahmed Khan, EX-VP	Karachi
Suzuki Cultus	609	386	223	218	Retirement Benefit	Mr. Zahid Asgher Mughal, VP	Karachi
Toyota Corolla	1,169	1,169	-	117	Expiry of Contract	Mr. M.U.A Usmani , Ex-SEVP	Karachi
Honda Civic	1,248	686	562	507	Expiry of Contract	Mr. M.U.A Usmani, EX-SEVP	Karachi
Toyota Corolla	939	516	423	423	Resignation	Mr. Agha Ahmed Shah, EX-EVP	Karachi
Honda Civic	962	544	418	434	Resignation	Mr. Agha Ahmed Shah, EX-EVP	Karachi
Toyota Corolla	969	436	533	589	Retirement Benefit	Mr. Asad Haider Naqvi, EX-VP	Quetta
Suzuki Cultus	604	604	-	181	New Car Policy	Mr. Farrukh Nadeem, VP	Lahore
Suzuki Cultus	924	924	-	289	New Car Policy	Mr. Abdul Ghani, SVP	Karachi
Suzuki Cultus	604	604	-	176	New Car Policy	Mr. Sammi Uddin Khan, VP	Islamabad
Honda Civic	945	945	-	293	New Car Policy	Mr. Javid Hussain Mir, SVP	Rawalpindi
Suzuki Cultus	604	604	-	152	New Car Policy	Mr. Shahid Alvi, AVP/Executive	Karachi
Suzuki Cultus	604	604	-	60	Retirement Benefit	Mr. Amir Ali Lakhani, EX-VP	Karachi
Toyota Corolla	849	849	-	274	New Car Policy	Mr. Navaid Iqbal, SVP	Karachi
Toyota Corolla	924	924	-	237	New Car Policy	Mr. Zafar Ali Chatta, SVP	Lahore
Suzuki Cultus	609	507	102	107	Retirement Benefit	Mr. Muhammad Umer, EX-VP	Karachi
Suzuki Cultus	620	114	506	530	Retirement Benefit	Mr. Muhammad Khalid, VP	Karachi
Suzuki Cultus	604	503	101	106	Retirement Benefit	Mr. Shabbir Ahmed, EX-VP	Karachi
Toyota Corolla	969	275	694	969	Under Claim	M/s. Adamjee Insurance Co.	Karachi
Suzuki Cultus	609	396	213	233	Retirement Benefit	Mr. S. Amjad Ali Rizvi, EX-VP	Lahore
Toyota Corolla	939	595	344	360	Retirement Benefit	Mr. Kaleem Raza Sherwani, VP	Lahore
Suzuki Cultus	604	604	-	169	New Car Policy	Mr. Mashkooor Ahmed Babar, VP	Karachi
Toyota Corolla	939	595	344	350	Retirement Benefit	Mr. Nusrat Ishaq, EX-SVP	Karachi
Suzuki Cultus	604	604	-	173	New Car Policy	Mr. Ch. Muhammad Riaz, VP/Chief	Gujranwala
Toyota Corolla	939	626	313	320	Retirement Benefit	Mr. Shahid Masood Zubari, SVP	Karachi
Toyota Corolla	939	814	125	141	Pre-Mature Retired	Mr. Abdul Gani, EX-SVP	Karachi
Suzuki Cultus	604	604	-	60	Retirement Benefit	Mr. Muhammad Afzal Rabani, VP	Lahore
Toyota Corolla	954	382	572	525	Pre-Mature Retired	Mr. M Shahzad Boota, VP	R.Y Khan
Suzuki Cultus	615	57	558	615	Under Claim	M/s. Adamjee Insurance Co.	Karachi
Toyota Corolla	969	355	614	614	New Car Policy	Mr. Ali M Mahoon, SEVP	Lahore
Toyota Corolla	969	226	743	772	Competent Authority	M/s. MCB Management Company	Karachi
Toyota Corolla	969	226	743	772	Competent Authority	M/s. MCB Management Company	Karachi
Suzuki Cultus	609	419	190	212	Retirement Benefit	Mr. Ch. Asghar Ali, VP	Faisalabad
Suzuki Cultus	609	402	207	210	Pre-Mature Retired	Mr. Ishtaq Ahmed Awan, VP	Lahore
Honda Civic	1,002	307	695	695	Retirement Benefit	Mr. Fahim Butt, SVP/GM	Faisalabad
Toyota Corolla	1,309	436	873	873	Resignation	Mr. M Aftab Manzoor, President	Karachi
Toyota Corolla	939	798	141	158	Resignation	Mr. Saulat Mujtaba, EVP	Karachi
Honda Civic	962	561	401	354	Resignation	Mr. Saulat Mujtaba, EVP	Karachi
Toyota Corolla	969	129	840	965	Under Claim	M/s Adam jee Insurance Company	Karachi
Suzuki Cultus	604	604	-	186	New Car Policy	Mr. Azhar Iqbal VP / Unit Head	Lahore
Toyota Corolla	939	401	538	551	Retirement Benefit	Mr. Amjad H. Ansari SVP / GM	Multan
Suzuki Cultus	604	604	-	177	New Car Policy	Mr. Kh. Naeem-ud-din VP / CM	Lahore
Toyota Corolla Gli	939	939	-	278	New Car Policy	Mr. Farooq A. Malhi RM / Agrc	Lahore
Honda Civic VTI	1,506	20	1,486	1,506	Resignation	Mr. M. Aftab Manzoor President	Karachi

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - IV

Disposal of operating fixed assets (refer note 11.2.4)

Description	Cost/ revalued amount	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal/ settlement	Particulars of buyers	Location
----- (Rupees in '000) -----							
Vehicles							
Toyota Corolla	859	859	-	482	Through Auction	Mr. Muhammad Arif	Karachi
Toyota Corolla	1,029	1,029	-	550	Through Auction	Mr. Syed Ghulam Mustafa Shah	Lahore
Suzuki Cultus	604	604	-	328	Through Auction	Mr. Muhammad Nasir Khan	Karachi
Suzuki Cultus	604	604	-	281	Through Auction	Mr. Muhammad Arif	Karachi
Honda Civic	1,043	223	820	762	Resignation	Ms. Shazia Ashraf EX-SVP	karachi
Suzuki Cultus	609	317	292	300	Retirement Benefit	Mr. Abdul Razak	karachi
Suzuki Cultus	609	609	-	61	Retirement Benefit	Mr. Anwar Raza Khan	Karachi
Toyota Corolla	939	939	-	94	Retirement Benefit	Mr. Syed Sikander Ali	Mirpurkhas
Suzuki Cultus	609	609	-	201	New Car Policy	Mr. Tanvir Ahmed Khan VP	Quetta
Toyota Corolla	939	939	-	242	New Car Policy	Mr. Zafar Alam Baig	Karachi
Suzuki Cultus	620	66	554	528	Resignation	Mr. Qaiser Tanoli VP	Karachi
Toyota Corolla	939	939	-	247	New Car Policy	Ms. Ghazala Malik VP	Lahore
Suzuki Cultus	604	604	-	212	New Car Policy	Mr. Amjad Saleem Butt VP	Lahore
Suzuki Cultus	609	349	260	260	Retirement Benefit	Mrs. Kausar Shabbir VP	Karachi
Toyota Corolla	969	194	775	807	Resignation	Mr. Saadat Yakoob SVP	Karachi
Honda Civic	1,288	258	1,030	770	Resignation	Mr. Zahiruddin Ahmed EVP	Karachi
Suzuki Cultus	609	350	259	260	Retirement Benefit	Mr. Atiq ur Rehman VP	Peshawar
Toyota Corolla	939	877	62	682	Through Auction	Mr. Shahid Farid	Lahore
Suzuki Cultus	604	564	40	360	Through Auction	Mr. Syed Fida Hussain	Lahore
Honda M/Cycle	78	78	-	21	Through Auction	Mr. M. Kashif Ali	Lahore
Suzuki Cultus	620	108	512	513	Retirement Benefit	Mr. Abdul Sattar Mamji VP	Karachi
Suzuki Cultus	604	604	-	356	Through Auction	Mr. Muhammad Arif	Karachi
Suzuki Cultus	604	604	-	312	Through Auction	Mrs. Saima Atif	Lahore
Suzuki Cultus	604	604	-	367	Through Auction	Mr. Abdul Rahman	Lahore
Suzuki Cultus	555	555	-	313	Through Auction	Mr. Muhammad Nasir Khan	Karachi
Suzuki Cultus	511	511	-	285	Through Auction	Mr. Muhammad Arif	Karachi
Suzuki Cultus	604	604	-	324	Through Auction	Mr. Muhammad Arif	Karachi
Suzuki Cultus	555	555	-	317	Through Auction	Mr. M. Nasir	Lahore
Toyota Corolla	689	689	-	459	Through Auction	Mr. Muhammad Arif	Karachi
Toyota Corolla	939	939	-	676	Through Auction	Mr. Fida Hussain Khan	Faisalabad
Honda Civic	955	955	-	275	New Car Policy	Mr. Ahsan Abbasi	Karachi
Toyota Corolla	939	783	156	157	Retirement	Mr. Kafeel Y Burni	Karachi
Suzuki Cultus	609	292	317	317	Retirement	Mr. Nusrat Mehmood	Karachi
Suzuki Cultus	609	357	252	252	Retirement	Mr. Abdul Majeed	Lahore
Toyota Corolla	969	362	607	611	Negotiation	MCB Foundation	Karachi
Toyota Corolla	824	824	-	269	Auction	Mr. Naseer Channa	Hyderabad
Suzuki Khyber	394	394	-	98	Auction	Mr. Ikram VP	Karachi
Suzuki Cultus	609	349	260	260	Retirement	Mr. Saleem Akhtar VP	Lahore
Honda Civic	958	575	383	383	Retirement	Mr. Syed Farid Hussain GM Hyd.	Hyderabad
Honda Civic	955	955	-	343	New Car Policy	Mr. Imran Maqbool	Karachi
Toyota Corolla	849	849	-	568	Auction	Mr. Zulfiqar Ahmed	Karachi
Suzuki Cultus	620	132	488	492	Retirement	Mr. Muhammad Ismail VP	Karachi
Toyota Corolla	938	938	-	365	New Car Policy	Mr. Muneer Ahmed Saleem EVP	Lahore
	70,772	50,202	20,570	32,966			
"Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000"	13,395	8,470	4,925	11,669			
Buildings							
Premises at 8th Floor Techno City Karachi	31,400	796	30,604	30,500	Negotiation	MCB Asset Management Company	Karachi
	31,400	796	30,604	30,500			
2007	246,936	167,049	79,887	92,919			
2006	187,646	129,952	57,694	82,597			

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - V

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

City	Land	Building	Total
	----- (Rupees in '000) -----		
Karachi	3,461,072	1,993,702	5,454,774
Hyderabad	89,981	42,407	132,388
Sukkur	8,937	5,214	14,151
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	3,072,946	1,346,379	4,419,325
Kasur	16,380	1,673	18,053
Faisalabad	396,077	76,439	472,516
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	42,000	10,285	52,285
Tandoallahyar	2,200	800	3,000
Muzaffarabad	43,582	6,085	49,667
Shadadpur	4,300	818	5,118
Haripur	23,070	3,507	26,577
Dir	3,484	3,739	7,223
Mingora	10,150	6,931	17,081
Rahim Yar Khan	8,100	8,535	16,635
Sadiqabad	15,120	5,924	21,044
Haroonabad	7,000	1,600	8,600
Chistian	667	915	1,582
Khanpur	9,380	-	9,380
Bahawalpur	13,750	11,711	25,461
D.G. Khan	20,500	12,945	33,445
Shujabad	4,800	1,837	6,637
Overseas	-	35,061	35,061
Grand total	9,465,847	3,968,858	13,434,705

Branch Network

Sector-wise position of Circles/Regions as on December 31, 2007

COMMERCIAL BANKING GROUP - NORTH	603
Lahore East	63
01. Lahore East	29
02. Sahiwal	34
Lahore West	75
03. Lahore City	25
04. Lahore West	24
05. Sheikhpura	26
Faisalabad	59
06. Faisalabad Central	28
07. Faisalabad City	31
Gujranwala	86
08. Gujranwala	28
09. Gujrat	30
10. Sialkot	28
Islamabad	85
11. Islamabad	19
12. Rawalpindi	25
13. Chakwal	23
14. Jhelum	18
Sargodha	84
15. Jhang	28
16. Mianwali	28
17. Sargodha	28
Peshawar	65
18. Kohat	19
19. Mardan	23
20. Peshawar	23
Abbottabad	86
21. Abbottabad	23
22. Attock	26
23. Muzaffarabad A.K.	19
24. Swat	18
WHOLESALE BANKING GROUP	11
01. Corporate Office South - Karachi	03
02. Corporate Office Central - Lahore	05
03. Regional Office North - Islamabad	03
ISLAMIC BANKING	08
01. Karachi	02
02. Lahore	02
03. Multan	01
04. Hyderabad	01
05. Faisalabad	01
06. Islamabad	01
ATM BRANCHES	243
ONLINE BRANCHES	669

COMMERCIAL BANKING GROUP - SOUTH	398
Karachi East	56
01. Karachi East	27
02. Karachi North	29
Karachi West	60
03. Karachi South	30
04. Karachi West	30
Hyderabad	59
05. Hyderabad	32
06. Nawabshah	27
Sukkur	55
07. Larkana	27
08. Sukkur	28
Quetta	34
Quetta Circle	27
09. Makran	07
Bahawalpur	54
10. Bahawalpur	27
11. Rahim Yar Khan	27
Multan	80
12. Dera Ghazi Khan	28
13. Multan	26
14. Vehari	26

SUMMARY

GROUP	REGIONS	CIRCLES	NO. OF BRANCHES
Commercial Banking - North	24	8	603
Commercial Banking - South	14	7	398
Wholesale Banking Group	3	2	11
Islamic Banking Division	-	-	8
TOTAL DOMESTIC	41	17	1,020
Overseas*			5
EPZ			1
TOTAL			1,026

PROVINCE-WISE

	NO. OF BRANCHES
Punjab	629
Sindh	235
NWFP	107
Balochistan	35
Azad Jammu & Kashmir	14
TOTAL DOMESTIC	1,020
Overseas*	5
EPZ	1
TOTAL	1,026

*Sri Lanka : 1. Colombo Main 2. Pettah 3. Maradana 4. Wellawatte
Bahrain : 5. MCB - OBU Bahrain
Dubai : (Rep Office)

Pattern of shareholding as of December 31, 2007

No. of Shareholders	Having		Shares Held	Percentage
	From	To		
18,057	1	100	691,003	0.1100
11,910	101	500	2,912,716	0.4636
8,863	501	1,000	6,361,499	1.0125
3,481	1,001	5,000	5,166,514	0.8223
189	5,001	10,000	1,329,095	0.2115
56	10,001	15,000	678,596	0.1080
34	15,001	20,000	594,205	0.0946
27	20,001	25,000	612,843	0.0975
11	25,001	30,000	316,579	0.0504
11	30,001	35,000	362,229	0.0577
12	35,001	40,000	458,201	0.0729
8	40,001	45,000	343,131	0.0546
8	45,001	50,000	392,924	0.0625
7	50,001	55,000	374,803	0.0597
5	55,001	60,000	282,437	0.0450
4	60,001	65,000	249,035	0.0396
7	65,001	70,000	475,926	0.0758
2	70,001	75,000	147,700	0.0235
5	75,001	80,000	390,402	0.0621
4	80,001	85,000	327,602	0.0521
1	85,001	90,000	89,600	0.0143
2	90,001	95,000	186,881	0.0297
1	95,001	100,000	100,000	0.0159
2	100,001	105,000	204,718	0.0326
1	105,001	110,000	106,210	0.0169
1	110,001	115,000	113,311	0.0180
2	115,001	120,000	234,815	0.0374
1	125,001	130,000	129,000	0.0205
2	135,001	140,000	276,200	0.0440
2	145,001	150,000	295,900	0.0471
1	150,001	155,000	155,000	0.0247
1	155,001	160,000	159,500	0.0254
1	160,001	165,000	164,220	0.0261
1	165,001	170,000	165,600	0.0264
2	170,001	175,000	346,300	0.0551
2	175,001	180,000	353,562	0.0563
3	180,001	185,000	544,205	0.0866
1	190,001	195,000	193,971	0.0309
1	195,001	200,000	197,555	0.0314
1	220,001	225,000	222,397	0.0354
1	225,001	230,000	226,730	0.0361
1	235,001	240,000	239,442	0.0381
2	250,001	255,000	505,661	0.0805
1	255,001	260,000	256,600	0.0408
1	275,001	280,000	278,396	0.0443
1	280,001	285,000	281,143	0.0447

Pattern of shareholding as of December 31, 2007

No. of Shareholders	Having		Shares Held	Percentage
	From	To		
1	285,001	290,000	287,202	0.0457
1	290,001	295,000	291,375	0.0464
1	300,001	305,000	301,400	0.0480
1	305,001	310,000	307,286	0.0489
1	310,001	315,000	313,576	0.0499
1	315,001	320,000	318,000	0.0506
1	330,001	335,000	330,100	0.0525
1	335,001	340,000	339,295	0.0540
1	345,001	350,000	350,000	0.0557
1	380,001	385,000	380,190	0.0605
3	440,001	445,000	1,329,750	0.2117
1	450,001	455,000	454,875	0.0724
2	455,001	460,000	916,606	0.1459
1	460,001	465,000	462,436	0.0736
1	470,001	475,000	473,390	0.0753
6	485,001	490,000	2,914,956	0.4640
1	505,001	510,000	510,000	0.0812
1	575,001	580,000	576,185	0.0917
1	585,001	590,000	589,450	0.0938
1	590,001	595,000	590,387	0.0940
1	635,001	640,000	638,364	0.1016
1	650,001	655,000	652,757	0.1039
1	680,001	685,000	680,557	0.1083
1	700,001	705,000	701,495	0.1117
3	725,001	730,000	2,186,223	0.3480
1	730,001	735,000	734,850	0.1170
1	750,001	755,000	753,100	0.1199
1	765,001	770,000	769,775	0.1225
1	810,001	815,000	810,295	0.1290
1	835,001	840,000	839,100	0.1336
4	970,001	975,000	3,886,620	0.6186
1	1,300,001	1,305,000	1,302,220	0.2073
1	1,345,001	1,350,000	1,347,758	0.2145
4	1,350,001	1,355,000	5,410,775	0.8612
1	1,490,001	1,495,000	1,493,388	0.2377
1	1,510,001	1,515,000	1,514,883	0.2411
1	1,640,001	1,645,000	1,641,269	0.2612
1	1,645,001	1,650,000	1,649,028	0.2625
1	1,735,001	1,740,000	1,736,373	0.2764
3	1,800,001	1,805,000	5,410,500	0.8612
1	1,860,001	1,865,000	1,864,683	0.2968
1	1,995,001	2,000,000	2,000,000	0.3183
4	2,175,001	2,180,000	8,716,046	1.3873
1	2,185,001	2,190,000	2,187,916	0.3482
1	2,250,001	2,255,000	2,253,464	0.3587
1	2,265,001	2,270,000	2,268,043	0.3610

Pattern of shareholding as of December 31, 2007

No. of Shareholders	Having		Shares Held	Percentage
	From	To		
1	2,270,001	2,275,000	2,272,874	0.3618
1	2,320,001	2,325,000	2,323,526	0.3698
1	2,385,001	2,390,000	2,385,600	0.3797
1	2,585,001	2,590,000	2,586,246	0.4116
1	2,615,001	2,620,000	2,619,382	0.4169
1	2,665,001	2,670,000	2,668,000	0.4247
2	2,700,001	2,705,000	5,409,752	0.8610
4	2,705,001	2,710,000	10,824,851	1.7229
1	2,980,001	2,985,000	2,983,801	0.4749
1	3,000,001	3,005,000	3,003,686	0.4781
1	3,350,001	3,355,000	3,350,453	0.5333
1	3,625,001	3,630,000	3,626,215	0.5772
1	4,015,001	4,020,000	4,016,400	0.6393
1	4,030,001	4,035,000	4,031,090	0.6416
1	4,150,001	4,155,000	4,152,326	0.6609
1	4,330,001	4,335,000	4,330,012	0.6892
1	4,355,001	4,360,000	4,358,334	0.6937
1	4,430,001	4,435,000	4,430,700	0.7052
1	4,660,001	4,665,000	4,662,641	0.7421
1	4,875,001	4,880,000	4,879,589	0.7767
1	5,880,001	5,885,000	5,881,456	0.9361
1	6,360,001	6,365,000	6,364,899	1.0131
1	6,500,001	6,505,000	6,504,200	1.0352
1	7,710,001	7,715,000	7,711,900	1.2275
1	8,525,001	8,530,000	8,528,929	1.3575
1	10,220,001	10,225,000	10,220,195	1.6267
1	11,090,001	11,095,000	11,094,500	1.7659
1	12,220,001	12,225,000	12,222,614	1.9454
1	17,010,001	17,015,000	17,011,379	2.7076
1	17,630,001	17,635,000	17,633,279	2.8066
1	18,765,001	18,770,000	18,768,397	2.9873
1	18,895,001	18,900,000	18,896,445	3.0077
1	20,230,001	20,235,000	20,231,340	3.2201
1	22,860,001	22,865,000	22,863,147	3.6390
1	22,870,001	22,875,000	22,873,320	3.6406
1	25,850,001	25,855,000	25,852,987	4.1149
1	26,095,001	26,100,000	26,099,623	4.1542
1	26,345,001	26,350,000	26,345,143	4.1932
1	26,600,001	26,605,000	26,602,295	4.2342
1	27,750,001	27,755,000	27,753,720	4.4174
1	28,675,001	28,680,000	28,675,072	4.5641
1	36,655,001	36,660,000	36,657,371	5.8346
1	50,585,001	50,590,000	50,588,856	8.0520
<u>42,851</u>			<u>628,276,843</u>	<u>100.0000</u>

Categories of Shareholders as of December 31, 2007

DESCRIPTION	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
DIRECTORS, CEO & CHILDREN	15	29,414,134	4.6817
ASSOCIATED COMPANIES	5	49,601,842	7.8949
NIT & ICP	3	7,305	0.0011
BANKS, DFI & NBFI	46	3,941,990	0.6274
INSURANCE COMPANIES	13	39,538,161	6.2931
MODARABAS & MUTUAL FUNDS	33	2,153,414	0.3427
PUBLIC SECTOR COS. & CORP.	25	115,204,125	18.3365
GENERAL PUBLIC (LOCAL)	38,864	143,491,134	22.8388
GENERAL PUBLIC (FOREIGN)	3,542	2,127,329	0.3385
OTHERS	216	83,306,246	13.2594
FOREIGN COMPANIES	89	159,491,163	25.3854
COMPANY TOTAL	<u>42,851</u>	<u>628,276,843</u>	<u>100.00</u>

Notice of Annual General Meeting

Notice is hereby given that 60th Annual General Meeting of the members of MCB BANK LIMITED will be held at Hotel Holiday Inn, G-6, Civic Centre, Islamabad on Friday, March 28, 2008 at 3:00 p.m. to transact the following business:

1. To confirm the minutes of 59th Annual General Meeting held on March 28, 2007.
2. To receive, consider and adopt the audited accounts of MCB Bank Ltd. & consolidated accounts of MCB Bank Ltd. and its subsidiaries for the year ended 31st December 2007 together with the Directors' and Auditors' report thereon including post facto approval of (a) donations of (i) Rs. 6,070,000/- to "Fund for circulation of people with disabilities", (ii) Rs.2,000,000/- to "President's Flood Relief Fund-2007" for Sind and Balochistan Provinces, (iii) Rs. 25,000/- to "Friends of Literacy and Mass Communication (FLAME)", (b) Rs. 1,524,000/- remuneration to the Chairman; reported at notes 29.1 & 39 of annual report respectively, as required under SBP Prudential Regulation.
3. To approve as recommended by directors final Cash Dividend @ 50% i.e. Rs.5 per share, in addition to 75% (25% each 1st, 2nd & 3rd quarters) interim cash dividends already paid.
4. To appoint auditors for 2008 and fix their remuneration:
The retiring auditors namely M/s. KPMG Taseer Hadi & Co., Chartered Accountants and M/s. Riaz Ahmad & Co., Chartered Accountants being eligible have offered themselves for re-appointment.

Special Business

5. To consider and, if deemed fit, pass the following special resolutions:
 - a) RESOLVED that the Bank would reimburse First Class air fare to the Board of Directors for their national and international travel for attending Board or its Committee meetings and to the Chairman the cost of renting a chartered plane for domestic Bank business travel as and when necessary;
 - b) ALSO RESOLVED that Board members may be paid actual boarding, lodging and transportation expenses for an en route stopover for travel between Pakistan and destinations beyond Europe;
 - c) FURTHER RESOLVED that in addition to TA/DA, the Board members be paid a lump sum amount of Rs.30,000/- as Fee for attending a Board meeting or a Committee meeting.
 - d) FURTHER RESOLVED that figure "5,000" in first sentence of Article 94 of the Articles of Association be and is hereby substituted with "30,000".
Statement required under section 160(1) (b) of Companies Ordinance, 1984 is attached with this notice.
6. Any other business with the permission of the Chair.

By order of the Board

Islamabad: February 15, 2008.

ABDUS S. SAMI
Secretary

Note:

1. The share transfer books of the Bank will remain closed from March 20, 2008 to March 28, 2008 (both days inclusive) for entitlement of cash dividend to those members whose name appear on the register of members as at the close of business on March 19, 2008.
2. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the bank or not.
3. Members whose shares are deposited with Central Depository Company of Pakistan Limited are requested to bring their original Computerized National Identity Cards (CNIC) alongwith the participant's I.D. Number and their account numbers in Central Depository Company of Pakistan Limited to facilitate identification at the time of Annual General Meeting. In case of proxy, an attested copy of proxy's Identity Card (CNIC), Account & Participant's ID number be enclosed. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier).
Proxies, in order to be valid, must be deposited at the office of Share Registrar, THK Associates (Pvt.) Ltd., Ground Floor, State Life Building No.3, Dr.Ziauddin Ahmed Road, Karachi not less than 48 hours before the time of meeting.
4. Members are requested to promptly notify M/s. THK Associates (Pvt.) Limited of any change in their addresses to ensure delivery of mail.

Statement under Section 160(1)(b) of Companies Ordinance, 1984:

For Item 5

The remuneration for attending board meeting was fixed at Rs.5,000 since 2004. The TA & DA facility allowed and the fee paid to Board members, for attending the Board and Committee meetings, need to be revised in line with facilities allowed by other leading banks and financial institutions.



**MCB BANK LIMITED
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED
FINANCIAL STATEMENTS**

Directors' Report on Consolidated Financial Statements

The board of directors present report on the consolidated financial statements of MCB Bank Ltd and its subsidiaries namely MCB Asset Management Company Limited, Muslim Commercial Financial Services (Pvt.) Limited, MCB Trade Services Limited and MNET Services (Pvt.) Limited for the year ended December 31, 2007.

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

	(Rupees in '000)
Profit before taxation	22,526,311
Taxation	6,084,641
Profit after taxation	16,441,670
Share of profit attributable to minority interest	(11)
Profit attributable to ordinary shareholders	16,441,659
Un-appropriated profit brought forward	6,278,593
Transfer from surplus on revaluation of fixed assets (net of tax)	11,860
	6,290,453
Profit available for appropriation	22,732,112
Appropriations	
Statutory Reserve	1,526,556
General Reserve	7,800,000
Final cash dividend - December 2006	819,492
Issue of Bonus Shares - December 2006	819,492
Interim dividend - March 2007	1,570,692
Interim dividend - June 2007	1,570,704
Interim dividend - September 2007	1,570,704
Total appropriations	15,677,640
Un-appropriated profit carried forward	7,054,472

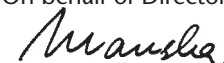
Pattern of shareholding

The pattern of shareholding as at December 31, 2007 is annexed with the financial statements of MCB Bank Ltd.

Earning per share

The Consolidated financial statements reflect Rs. 35.85 and Rs. 26.17 pre-tax and after tax basic earning per share respectively for the year under review and its computation has been shown in notes 33 and 34 to the financial statements.

On behalf of Directors



Mian Mohammad Mansha
Chairman

Dated: February 15, 2008

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of MCB Bank Limited ("the Bank") and its subsidiary companies as at December 31, 2007 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of changes in Equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for sixty one branches, which have been audited by us and five branches audited by auditors abroad. We have also expressed separate opinion on the financial statements of MCB Bank Limited. The financial statements of subsidiary company MNET Services (Private) Limited was audited by KPMG Taseer Hadi & Co., the financial statements of subsidiary companies Muslim Commercial Financial Services (Private) Limited and MCB Asset Management Company Limited were audited by Riaz Ahmad & Co., while the financial statements of subsidiary company MCB Trade Services Limited was audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such a company, is based solely on the report of such auditors.

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

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

In our opinion, the consolidated financial statements present fairly the financial position of MCB Bank Limited and its subsidiary companies as at December 31, 2007 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.



KPMG TASEER HADI & CO.
Chartered Accountants
Lahore

Dated: February 15, 2008



RIAZ AHMAD & CO.
Chartered Accountants
Lahore

Balance Sheet as at December 31, 2007

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
Assets			
Cash and balances with treasury banks	6	39,683,883	32,465,976
Balances with other banks	7	3,867,591	6,649,659
Lendings to financial institutions	8	1,051,372	21,081,800
Investments - net	9	115,358,590	64,450,761
Advances - net	10	218,959,786	198,236,682
Operating fixed assets	11	16,082,781	9,073,276
Deferred tax assets - net	12	-	174,886
Other assets - net	13	17,896,838	11,044,909
		412,900,841	343,177,949
Liabilities			
Bills payable	15	10,479,058	7,089,679
Borrowings	16	39,406,831	23,943,476
Deposits and other accounts	17	292,088,347	257,185,110
Sub-ordinated loan	18	479,232	1,597,440
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	1,183,586	-
Other liabilities	19	11,716,465	11,177,125
		355,353,519	300,992,830
Net assets		57,547,322	42,185,119
Represented by:			
Share capital	20	6,282,768	5,463,276
Reserves	21	34,000,927	24,662,446
Unappropriated profit		7,054,472	6,278,593
		47,338,167	36,404,315
Minority interest		63	52
		47,338,230	36,404,367
Surplus on revaluation of assets - net of tax	22	10,209,092	5,780,752
		57,547,322	42,185,119
Contingencies and commitments			
	23		

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




 Atif Bajwa
 President and Chief Executive



 Tariq Rafi
 Director



 Mian Raza Mansha
 Director



 S. M. Muneer
 Director

Profit and Loss Account for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006
Mark-up / return / interest earned	25	31,791,754	25,784,853
Mark-up / return / interest expensed	26	7,858,819	4,509,146
Net mark-up / interest income		23,932,935	21,275,707
Provision for diminution in the value of investments	9.3	105,269	121,197
Provision against loans and advances	10.4.2	2,959,583	1,014,540
Bad debts written off directly	10.5.1	199	47,000
		3,065,051	1,182,737
Net mark-up / interest income after provisions		20,867,884	20,092,970
Non-mark-up / interest income			
Fee, commission and brokerage income		2,772,615	2,325,171
Income earned as trustees to various funds		5,859	483
Dividend income		535,813	746,276
Income from dealing in foreign currencies		693,408	692,010
Gain on sale of securities - net	27	1,507,610	605,865
Unrealized loss on revaluation of investments classified as held for trading	9.5	(3,329)	-
Other income - net	28	565,224	577,703
Total non-mark-up / interest income		6,077,200	4,947,508
		26,945,084	25,040,478
Non-mark-up / interest expenses			
Administrative expenses	29	5,036,605	6,505,576
(Reversal) / other provision - net	13.2	(3,743)	11,411
Other charges	30	609,544	66,708
Total non-mark-up / interest expenses		5,642,406	6,583,695
Share of profit from associated undertaking	9.8	1,223,633	474,030
Extra ordinary / unusual item		-	-
Profit before taxation		22,526,311	18,930,813
Taxation - Current year		6,463,560	5,709,140
- Prior years		(1,294,586)	593,906
- Deferred		899,898	61,213
Share of tax of associated undertaking	9.8	15,769	25,675
	31	6,084,641	6,389,934
Profit after taxation		16,441,670	12,540,879
Profit attributable to minority interest		(11)	(3)
Profit attributable to ordinary shareholders		16,441,659	12,540,876
Unappropriated profit brought forward		6,278,593	5,339,402
Transfer from surplus on revaluation of fixed assets - net of tax		11,860	32,166
		6,290,453	5,371,568
Profit available for appropriation		22,732,112	17,912,444
Basic and diluted earnings per share - after tax	34	26.17	19.96

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



Atif Bajwa
President and Chief Executive



Tariq Rafi
Director



Mian Raza Mansha
Director



S. M. Muneer
Director

Cash Flow Statement for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006
Cash flows from operating activities			
Profit before taxation		22,526,311	18,930,813
Less: Dividend income and share of profit in associated undertaking		(1,759,446)	(1,220,306)
		<hr/>	<hr/>
		20,766,865	17,710,507
Adjustments for non-cash charges			
Depreciation	11.2	604,127	556,617
Amortisation	11.3	191,988	121,285
Provision against loans and advances	10.4.2	2,959,583	1,014,540
Provision for diminution in the value of investments	9.3	105,269	121,197
(Reversal) / Provision for diminution in the value of other assets	13.2	(3,743)	11,411
Bad debts written off directly	10.5.1	199	47,000
Operating fixed assets written off	30	12,102	60,452
Gain on disposal of fixed assets - net	28	(13,136)	(24,903)
Deficit on revaluation of 'held for trading' securities	9.5	3,329	1,634
		<hr/>	<hr/>
		3,859,718	1,909,233
		<hr/>	<hr/>
		24,626,583	19,619,740
(Increase) / decrease in operating assets			
Lendings to financial institutions		20,030,428	(11,082,972)
Net investments in 'held for trading' securities		(519,089)	66,056
Advances - net		(23,682,886)	(18,975,469)
Other assets - net		(6,834,006)	(5,534,026)
		<hr/>	<hr/>
		(11,005,553)	(35,526,411)
Increase / (decrease) in operating liabilities			
Bills payable		3,389,379	(1,446,995)
Borrowings		15,463,355	(3,434,026)
Deposits		34,903,237	27,848,531
Other liabilities		755,878	1,109,230
		<hr/>	<hr/>
		54,511,849	24,076,740
		<hr/>	<hr/>
		68,132,879	8,170,069
Income tax paid		(6,188,617)	(4,885,972)
		<hr/>	<hr/>
Net cash flows from operating activities		61,944,262	3,284,097

Cash Flow Statement for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006
Cash flows from investing activities			
Net investments in 'available for sale' securities		(52,959,630)	(13,324,992)
Net investments in 'held to maturity' securities		3,564,123	19,336,261
Dividends received		619,907	789,143
Investments in operating fixed assets		(2,960,463)	(1,851,235)
Sale proceeds of property and equipment disposed off		62,419	82,597
Net cash flows from investing activities		(51,673,644)	5,031,774
Cash flows from financing activities			
Redemption of sub-ordinated loan		(1,118,208)	(640)
Proceeds from issue of Global Depository Receipts (net of expenses)		-	8,739,218
Proceeds from issue of shares to minority interest		-	20
Dividend paid		(4,728,496)	(3,122,510)
Net cash flows from financing activities		(5,846,704)	5,616,088
Exchange differences on translation of the net investment in foreign branches and subsidiary		11,925	(1,068)
Increase in cash and cash equivalents		4,435,839	13,930,891
Cash and cash equivalents at beginning of the year		39,420,289	25,251,386
Effects of exchange rate changes on cash and cash equivalents		(304,654)	(66,642)
		39,115,635	25,184,744
Cash and cash equivalents at end of the year	35	43,551,474	39,115,635

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



Atif Bajwa
President and Chief Executive



Tariq Rafi
Director



Mian Raza Mansha
Director



S. M. Muneer
Director

Statement of Changes in Equity for the year ended December 31, 2007

	Attributable to shareholders of the bank							Subtotal	Minority Interest	Total
	Share capital	Capital Reserves			Revenue Reserves					
		Share premium	Reserve for issue of bonus shares	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit			
	----- (Rupees in '000) -----									
Balance as at December 31, 2005	4,265,327	1,308,194	-	(52,549)	3,999,295	3,800,000	5,339,402	18,659,669	29	18,659,698
Transferred to reserve for issuance of bonus shares	-	-	853,065	-	-	-	(853,065)	-	-	-
Issuance of bonus shares	853,065	-	(853,065)	-	-	-	-	-	-	-
Changes in equity for 2006										
Profit after taxation for the year ended December 31, 2006	-	-	-	-	-	-	12,540,879	12,540,879	-	12,540,879
Profit attributable to Minority interest	-	-	-	-	-	-	(3)	(3)	3	-
Profit after taxation for the year ended December 31, 2006 attributable to the ordinary shareholders of the group	-	-	-	-	-	-	12,540,876	12,540,876	3	12,540,879
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	32,166	32,166	-	32,166
Exchange differences on translation of net investment in foreign branches and subsidiary	-	-	-	(1,068)	-	-	-	(1,068)	-	(1,068)
Net income recognised directly in equity	-	-	-	(1,068)	-	-	32,166	31,098	-	31,098
Total recognised income and expense for the year ended December 31, 2006	-	-	-	(1,068)	-	-	12,573,042	12,571,974	3	12,571,977
Transferred to general reserve	-	-	-	-	-	6,000,000	(6,000,000)	-	-	-
Transferred to statutory reserve	-	-	-	-	1,214,240	-	(1,214,240)	-	-	-
Final cash dividend - December 2005	-	-	-	-	-	-	(426,533)	(426,533)	-	(426,533)
Interim cash dividend - March 2006	-	-	-	-	-	-	(1,023,679)	(1,023,679)	-	(1,023,679)
Interim cash dividend - June 2006	-	-	-	-	-	-	(1,023,679)	(1,023,679)	-	(1,023,679)
Interim cash dividend - September 2006	-	-	-	-	-	-	(1,092,655)	(1,092,655)	-	(1,092,655)
Issuance of Global Depository Receipts (GDRs) - note 20.3	344,884	8,760,054	-	-	-	-	-	9,104,938	-	9,104,938
GDRs issuance expense	-	(365,720)	-	-	-	-	-	(365,720)	-	(365,720)
Issue of shares to minority interest	-	-	-	-	-	-	-	-	20	20
Balance as at December 31, 2006	5,463,276	9,702,528	-	(53,617)	5,213,535	9,800,000	6,278,593	36,404,315	52	36,404,367

Statement of Changes in Equity for the year ended December 31, 2007

	Attributable to shareholders of the bank						Subtotal	Minority Interest	Total	
	Share capital	Capital Reserves		Revenue Reserves						
	Share premium	Reserve for issue of bonus shares	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit				
----- (Rupees in '000) -----										
Changes in equity for 2007										
Profit after taxation for the year ended December 31, 2007	-	-	-	-	-	16,441,670	16,441,670	-	16,441,670	
Profit attributable to Minority interest	-	-	-	-	-	(11)	(11)	11	-	
Profit after taxation for the year ended December 31, 2007 attributable to the ordinary shareholders of the group	-	-	-	-	-	16,441,659	16,441,659	11	16,441,670	
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	11,860	11,860	-	11,860	
Exchange differences on translation of net investment in foreign branches and subsidiary	-	-	-	11,925	-	-	11,925	-	11,925	
Net income recognised directly in equity	-	-	-	11,925	-	11,860	23,785	-	23,785	
Total recognised income and expense for the year ended December 31, 2007	-	-	-	11,925	-	16,453,519	16,465,444	11	16,465,455	
Transferred to statutory reserve	-	-	-	-	1,526,556	(1,526,556)	-	-	-	
Transferred to general reserve	-	-	-	-	7,800,000	(7,800,000)	-	-	-	
Issue of bonus shares - December 31, 2006	819,492	-	-	-	-	(819,492)	-	-	-	
Final cash dividend - December 2006	-	-	-	-	-	(819,492)	(819,492)	-	(819,492)	
Interim cash dividend - March 2007	-	-	-	-	-	(1,570,692)	(1,570,692)	-	(1,570,692)	
Interim cash dividend - June 2007	-	-	-	-	-	(1,570,704)	(1,570,704)	-	(1,570,704)	
Interim cash dividend - September 2007	-	-	-	-	-	(1,570,704)	(1,570,704)	-	(1,570,704)	
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

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 consolidated financial statements.



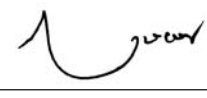
 Atif Bajwa
 President and Chief Executive



 Tariq Rafi
 Director



 Mian Raza Mansha
 Director



 S. M. Muneer
 Director

Notes to the Financial Statements for the year ended December 31, 2007

1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding company

-MCB Bank Limited

Percentage holding of
MCB Bank Limited
%

Subsidiary companies

-Muslim Commercial Financial Services (Private) Limited	99.997
-MNET Services (Private) Limited	99.950
-MCB Trade Services Limited	100.000
-MCB Asset Management Company Limited	99.990

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 four 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 1,020 branches including 8 Islamic banking branches (2006: 988 branches including 6 Islamic banking branches) within Pakistan and 6 (2006: 6) branches outside the country (including the Karachi Export Processing Zone branch).

Muslim Commercial Financial Services (Private) Limited (subsidiary company)

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.

Notes to the Financial Statements for the year ended December 31, 2007

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 utilised 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 to US Dollar, the rates of Rs. 62.000 and Rs. 60.910 per US Dollar and Rs. 0.5708 and Rs.0.5669 per SLR have been used for December 31, 2007 and December 31, 2006 respectively.

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 of 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. 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, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards effective for accounting period beginning on or after January 01, 2008 or later periods are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain increased disclosures in certain cases:

IFAS - 2 Ijarah
 IFRS - 6 Exploration for and Evaluation of Mineral Resources
 IAS - 1 Presentation of financial statements
 IAS - 23 Borrowing cost (Revised)
 IFRIC - 11 Group and Treasury Share Transactions
 IFRIC - 12 Services Concession Arrangements
 IFRIC - 13 Customer Loyalty Program
 IFRIC - 14 IAS-19 The limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction.

Adoption of IFAS-2 will result in following changes:

- Assets underlying ijarah financing will be recorded as operating fixed assets separately from the assets in Group's own use. These assets will be carried at cost less accumulated depreciation and impairment if any.
- Rentals receivable from ijarah financing during the year will be taken to profit and loss account.

Adoption of Revised IAS-1 Presentation of financial statements may only impact the presentation and extent of disclosures in financial statements.

Notes to the Financial Statements for the year ended December 31, 2007

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 Pakistan Rupees, which is the Group's functional and presentation currency. The amounts are rounded to 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 Group'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 Group'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

Notes to the Financial Statements for the year ended December 31, 2007

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 37) 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 effect the liability / asset under these plans in those years.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 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, 2007 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, 2007.
- 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.

5.2 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 associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognised 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 recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

Notes to the Financial Statements for the year ended December 31, 2007

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity' 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 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 amortised cost.

Investments in associates are recorded on the basis of equity accounting except for those that do not qualify as associates under International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates', which are then carried at cost less provision for diminution, if any.

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.

5.3 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognised 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 recognised as mark-up income / expense on a time proportion basis, as the case may be.

5.4 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions comprise of provisions against identified losses and provisions against 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. These provisions are maintained on a consistent basis. Advances are written off when there is no realistic prospect of recovery.

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

5.5 Operating fixed assets and depreciation

Property and equipment, other than land carrying value of which is not amortized, are stated at cost or revalued amounts 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 building 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

Notes to the Financial Statements for the year ended December 31, 2007

depreciation charged on the revalued assets, the related surplus on revaluation of land and building (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 building (net of deferred taxation) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group 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 Intangible assets

Intangible assets are stated at cost less accumulated amortisation 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 Group. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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. 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 Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
 - an approved pension fund; and
 - contributory benevolent scheme
- c) For officers who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund; and
 - an approved pension fund.

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

- d) For executives and officers who joined the Bank on or after January 01, 2000 the Bank operates an approved contributory provident fund.

Notes to the Financial Statements for the year ended December 31, 2007

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. Provision is made annually on the basis of the last drawn basic salaries of eligible employees and the number of completed years of service.

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 recognised 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 / finalised 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 substantially enacted at 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 recognised 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 recognised 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 operations 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 Rupees 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.

Notes to the Financial Statements for the year ended December 31, 2007

5.12.2 Foreign operations

The assets and liabilities of foreign branches and subsidiary 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 Group's net investment in foreign branches and subsidiary, 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 recognised on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognised 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 and subsidiary 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 recognised as income when these are realised.
- Unrealised 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 and subsidiary of the Group operate.
- Premium on foreign currency options and commission income is recognised on a time proportion basis.
- Dividend income is recognised when the Group's right to receive dividend is established.
- Outsourcing and networking service revenue is recognised on an accrual basis.
- Revenue for acting as trustee is recognised on net assets value (NAV) of respective funds.
- Commission income is recognised 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, advances, other assets, bills payable, borrowings, deposits, sub-ordinated loan and other payables. 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.

Notes to the Financial Statements for the year ended December 31, 2007

5.16.2 Derivative financial instruments

Derivative financial instruments are initially recognised 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 derivative financial instruments are carried as assets when the fair value is positive and liability when 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 realise 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 segment

Corporate Finance

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

Trading and Sales

It includes fixed income, equity, foreign exchanges commodities, lendings to financial institutions, repos 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.

Asset Management

It includes asset management, investment advisory, portfolio management and equity research.

5.18.2 Geographical segments

The Group operates in three geographic regions being:

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

Notes to the Financial Statements for the year ended December 31, 2007

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.

	Note	2007 (Rupees in '000)	2006
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	6.1	9,351,207	6,654,824
- foreign currencies		962,498	733,261
In transit - local currency		1,148,109	559,178
With State Bank of Pakistan (SBP) in:	6.2		
Local currency current account		23,204,296	19,907,420
Foreign currency deposit account	6.3	1,068,318	1,893,759
With other central banks in foreign currency current account	6.2	244,441	69,212
With National Bank of Pakistan in local currency current account		3,705,014	2,648,322
		<u>39,683,883</u>	<u>32,465,976</u>

6.1 This includes national prize bonds amounting to Rs. 91.885 million (2006: Rs. 54.164 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 Group.

6.3 These include balance of Rs. 534.159 million (2006: Rs. 1,420.32 million) which carry interest rate of 4.24 % per annum (2006: 4.35% per annum).

	Note	2007 (Rupees in '000)	2006
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
- current account		1,263	-
- deposit account		60,072	72,642
Outside Pakistan			
- current account		3,234,443	4,046,021
- deposit account	7.1	571,813	2,530,996
		<u>3,867,591</u>	<u>6,649,659</u>

7.1 Balances with other banks outside Pakistan in deposit account carry interest rates ranging from 4.24% to 6.67% per annum (2006: 5.31% to 6.11% per annum).

	Note	2007 (Rupees in '000)	2006
8. LENDINGS TO FINANCIAL INSTITUTIONS			
In local currency			
Call money lendings	8.1	1,051,372	9,050,000
Repurchase agreement lendings	8.2	-	12,031,800
		<u>1,051,372</u>	<u>21,081,800</u>

8.1 These carry mark-up rates ranging from 9.65% to 12.19% per annum (2006: 10% to 12% per annum).

Notes to the Financial Statements for the year ended December 31, 2007

8.2 Securities held as collateral against lendings to financial institutions

	2007			2006		
	Held by group	Further Given as collateral	Total	Held by group	Further Given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	-	-	-	5,396,800	-	5,396,800
Pakistan Investment Bonds	-	-	-	6,635,000	-	6,635,000
	-	-	-	12,031,800	-	12,031,800

Market value of securities held as collateral against lendings to financial institutions as at December 31, 2007 amounted to Rs. Nil (2006: Rs. 12,456 million). These carry markup at the rate of Nil per annum (2006: 8.30% to 9.60% per annum).

9. INVESTMENTS - NET

9.1 Investments by types

	Note / Annexure	2007			2006		
		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 & Annexure I (note 2)	230,752	-	230,752	-	-	-
- Units in open ended mutual fund	9.5 & Annexure I (note 2)	288,337	-	288,337	-	-	-
		519,089	-	519,089	-	-	-
Available for sale securities							
- Market Treasury Bills	9.6	58,268,118	26,996,870	85,264,988	25,574,416	11,298,388	36,872,804
- Pakistan Investment Bonds	9.6	2,726,418	-	2,726,418	1,352,350	-	1,352,350
- Shares in listed companies	Annexure I (note 1)	7,388,550	-	7,388,550	5,818,123	-	5,818,123
- Units in open ended mutual fund	Annexure I (note 1)	1,677,063	-	1,677,063	118,595	-	118,595
- Shares in unlisted companies	9.7 & Annexure I (note 3)	515,333	-	515,333	537,012	-	537,012
- NIT units		5,253	-	5,253	5,253	-	5,253
- Sukuk Bonds	Annexure I (note 4)	400,000	-	400,000	-	-	-
- Listed Term Finance Certificates (TFCs)	Annexure I (note 4)	1,136,821	-	1,136,821	1,450,659	-	1,450,659
		72,117,556	26,996,870	99,114,426	34,856,408	11,298,388	46,154,796
Held to maturity securities							
- Market Treasury Bills	9.6	216,881	-	216,881	-	-	-
- Pakistan Investment Bonds	9.6	2,377,654	-	2,377,654	2,439,089	-	2,439,089
- Federal Government Securities	Annexure I (note 5)	704,928	-	704,928	825,719	-	825,719
- Provincial Government Securities		118	-	118	118	-	118
- Government Compensation Bonds	Annexure I (note 5)	870,771	-	870,771	870,771	-	870,771
- Sukuk Bonds	Annexure I (note 5)	1,785,475	-	1,785,475	1,573,478	-	1,573,478
- Euro Bonds	Annexure I (note 5)	3,299,630	-	3,299,630	3,019,135	-	3,019,135
- Term Finance Certificates (TFCs), Debentures, Bonds and Participation Term Certificates (PTCs)	Annexure I (note 4)	1,346,566	-	1,346,566	2,387,836	-	2,387,836
- Certificates of Investment	Annexure I (note 6)	500,000	-	500,000	3,550,000	-	3,550,000
		11,102,023	-	11,102,023	14,666,146	-	14,666,146
Associates							
Adamjee Insurance Company Limited	Annexure I (note 7)	3,277,157	-	3,277,157	2,259,550	-	2,259,550
First Women Bank Limited	9.8	63,300	-	63,300	63,300	-	63,300
	9.12	3,340,457	-	3,340,457	2,322,850	-	2,322,850
Investments at cost							
Less: Provision for diminution in value of investments	9.3	(468,288)	-	(468,288)	(363,019)	-	(363,019)
Investments (net of provisions)							
Surplus / (deficit) on revaluation of 'available for sale' securities - net	22.2	1,790,202	(35,990)	1,754,212	1,685,026	(15,038)	1,669,988
Deficit on revaluation of 'held for trading' securities - net	9.5	(3,329)	-	(3,329)	-	-	-
Investments at revalued amounts - net of provisions		88,397,710	26,960,880	115,358,590	53,167,411	11,283,350	64,450,761

Notes to the Financial Statements for the year ended December 31, 2007

	Note / Annexure	2007 (Rupees in '000)	2006 (Rupees in '000)
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills	9.6	85,481,869	36,872,804
- Pakistan Investment Bonds	9.6	5,104,072	3,791,439
- Federal Government Securities	Annexure I (note 5)	704,928	825,719
- Government Compensation Bonds	Annexure I (note 5)	870,771	870,771
- Euro Bonds	Annexure I (note 5)	3,299,630	3,019,135
- Sukuk Bonds	Annexure I (note 4 & 5)	1,585,475	1,573,478
Provincial Government Securities		118	118
Associated Undertakings	9.8 & Annexure I (note 7)	3,340,457	2,322,850
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas	Annexure I (note 1 & 2)	7,557,700	5,756,521
- Unlisted companies / funds	9.7 & Annexure I (note 3)	415,333	437,012
Units of Open Ended Mutual Funds	Annexure I (note 1 & 2)	1,965,400	118,595
Fully Paid-up Preference Shares:			
- Listed Companies	Annexure I (note 1)	61,602	61,602
- Unlisted Companies	Annexure I (note 3)	100,000	100,000
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates	Annexure I (note 4)	1,136,821	1,450,659
- Unlisted Term Finance Certificates	Annexure I (note 4)	1,223,068	1,946,344
- Debentures, Bonds and Participation Term Certificates (PTCs)	Annexure I (note 4)	123,498	441,492
- Certificates of Investment	Annexure I (note 6)	500,000	3,550,000
Other Investments:			
- Sukuk Bonds	Annexure I (note 5)	600,000	-
- NIT Units		5,253	5,253
Total investments at cost		114,075,995	63,143,792
Less: Provision for diminution in the value of investments	9.3	(468,288)	(363,019)
Investments (net of provisions)		113,607,707	62,780,773
Add: Surplus on revaluation of available for sale securities - net	22.2	1,754,212	1,669,988
Deficit on revaluation of held for trading securities - net	9.5	(3,329)	-
Investments at revalued amounts - net of provisions		115,358,590	64,450,761
9.3 Particulars of provision			
Opening balance		363,019	547,424
Charge during the year		138,046	298,119
Reversal made during the year		(32,777)	(176,922)
		105,269	121,197
Investment written off against provision		-	(305,602)
Closing balance		468,288	363,019
9.3.1 Particulars of provision in respect of Type and Segment			
Available for sale securities			
Listed shares / Certificates / Units		197,496	96,747
Unlisted shares		70,477	65,957
		267,973	162,704
Held to maturity securities			
TFCs, Debentures, Bonds and Participation Term Certificates		200,315	200,315
		468,288	363,019

Notes to the Financial Statements for the year ended December 31, 2007

9.4 Quality of 'available for sale' securities

	2007			2006				
	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit rating Long Term	Short Term	Rated by	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit Rating Long Term	Short Term	Rated by
Market Treasury Bills	85,071,912	(Unrated-	Government Securities)		36,832,900	(Unrated -	Government Securities)	
Pakistan Investment Bonds	2,711,499	(Unrated-	Government Securities)		1,350,985	(Unrated -	Government Securities)	
Listed Term Finance Certificates								
Askari Bank Limited (Formerly: Askari Commercial Bank Limited)	203,717	AA-	(Unrated)	PACRA	201,799	AA	(Unrated)	PACRA
Azgard Nine Limited	-	-	-	-	99,960	A+	(Unrated)	JCRVIS
Bank Al-Habib Limited	99,880	AA-	(Unrated)	PACRA	99,920	AA-	(Unrated)	PACRA
Bank Alfalah Limited	248,390	AA-	(Unrated)	PACRA	248,486	AA-	(Unrated)	PACRA
United Bank Limited	307,704	AA	(Unrated)	JCRVIS	284,890	AA-	(Unrated)	JCRVIS
Allied Bank Limited	-	-	-	-	117,020	A	(Unrated)	JCRVIS
First Dawood Investment Bank Limited	-	-	-	-	34,374	AA-	(Unrated)	PACRA
Hira Textile Mills Limited	-	-	-	-	49,910	A	(Unrated)	JCRVIS
Jahangir Siddiqui & Company Limited	49,940	AA+	(Unrated)	PACRA	149,764	AA+	(Unrated)	PACRA
Pakistan Services Limited	4,520	A	(Unrated)	JCRVIS	8,870	A	(Unrated)	JCRVIS
Soneri Bank Limited	149,850	A+	(Unrated)	PACRA	149,910	A+	(Unrated)	PACRA
Pak Arab Fertilizers Limited	100,000	AA	(Unrated)	JCRVIS	-	-	-	-
Sui Southern Gas Company Limited	-	-	-	-	12,567	AA	(Unrated)	PACRA
	1,164,001				1,457,470			
Shares in Listed Companies								
Abbott Laboratories Pakistan Limited	26,291	-	-	Not available	-	-	-	-
Al-Ghazi Tractors Limited	-	-	-	-	14,683	-	-	Not available
Allied Bank Limited	94,137	A	A1-	JCRVIS	47,311	A+	A1+	JCRVIS
Al-Meezan Mutual Fund	-	-	-	-	14,090	5 Star	(Unrated)	PACRA
Arif Habib Bank Limited	190	A-	A2	PACRA	-	-	-	Not available
Arif Habib Securities Limited	41,568	-	-	Not available	-	-	-	Not available
Askari Bank Limited (Formerly: Askari Commercial Bank Limited)	323,753	AA	A1+	PACRA	136,487	AA+	A1+	PACRA
Atlas Bank Limited	30,107	A-	A2	PACRA	-	-	-	-
Azgard Nine Limited - Preference Shares	9,572	A+	A1	PACRA	8,122	A	A1	PACRA
Azgard Nine Limited (Ordinary Shares)	5,656	A+	A1	PACRA	-	-	-	-
Baig Spinning Mills Limited	-	-	-	-	1,385	-	-	Not available
Bank Alfalah Limited	153,265	AA	A1+	PACRA	8,012	AA	A1+	PACRA
Bank Al-Habib Limited	206,743	AA	A1+	PACRA	32,191	AA	A1+	PACRA
Bank Islami Pakistan Limited	2,430	A-	A2	PACRA	-	-	-	-
Bawany Sugar Mills Limited	-	-	-	-	76	-	-	Not available
BOC Pakistan Limited	-	-	-	-	3,163	-	-	Not available
Brothers Textile Mills Limited	-	-	-	-	211	-	-	Not available
BSJS Balanced Fund Limited	-	-	-	-	6,170	4 Star	(Unrated)	PACRA
Century Papers and Board Mills Limited	33,389	-	-	Not available	16,741	-	-	Not available
Cherat Cement Company Limited	1,143	-	-	Not available	-	-	-	-
Colony Mills Limited	-	-	-	-	2	-	-	Not available
Crescent Commercial Bank Limited	2,095	A	A-	JCRVIS	-	-	-	-
EFU General Insurance Company Limited	329,596	AA	(Unrated)	JCRVIS	175,943	AA	(Unrated)	JCRVIS
EFU Life Assurance Company Limited	3,123	A+	(Unrated)	JCRVIS	3,894	-	-	Not available
Engro Chemical Pakistan Limited	242,631	AA	A1+	PACRA	76,565	AA	A1+	PACRA
Escorts Investment Bank Limited	-	-	-	-	1,146	A	A1	JCRVIS
Fauji Cement Company Limited	-	-	-	-	395	-	-	Not available
Fauji Fertilizer Bin Qasim Company Limited	150,946	-	-	Not available	2,856	-	-	Not available
Fauji Fertilizer Company Limited	809,675	-	-	Not available	719,673	-	-	Not available
Faysal Bank Limited	-	-	-	-	7,295	AA	A1+	PACRA
First Al - Noor Modaraba	24,157	BBB	A3	JCRVIS	22,891	BBB	A3	JCRVIS
First Investec Modaraba	-	-	-	-	27	-	-	Not available
Glaxo Smithkline Pakistan Limited	83,631	-	-	Not available	19,860	-	-	Not available
Balance carried forward	2,574,098				1,319,189			

Notes to the Financial Statements for the year ended December 31, 2007

	2007			2006				
	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit rating		Rated by	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit Rating		Rated by
		Long Term	Short Term			Long Term	Short Term	
Balance brought forward	2,574,098				1,319,189			
Habib Bank Limited	127,315	AA+	A1+	JCRVIS	-	-	-	
Habib Metropolitan Bank Limited	29,078	AA+	A1+	PACRA	5,227	AA+	A1+	PACRA
Honda Atlas Cars Limited	-		-		9,192		Not available	
Hub Power Company Limited	831,260		Not available		735,869		Not available	
IGI Insurance Limited	59,643	AA	(Unrated)	PACRA	3,728	AA	(Unrated)	PACRA
Indus Motors Company Limited	20,748		Not available		55,575		Not available	
International Industries Limited	35,694		Not available		-		-	
JS Bank Limited	24,035		Not available		-		-	
Khurshid Spinning Mills Limited	-		-		33		Not available	
Kohinoor Energy Limited	1,749		Not available		1,382		Not available	
Kohinoor Industries Limited	-		-		604		Not available	
Kot Addu Power Company Limited	211,261		Not available		127,163		Not available	
Lucky Cement Limited	12,233		Not available		2,199		Not available	
Masood Textile Mills Limited - preference shares	50,000		Not available		50,000		Not available	
Meezan Balanced Fund	-		-		8,600	5 Star	(Unrated)	PACRA
Mehr Dastagir Textile Mills Limited	9,701		Not available		8,893		Not available	
Millat Tractors Limited	84,283		Not available		186,256		Not available	
Mirza Sugars Limited	-		-		77		Not available	
Mohammad Farooq Textile Mills Limited	-		-		138		Not available	
National Bank of Pakistan	237,572	AAA	A1+	JCRVIS	161,066	AAA	A1+	JCRVIS
NIB Bank Limited	7,101	A+	A1	PACRA	-		-	
Oil & Gas Development Company Limited	268,782	AAA	A1+	JCRVIS	54,352		Not available	
Orix Leasing Pakistan Limited	5,995	AA+	A1+	PACRA	5,410	AA+	A1+	PACRA
Pace Pakistan Limited	10,051		Not available		-		-	
Packages Limited	9,383	AA	A1+	PACRA	43,102	AA	A1+	PACRA
Pak Suzuki Motor Company Limited	8,109		Not available		-		-	
Pakistan Cables Limited	13,709		Not available		-		-	
Pakistan Cement Company Limited	1,140		Not available		-		-	
Pakistan Oilfields Limited	101,992		Not available		323,924		Not available	
Pakistan PTA Limited	-		-		216		Not available	
The Bank of Punjab	-		-		70,656	AA	A1+	PACRA
Pakistan Capital Market Fund	-		-		496	5 Star	(Unrated)	PACRA
Pakistan Petroleum Limited	280,602		Not available		76,908		Not available	
Pakistan Premier Fund	-		-		1,058	5 Star	(Unrated)	PACRA
Pakistan Reinsurance Company Limited	-		-		12,870		Not available	
Pakistan State Oil Company Limited	29,275	AAA	A1+	PACRA	254,782	AAA	A1+	PACRA
Pakistan Synthetics Limited	-		-		100		Not available	
Pakistan Telecommunication Company Limited	253,256		Not available		138,692		Not available	
Pakistan Tobacco Company Limited	21,568		Not available		-		-	
PICIC Commercial Bank Limited	11,825	A+	A1	JCRVIS	905	A+	A1	JCRVIS
PICIC Growth Fund	-		-		12,371	MFR 4 STAR	(Unrated)	JCRVIS
PICIC Investment Fund	-		-		1,192		Not available	
Prime Commercial Bank Limited	-		-		1,725	A+	A1	PACRA
Redco Textiles Limited	-		-		350		Not available	
Rupali Polyester Limited	26,671		Not available		22,423		Not available	
Sakrand Sugar Limited	-		-		187		Not available	
Saudi Pak Commercial Bank Limited	-		-		217	A-	A-2	JCRVIS
Shell Pakistan Limited	26,531		Not available		-		-	
Soneri Bank Limited	96,292	AA-	A1+	PACRA	-		-	
Standard Chartered Modaraba	-		-		3,599	AA+	A1+	PACRA
** Sui Northern Gas Pipelines Limited	3,128,624	AA	A1+	PACRA	3,126,238	AA-	A1+	PACRA
Taj Textile Mills Limited	1		Not available		1		Not available	
Thal Limited	3,327		Not available		49,350		Not available	
Tripack Films Limited	-		-		404	A+	A1	PACRA
* Trust Securities & Brokerage Limited	2,550		Not available		1,680		Not available	
Balance carried forward	8,615,454				6,878,399			

Notes to the Financial Statements for the year ended December 31, 2007

	2007			2006				
	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit rating		Rated by	Market value/ carrying value for unlisted investments (Rupees in '000)	Credit Rating		Rated by
		Long Term	Short Term			Long Term	Short Term	
Balance brought forward	8,615,454				6,878,399			
Unilever Pakistan Limited	75,880		Not available		45,600		Not available	
United Bank Limited	304,339	AA	A1+	JCRVIS	389,875	AA	A1+	JCRVIS
UTP Growth Fund	-		-		1,843		Not available	
UTP Large Capital Fund (ABAMCO Composite Fund)	-		-		31,202		Not available	
WorldCall Telecom Limited	-		-		30	A+	A1	PACRA
Yousuf Weaving Mills Limited	-		-		75		Not available	
Zulfiqar Industries Limited	3,533		Not available		-		-	
	8,999,206				7,347,024			
Open Ended Mutual Fund								
AKD Opportunity Fund	-		-		4,765		Not available	
Atlas Income Fund	-		-		64,179	4 Star	(Unrated)	PACRA
Atlas Islamic Fund	10,613		Not available		10,000		Not available	
Atlas Stock Market Fund	-		-		15,314	4 Star	(Unrated)	PACRA
HBL Income Fund	30,000		Not available		-		-	
IGI Income Fund	30,009		Not available		-		-	
MCB Dynamic Cash Fund	1,287,526		Not available		-		-	
MCB Dynamic Stock Fund	323,366		Not available		-		-	
Meezan Islamic Fund	-		-		29,705	MFR 5 STAR	(Unrated)	JCRVIS
NAFA Cash Fund	10,003	MFR 5 STAR	(Unrated)	JCRVIS	-		-	
Unit Trust of Pakistan	92,054	5 Star	(Unrated)	PACRA	73,724	5 Star	(Unrated)	PACRA
	1,783,571				197,687			
Shares in Un-listed Companies								
* Khushhali Bank Limited	300,000	A-	A-1	JCRVIS	300,000	A-	A-1	JCRVIS
* Equity Participation Fund	1,500		Not available		1,500		Not available	
* Investment Corporation of Pakistan	-		-		22,824	AA	A1+	PACRA
* National Investment Trust Limited	100		Not available		100		Not available	
* Pakistan Agricultural Storage and Services Corporation	2,500		Not available		2,500		Not available	
* SME Bank Limited	10,106	BBB	A2	JCRVIS	10,106	BBB	A2	JCRVIS
First Capital Investment (Private) Limited	2,500	AM4+	(Unrated)	PACRA	2,500	AM4+	(Unrated)	PACRA
Musarrat Textile Mills Limited (de-listed)	36,045		Not available		-		-	
Pak Asian Fund	11,500		Not available		11,500		Not available	
Ayaz Textiles Mills Limited	2,253		Not available		-		-	
* Arabian Sea Country Club	5,000		Not available		4,920		Not available	
* Central Depository Company 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)	2,993		Not available		2,993		Not available	
Al-Ameen Textile Mills Limited	197		Not available		-		-	
Custodian Management Services	1,000		Not available		-		-	
Sadiqabad Textile Mills Limited	26,383		Not available		-		-	
Fazal Cloth Mills Limited - Preference Share	100,000		Not available		100,000		Not available	
Lanka Clearing (Private) Limited	570		Not available		567		Not available	
Lanka Financial Services Bureau Limited	1,142		Not available		-		-	
Credit Information Bureau of Srilanka	17		Not available		17		Not available	
	515,333				471,054			
Other Investment								
Sukuk Bonds	419,000		(Unrated - Government Securities)		-		-	
N.I.T. Units	6,620	4 Star	(Unrated)	PACRA	4,960	4 Star	(Unrated)	PACRA
	100,671,142				47,662,080			

* These are the strategic investments of the Group.

** This includes 32.287 million shares valuing Rs. 2,116.414 million (2006: 32.287 million shares valuing Rs. 2,171.300 million) which are held as strategic investment by the Group.

Notes to the Financial Statements for the year ended December 31, 2007

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

Investee Company	Unrealised gain/(loss) as on December 31,		Cost as at December 31,	
	2007	2006	2007	2006
	------(Rupees in '000)-----			
Arif Habib Securities Limited	(1,453)	-	32,421	-
Attock Refinery Limited	(3,421)	-	51,972	-
Bank Al-Habib Limited	(48)	-	1,978	-
Bosicar Pakistan Limited	(305)	-	6,710	-
Engro Chemical Pakistan Limited	(1,122)	-	24,482	-
Fauji Cement Company Limited	(145)	-	1,635	-
Glaxo Smithkline Pakistan Limited	(168)	-	2,631	-
J.O.V & Company Limited	(413)	-	8,583	-
KASB Bank Limited	(25)	-	1,035	-
Lucky Cement Limited	(142)	-	3,054	-
National Bank of Pakistan	(331)	-	6,065	-
National Refinery Limited	(525)	-	9,369	-
PACE Pakistan Limited	(223)	-	8,099	-
Pakistan Cement Limited	(195)	-	1,335	-
Pakistan Oilfields Limited	(2,418)	-	30,842	-
Pakistan Petroleum Limited	(983)	-	19,362	-
Pakistan State Oil Company Limited	(216)	-	4,282	-
Thal Limited	(59)	-	1,624	-
TRG Pakistan Limited	(31)	-	1,424	-
United Bank Limited	(882)	-	13,849	-
MCB Dynamic Cash Fund	9,776	-	288,337	-
	<u>(3,329)</u>	<u>-</u>	<u>519,089</u>	<u>-</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, 2007 amounted to Rs. 1,990.67 million and Rs. 237.70 million (2006: Market Treasury Bills Rs. Nil and Pakistan Investment Bonds Rs. 1,978.22 million) respectively.

9.7 This includes the Group's subscription towards the paid-up capital of Khushhali Bank Limited amounting to Rs. 300 million (2006: Rs. 300 million). Pursuant to section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the Group cannot sell or transfer their investment before a period of five years due on October 10, 2005, from the date of subscription. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. In addition, profit of Khushhali Bank Limited cannot be distributed as dividend under clause 35i of Khushhali Bank Ordinance, 2000. However, Khushhali Bank Ordinance is in process of amendment under which the restriction on the dividend payment is expected to be deleted. Moreover, the Board of Directors of Khushhali Bank Limited has approved the conversion of Khushhali Bank under the Microfinance Institutions Ordinance, 2001 which does not restrict the distribution of dividend to members.

9.8 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, 2007 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, 2007 amounted to Rs. 10,671.631 million (2006: Rs. 4,481.877 million).

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

	2007	2006
	(Rupees '000)	
Opening Balance	2,259,550	1,869,045
Share of profit for the year before tax	1,223,633	474,030
Dividend from associate	(98,274)	(62,568)
Share of tax	(15,769)	(25,675)
	1,109,590	385,787
Share of unrealized surplus on assets -net of tax	(91,983)	4,718
Closing Balance	<u>3,277,157</u>	<u>2,259,550</u>

Notes to the Financial Statements for the year ended December 31, 2007

- 9.9** At December 31, 2007 market value of quoted investments was Rs. 113,354.432 million (2006: Rs. 53,858.431 million) while the book value of unquoted investments was Rs. 9,391.098 million (2006: Rs. 12,711.323 million).
- 9.10** Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2006: 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 Group. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2006: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account. Further Euro Bonds issued by Government of Pakistan amounting to US Dollar 29 million (2006: US Dollar 29 million) / Rs. 1,798.00 million (2006: Rs. 1,766.39 million) (face value) are earmarked by Mashreq Bank PSC against the Group's borrowings.
- 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	2007 (Rupees in '000)	2006
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		208,588,318	189,472,034
Outside Pakistan		6,989,947	5,172,803
		<u>215,578,265</u>	<u>194,644,837</u>
Net investment in finance lease	10.2		
In Pakistan		6,902,283	6,080,333
Outside Pakistan		67,710	85,865
		<u>6,969,993</u>	<u>6,166,198</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		2,949,228	1,761,803
Payable outside Pakistan		4,234,574	4,272,188
		<u>7,183,802</u>	<u>6,033,991</u>
Advances - gross		229,732,060	206,845,026
Provision against advances	10.4		
Specific provision		(7,326,953)	(5,953,234)
General provision	10.4.3	(2,749,815)	(2,277,467)
General provision against consumer loans	10.4.4	(688,665)	(373,823)
General provision for potential lease losses (in Srilanka operations)		(6,841)	(3,820)
		<u>(10,772,274)</u>	<u>(8,608,344)</u>
Advances - net of provision		<u>218,959,786</u>	<u>198,236,682</u>
10.1 Particulars of advances (Gross)			
10.1.1	In local currency	212,238,196	193,483,876
	In foreign currencies	17,493,864	13,361,150
		<u>229,732,060</u>	<u>206,845,026</u>
10.1.2	Short-term	153,980,413	144,593,011
	Long-term	75,751,647	62,252,015
		<u>229,732,060</u>	<u>206,845,026</u>

Notes to the Financial Statements for the year ended December 31, 2007

10.2 Net investment in finance lease

	2007				2006			
	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	2,244,569	4,515,068	7,229	6,766,866	2,207,155	3,870,278	55,599	6,133,032
Guaranteed residual value	300,233	1,160,176	648	1,461,057	874,230	389,307	5,014	1,268,551
Minimum lease payments	2,544,802	5,675,244	7,877	8,227,923	3,081,385	4,259,585	60,613	7,401,583
Finance charge for future periods	(521,511)	(735,651)	(768)	(1,257,930)	(379,929)	(839,762)	(15,694)	(1,235,385)
Present value of minimum lease payments	<u>2,023,291</u>	<u>4,939,593</u>	<u>7,109</u>	<u>6,969,993</u>	<u>2,701,456</u>	<u>3,419,823</u>	<u>44,919</u>	<u>6,166,198</u>

10.3 'Advances include Rs. 10,725.308 million (2006: Rs. 8,570.813 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2007								
		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	101,910	-	101,910	-	-	-	-	-	-
Substandard		842,804	11,438	854,242	202,432	2,859	205,291	202,432	2,859	205,291
Doubtful		1,691,207	8,373	1,699,580	832,623	4,186	836,809	832,623	4,186	836,809
Loss		5,374,166	2,695,410	8,069,576	5,319,633	965,220	6,284,853	5,319,633	965,220	6,284,853
		<u>8,010,087</u>	<u>2,715,221</u>	<u>10,725,308</u>	<u>6,354,688</u>	<u>972,265</u>	<u>7,326,953</u>	<u>6,354,688</u>	<u>972,265</u>	<u>7,326,953</u>
----- (Rupees in '000) -----										
Category of Classification	Note	2006								
		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	87,699	-	87,699	-	-	-	-	-	-
Substandard		487,306	6,927	494,233	108,247	1,731	109,978	108,247	1,731	109,978
Doubtful		475,072	-	475,072	231,032	-	231,032	231,032	-	231,032
Loss		4,837,290	2,676,519	7,513,809	4,665,896	946,328	5,612,224	4,665,896	946,328	5,612,224
		<u>5,887,367</u>	<u>2,683,446</u>	<u>8,570,813</u>	<u>5,005,175</u>	<u>948,059</u>	<u>5,953,234</u>	<u>5,005,175</u>	<u>948,059</u>	<u>5,953,234</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.

Notes to the Financial Statements for the year ended December 31, 2007

10.4 Particulars of provision against advances

	Note	Specific	General	2007		Total
				General provision against consumer loans (Rupees in '000)	Leasing (general)	
Opening balance		5,953,234	2,277,467	373,823	3,820	8,608,344
Exchange adjustments		(17,680)	-	-	(53)	(17,733)
Provision made during the year	10.4.2	2,169,319	472,348	314,842	3,074	2,959,583
Amounts written off	10.5.1	(777,920)	-	-	-	(777,920)
Closing balance		<u>7,326,953</u>	<u>2,749,815</u>	<u>688,665</u>	<u>6,841</u>	<u>10,772,274</u>

		Specific	General	2006		Total
				General provision against consumer loans (Rupees in '000)	Leasing (general)	
Opening balance		5,534,376	2,098,053	180,554	3,941	7,816,924
Exchange adjustments		17,278	-	-	(121)	17,157
Provision made during the year	10.4.2	641,857	179,414	193,269	-	1,014,540
Amounts written off	10.5.1	(240,277)	-	-	-	(240,277)
Closing balance		<u>5,953,234</u>	<u>2,277,467</u>	<u>373,823</u>	<u>3,820</u>	<u>8,608,344</u>

10.4.1 Particulars of provisions against advances

	Specific	2007		Specific	2006	
		General (total)	Total		General (total)	Total
In local currency	6,274,466	3,438,480	9,712,946	5,033,470	2,651,290	7,684,760
In foreign currencies	1,052,487	6,841	1,059,328	919,764	3,820	923,584
	<u>7,326,953</u>	<u>3,445,321</u>	<u>10,772,274</u>	<u>5,953,234</u>	<u>2,655,110</u>	<u>8,608,344</u>

Note 2007 2006
(Rupees in '000)

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

Specific provision	10.4	2,169,319	641,857
General provision	10.4.3	472,348	179,414
General provision against consumer loans	10.4.4	314,842	193,269
General provision for potential lease losses (in Srilanka operations)		3,074	-
		<u>2,959,583</u>	<u>1,014,540</u>

10.4.3 General provision against advances represents provision maintained at around 1% of gross advances.

10.4.4 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.

Notes to the Financial Statements for the year ended December 31, 2007

10.5 Particulars of write offs:	Note	2007 (Rupees in '000)	2006
10.5.1 Against provisions Directly charged to the profit and loss account	10.4	777,920 199	240,277 47,000
		778,119	287,277
10.5.2 Write offs of Rs. 500,000 and above Write offs of below Rs. 500,000	10.5.3	750,520 27,599	282,613 4,664
		778,119	287,277
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, 2007 is given at Annexure- III of the these financial statements. However, this write off does not affect the Bank's right to recover the debts from these customers.

10.6 Particulars of advances to directors, executives, associated companies, etc.

	Note	2007 (Rupees in '000)	2006
Debits due by executives or officers of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of the year		3,149,550	3,083,682
Loans granted during the year		976,231	659,589
Repayments		(897,297)	(593,721)
Balance at end of the year		3,228,484	3,149,550
Debits due by controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		2,240,038	1,297,320
Loans granted during the year		1,442,020	2,062,460
Repayments		(2,020,189)	(1,119,742)
Balance at end of the year		1,661,869	2,240,038
		4,890,353	5,389,588

11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	233,390	952,505
Property and equipment	11.2	15,662,544	7,748,773
Intangible asset	11.3	186,847	371,998
		16,082,781	9,073,276
11.1 Capital work-in-progress			
Civil works		92,308	418,328
Equipment		-	133,757
Advances against purchase of property		5,900	102,727
Advances to suppliers and contractors		71,094	183,727
Others		64,088	113,966
		233,390	952,505

Notes to the Financial Statements for the year ended December 31, 2007

11.2 Property and equipment

Description	2007												Net book Value at December 31, 2007	Annual rate of depreciation/ estimated useful life
	Cost/ Revalued amount						Accumulated depreciation							
	At January 01, 2007	Additions/ (disposals)	Write-off/ reversal due to revaluation	Revaluation surplus	Adjustment /transfer out	At December 31, 2007	At January 01, 2007	Charge for the year/ (depreciation on disposals)	Write-off/ reversal due to revaluation	Revaluation surplus	Transfer in/ (transfer out)	At December 31, 2007		
(Rupees in '000)														
Land - Freehold	3,896,428	1,426,790	-	4,085,199	-	9,408,417	-	-	-	-	-	-	9,408,417	-
Land - Leasehold	57,430	-	-	-	-	57,430	-	-	-	-	-	-	57,430	-
Buildings on freehold land	2,260,750	1,058,704	(224,068)	821,340	43,423	3,960,149	136,813	88,234	(224,068)	-	-	979	3,959,170	50 years
Buildings on leasehold land	57,536	8,031	-	-	-	65,567	17,995	2,087	-	-	-	20,082	45,485	10 to 50 years
Furniture and fixtures	555,761	106,834	(12,739)	-	-	636,720	270,763	33,258	(3,772)	-	-	289,047	347,673	10% to 33%
		(13,136)						(11,202)						
Electrical, Computers and office Equipments	3,057,297	844,290 (118,233)	(13,329)	-	(43,423)	3,726,602	2,038,762	416,557 (96,379)	(10,194)	-	-	2,348,746	1,377,856	20% to 33%
Vehicles	595,787	219,071	-	-	-	730,691	267,883	63,991	-	-	(9,024)	264,178	466,513	20%
		(84,167)						(58,672)						
	10,480,989	3,663,720 (215,536)	(250,136)	4,906,539	-	18,585,576	2,732,216	604,127 (166,253)	(238,034)	-	(9,024)	2,923,032	15,662,544	

Description	2006												Net book Value at December 31, 2006	Annual rate of depreciation/ estimated useful life
	Cost/ Revalued amount					Accumulated depreciation								
	At January 01, 2006	Additions/ (disposals)	Write-off	Adjustment /transfer out	At December 31, 2006	At January 01, 2006	Charge for the year/ (depreciation on disposals)	Write-off	Adjustment /transfer out	At December 31, 2006				
(Rupees in '000)														
Land - Freehold	3,858,796	110,316	-	** (70,454) (2,230)	3,896,428	-	-	-	-	-	-	-	3,896,428	-
Land - Leasehold	57,430	-	-	-	57,430	-	-	-	-	-	-	-	57,430	-
Buildings on freehold and	2,137,700	305,386 (40,269)	(49,779)	** (88,363) (3,925)	2,260,750	80,420	59,013 (2,013)	-	(411) (196)	136,813			2,123,937	50 years
Buildings on leasehold land	56,521	1,015	-	-	57,536	16,518	1,477	-	-	17,995			39,541	10 to 50 years
Furniture and fixtures	1,087,369	65,563 (29,397)	(47,925)	** (519,849)	555,761	823,170	29,126 (24,310)	(37,374)	* (519,849)	270,763			284,998	10% to 33%
Electrical, Computers and office Equipments	2,535,880	521,417	-	-	3,057,297	1,662,161	376,601	-	-	2,038,762			1,018,535	20% to 33%
Vehicles	513,773	221,047 (117,980)	(122)	* (20,931)	595,787	302,043	90,400 (103,629)	-	* (20,931)	267,883			327,904	20% to 25%
	10,247,469	1,224,744 (187,646)	(97,826)	(699,597) (6,155)	10,480,989	2,884,312	556,617 (129,952)	(37,374)	(541,191) (196)	2,732,216			7,748,773	

* In the previous years, the management had initiated a detailed exercise to centralise the fixed assets records of the Group. Based on this exercise fully depreciated fixed assets (which are not in the Group's use), have been adjusted. There was no net effect in the profit and loss account.

** This includes reversal of revaluation surplus of Rs. 152.709 million to write down the related assets to their expected realisable value. There was no net effect in the profit and loss account.

Notes to the Financial Statements for the year ended December 31, 2007

11.2.1 The land and buildings of the Group have been revalued in December 2007 by independent valuers (Pee Dee Associates & Arch-e-Decon), valuation and engineering consultants, on the basis of market value. The impact of valuation has been incorporated as at December 31, 2007 and has resulted in surplus of Rs. 4,906.539 million over the written down value of Rs. 8,562.984 million of these assets (total revalued amount being Rs. 13,469.523 million - refer Annexure V for the details of locations). The details of revalued amounts are as follows:

(Rupees in '000)

Total revalued amount of land	9,465,847
Total revalued amount of buildings	4,003,676

Had the land and buildings not been revalued, the total carrying amounts as at December 31, 2007 would have been as follows:

(Rupees in '000)

Land	2,228,488
Buildings	2,662,298

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

Furniture and fixtures	1,015
Electrical, computer and office equipment	257,123
Vehicles	51,016

11.2.3 The carrying amount of properties held for disposal by the Bank are as follows:

(Rupees in '000)

Property at Empress Market, Karachi	36
Property at MCHS Military Road, Sukkur	5,979
Property at New Garden Town, Lahore	4,007
Property at Peshawar Cantt, Peshawar	20,461

These properties are disclosed as held for disposal in accordance with the BSD circular no. 4 dated February 26, 2006.

11.2.4 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	2007						Net book Value at December 31, 2007	Annual rate of amortisation %
	Cost			Accumulated amortisation				
	At January 01, 2007	Additions	At December 31, 2007	At January 01, 2007	Amortisation for the year	At December 31, 2007		
----- (Rupees in '000) -----								
Computer software	553,396	6,837	560,233	181,398	191,988	373,386	186,847	33.33 to 50
	553,396	6,837	560,233	181,398	191,988	373,386	186,847	

Description	2006						Net book Value at December 31, 2006	Annual rate of amortisation %
	Cost			Accumulated amortisation				
	At January 01, 2006	Additions	At December 31, 2006	At January 01, 2006	Amortisation for the year	At December 31, 2006		
----- (Rupees in '000) -----								
Computer software	309,151	244,245	553,396	60,113	121,285	181,398	371,998	33.33 to 50
	309,151	244,245	553,396	60,113	121,285	181,398	371,998	

Notes to the Financial Statements for the year ended December 31, 2007

12. DEFERRED TAX (LIABILITY) / ASSET - NET

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

	Note	2007 (Rupees in '000)	2006
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	22.1	(469,482)	(188,398)
Accelerated tax depreciation		(568,718)	(89,962)
Net investment in finance lease receivable		(599,216)	(167,406)
Surplus on revaluation of securities	22.2	(156,767)	-
		(1,794,183)	(445,766)
Deductible temporary differences on:			
Deficit on revaluation of securities		-	14,343
Provision for contributory benevolent scheme		98,706	92,589
Provision for gratuity		1,197	638
Provision for employees' compensated absences		-	5,060
Provision for post retirement medical benefits		509,298	505,208
Others		1,396	2,814
		610,597	620,652
		(1,183,586)	174,886

12.2 Through Finance Act 2007, a new section 100A read with a schedule (the '7th Schedule') was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The Schedule seeks to simplify the taxation of these banking companies and is applicable from the income year ending on December 31, 2008.

Deferred tax up to December 31, 2007 is being maintained by the Group and it is confident that transitory provisions will be made where a mechanism will be set to claim the benefit of these disallowances.

	Note	2007 (Rupees in '000)	2006
13. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency	13.4	4,752,151	4,020,038
Income / mark-up accrued on advances and investments - foreign currencies		233,133	221,999
Advances, deposits, advance rent and other prepayments		1,003,018	777,070
Compensation for delayed income tax refunds		44,802	44,802
Branch Adjustment Account		208,737	238,096
Unrealised gain on derivative financial instruments	13.3	453,802	75,403
Non-banking assets acquired in satisfaction of claims	13.1	486,471	492,431
Stationery and stamps on hand		48,676	52,610
Prepaid exchange risk fee		139	139
Receivable from the pension fund	37.3	10,651,047	4,881,483
Others		520,848	756,528
		18,402,824	11,560,599
Less: Provision held against other assets	13.2	505,986	515,690
		17,896,838	11,044,909

13.1 The market value of non-banking assets with carrying value of Rs. 363.862 million (net of provision) as per the valuation report dated December 31, 2007 amounted to Rs. 442.271 million (2006: Based on valuation as of December 31, 2006 Rs. 386.835 million).

Notes to the Financial Statements for the year ended December 31, 2007

13.2 Provision held against other assets

	2007	2006
	(Rupees in '000)	
Opening balance	515,690	504,279
Charge for the year	17,257	15,410
Reversal during the year	(21,000)	(3,999)
	(3,743)	11,411
Write off during the year	(5,961)	-
Closing balance	<u>505,986</u>	<u>515,690</u>

Contract / Notional amount		Unrealised gain	
2007	2006	2007	2006
----- (Rupees in '000) -----			

13.3 Derivative financial instruments

Unrealised gain on:				
Interest rate swaps	250,000	1,772,750	11,297	24,794
Forward exchange contracts	67,789,886	49,214,776	442,505	50,609
	<u>68,039,886</u>	<u>50,987,526</u>	<u>453,802</u>	<u>75,403</u>

13.4 This includes mark-up receivable from the pension fund and provident fund amounting to Rs. 37.636 million and Rs. Nil (2006: Rs. 55.695 million and Rs. 11.580 million) respectively.

14. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2007 and December 31, 2006.

15. BILLS PAYABLE

	Note	2007	2006
		(Rupees in '000)	
In Pakistan		10,447,928	7,075,421
Outside Pakistan		31,130	14,258
		<u>10,479,058</u>	<u>7,089,679</u>

16. BORROWINGS

In Pakistan		35,497,881	20,304,629
Outside Pakistan		3,908,950	3,638,847
		<u>39,406,831</u>	<u>23,943,476</u>

16.1 Particulars of borrowings with respect to currencies

In local currency		35,497,881	20,304,629
In foreign currencies		3,908,950	3,638,847
		<u>39,406,831</u>	<u>23,943,476</u>

16.2 Details of borrowings (secured / unsecured)

Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	16.3 & 16.5	5,593,462	6,727,670
Long term financing - export oriented products scheme	16.4 & 16.5	2,473,077	2,313,030
		8,066,539	9,040,700
Borrowings from other financial institution	16.6	2,932,600	2,932,817
Repurchase agreement borrowings	16.7	26,931,342	11,263,929
		37,930,481	23,237,446
Unsecured			
Overdrawn nostro accounts		976,350	617,027
Call borrowings	16.8	500,000	89,003
		1,476,350	706,030
		<u>39,406,831</u>	<u>23,943,476</u>

Notes to the Financial Statements for the year ended December 31, 2007

- 16.3** MCB Bank Limited (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.
- 16.4** The amount is due to SBP and has been obtained for providing long term finance to customers for export oriented products. 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.
- 16.5** Borrowings from SBP under the export refinance and long term financing for export oriented product schemes are secured against the Bank's cash and security balances held by the SBP.
- 16.6** This represents short term loans by an overseas branch of the Bank and carry mark-up rates ranging between 5.88% to 5.95% per annum (2006: 5.50% to 6.00% per annum), maturing during 2008. These are secured against Euro bonds of Rs. 1,798.00 million (2006: Rs. 1,766.39 million).
- 16.7** These carry mark-up rates ranging between 9.2 % to 10 % per annum (2006: 8.0% to 9.4% per annum) and are secured against Government securities of carrying value of Rs. 26,996.870 million (2006: Rs. 11,298.39 million). These are repayable by January, 2008.
- 16.8** These carry mark-up at the rate of 9.75%. These are repayable by January, 2008.

17. DEPOSITS AND OTHER ACCOUNTS

	2007	2006
	(Rupees in '000)	
Customers		
Fixed deposits	32,202,230	33,296,703
Savings deposits	151,554,958	136,613,835
Current accounts - non remunerative	95,957,918	81,640,625
Margin accounts	2,589,309	2,447,944
Others	4,288	4,336
	<u>282,308,703</u>	<u>254,003,443</u>
Financial institutions		
Remunerative deposits	9,233,602	249,506
Non-remunerative deposits	546,042	2,932,161
	<u>9,779,644</u>	<u>3,181,667</u>
	<u>292,088,347</u>	<u>257,185,110</u>
17.1 Particulars of deposits		
In local currency	278,059,003	243,217,321
In foreign currencies	14,029,344	13,967,789
	<u>292,088,347</u>	<u>257,185,110</u>

- 17.2** Deposits include deposits from related parties amounting to Rs. 503.522 million (2006: Rs. 855.785 million).

18. SUB-ORDINATED LOAN -UNSECURED (NON-PARTICIPATORY)

	Mark-up payable	Mark-up payment period	Mark-up not yet due	2007	2006
				(Rupees in '000)	
Listed Term Finance Certificates	Semi-annually	2003-2008	5,846	<u>479,232</u>	<u>1,597,440</u>

The above liability is subordinated as to the payment of principal and profit to all other indebtedness of MCB Bank Limited (including deposits) and is not redeemable before maturity without prior approval of the State Bank of Pakistan. Rate of mark up on the liability is based on the cut-off yield of 5 year Pakistan Investment Bonds auctioned on the last working day before the beginning of each semi-annual redemption period plus 1.5 % subject to floor and cap of 11.75% and 15.75% per annum respectively. The sub-ordinated loan will be fully redeemed in February, 2008.

Notes to the Financial Statements for the year ended December 31, 2007

19. OTHER LIABILITIES

	Note	2007	2006
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		1,550,398	1,883,620
Mark-up / return / interest payable in foreign currencies		76,656	122,854
Accrued expenses		787,185	600,441
Unclaimed dividend		1,313,371	510,275
Staff welfare fund		76,876	87,054
Unrealised loss on derivative financial instruments	19.1	541,962	31,137
Provision for employees' compensated absences	37.3	974,464	1,023,683
Provision for post retirement medical benefits	37.3	1,455,135	1,443,450
Provision for employees' contributory benevolent scheme	37.3	282,019	264,542
Provision for gratuity		3,421	1,824
Security deposits received in respect of finance lease		1,468,077	1,273,642
Taxation (provision less payments)		1,348,843	2,368,477
Retention money		40,999	24,774
Insurance payable against consumer assets		391,729	368,511
Others		1,405,330	1,172,841
		<u>11,716,465</u>	<u>11,177,125</u>

<u>Contract / Notional amount</u>		<u>Unrealised loss</u>	
<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
----- (Rupees in '000) -----			

19.1 Derivative financial instruments

Unrealised loss on:				
Interest rate swaps	2,471,698	1,450,735	14,635	26,777
Forward exchange contracts	63,649,869	42,495,024	527,327	4,360
	<u>66,121,567</u>	<u>43,945,759</u>	<u>541,962</u>	<u>31,137</u>

20. SHARE CAPITAL

20.1 Authorised Capital

2007	2006		Note	2007	2006
(Number of shares)				(Rupees in '000)	
<u>1,000,000,000</u>	<u>650,000,000</u>	Ordinary shares of Rs 10 each	20.1.1	<u>10,000,000</u>	<u>6,500,000</u>

20.1.1 MCB Bank Limited vide a special resolution dated March 28, 2007 increased its Authorised Share Capital from Rs.6,500 million to Rs.10,000 million.

20.2 Issued, subscribed and paid-up capital

2007			2006				2007	2006
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		(Rupees in '000)	
----- (Number of shares) -----								
197,253,795	349,073,895	546,327,690	162,765,395	263,767,347	426,532,742	Opening balance	5,463,276	4,265,327
-	81,949,153	81,949,153	34,488,400	85,306,548	119,794,948	Shares issued during the year	819,492	1,197,949
<u>197,253,795</u>	<u>431,023,048</u>	<u>628,276,843</u>	<u>197,253,795</u>	<u>349,073,895</u>	<u>546,327,690</u>	Closing balance	<u>6,282,768</u>	<u>5,463,276</u>

Notes to the Financial Statements for the year ended December 31, 2007

20.3 During the year 2006, the MCB Bank Limited (the 'Bank') was admitted to the Official List of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depositary Receipts (GDRs) issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S. The Bank had issued 8,622,100 GDRs each representing four ordinary equity shares at an offer price of US\$ 17.3970 per GDR (total receipt being US\$ 149.999 million). Accordingly, based on an exchange rate of Rs. 60.70 = US\$ 1.00 (which was the exchange rate on the date of the final offering circular relating to the GDR issue made by the Bank), 34,488,400 ordinary equity shares of nominal value of Rs. 10 each of the Bank were issued at a premium of Rs. 254 per ordinary equity share (total premium amount being Rs. 8,760.054 million).

Holders of GDRs are entitled, subject to the provisions of the Deposit Agreement, to receive dividend, if any and rank pari passu with other equity shareholders in respect of dividend. However, the holder of GDR have no voting rights or other direct rights of shareholders with respect to the equity shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated October 11, 2006, the deposited equity shares in respect of which the GDRs were issued may be withdrawn from the depository facility. Upon withdrawal, the holders will rank pari passu with other equity shareholders in respect of dividend, voting and other direct rights of shareholders. The GDRs are now fully fungible. The bank has obtained all required regulatory approvals for "Two Way Fungibility". Two way convertibility of GDRs would be limited to number of GDRs issued at the time of issuance i.e. 8.622 million, subject to availability of headroom and adjusted for subsequent corporate actions i.e. bonus shares, right issue and stock splits. As at December 31, 2007, 9.1 million (2006: 4.9 million) of the deposited equity shares had been withdrawn from the depository facility.

	Note	2007	2006
		(Rupees in '000)	
20.4	Number of shares held by the related parties as at December 31, are as follows:		
Siddiqsons Denim Mills Limited		28,675,082	24,934,855
Din Leather (Private) Limited		3,915,381	3,404,680
Adamjee Insurance Company Limited		17,011,379	10,944,360
MCB Bank Limited Pension Fund		50,588,856	44,290,310
MCB Bank Limited Provident Fund (Pakistan staff)		26,602,295	23,132,431
		<u>126,792,993</u>	<u>106,706,636</u>

21. RESERVES

Share premium		9,702,528	9,702,528
Exchange translation reserve		(41,692)	(53,617)
Statutory reserve	21.1	6,740,091	5,213,535
General reserve		17,600,000	9,800,000
		<u>34,000,927</u>	<u>24,662,446</u>

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

	Note	2007	2006
		(Rupees in '000)	
22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus arising on revaluation (net of tax) of:			
- fixed assets	22.1	8,109,249	3,502,039
- available for sale securities	22.2	1,597,445	1,684,331
Surplus arising on revaluation of assets of associated undertaking (net of tax)		502,398	594,382
		<u>10,209,092</u>	<u>5,780,752</u>

Notes to the Financial Statements for the year ended December 31, 2007

	Note	2007	2006
		(Rupees in '000)	
22.1 Surplus on revaluation of fixed assets-net of tax			
Surplus on revaluation of fixed assets as at January 01		3,690,437	3,892,779
Surplus on revaluation during the year		4,906,539	-
Reversal of revaluation surplus during the year		-	(152,709)
Surplus realised on disposal of revalued properties - net of deferred tax		-	(23,000)
Related deferred tax liability		-	(12,532)
		-	(35,532)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(11,860)	(9,166)
Related deferred tax liability		(6,385)	(4,935)
		(18,245)	(14,101)
Surplus on revaluation of fixed assets as at December 31		8,578,731	3,690,437
Less: Related deferred tax liability on:			
Revaluation as at January 01		188,398	238,881
Charge / (reversal) of deferred tax liability		287,469	(33,016)
Disposal of revalued properties during the year transferred to profit and loss account		-	(12,532)
Incremental depreciation charged during the year transferred to profit and loss account		(6,385)	(4,935)
		469,482	188,398
		8,109,249	3,502,039
22.2 Surplus / (deficit) on revaluation of available for sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		(193,077)	(39,904)
- Pakistan Investment Bonds		(14,919)	(1,365)
Listed Securities			
- Shares / Certificates / Units		1,809,520	1,624,976
- Open Ended Mutual Funds		106,508	79,470
- Term Finance Certificates		27,180	6,811
		1,943,208	1,711,257
Sukuk Bonds		19,000	-
		1,754,212	1,669,988
Add: Related deferred tax (liability) / asset	12.1	(156,767)	14,343
		1,597,445	1,684,331
23. CONTINGENCIES AND COMMITMENTS			
23.1 Transaction-related contingent liabilities			
Guarantees in favour of:			
Government		5,283,799	3,810,101
Banks and financial institutions		376,773	13,441
Others		7,247,043	2,570,648
Suppliers' credit / payee guarantee		1,809,117	1,605,942
		14,716,732	8,000,132
23.2 Trade-related contingent liabilities		61,677,285	42,035,977
23.3 Other contingencies			
Claims against the Group not acknowledged as debts		134,079	197,848
23.4 Commitments to extend credit			
MCB Bank Limited 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.			

Notes to the Financial Statements for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006
23.5	Commitments in respect of forward foreign exchange contracts		
	Purchase	62,077,338	41,288,941
	Sale	69,362,417	50,420,861
23.6	Commitments in respect of forward lending		
	Forward lending	-	1,853,461
23.7	Commitments for the acquisition of fixed assets	78,670	1,400,787
23.8	Other commitments		
	Cross currency swaps (notional amount)	24.1 & 24.2	1,845,484
	Fx Options (notional amount)	24.1	
	- Purchase	351,702	155,641
	- Sale	351,702	155,641
	Interest rate swaps - (notional amount)	24.1	2,721,698
	Forward outright sale of Government Securities	-	5,107,030
	Outright purchase of Government Securities from SBP	-	6,942,230

23.9 Taxation

The income tax assessments of MCB Bank Limited (the 'Bank') have been finalised upto and including the Tax Year 2007. For the Tax Years 2003 to 2007, the department has amended the assessments on certain issues against which the Bank has filed appeal before the Commissioner (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 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 Bank has filed appeal before Commissioner of Income Tax (Appeals).

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 tax liability for interest in suspense of 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.

24. 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.

MCB Bank Limited (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.

Notes to the Financial Statements for the year ended December 31, 2007

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

- Interest Rate Swaps
- Third Currency FX options
- 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. However, the risk management system is capable of generating risk numbers for options (i.e. Delta, Gamma, Vega, Theta and Rho).

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).

24.1 Product Analysis

Counter parties	2007					
	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	6	922,742	2	1,800,000	13	351,702
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	6	922,742	5	921,698	13	351,702
Total						
Hedging	6	922,742	2	1,800,000	13	351,702
Market Making	6	922,742	5	921,698	13	351,702
Counter parties						
With Banks for						
Hedging	1	95,000	2	1,772,500	7	155,641
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	1	95,000	6	1,450,735	7	155,641
Total						
Hedging	1	95,000	2	1,772,750	7	155,641
Market Making	1	95,000	6	1,450,735	7	155,641

* At the exchange rate prevailing at the end of the reporting period.

Notes to the Financial Statements for the year ended December 31, 2007

24.2 Maturity Analysis

Remaining Maturity	No. of Contracts	Notional Principal	2007		
			Negative	Mark to Market Positive	Net
			----- (Rupees in '000) -----		
Interest Rate Swaps					
Upto 1 month	1	18,182	-	-	-
3 to 6 months	1	53,516	(286)	-	(286)
6 month to 1 year	1	300,000	(2,129)	-	(2,129)
1 to 2 Years	2	1,850,000	(5,206)	-	(5,206)
2 to 3 Years	2	500,000	(7,014)	11,297	4,283
3 to 5 Years	-	-	-	-	-
Remaining Maturity					
			----- (Rupees in '000) -----		
Interest Rate Swaps					
1 to 2 Years	4	800,735	(11,222)	-	(11,222)
2 to 3 Years	2	1,922,750	(4,711)	7,490	2,779
3 to 5 Years	2	500,000	(10,844)	17,305	6,461
Remaining Maturity					
			----- (Rupees in '000) -----		
Cross currency swaps					
1 to 2 Years	2	588,660	-	-	-
2 to 3 Years	2	240,000	-	-	-
3 to 5 Years	8	1,016,824	-	-	-
Remaining Maturity					
			----- (Rupees in '000) -----		
Cross currency swaps					
1 to 2 Years	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	2	190,000	-	-	-
Remaining Maturity					
			----- (Rupees in '000) -----		
FX-Options					
Upto 1 month	2	206,007	-	-	-
1 to 3 months	22	456,321	-	-	-
3 to 6 months	2	41,076	-	-	-
Remaining Maturity					
			----- (Rupees in '000) -----		
FX-Options					
Upto 1 month	14	311,282	-	-	-

Notes to the Financial Statements for the year ended December 31, 2007

	2007	2006
	(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	21,952,387	19,151,535
Financial institutions	141,359	86,455
	<u>22,093,746</u>	<u>19,237,990</u>
On investments in:		
Available for sale securities	7,519,820	3,911,514
Held to maturity securities	856,023	1,025,963
	<u>8,375,843</u>	<u>4,937,477</u>
On deposits with financial institutions	139,385	82,445
On securities purchased under resale agreements	548,202	689,962
On money at call	291,940	589,536
Others	342,638	247,443
	<u>31,791,754</u>	<u>25,784,853</u>
26. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	5,903,356	2,890,908
Securities sold under repurchase agreements	641,080	555,542
Other short-term borrowings	812,410	518,534
Sub-ordinated loan	98,135	187,726
Discount, commission and brokerage	319,427	297,010
Others	84,411	59,426
	<u>7,858,819</u>	<u>4,509,146</u>
27. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	1,228	686
Pakistan Investment Bonds	2,709	6,089
Other Federal Government Securities	-	2,350
Shares / certificates / units		
- Listed	1,503,673	560,381
- Un-Listed	-	36,009
Term Finance Certificates	-	350
	<u>1,507,610</u>	<u>605,865</u>
28. OTHER INCOME - NET		
Rent on property / lockers	51,999	53,435
Net profit on sale of property and equipment	13,136	24,903
Exchange income on import / export bills purchased / negotiated	64,161	60,732
Bad debts recovered	28,135	51,872
Compensation for delayed income tax refunds	-	44,802
Others	407,793	341,959
	<u>565,224</u>	<u>577,703</u>

Notes to the Financial Statements for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006
29. ADMINISTRATIVE EXPENSES			
Salaries and allowances		5,808,830	4,658,373
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	37.8	(5,769,564)	(2,907,485)
- Post retirement medical benefits	37.8	145,388	471,812
- Employees' contributory benevolent scheme	37.8	60,094	142,896
- Employees' compensated absences	37.8	100,729	373,913
- Gratuity scheme		1,598	757
		(5,461,755)	(1,918,107)
Contributions to defined contribution plan - provident fund		109,778	98,951
Non-executive directors' fees		720	140
Rent, taxes, insurance, electricity		876,629	672,985
Legal and professional charges		308,366	152,401
Communications		360,358	199,378
Repairs and maintenance		376,987	336,032
Stationery and printing		265,582	223,529
Advertisement and publicity		363,090	165,474
Cash transportation charges		221,774	166,394
Instrument clearing charges		101,716	84,631
Donations	29.1	8,102	-
Auditors' remuneration	29.2	12,297	11,531
Depreciation	11.2	604,127	556,617
Amortization of intangible asset	11.3	191,988	121,285
Traveling, conveyance and fuel		321,309	279,801
Subscription		16,516	20,288
Entertainment		50,264	43,284
Staff retrenchment cost		-	443,655
Training Expenses		65,495	29,890
Petty Capital items		208,705	8,125
Credit Card Related Expenses		67,755	17,745
Others		157,972	133,174
		<u>5,036,605</u>	<u>6,505,576</u>

29.1 During the year, donation amounting to Rs. 6.077 million, Rs. 2.00 million and Rs. 0.025 million were paid to Pakistan Development Market Place (PDM) for 'Fund for the Circulation of People with Disabilities', 'President's Flood Relief Fund-2007' and 'Friends of Literacy and Mass Communication (FLAME)' respectively. Donation was not made to any donee in which the Group or any of its directors or their spouses had any interest.

29.2 Auditors' remuneration

	2007			2006		
	KPMG Taseer Hadi & Co.	Riaz Ahmad & Co.	Total	KPMG Taseer Hadi & Co.	Riaz Ahmad & Co.	Total
	----- (Rupees in '000) -----					
Annual Audit fee of MCB Bank Limited	1,733	1,733	3,466	1,650	1,650	3,300
Fee for the audit of branches	1,410	1,410	2,820	1,400	1,350	2,750
Fee for audit of subsidiaries	58	40	98	50	185	235
Fee for audit of an overseas subsidiary	-	-	413	-	-	391
Fee for audit of overseas branches	-	-	1,500	-	-	1,039
Fee for half year review	809	809	1,618	770	770	1,540
Special certifications, etc.	441	441	882	410	410	820
Out-of-pocket expenses	750	750	1,500	695	761	1,456
	<u>5,201</u>	<u>5,183</u>	<u>12,297</u>	<u>4,975</u>	<u>5,126</u>	<u>11,531</u>

Notes to the Financial Statements for the year ended December 31, 2007

	2007	2006
	(Rupees in '000)	
30. OTHER CHARGES		
(Reversal)/provision against fraud and forgeries	(440)	3,748
Fixed assets written off	12,102	60,452
Penalties of State Bank of Pakistan	413,004	2,048
Damage to premises	115,928	-
Others	68,950	460
	609,544	66,708
31. TAXATION		
For the year		
Current	6,463,560	5,709,140
Deferred	899,898	42,127
	7,363,458	5,751,267
Prior years		
Current	(1,294,586)	593,906
Deferred	-	19,086
	(1,294,586)	612,992
Share of tax of associated undertaking	15,769	25,675
	6,084,641	6,389,934
31.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	22,526,311	18,930,813
Tax rate	35%	35%
Tax on income	7,884,209	6,625,785
Tax effect on separate block of income (taxable at reduced rate)	(120,057)	(244,875)
Tax effect of permanent differences	(394,309)	(624,708)
Tax effect of prior years provisions / reversals	(1,294,586)	612,992
Reversal of deferred tax liability on incremental depreciation	(6,385)	(4,935)
Share of tax of an associated undertaking	15,769	25,675
	6,084,641	6,389,934
32. CREDIT RATING		
<p>PACRA through its notification in June 2007, has assigned long term credit rating of AA+ [double A plus] and short-term credit rating of A1+ [A one plus] to MCB Bank Limited (the 'Bank') (2006: through its notification in May 2006, AA+ [double A plus] for long term and A1+ [A one plus] for short term rating).</p>		

Notes to the Financial Statements for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006
33. BASIC AND DILUTED EARNINGS PER SHARE-PRE TAX			
Profit before taxation		<u>22,526,311</u>	<u>18,930,813</u>
		(Number of shares)	
Weighted average number of shares outstanding during the year		<u>628,276,843</u>	<u>628,276,843</u>
		(Rupees)	
Basic and diluted earnings per share - pre tax		<u>35.85</u>	<u>30.13</u>
		(Rupees in '000)	
34. BASIC AND DILUTED EARNINGS PER SHARE-AFTER TAX			
Profit after taxation		<u>16,441,659</u>	<u>12,540,876</u>
		(Number of shares)	
Weighted average number of shares outstanding during the year		<u>628,276,843</u>	<u>628,276,843</u>
		(Rupees)	
Basic and diluted earnings per share - after tax		<u>26.17</u>	<u>19.96</u>
		(Rupees in '000)	
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	<u>39,683,883</u>	<u>32,465,976</u>
Balances with other banks	7	<u>3,867,591</u>	<u>6,649,659</u>
		<u>43,551,474</u>	<u>39,115,635</u>
		(Number)	
36. STAFF STRENGTH			
Permanent		<u>9,985</u>	<u>9,035</u>
Temporary/on contractual basis		<u>95</u>	<u>175</u>
Bank's own staff strength at the end of the year		<u>10,080</u>	<u>9,210</u>
Outsourced		<u>7,133</u>	<u>5,753</u>
Total staff strength		<u>17,213</u>	<u>14,963</u>
37. DEFINED BENEFIT PLANS AND OTHER BENEFITS			
A) MCB Bank Limited (holding company)			
37.1 General description			
The Bank operates the following retirement benefits for its employees:			
- Pension fund (final salary plan) - funded			
- Benevolent scheme - funded			
- Post retirement medical benefits - unfunded			
- Employees compensated absence - unfunded			

Notes to the Financial Statements for the year ended December 31, 2007

37.2 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 as at December 31, 2007. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2007 (%)	2006 (%)	2007 (%)	2006 (%)	2007 (%)	2006 (%)	2007 (%)	2006 (%)
Valuation discount rate	10	9	10	9	10	9	-	9
Expected rate of return on plan assets	10	9	10	9	-	-	-	-
Salary increase rate	7	7	7	7	7	7	-	7
Indexation in pension	-	-	-	-	-	-	-	-
Medical cost inflation rate	-	-	-	-	5	5	-	-
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.

37.3 (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		
	2007	2006	2007	2006	2007	2006	2007	2006	
------(Rupees in '000)-----									
Present value of defined benefit obligations	37.5	4,747,389	4,752,693	355,340	332,677	1,422,918	1,345,357	974,464	1,023,683
Fair value of plan assets	37.6	(25,095,113)	(14,810,557)	-	(20,650)	-	-	-	-
Net actuarial gains / (losses) not recognised		9,696,677	5,176,381	(73,321)	(47,485)	(51,753)	(36,737)	-	-
Unrecognised negative past service cost		-	-	-	-	101,123	134,830	-	-
Unrecognised transitional liability		-	-	-	-	-	-	-	-
Unrecognised past service cost		-	-	-	-	(17,153)	-	-	-
Net (receivable) / payable recognised as at the year-end		<u>(10,651,047)</u>	<u>(4,881,483)</u>	<u>282,019</u>	<u>264,542</u>	<u>1,455,135</u>	<u>1,443,450</u>	<u>974,464</u>	<u>1,023,683</u>

The effect of increase of one percentage point and the effect of a decrease of one percentage point in the medical trend rates on the present value of medial obligation at December 31, 2007 would be Rs. 67.690 million (2006: Rs. 84.922 million) and Rs. 56.567 million (2006: Rs. 62.202 million) respectively.

37.4 Movement in balance (receivable) / payable

Opening balance of (receivable) / payable	37.8	(4,881,483)	(1,973,998)	264,542	307,216	1,443,450	1,300,336	1,023,683	856,213
Expense recognised		(5,769,564)	(2,907,485)	60,094	142,896	145,388	471,812	100,729	373,913
Refunds / (contributions) during the year		-	-	-	15,141	-	-	-	-
- Employees' contribution		-	-	-	15,141	-	-	-	-
- Bank's contribution / benefits paid		-	-	(42,617)	(200,711)	(133,703)	(328,698)	(149,948)	(206,443)
Closing balance of (receivable) / payable		<u>(10,651,047)</u>	<u>(4,881,483)</u>	<u>282,019</u>	<u>264,542</u>	<u>1,455,135</u>	<u>1,443,450</u>	<u>974,464</u>	<u>1,023,683</u>

37.5 Reconciliation of the present value of the defined benefit obligations

Present value of obligation as at January 01,		4,752,693	5,503,819	332,677	407,569	1,345,357	1,456,392	1,023,683	856,213
Current service cost		45,266	53,091	9,698	14,638	20,580	20,715	-	373,913
Interest cost		348,810	261,339	29,941	36,681	121,082	131,076	-	-
Benefits paid		(725,229)	(1,231,616)	(77,944)	(200,712)	(133,703)	(328,698)	(149,948)	(206,443)
Past service cost - vested		-	-	-	-	11,556	-	-	-
Past service cost - non-vested		-	-	-	-	17,153	-	-	-
Retrenchment loss		-	220,380	-	84,683	-	102,025	-	-
Curtailement gain		-	-	-	-	-	-	-	-
Actuarial (gains) / losses		325,849	(54,320)	60,968	(10,182)	40,893	(36,153)	100,729	-
Present value of obligation as at December 31,		<u>4,747,389</u>	<u>4,752,693</u>	<u>355,340</u>	<u>332,677</u>	<u>1,422,918</u>	<u>1,345,357</u>	<u>974,464</u>	<u>1,023,683</u>

Notes to the Financial Statements for the year ended December 31, 2007

37.6 Changes in fair values of plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2007 (%)	2006 (%)	2007 (%)	2006 (%)	2007 (%)	2006 (%)	2007 (%)	2006 (%)
Net assets as at January 01,	14,810,557	10,554,024	20,650	18,976	-	-	-	-
Expected return on plan assets	1,508,469	1,066,621	1,859	1,708	-	-	-	-
Interest on borrowing from MCB Bank Limited - Main Branch	(193,167)	(212,517)	-	-	-	-	-	-
Contributions - Bank	-	-	42,617	185,571	-	-	-	-
Contributions - Employees	-	-	14,347	15,141	-	-	-	-
Benefits paid	(725,229)	(1,231,616)	(77,944)	(200,712)	-	-	-	-
Actuarial gain / (loss)	9,694,483	4,634,045	(1,529)	(34)	-	-	-	-
Net assets as at December 31, 37.10	25,095,113	14,810,557	-	20,650	-	-	-	-

37.7 Fair value of the Bank's shares held by the Pension Fund as at December 31, 2007 amounted to Rs. 20,233.013 million (2006: Rs. 10,899.845 million).

37.8 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:

Current service cost	45,266	53,091	9,698	14,638	20,580	20,715	-	373,913
Interest cost	348,810	261,339	29,941	36,681	121,082	131,076	-	-
Expected return on plan assets	(1,508,469)	(1,066,621)	(1,859)	(1,708)	-	-	-	-
Interest on borrowing from MCB Bank Limited - Main Branch	193,167	212,517	-	-	-	-	-	-
Net actuarial (gain) / loss recognised	(4,848,338)	(2,588,191)	36,661	23,743	25,877	18,369	100,729	-
Contributions employees	-	-	(14,347)	(15,141)	-	-	-	-
Retrenchment loss recognised	-	220,380	-	84,683	-	102,025	-	-
Amortization of transitional liability	-	-	-	-	-	160,575	-	-
Recognised past service cost	-	-	-	-	11,556	91,269	-	-
Recognised negative past service cost	-	-	-	-	(33,707)	(52,217)	-	-
Recognised transitional liability	-	-	-	-	-	-	-	-
Curtailment gain	-	-	-	-	-	-	-	-
	(5,769,564)	(2,907,485)	60,094	142,896	145,388	471,812	100,729	373,913

The effect of increase of one percentage point and the effect of a decrease of one percentage point 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. 7.578 million (2006: Rs. 11.712 million) and Rs. 6.276 million (2006: Rs. 7.282 million) respectively.

37.9 Actual return on plan assets

Actual return on plan assets	11,202,952	5,700,666	330	1,674	-	-	-	-
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37.10 Composition of fair value of plan assets

	Approved Pension Fund				Employees' contributory benevolent scheme			
	2007		2006		2007		2006	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Defence saving certificates	4,810,576	17.98	5,164,914	30.82	-	-	20,650	100
Listed equity shares	21,778,377	81.39	11,563,955	68.99	-	-	-	-
Open ended mutual funds units	119,872	0.45	-	-	-	-	-	-
Cash and bank balances	48,157	0.18	31,899	0.19	-	-	-	-
Fair value of plan total assets	26,756,982	100	16,760,768	100	-	-	20,650	100
Borrowing	(1,661,869)		(1,950,211)		-	-	-	
Fair value of plan net assets	25,095,113		14,810,557		-	-	20,650	

Notes to the Financial Statements for the year ended December 31, 2007

37.11 Other relevant details of above funds are as follows:

37.11.1 Pension Fund

	2007	2006	2005	2004	2003
	(Rupees in '000)				
Present value of defined benefit obligation	4,747,389	4,752,693	5,503,819	6,542,624	6,190,017
Fair value of plan assets	(25,095,113)	(14,810,557)	(10,554,024)	(7,034,175)	(6,996,518)
(Surplus) / deficit	<u>(20,347,724)</u>	<u>(10,057,864)</u>	<u>(5,050,205)</u>	<u>(491,551)</u>	<u>(806,501)</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	(325,849)	54,320	(304,748)	(141,338)	40,950
Assumptions gain / (loss)	-	-	172,866	-	(194,418)
	<u>(325,849)</u>	<u>54,320</u>	<u>(131,882)</u>	<u>(141,338)</u>	<u>(153,468)</u>
Actuarial gain / (loss) on assets					
Experience adjustment	9,694,483	4,634,045	5,268,939	(254,840)	729,547
Assumptions gain / (loss)	-	-	(138,502)	-	208,192
	<u>9,694,483</u>	<u>4,634,045</u>	<u>5,130,437</u>	<u>(254,840)</u>	<u>937,739</u>

37.11.2 Employees' Contributory Benevolent Scheme

Present value of defined benefit obligation	355,340	332,677	407,569	362,104	355,177
Fair value of plan assets	-	(20,650)	(18,976)	(18,126)	(16,938)
	<u>355,340</u>	<u>312,027</u>	<u>388,593</u>	<u>343,978</u>	<u>338,239</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	(60,968)	10,182	(228,823)	(22,609)	49,270
Assumptions gain / (loss)	-	-	107,003	-	-
	<u>(60,968)</u>	<u>10,182</u>	<u>(121,820)</u>	<u>(22,609)</u>	<u>49,270</u>
Actuarial gain / (loss) on assets					
Experience adjustment	(1,529)	(34)	(1)	2	(14,972)
Assumptions gain / (loss)	-	-	(418)	-	-
	<u>(1,529)</u>	<u>(34)</u>	<u>(419)</u>	<u>2</u>	<u>(14,972)</u>

37.11.3 Post Retirement Medical Benefits

Present value of defined benefit obligation	1,422,918	1,345,357	1,456,392	1,121,548	1,108,068
Fair value of plan assets	-	-	-	-	-
	<u>1,422,918</u>	<u>1,345,357</u>	<u>1,456,392</u>	<u>1,121,548</u>	<u>1,108,068</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	(40,893)	36,153	8,743	-	27,994
Assumptions gain / (loss)	-	-	(21,846)	-	-
	<u>(40,893)</u>	<u>36,153</u>	<u>(13,103)</u>	<u>-</u>	<u>27,994</u>

37.11.4 Compensated absences

Present value of defined benefit obligation	974,464	1,023,683	856,213	603,624	607,314
Fair value of plan assets	-	-	-	-	-
	<u>974,464</u>	<u>1,023,683</u>	<u>856,213</u>	<u>603,624</u>	<u>607,314</u>
Actuarial gain / (loss) on obligation	<u>(100,729)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended December 31, 2007

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

B) MNET Services (Private) Limited

The company operates an unfunded gratuity scheme for its eligible employees. Provision is made annually on the basis of last drawn basic salaries of eligible employees and the number of completed years of service.

38. DEFINED CONTRIBUTION PLAN

38.1 MCB Bank Limited (holding company)

The Bank operates an approved contributory provident fund for 6,201 (2006: 4,977) employees where contributions are made by the Bank and employees at 8.33% per annum (2006: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs. 109.778 million (2006: Rs. 98.789 million) in respect of this fund.

The bank also operates an approved non-contributory provident fund for 2,875 (2006: 2,876) employees who have operated for new scheme, where contribution are made by the employees at 12% per annum (2006: 12% per annum) of the basic salary.

38.2 MCB Asset Management Company Limited (subsidiary company)

MCB Asset management company has plans to form a recognised contributory fund for the permanent employees of the company. Currently the company and the permanent employee has made contribution at 8.66% p.a of the basic salary towards this fund.

38.3 Muslim Commercial Financial Services (Private) Limited (subsidiary company)

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

39. 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:

Note	President / Chief Executive		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	----- (Rupees '000) -----					
Fees	-	-	720	140	-	-
Managerial remuneration	15,117	8,028	1,524	1,434	409,807	360,654
Bonus and others	63,212	7,845	-	-	331,016	258,736
Retirement benefits	1,259	669	-	-	33,015	29,373
Rent and house maintenance	6,803	3,852	-	-	184,415	162,257
Utilities	1,512	803	-	-	42,044	36,058
Medical	260	356	-	-	19,696	18,953
Conveyance	413	497	-	-	65,099	64,461
39.1	<u>88,576</u>	<u>22,050</u>	<u>2,244</u>	<u>1,574</u>	<u>1,085,092</u>	<u>930,492</u>
Number of persons	<u>2</u>	<u>1</u>	<u>10</u>	<u>9</u>	<u>505</u>	<u>438</u>

39.1 This includes remuneration of ex-president and current president.

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.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'held to maturity'. These securities are being carried at amortized cost in order to comply with the requirements of BSD Circular 14 dated September 24, 2004. The fair value of these investments amounts to Rs. 2,228 million (2006: Rs. 1,978 million).

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 Group's accounting policy as stated in note 5.4 to these financial statements.

The maturity and repricing profile and effective rates are stated in notes 44.4.1 and 44.2 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.

Notes to the Financial Statements for the year ended December 31, 2007

41. 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) -----							
2007							
Total income	217,784	11,824,946	16,687,902	10,219,336	153,014	(10,395)	39,092,587
Total expenses	(23,535)	(1,576,724)	(13,845,231)	(1,054,429)	(76,752)	10,395	(16,566,276)
Income tax expense	-	-	-	-	-	-	(6,084,641)
Net income	<u>194,249</u>	<u>10,248,222</u>	<u>2,842,671</u>	<u>9,164,907</u>	<u>76,262</u>	<u>-</u>	<u>16,441,670</u>
Segment assets - (Gross of NPL's provision)	24,007	124,876,452	160,964,085	134,507,060	377,603	(521,413)	420,227,794
Deferred tax assets	-	-	-	-	-	-	-
Total assets	<u>24,007</u>	<u>124,876,452</u>	<u>160,964,085</u>	<u>134,507,060</u>	<u>377,603</u>	<u>(521,413)</u>	<u>420,227,794</u>
Segment non performing loans	-	-	5,567,247	5,158,061	-	-	10,725,308
Segment specific provision required	-	-	3,803,244	3,523,709	-	-	7,326,953
Segment liabilities	-	109,653,757	127,275,792	116,391,633	21,321	(521,413)	352,821,090
Provision for taxation	-	-	-	-	-	-	1,348,843
Deferred tax liability	-	-	-	-	-	-	1,183,586
Total liabilities - net	<u>-</u>	<u>109,653,757</u>	<u>127,275,792</u>	<u>116,391,633</u>	<u>21,321</u>	<u>(521,413)</u>	<u>355,353,519</u>
Segment return on net assets (ROA) (%)	-	8.21%	1.81%	7.00%	20.20%	-	3.98%
Segment cost of fund (%)	-	5.38%	2.11%	2.77%	-	-	2.24%
2006							
Total income	130,976	8,691,951	12,884,893	9,848,867	18,523	(368,819)	31,206,391
Total expenses	(40,144)	(1,542,942)	(10,210,545)	(833,986)	(16,780)	368,819	(12,275,578)
Income tax expense	-	-	-	-	-	-	(6,389,934)
Net income	<u>90,832</u>	<u>7,149,009</u>	<u>2,674,348</u>	<u>9,014,881</u>	<u>1,743</u>	<u>-</u>	<u>12,540,879</u>
Segment assets - (Gross of NPL's provision)	17,479	96,134,148	134,595,165	112,244,842	298,109	(286,680)	343,003,063
Deferred tax assets	-	-	-	-	-	-	174,886
Total assets	<u>17,479</u>	<u>96,134,148</u>	<u>134,595,165</u>	<u>112,244,842</u>	<u>298,109</u>	<u>(286,680)</u>	<u>343,177,949</u>
Segment non performing loans	-	-	5,711,301	2,859,512	-	-	8,570,813
Segment specific provision required	-	-	4,911,425	1,041,809	-	-	5,953,234
Segment liabilities	11,768	3,649,058	274,024,714	21,224,208	1,285	(286,680)	298,624,353
Provision for taxation	-	-	-	-	-	-	2,368,477
Total liabilities - net	<u>11,768</u>	<u>3,649,058</u>	<u>274,024,714</u>	<u>21,224,208</u>	<u>1,285</u>	<u>(286,680)</u>	<u>300,992,830</u>
Segment return on net assets (ROA) (%)	-	7.44%	1.99%	8.03%	0.58%	-	3.65%
Segment cost of fund (%)	-	7.71%	1.42%	7.46%	-	-	1.47%

42. 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 to these financial statements.

Transaction between the Group and its related parties are carried out at an 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 37 and 38. Remuneration to the executives and disposals of vehicles are disclosed in note 39 and Annexure IV to these financial statements respectively.

Notes to the Financial Statements for the year ended December 31, 2007

	Directors		Associated companies		Other related parties	
	2007	2006	2007	2006	2007	2006
	------(Rupees in '000)-----					
A. Balances						
Deposits						
Deposits at beginning of the year	19,099	61,996	522,641	785,634	314,045	214,191
Deposits received during the year	447,772	572,767	124,757,792	33,568,048	14,776,866	17,714,493
Deposits repaid during the year	(448,891)	(615,664)	(125,004,607)	(33,831,041)	(14,881,195)	(17,614,639)
	<u>17,980</u>	<u>19,099</u>	<u>275,826</u>	<u>522,641</u>	<u>209,716</u>	<u>314,045</u>
Deposits at end of the year						
Mark-up expense on deposits	1	16	42,703	35,684	-	121
Mark-up rates on deposits range from 0.1% to 6.75% (2006: 0.1% to 6.75%) per annum.						
Advances (secured)						
Balance at beginning of the year	-	-	-	-	2,240,038	1,297,320
Loans granted during the year	-	-	-	-	1,442,020	2,062,460
Repayments received during the year	-	-	-	-	(2,020,189)	(1,119,742)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,661,869</u>	<u>2,240,038</u>
Balance at end of the year						
Income on advances					193,167	257,354
Profit rates on advances to pension fund at 6 month KIBOR + 0.3% and to the provident fund at 6 month KIBOR + 0.3% with floor of 9%. At December 31, 2007, interest receivable from the above funds amounted to Rs. 37.636 million.						
B. Other transactions (including profit and loss related transactions)						
Associates						
Adamjee Insurance Company Limited						
- Insurance premium paid - net of refund	-	-	67,866	71,673	-	-
- Insurance claim settled	-	-	65,260	23,664	-	-
- Rent income received	-	-	2,147	2,197	-	-
- Dividend received	-	-	98,274	62,568	-	-
- Share of profit - net of tax under equity basis of accounting	-	-	1,207,865	448,355	-	-
- Share of surplus on revaluation of assets- net of tax	-	-	91,983	4,718	-	-
Other related parties						
MCB Employees Security System and Services (Private) Limited						
- Security guard expenses	-	-	-	-	115,718	87,767
MCB Employees Foundation						
- Stationary expenses	-	-	-	-	140,009	98,486
- Service expenses	-	-	-	-	19,641	15,488
- Cash sorting expenses	-	-	-	-	16,603	6,465
- Cash in transit expenses	-	-	-	-	3,474	3,452
- Proceeds from sale of car	-	-	-	-	611	-
- Gain on sale of car	-	-	-	-	4	-
Others						
Dividend income	-	-	-	-	182,664	102,220
Proceeds from sale of vehicles to the key management personnel	-	-	-	-	5,987	1,678
Gain on sale of vehicles to the key management personnel	-	-	-	-	583	898
Remuneration of key management personnel (other than directors)	-	-	-	-	148,850	157,335
Contribution / (expense) to provident fund	-	-	-	-	109,778	98,789
Other miscellaneous expenses	-	-	-	-	69,263	58,609
Non Executive directors' fee	720	140	-	-	-	-

The details of director's compensations are given in note 39 to these financial statements.

Notes to the Financial Statements for the year ended December 31, 2007

43. CAPITAL ADEQUACY

43.1 Capital Management

Objectives and goals of managing capital

The objectives and goals of managing capital of the MCB Bank Limited (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.6 dated October 28, 2006 requires the minimum paid up capital (net of losses) for banks / development financial institutions to be raised to Rs. 6 billion by the year ending December 31, 2009. The raise is to be achieved in a phased manner requiring Rs. 4 billion paid up capital (net of losses) by the end of the financial year 2004. The paid up capital of the Bank for the year ended December 31, 2007 stands at Rs. 6.2 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 8 % of the risk weighted exposure. The Bank's CAR based on consolidated financial statements as at December 31, 2007 was 18.46 % 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 un-appropriated profits, etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, deficit on revaluation of available for sale investments.
- Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 50 % the balance in the related revaluation reserves), foreign exchange translation reserves, etc.

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Bank is not eligible for the Tier 3 capital.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 6 dated October 28, 2006. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The required capital adequacy ratio (8% 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 and market risk.

The calculation of Capital Adequacy enables the Bank to assess the long-term soundness. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation 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. It is not the sole basis used for decision making viz-a-viz development taken place on Basel II regulatory framework which will be applicable with effect from January 01, 2009.

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

Notes to the Financial Statements for the year ended December 31, 2007

43.2 Capital adequacy ratio

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

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
Regulatory Capital Base			
Tier I Capital			
Shareholders capital		6,282,768	5,463,276
Reserves (excluding exchange translation reserve)		34,042,619	24,716,063
Minority interest		63	52
Unappropriated profits		7,054,472	6,278,593
		47,379,922	36,457,984
Less: Adjustments	43.2.9	(469,299)	(89,148)
		46,910,623	36,368,836
Tier II Capital			
Subordinated debt (up to 50% of total Tier I Capital)	43.2.1	-	95,846
General provisions subject to 1.25% of total risk weighted assets		3,445,321	2,655,110
Foreign exchange translation reserves		(41,692)	(53,617)
Revaluation reserve (up to 50%)		5,347,558	2,890,377
		8,751,187	5,587,716
Eligible Tier III Capital			
		-	-
Total Regulatory Capital	(a)	55,661,810	41,956,552
Risk-Weighted Exposures			
	Note	2007	2006
		Book Value	Book Value
		Risk Adjusted	Risk Adjusted
		(Rupees in '000)	
Credit Risk			
Balance Sheet Items:			
Cash and other liquid assets	43.2.2	43,551,474	1,514,521
Money at call		1,051,372	210,274
Investments	43.2.3	114,839,501	15,072,381
Loans and advances	43.2.4	211,804,947	179,880,480
Fixed assets		16,082,781	16,082,781
Other assets	43.2.5	17,896,838	17,685,993
		405,226,913	230,446,430
		230,446,430	333,998,585
Off Balance Sheet items:			
Loan repayment guarantees	43.2.6	15,375,233	15,190,831
Stand by letters of credit	43.2.7	58,809,106	29,404,554
Outstanding foreign exchange contracts - market related	43.2.8	131,239,366	876,345
		205,423,705	45,471,730
		45,471,730	134,713,916
Credit risk-weighted exposures		275,918,160	217,266,755
Market Risk			
General market risk		1,184,132	143,425
Specific market risk		757,272	-
Foreign exchange risk		108,364	20,875
		2,049,768	164,300
Total capital charge on market risk		2,049,768	164,300
Market risk-weighted exposures (total capital charge x 12.5)		25,622,096	2,053,751
Total Risk-Weighted exposures	(b)	301,540,256	219,320,506
Capital Adequacy Ratio [(a) / (b) x 100]		18.46%	19.13%

Notes to the Financial Statements for the year ended December 31, 2007

43.2.1 The liability against term finance certificates amounting to Rs. 479.232 million is subordinated as to the payment of principal and profit to all other indebtedness of the Bank (including deposits). These will be fully redeemed in February 2008.

For the purpose of inclusion of subordinated loan in supplementary capital, a discount of 100% has been applied on the amount that will be redeemed in 1 year time.

43.2.2 Balances with other banks includes balances with National Bank of Pakistan in local currency current account amounting to Rs. 3,705.014 million (2006: Rs. 2,648.322 million) classified under cash and balances with treasury banks in these financial statements

43.2.3 Investments exclude investment in held-for-trading portfolio amounting to Rs. 519.089 million (2006: Rs. NIL).

43.2.4 Advances secured against government securities / own deposits / cash margin amounting to Rs. 10,600.164 million (2006: Rs. 11,844.474 million) have been deducted from gross advances. Advances are gross of general provision amounting to Rs. 3,445.321 million.

43.2.5 Other assets include deferred tax asset - net amounting to Rs. NIL (2006: Rs. 174.886 million).

43.2.6 Cash margin amounting to Rs. 948.147 million (2006: Rs. 813.378 million) have been deducted from loan repayment guarantees.

43.2.7 Cash margin amounting to Rs. 508.791 million (2006: Rs. 858.262 million) have been deducted from standby letters of credit.

43.2.8 Forward foreign exchange contracts with maturity of less than or equal to 14 days from the original maturity amounting to Rs. 2,692.471 million (2006: Rs. 8,624.154 million) have been excluded from the above.

43.2.9 The adjustments to Tier I capital represents net deductions for investments in subsidiary companies and deficit on revaluation of available for sale securities (net of deferred tax).

44. RISK MANAGEMENT

The wide variety of MCB Bank Limited (the 'Bank') businesses necessitates a risk management system to identify, measure, monitor and manage risks effectively. Bank's risk management framework is based on three pillars; risk principles, organizational structures and prudent risk measurement and monitoring processes which are closely aligned with the activities of the Bank so as to ensure that risks are kept within an acceptable level.

Risk Management Organization

The Bank risk management function is independent of the business areas. Based on the State Bank of Pakistan's (SBP) guidelines and Bank for International Settlement's Frameworks, the Bank has constituted a Risk Management Committee (RMC), developed an elaborate risk identification measurement and management framework and has also reorganized risk management function broadly based on the following:

- Setting up of separate risk areas (as detailed below)
- Engaging the advisory services of an international consultant for the overall risk management function.

The head of risk management is a member of risk management & management committees of the Bank and is responsible for credit, market and operational risk management activities within the Bank in close coordination with respective business areas. To ensure independence, head of risk management is directly reporting to the RMC.

For each risk, i.e. credit, operational and market, a specific department has been established with the mandate to:

- Identify, measure, monitor and mitigate risk while ensuring that risk / reward relationship is maintained at an optimal level.
- Ensure that the business conducted is consistent with the risk appetite of the Bank.
- Formulate and implement risk policies, procedures and methodology in coordination with business areas.
- Conduct periodic reviews to ensure that the risks are within acceptable parameters.
- Develop & implement risk management infrastructure & systems that are appropriate for each area and flexible to cater risk emanating from changing banking environment, and
- The most important risk that Bank management assumes are specific banking risks and risks arising from the general business environment.

The Bank's risk management process distinguishes among various kinds of specific banking risks and mainly comprises of credit risk, liquidity risk, operational risk and market risk. The policies and procedures for managing risks are outlined below:

Notes to the Financial Statements for the year ended December 31, 2007

44.1 Credit risk

Credit risk makes up the largest part of the Bank's risk exposures. The Bank measures and manages its credit risk by adopting the following policies:

- Consistent standards are applied for credit decision processes.
- The approval of credit limits for counter parties and the management of individual credit exposures are subject to pre-fact credit review.
- Every extension of credit or material change to a credit facility (such as tenor of facility, collateral structure or major covenants) requires credit approval and independent pre-fact review at the appropriate levels.
- The Bank assigns credit approval and credit review authorities to individuals according to their qualifications, experience and training and the management reviews these powers periodically
- The approval process is checked through independent pre-fact review by Risk Management Group (RMG) and post-fact by internal audit function.

In addition, the below listed initiatives have been initiated by the Bank for enhancement of risk management capabilities:

The Risk Management Group has reviewed and updated the existing Policy documents in order to comply with the requirements of SBP prescribed policy framework. In this regard following policies have been reviewed and updated in line with best practices:

- Risk Management Policy
- Credit Policy
- Market Risk Limits Policy
- Investment Policy
- Credit Handbook
- Operational Risk Framework
- Country Risk Policy
- Development and implementation of risk based credit MIS (CRMIS).
- Credit handbook has been updated and rolled out which would provide comprehensive guidelines for credit process and to adopt latest developments and best practices in the area of credit risk.
- Portfolio Management function has been initiated.
- Credit Administration role has been revitalized and Credit Risk Control roll out plan has been implemented.

Concentration of credit and deposits

Out of the total financial assets of Rs. 381,037 million (2006: Rs. 325,731 million) the financial assets which are subject to credit risk amounting to Rs. 369,575 million (2006: Rs. 325,723 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 97,047 million (2006: Rs. 46,953 million) are guaranteed by the Government. In addition, an amount of Rs. 24,517 million (2006: Rs. 21,870 million) are held by the Bank with the State Bank of Pakistan and central banks of other countries.

Notes to the Financial Statements for the year ended December 31, 2007

44.1.1.2 Segments by sector	2007					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Public / Government	27,212,441	11.85	14,793,604	5.06	35,552,582	16.67
Private	202,519,619	88.15	277,294,743	94.94	177,764,525	83.33
	<u>229,732,060</u>	<u>100.00</u>	<u>292,088,347</u>	<u>100.00</u>	<u>213,317,107</u>	<u>100.00</u>
44.1.1.2 Segments by sector	2006					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Public / Government	27,704,174	13.39	7,264,482	2.82	41,788,324	25.98
Private	179,140,852	86.61	249,920,628	97.18	119,088,460	74.02
	<u>206,845,026</u>	<u>100.00</u>	<u>257,185,110</u>	<u>100.00</u>	<u>160,876,784</u>	<u>100.00</u>

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

	2007		2006	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	----- (Rupees in '000) -----			
Agriculture, forestry, hunting and fishing	267,996	58,282	319,684	118,003
Mining and quarrying	17,741	15,988	4,238	4,238
Textile	1,279,026	970,589	1,087,981	1,020,228
Chemical and pharmaceuticals	21,800	21,676	32,720	32,720
Cement	750	750	750	750
Sugar	20,572	20,572	36,398	36,398
Footwear and leather garments	71,301	61,381	92,500	87,629
Automobile and transportation equipment	3,461	1,881	44,903	43,405
Electronics and electrical appliances	132,910	132,910	303,162	275,670
Construction	85,057	74,338	159,747	154,601
Power (electricity), gas, water, sanitary	1,884	1,884	1,935	1,839
Wholesale and retail trade	4,823,241	2,712,213	3,949,587	2,012,221
Exports / imports	354,637	341,318	421,130	369,771
Transport, storage and communication	34,967	21,662	27,408	25,913
Financial	53,159	53,159	65,243	65,243
Insurance	-	-	-	-
Services	288,365	214,851	167,651	89,656
Individuals	783,526	479,321	261,553	179,773
Others	2,484,915	2,144,178	1,594,223	1,435,176
	<u>10,725,308</u>	<u>7,326,953</u>	<u>8,570,813</u>	<u>5,953,234</u>

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

Public/ Government	-	-	52,633	-
Private	10,725,308	7,326,953	8,518,180	5,953,234
	<u>10,725,308</u>	<u>7,326,953</u>	<u>8,570,813</u>	<u>5,953,234</u>

Notes to the Financial Statements for the year ended December 31, 2007

44.1.1.5 Geographical segment analysis

	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
------(Rupees in '000)-----				
Pakistan	22,346,198	402,341,635	57,377,243	209,721,347
Asia Pacific (including South Asia)	123,733	3,415,330	113,176	2,045,760
Middle East	56,380	7,143,876	56,903	1,550,000
	<u>22,526,311</u>	<u>412,900,841</u>	<u>57,547,322</u>	<u>213,317,107</u>
	2006			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
------(Rupees in '000)-----				
Pakistan	18,656,062	335,018,687	41,926,255	160,184,454
Asia Pacific (including South Asia)	116,989	2,950,536	101,102	692,330
Middle East	157,762	5,208,726	157,762	-
	<u>18,930,813</u>	<u>343,177,949</u>	<u>42,185,119</u>	<u>160,876,784</u>

Total assets employed include intra group items of Rs. NIL (2006: Rs. NIL).

44.2 Market Risk Management

The Bank is exposed to interest rate risk, foreign exchange risk and equity price risk. The Bank is using in-house and vendor based solutions for calculating marked to market value of its positions and generating VaR (value at risk) and sensitivity numbers. Besides conventional methods, the Bank is using VaR for market risk assessment of assets booked by treasury and capital market groups. The Bank is using variance co-variance approach of VaR measure for conventional products and Monte Carlo simulation approach for derivative and structured products.

Further stress testing of both banking and trading books are performed in line with SBP guidelines.

The Bank is exposed to interest rate risk both in trading and banking books. Presently the market risk reporting system is generating risk numbers of government securities held by the Bank's treasury. The risk management system generates daily reports based upon the marked to market of these assets. These reports provide risk numbers i.e. duration, PVBP, and VaR on individual security basis. The system also generates summarized reports on portfolio basis. These reports are presented to the senior management for review on a daily basis.

44.2.1 Foreign Exchange Risk Management

The core objective of foreign exchange risk management is to ensure the foreign exchange exposure of the Bank remain within defined risk appetite (10% of paid up capital). Daily reports are generated to evaluate the exposure in different currencies. Further 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.

	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
------(Rupees in '000)-----				
Pakistan Rupee	394,396,172	344,604,249	7,291,655	57,083,578
United States Dollar	16,509,102	8,051,477	(8,154,730)	302,895
Pound Sterling	228,698	1,073,197	901,837	57,338
Japanese Yen	129,669	173	(130,985)	(1,489)
Euro	1,540,000	1,624,423	100,924	16,501
Other currencies	97,200	-	(8,701)	88,499
	<u>412,900,841</u>	<u>355,353,519</u>	<u>-</u>	<u>57,547,322</u>

Notes to the Financial Statements for the year ended December 31, 2007

	2006			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- (Rupees in '000) -----				
Pakistan Rupee	317,036,010	284,344,003	6,086,875	38,778,882
United States Dollar	23,199,818	13,638,027	(7,191,418)	2,370,373
Pound Sterling	555,830	1,197,433	17,304	(624,299)
Japanese Yen	23,809	120,878	113,102	16,033
Euro	617,960	1,014,993	(54,068)	(451,101)
Other currencies	1,744,522	677,496	1,028,205	2,095,231
	<u>343,177,949</u>	<u>300,992,830</u>	<u>-</u>	<u>42,185,119</u>

44.2.2 Equity Price Risk

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.

44.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	Effective Yield/Interest rate	Total	2007								Not exposed to Yield/Interest Risk	
			Exposed to Yield/Interest risk									
----- (Rupees in '000) -----												
			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	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	4.24%	39,683,883	534,159	-	-	-	-	-	-	-	-	39,149,724
Balances with other banks	6.18%	3,867,591	631,864	-	-	-	-	-	-	-	-	3,235,727
Lendings to financial institutions	11.20%	1,051,372	51,372	1,000,000	-	-	-	-	-	-	-	-
Investments - net	9.78%	112,018,133	21,214,364	13,498,301	19,138,757	33,051,162	4,033,023	1,267,859	2,345,401	4,179,487	1,939,961	11,349,818
Advances - net	10.89%	218,959,786	5,964,299	27,227,275	49,538,582	61,024,392	17,891,332	17,891,332	35,782,665	1,455,964	2,183,945	-
Other assets - net		5,456,732	3,525	567	-	-	-	-	-	-	-	5,452,640
		<u>381,037,497</u>	<u>28,399,583</u>	<u>41,726,143</u>	<u>68,677,339</u>	<u>94,075,554</u>	<u>21,924,355</u>	<u>19,159,191</u>	<u>38,128,066</u>	<u>5,635,451</u>	<u>4,123,906</u>	<u>59,187,909</u>
Liabilities												
Bills payable		10,479,058	-	-	-	-	-	-	-	-	-	10,479,058
Borrowings	6.56%	39,406,831	33,027,113	3,300,305	606,336	-	-	-	2,473,077	-	-	-
Deposits and other accounts	2.02%	292,088,347	161,710,432	4,555,291	3,418,892	12,850,476	2,283,975	1,974,594	4,354,242	1,842,888	-	99,097,557
Sub-ordinated loan	11.75% to 15.75%	479,232	-	479,232	-	-	-	-	-	-	-	-
Other liabilities		7,698,729	-	-	-	-	-	-	-	-	-	7,698,729
		<u>350,152,197</u>	<u>194,737,545</u>	<u>8,334,828</u>	<u>4,025,228</u>	<u>12,850,476</u>	<u>2,283,975</u>	<u>1,974,594</u>	<u>6,827,319</u>	<u>1,842,888</u>	<u>-</u>	<u>117,275,344</u>
On-balance sheet gap		<u>30,885,300</u>	<u>(166,337,962)</u>	<u>33,391,315</u>	<u>64,652,111</u>	<u>81,225,078</u>	<u>19,640,380</u>	<u>17,184,597</u>	<u>31,300,747</u>	<u>3,792,563</u>	<u>4,123,906</u>	<u>(58,087,435)</u>
Off-balance sheet financial instruments												
Forward lendings		-	-	-	-	-	-	-	-	-	-	-
Outright purchase - Govt. securities		-	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts:		-	-	-	-	-	-	-	-	-	-	-
- Purchase		62,077,338	16,646,098	18,595,351	17,000,385	9,835,504	-	-	-	-	-	-
Interest rate swaps		2,721,698	18,182	-	53,516	300,000	1,850,000	500,000	-	-	-	-
Cross currency swaps		1,845,484	-	-	-	-	588,660	240,000	1,016,824	-	-	-
		<u>66,644,520</u>	<u>16,664,280</u>	<u>18,595,351</u>	<u>17,053,901</u>	<u>10,135,504</u>	<u>2,438,660</u>	<u>740,000</u>	<u>1,016,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign exchange contracts:		-	-	-	-	-	-	-	-	-	-	-
- Sale		69,362,417	23,865,234	18,208,526	8,633,379	18,655,278	-	-	-	-	-	-
		<u>69,362,417</u>	<u>23,865,234</u>	<u>18,208,526</u>	<u>8,633,379</u>	<u>18,655,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Off-balance sheet gap		<u>(2,717,897)</u>	<u>(7,200,954)</u>	<u>386,825</u>	<u>8,420,522</u>	<u>(8,519,774)</u>	<u>2,438,660</u>	<u>740,000</u>	<u>1,016,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total yield / interest risk sensitivity gap			<u>(173,538,916)</u>	<u>33,778,140</u>	<u>73,072,633</u>	<u>72,705,304</u>	<u>22,079,040</u>	<u>17,924,597</u>	<u>32,317,571</u>	<u>3,792,563</u>	<u>4,123,906</u>	
Cumulative yield / interest risk sensitivity gap			<u>(173,538,916)</u>	<u>(139,760,776)</u>	<u>(66,688,143)</u>	<u>6,017,161</u>	<u>28,096,201</u>	<u>46,020,798</u>	<u>78,338,369</u>	<u>82,130,932</u>	<u>86,254,838</u>	

Notes to the Financial Statements for the year ended December 31, 2007

44.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

Effective Yield/ Interest rate	Total	2006									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	4.35%	32,465,976	1,420,319	-	-	-	-	-	-	-	-	31,045,657
Balances with other banks	5.77%	6,649,659	2,426,426	-	-	121,820	-	-	55,392	-	-	4,046,021
Lendings to financial institutions	9.13%	21,081,800	11,396,800	7,985,000	1,700,000	-	-	-	-	-	-	-
Investments - net	9.22%	62,127,910	7,636,492	1,791,960	11,713,325	19,433,349	178,700	499,162	7,652,449	4,216,642	113,816	8,892,015
Advances - net	10.10%	198,236,682	3,025,142	40,581,465	31,722,976	60,657,162	35,630,922	13,810,539	10,920,665	1,864,789	23,022	-
Other assets - net	-	5,169,099	-	-	-	-	-	-	-	-	-	5,169,099
		325,731,126	25,905,179	50,358,425	45,136,301	80,212,331	35,809,622	14,309,701	18,573,114	6,136,823	136,838	49,152,792
Liabilities												
Bills payable	-	7,089,679	-	-	-	-	-	-	-	-	-	7,089,679
Borrowings	5.56%	23,943,476	14,880,574	4,440,262	2,130,468	179,142	-	-	-	2,313,030	-	-
Deposits and other accounts	1.17%	257,185,110	138,030,461	7,949,863	6,229,354	7,688,296	2,840,110	1,333,264	4,286,583	1,788,431	-	87,038,748
Sub-ordinated loan	11.75% to 15.75%	1,597,440	-	637,440	-	480,000	480,000	-	-	-	-	-
Other liabilities	-	6,074,825	-	-	-	-	-	-	-	-	-	6,074,825
		295,890,530	152,911,035	13,027,565	8,359,822	8,347,438	3,320,110	1,333,264	4,286,583	4,101,461	-	100,203,252
On-balance sheet gap		29,840,596	(127,005,856)	37,330,860	36,776,479	71,864,893	32,489,512	12,976,437	14,286,531	2,035,362	136,838	(51,050,460)
Off-balance sheet financial instruments												
Forward Lendings	-	1,853,461	1,853,461	-	-	-	-	-	-	-	-	-
Outright purchase - Govt. securities	-	6,942,230	-	-	-	-	-	-	-	-	-	6,942,230
Foreign exchange contracts:												
- Purchase	-	41,288,941	16,883,524	21,223,894	2,160,021	1,021,502	-	-	-	-	-	-
Interest rate swaps	-	3,223,485	-	-	-	-	800,735	1,922,750	500,000	-	-	-
		53,308,117	18,736,985	21,223,894	2,160,021	1,021,502	800,735	1,922,750	500,000	-	-	6,942,230
Foreign exchange contracts:												
- Sale	-	50,420,861	13,876,815	9,573,175	20,298,836	6,672,035	-	-	-	-	-	-
Outright sale - Govt securities	-	5,107,030	-	-	-	-	-	-	-	-	-	5,107,030
		55,527,891	13,876,815	9,573,175	20,298,836	6,672,035	-	-	-	-	-	5,107,030
Off-balance sheet gap		(2,219,774)	4,860,170	11,650,719	(18,138,815)	(5,650,533)	800,735	1,922,750	500,000	-	-	1,835,200
Total yield / interest risk sensitivity gap			(122,145,686)	48,981,579	18,637,664	66,214,360	33,290,247	14,899,187	14,786,531	2,035,362	136,838	
Cumulative yield / interest risk sensitivity gap			(122,145,686)	(73,164,107)	(54,526,443)	11,687,917	44,978,164	59,877,351	74,663,882	76,699,244	76,836,082	

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.

Reconciliation to total assets	2007		2006		Reconciliation to total liabilities	2007		2006	
	(Rupees in '000)					(Rupees in '000)			
Balance as per balance sheet	412,900,841		343,177,949		Balance as per balance sheet	355,353,519		300,992,830	
Less: Non financial assets					Less: Non financial liabilities				
Investments	3,340,457		2,322,851		Other liabilities	4,017,736		5,102,300	
Operating fixed assets	16,082,781		9,073,276		Deferred tax liability	1,183,586		-	
Deferred tax asset	-		174,886			5,201,322		5,102,300	
Other assets	12,440,106		5,875,810						
	31,863,344		17,446,823						
Total financial assets	381,037,497		325,731,126		Total financial liabilities	350,152,197		295,890,530	

Notes to the Financial Statements for the year ended December 31, 2007

44.4 Liquidity Risk

It is the policy of the Bank to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet all our obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitments made. The Bank manages liquidity risk in three stages:

- Balance sheet management;
- Liquidity management; and
- Intraday liquidity management.

Balance sheet management

Balance sheet management is the practice of reviewing the actual and planned strategic growth of business and its impact from a balance sheet integrity and sustainability perspective. As such the goal is to identify any risks arising from structural imbalances and concentrations, and seek to alter plans in order to avoid these developing into a liquidity problem.

Liquidity management

Liquidity management is the day to day practice of ensuring that the Bank is able to meet all its payment obligations as they fall due without having to sell assets or borrow funds at short notice at adverse market prices. While primarily focused on the management of cash-flows, MCB maintains a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash-flow for meeting liquidity requirements. Another precautionary measure is the active maintenance of borrowing relationships to ensure the continued access to diverse market of funding sources.

Intraday liquidity management

Intraday liquidity is the practice of ensuring that the Bank has sufficient cash during the day to make payments through the local payment system. In this respect, MCB maintains cash balances from which payments are made or generate a cash balances through the receipt of payments due or from borrowing or the outright sale or pledging of qualifying securities with the State Bank of Pakistan.

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

	2007									
	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	39,683,883	39,683,883	-	-	-	-	-	-	-	-
Balances with other banks	3,867,591	3,867,591	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,051,372	51,372	1,000,000	-	-	-	-	-	-	-
Investments - net	115,358,590	24,568,034	14,317,952	20,917,643	37,450,361	4,620,702	1,267,859	2,756,134	5,563,919	3,895,986
Advances - net	218,959,786	5,964,299	27,227,275	49,538,582	61,024,392	17,891,332	17,891,332	35,782,665	1,455,964	2,183,945
Operating fixed assets	16,082,781	55,681	9,224	167,037	334,076	859,565	668,149	836,394	420,590	12,732,065
Deferred tax assets	610,597	-	-	-	913	124,149	178,517	297,646	1,773	7,599
Other assets - net	17,896,838	2,414,006	1,259,203	957,612	2,100,422	2,159,264	3,681,785	5,324,546	-	-
	413,511,438	76,604,866	43,813,654	71,580,874	100,910,164	25,655,012	23,687,642	44,997,385	7,442,246	18,819,595
Liabilities										
Bills payable	10,479,058	10,479,058	-	-	-	-	-	-	-	-
Borrowings	39,406,831	33,027,113	3,300,305	606,336	-	-	-	2,473,077	-	-
Deposits and other accounts	292,088,347	260,807,989	4,555,291	3,418,892	12,850,476	2,283,975	1,974,594	4,354,242	1,842,888	-
Sub-ordinated loan	479,232	-	479,232	-	-	-	-	-	-	-
Deferred tax liabilities	1,794,183	4,165	8,333	20,043	82,665	51,454	49,996	99,991	192,325	1,285,211
Other liabilities	11,716,465	2,223,568	2,084,452	2,031,494	2,217,241	865,317	868,314	867,271	558,808	-
	355,964,116	306,541,893	10,427,613	6,076,765	15,150,382	3,200,746	2,892,904	7,794,581	2,594,021	1,285,211
Net assets	57,547,322	(229,937,027)	33,386,041	65,504,109	85,759,782	22,454,266	20,794,738	37,202,804	4,848,225	17,534,384
Share capital	6,282,768									
Reserves	34,000,927									
Unappropriated profit	7,054,472									
	47,338,167									
Minority interest	63									
Surplus on revaluation of assets - net of tax	10,209,092									
	<u>57,547,322</u>									

The above maturity profile has been prepared in accordance with International Accounting Standard (IAS) 30: Disclosure in the financial statements of banks and similar financial institutions based on contractual maturities. The maturity profile disclosed in note 44.4.2 includes maturities of current and saving deposits determined by the Assets and Liabilities Management Committee (ALCO) keeping in view the historical withdrawal pattern of these deposits.

Notes to the Financial Statements for the year ended December 31, 2007

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

	2006									
	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	32,465,976	32,465,976	-	-	-	-	-	-	-	-
Balances with other banks	6,649,659	6,472,447	-	-	121,820	-	-	-	55,392	-
Lendings to financial institutions	21,081,800	11,396,800	7,985,000	1,700,000	-	-	-	-	-	-
Investments - net	64,450,761	8,311,287	7,053,609	11,733,902	19,453,516	619,665	795,144	11,710,574	4,640,755	132,309
Advances - net	198,236,682	3,025,142	40,581,465	31,722,976	60,657,162	35,630,922	13,810,539	10,920,665	1,864,789	23,022
Operating fixed assets	9,073,276	76,219	160,047	309,398	1,092,854	743,057	504,613	236,098	438,554	5,512,436
Deferred tax assets	620,652	-	532	-	2,613	120,931	181,217	302,814	1,800	10,745
Other assets - net	11,044,909	5,734,420	664,312	480,562	44,802	630,000	3,490,813	-	-	-
	<u>343,623,715</u>	<u>67,482,291</u>	<u>56,444,965</u>	<u>45,946,838</u>	<u>81,372,767</u>	<u>37,744,575</u>	<u>18,782,326</u>	<u>23,170,151</u>	<u>7,001,290</u>	<u>5,678,512</u>
Liabilities										
Bills payable	7,089,679	7,089,679	-	-	-	-	-	-	-	-
Borrowings	23,943,476	14,880,574	4,440,262	2,130,468	179,142	-	-	-	2,313,030	-
Deposits and other accounts	257,185,110	225,069,209	7,949,863	6,229,354	7,688,296	2,840,110	1,333,264	4,286,583	1,788,431	-
Sub-ordinated loan	1,597,440	-	637,440	-	480,000	480,000	-	-	-	-
Deferred tax liabilities	445,766	1,052	2,101	3,152	20,650	12,609	12,609	25,219	47,920	320,454
Other liabilities	11,177,125	3,375,493	623,301	460,994	2,878,406	498,190	501,349	1,023,194	954,932	861,266
	<u>301,438,596</u>	<u>250,416,007</u>	<u>13,652,967</u>	<u>8,823,968</u>	<u>11,246,494</u>	<u>3,830,909</u>	<u>1,847,222</u>	<u>5,334,996</u>	<u>5,104,313</u>	<u>1,181,720</u>
Net assets	<u>42,185,119</u>	<u>(182,933,716)</u>	<u>42,791,998</u>	<u>37,122,870</u>	<u>70,126,273</u>	<u>33,913,666</u>	<u>16,935,104</u>	<u>17,835,155</u>	<u>1,896,977</u>	<u>4,496,792</u>
Share capital	5,463,276									
Reserves	24,662,446									
Unappropriated profit	6,278,593									
	<u>36,404,315</u>									
Minority Interest	52									
	<u>36,404,367</u>									
Surplus on revaluation of assets - net of tax	5,780,752									
	<u>42,185,119</u>									

The above maturity profile has been prepared in accordance with International Accounting Standard (IAS) 30: Disclosure in the financial statements of banks and similar financial institutions based on contractual maturities. The maturity profile disclosed in note 44.4.2 includes maturities of current and saving deposits determined by the Assets and Liabilities Management Committee (ALCO) keeping in view the historical withdrawal pattern of these deposits.

Notes to the Financial Statements for the year ended December 31, 2007

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

	2007									
	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	39,683,883	39,683,883	-	-	-	-	-	-	-	-
Balances with other banks	3,867,591	3,867,591	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,051,372	51,372	1,000,000	-	-	-	-	-	-	-
Investments - net	115,358,590	24,568,034	14,317,952	20,917,643	37,450,361	4,620,702	1,267,859	2,756,134	5,563,919	3,895,986
Advances - net	218,959,786	5,964,299	27,227,275	49,538,582	61,024,392	17,891,332	17,891,332	35,782,665	1,455,964	2,183,945
Operating fixed assets	16,082,781	55,681	9,224	167,037	334,076	859,565	668,149	836,394	420,590	12,732,065
Deferred tax assets	610,597	-	-	-	913	124,149	178,517	297,646	1,773	7,599
Other assets - net	17,896,838	2,414,006	1,259,203	957,612	2,100,422	2,159,264	3,681,785	5,324,546	-	-
	413,511,438	76,604,866	43,813,654	71,580,874	100,910,164	25,655,012	23,687,642	44,997,385	7,442,246	18,819,595
Liabilities										
Bills payable	10,479,058	10,479,058	-	-	-	-	-	-	-	-
Borrowings	39,406,831	33,027,113	3,300,305	606,336	-	-	-	2,473,077	-	-
Deposits and other accounts	292,088,347	29,986,533	33,628,921	76,432,222	85,863,528	21,973,538	16,579,245	15,741,140	6,927,894	4,955,326
Sub-ordinated loan	479,232	-	479,232	-	-	-	-	-	-	-
Deferred tax liabilities	1,794,183	4,165	8,333	20,043	82,665	51,454	49,996	99,991	192,325	1,285,211
Other liabilities	11,716,465	2,223,568	2,084,452	2,031,494	2,217,241	865,317	868,314	867,271	558,808	-
	355,964,116	75,720,437	39,501,243	79,090,095	88,163,434	22,890,309	17,497,555	19,181,479	7,679,027	6,240,537
Net assets	57,547,322	884,428	4,312,411	(7,509,221)	12,746,730	2,764,703	6,190,087	25,815,906	(236,781)	12,579,058
Share capital	6,282,768									
Reserves	34,000,927									
Unappropriated profit	7,054,472									
	47,338,167									
Minority interest	63									
Surplus on revaluation of assets - net of tax	10,209,092									
	57,547,322									

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.

Notes to the Financial Statements for the year ended December 31, 2007

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

	2006									
	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	32,465,976	32,465,976	-	-	-	-	-	-	-	-
Balances with other banks	6,649,659	6,472,447	-	-	121,820	-	-	-	55,392	-
Lendings to financial institutions	21,081,800	11,396,800	7,985,000	1,700,000	-	-	-	-	-	-
Investments - net	64,450,761	8,311,287	7,053,609	11,733,902	19,453,516	619,665	795,144	11,710,574	4,640,755	132,309
Advances - net	198,236,682	3,025,142	40,581,465	31,722,976	60,657,162	35,630,922	13,810,539	10,920,665	1,864,789	23,022
Operating fixed assets	9,073,276	76,219	160,047	309,398	1,092,854	743,057	504,613	236,118	438,534	5,512,436
Deferred tax assets	620,652	-	532	-	2,613	120,931	181,217	302,814	1,800	10,745
Other assets - net	11,044,909	5,734,420	664,312	480,562	44,802	630,000	3,490,813	-	-	-
	<u>343,623,715</u>	<u>67,482,291</u>	<u>56,444,965</u>	<u>45,946,838</u>	<u>81,372,767</u>	<u>37,744,575</u>	<u>18,782,326</u>	<u>23,170,171</u>	<u>7,001,270</u>	<u>5,678,512</u>
Liabilities										
Bills payable	7,089,679	7,089,679	-	-	-	-	-	-	-	-
Borrowings	23,943,476	14,880,574	4,440,262	2,130,468	179,142	-	-	-	2,313,030	-
Deposits and other accounts	257,185,110	26,061,555	32,830,618	69,044,623	70,503,565	19,999,771	14,019,057	14,112,370	6,262,298	4,351,253
Sub-ordinated loan	1,597,440	-	637,440	-	480,000	480,000	-	-	-	-
Deferred tax liabilities	445,766	1,052	2,101	3,152	20,650	12,609	12,609	25,219	47,920	320,454
Other liabilities	11,177,125	3,375,493	623,301	460,994	2,878,406	498,190	501,349	1,023,194	954,932	861,266
	<u>301,438,596</u>	<u>51,408,353</u>	<u>38,533,722</u>	<u>71,639,237</u>	<u>74,061,763</u>	<u>20,990,570</u>	<u>14,533,015</u>	<u>15,160,783</u>	<u>9,578,180</u>	<u>5,532,973</u>
Net assets	<u>42,185,119</u>	<u>16,073,938</u>	<u>17,911,243</u>	<u>(25,692,399)</u>	<u>7,311,004</u>	<u>16,754,005</u>	<u>4,249,311</u>	<u>8,009,388</u>	<u>(2,576,910)</u>	<u>145,539</u>
Share capital	5,463,276									
Reserves	24,662,446									
Unappropriated profit	6,278,593									
	<u>36,404,315</u>									
Minority Interest	52									
	<u>36,404,367</u>									
Surplus on revaluation of assets - net of tax	5,780,752									
	<u>42,185,119</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.

44.5 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. This definition includes legal risk, but excludes strategic and reputational risks. It is one of the three risk areas addressed by Basel II guidelines.

The Operational Risk Management Division (ORMD) is primarily responsible for the management of operational risk across the bank. Although individual business units and support functions are risk owners, ORMD assists them in identification, assessment, and mitigation of operational risks. A comprehensive Operational Risk Framework has been developed and was approved by the President in May 2007. Furthermore, the Risk Management Policy, which addresses operational risk issues at the policy level, was also reviewed and revised during the year.

Notes to the Financial Statements for the year ended December 31, 2007

The strategy for mitigating operational risks is to first better understand the Bank's internal risk and control profile, and then prioritize processes for managing operational risk.

Major processes for operational risk management include, but are not limited to, a Risk & Control Self Assessment exercise, regular reporting of operational losses and control breaches through ORMD to senior management, setting and monitoring of tolerance limits, and improving awareness of, and adherence to, operational risk aspects across the Bank.

Key mitigating tools have been developed in the form of Business Continuity Planning, Outsourcing and Insurance policies.

Being a relatively new area of focus for risk management, operational risk is still in a stage of evolution. However, the Bank has ensured that best business practices are incorporated as much as possible.

45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 15, 2008 has announced a final cash dividend in respect of the year ended December 31, 2007 of Rs. 5 per share (2006: Rs. 1.50 per share) and bonus shares NIL (2006: 15%). These financial statements for the year ended December 31, 2007 do not include the effect of these appropriations which will be accounted for subsequent to the year-end.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on February 15, 2008.



Atif Bajwa
President and Chief Executive



Tariq Rafi
Director



Mian Raza Mansha
Director



S. M. Muneer
Director

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

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	Balance as at December 31, 2007
------(Rupees in '000)-----					
Fully Paid-up Preference Shares					
Azgard Nine Limited		1,160,241	10	11,602	11,602
Masood Textile Mills Limited	1.1	5,000,000	10	50,000	50,000
					61,602
Fully Paid-up Ordinary Shares					
Abbott Laboratories Pakistan Limited		124,100	10	1,241	21,732
Allied Bank Limited		723,300	10	7,233	90,161
Arif Habib Bank Limited		19,000	10	190	190
Arif Habib Securities Limited		240,000	10	2,400	40,428
Askari Bank Limited (Formerly Askari Commercial Bank Limited)		3,245,642	10	32,456	300,669
Atlas Bank Limited		1,771,000	10	17,710	29,560
Azgard Nine Limited (Ordinary Shares)		125,000	10	1,250	4,972
Bank Alfalah Limited		2,854,100	10	28,541	152,937
Bank Al-Habib Limited		2,678,017	10	26,780	168,212
Bank Islami Pakistan Limited		150,000	10	1,500	2,686
Century Papers & Board Mills Limited		438,460	10	4,385	17,657
Cherat Cement Company Limited		28,800	10	288	1,669
Crescent Commercial Bank Limited		100,000	10	1,000	2,140
EFU General Insurance Limited		805,070	10	8,051	63,229
EFU Life Insurance Company Limited		5,046	10	50	369
Engro Chemical Pakistan Limited		913,004	10	9,130	228,341
Fauji Fertilizer Bin Qasim Company Limited		3,589,674	10	35,897	157,419
Fauji Fertilizer Company Limited		6,818,316	10	68,183	601,703
Glaxosmithkline Pakistan Limited		434,672	10	4,347	54,790
Habib Bank Limited		530,700	10	5,307	145,932
Habib Metropolitan Bank Limited		409,842	10	4,098	26,376
Hub Power Company Limited		27,254,425	10	272,544	661,568
IGI Insurance Company of Pakistan Limited		144,048	10	1,440	44,255
Indus Motor Company Limited		65,000	10	650	13,386
International Industries Limited		252,966	10	2,530	29,336
JS Bank Limited		1,100,000	10	11,000	25,382
Kohinoor Energy Limited		55,000	10	550	1,566
Kot Addu Power Company Limited		4,360,400	10	43,604	221,686
Lucky Cement Limited		105,000	10	1,050	13,120
Mehr Dastagir Textile Mills Limited		1,616,912	10	16,169	16,169
Millat Tractors Limited		311,583	10	3,116	52,815
National Bank Of Pakistan		1,023,357	10	10,234	253,007
NIB Bank Limited		325,000	10	3,250	7,331
Oil & Gas Development Company Limited		2,250,165	10	22,502	276,570
Orix Leasing Pakistan Limited		220,800	10	2,208	5,025
Pace Pakistan Limited		275,000	10	2,750	9,915
Packages Limited		25,793	10	258	7,244
Pak Suzuki Motor Company Limited		24,600	10	246	9,939
Pakistan Cables Limited		78,833	10	788	14,410
Pakistan Cement Company Limited		100,000	10	1,000	1,393
Pakistan Oilfields Limited		305,000	10	3,050	103,954
Pakistan Petroleum Limited		1,145,080	10	11,451	290,535
Pakistan State Oil Company Limited		72,000	10	720	25,520
Pakistan Telecommunication Company Limited		6,022,731	10	60,227	305,432
Pakistan Tobacco Company Limited		138,700	10	1,387	22,536
PICIC Commercial Bank Limited		275,000	10	2,750	11,849
Rupali Polyester Limited		658,545	10	6,585	46,475

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

Investee entities		Number of ordinary and preference shares/certificates/units held	Paid-up value per share/certificate/unit	Total paid-up/nominal value	Balance as at December 31, 2007
				------(Rupees in '000)-----	
Shell Pakistan Limited		65,300	10	653	27,753
Soneri Bank Limited		2,218,700	10	22,187	100,330
Sui Northern Gas Pipelines Limited		47,728,822	10	477,288	2,205,253
Taj Textile Mills Limited		400	10	4	1
Thal Limited		11,700	5	59	602
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Pakistan Limited		33,280	50	1,664	47,892
United Bank Limited		1,760,200	10	17,602	296,364
Zulfiqar Industries Limited		25,238	10	252	3,557
Total					7,266,342
Fully Paid-up Modaraba Certificates	Name of Management Company				
First Al-Noor Modaraba	Al-Noor Modaraba Management (Private) Limited	5,553,270	10	55,533	60,606
Total					60,606
Carrying value (before revaluation and provision) Listed Shares 'available for sale'					7,388,550
Provision for diminution in value of investments					(197,496)
Surplus on revaluation of securities					1,808,152
Carrying value as at December 31, 2007					8,999,206
Fully Paid-up Ordinary Certificates/ Units of Mutual Funds	Name of Management Company	Number of Ordinary and Preference shares	Paid-up value per share/certificate/unit	Total paid-up/nominal value	Carrying value as at December 31, 2007
				------(Rupees in '000)-----	
NAFA Cash Fund	National Fullerton Asset Management Limited	952,562	10	9,526	10,000
HBL Income Fund	Habib Asset Management Company	287,246	100	28,725	30,000
IGI Income Fund	IGI Funds Limited	286,287	100	28,629	30,000
MCB Dynamic Cash Fund	MCB Asset Management Company Limited	12,296,336	100	1,229,634	1,265,000
Atlas Islamic Fund	Atlas Asset Management Company Limited	20,597	500	10,299	10,000
MCB Dynamic Stock Fund (IPO)	MCB Asset Management Company Limited	3,033,874	100	303,387	301,909
Unit Trust Of Pakistan		636,262	10	6,363	30,154
Carrying value before revaluation					1,677,063
Surplus on revaluation of securities					106,508
Carrying value as at December 31, 2007					1,783,571

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

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

2. Particulars of Investments in listed companies / mutual funds -'held for trading'

Share in listed companies

	Number of ordinary shares held	Paid-up value per share	Total paid-up/nominal value ------(Rupees in '000)-----	Balance as at December 31, 2007
National Bank of Pakistan	24,700	10	247	6,065
Pakistan Petroleum Limited	75,000	10	750	19,362
Pakistan State Oil Company Limited	10,000	10	100	4,282
Arif Habib Securities Limited	178,800	10	1,788	32,421
Attock Refinery Limited	193,200	10	1,932	51,972
Bank Al-Habib Limited	25,000	10	250	1,978
Bosicar Pakistan Limited	300,000	10	3,000	6,710
Engro Chemical Pakistan Limited	87,900	10	879	24,482
Fauji Cement Company Limited	100,000	10	1,000	1,635
Glaxosmithkline Pakistan Limited	12,800	10	128	2,631
J. O. V. & Company	50,000	10	500	8,583
KASB Bank Limited	50,000	10	500	1,035
Lucky Cement Limited	25,000	10	250	3,054
National Refinery Limited	24,500	10	245	9,369
Pace Pakistan Limited	215,500	10	2,155	8,099
Pakistan Cement Company Limited	100,000	10	1,000	1,335
Pakistan Oilfields Limited	85,000	10	850	30,842
Thal Limited	5,500	5	28	1,624
TRG Pakistan Limited	99,500	10	995	1,424
United Bank Limited	75,000	10	750	13,849
				230,752
Units in open ended mutual funds				
MCB Dynamic Cash Fund	2,847,084	100	284,708	288,337
Total	4,584,484			519,089

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

Company Name	Percentage of Holding (%)	Number of Shares / certificates held	Carrying value as at December 31, 2007 (Rupees in '000)	Net asset value of total investment		Name of the Chief Executive
				(Rupees in '000)	Based on audited financial statements as at	
Shareholding more than 10%						
Fully paid up preference shares						
Fazal Cloth Mills Limited (2.2)	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	19,770	June 30, 2007	Mr. Ashfaq A. Berdi
Khushhali Bank Limited	17.60%	300	300,000	311,062	December 31, 2006	Mr. Ghalib Nishtar
Central depository Company Limited *	10.00%	3,022,500	10,000	105,097	June 30, 2007	Mr. Mohammad Hanif Jhakura
			321,500			
Shareholding upto 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
First Capital Investment Limited		250,000	2,500	3,746	June 30, 2007	Mr. Mohammad Faisal Potrik
Equity Participation Fund		15,000	1,500	8,795	June 30, 2007	Mr. Jamil Nasim
National Institute Of Facilitation Technology		662,584	1,527	38,485	June 30, 2007	Mr. Muzaffar Mahmood Khan
National Investment Trust Limited		52,800	100	267,554	June 30, 2007	Mr. Tariq Iqbal Khan
SME Bank Limited (Formerly SBFC)		1,490,619	10,106	17,786	December 31, 2006	Mr. Mansur Khan
Society for Worldwide Inter Fund Transfer (SWIFT)		31	2,993	6,004	December 31, 2006	Mr. Leonard H. Shcrank
Lanka Clearing (Private) Limited		100,000	571	1,163	March 31, 2007	Mr. Sarath De Silva
Credit Information Bureau Of Srilanka		300	17	14	December 31, 2005	Mr. N.P.H.Amarasena
Arabian Sea Country Club		500,000	2,900	2,900	June 30, 2007	Mr. Asif Ali Khan Abbasi
Lanka Financial Services Bureau Limited		200	1,142			
			23,356			
Carrying value of unlisted shares/ certificates/ units			444,856			
Provision against unlisted shares			70,477			
			515,333			

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

3.1 The above excludes shares of companies which are fully provided for in these financial statements. All the above companies are incorporated in Pakistan, except for Lanka Clearing (Private) Limited, Credit Information Bureau of Srilanka, Lanka Financial Services Bureau Limited and SWIFT.

3.2 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.

* Increase in share capital consequent to the issuance of bonus shares after the balance sheet date has been taken in the determination of net asset value disclosed above.

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

Investee	Number of certificates held	Paid up value per certificate	Total paid up value (before redemption) ----- (Rupees) -----	Profit	Principal redemption	Balance as at December 31, 2007 (Rupees in '000)	Name of Chief Executive
LISTED TERM FINANCE CERTIFICATES - available for sale							
Askari Bank Limited (Formerly: Askari Commercial 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.	99,900	Mr. Shaharyar Ahmad
- 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.	99,820	--do--
	39,980		199,900,000				
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.	99,880	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.	49,942	Mr. Muhammad Saleem Akhtar
- issue no. III	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.	198,448	--do--
	49,720		248,600,000				
Jahangir Siddiqui and Company Limited	40,000	5,000	200,000,000	Base rate + 1.5% p.a. with a floor and cap of 7.5% and 13% respectively (base rate is the cut-off yield of the last successful 5-year PIB auction by SBP)	In 4 equal semi-annual installments from the 42nd month from April 2003.	49,940	Mr. Munaf Ibrahim
Pakistan Services Limited	20,000	5,000	100,000,000	SBP Discount Rate + 2.25% p.a. with a floor and cap of 9.75% and 13.75% respectively.	In 7 equal semi-annual installments and will commence from the 24th month from November 2003 after a grace period of 18 months.	4,265	Mr. Murtaza Hashwani
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.	149,850	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.	284,776	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.	100,000	Mr. Khalil-ur- Rehman Tarin (M.D.)
Carrying value before revaluation						1,136,821	
Add: Revaluation surplus						27,180	
Carrying value of listed TFCs (revalued amount)						1,164,001	

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

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
Carrying value before revaluation						
Add: Revaluation surplus					19,000	
Carrying value of Sukuk bonds (revalued amount)					<u>419,000</u>	

UN-LISTED TERM FINANCE CERTIFICATES - held to maturity

Jahangir Siddiqui and Company Limited	56	5,000,000	280,000,000	6 months KIBOR + 1.5% to 2.2% p.a. over 10 years	In 4 equal semi-annual installments, starting from 8-1/2 years from December 2004.	279,608	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.	500,000	Mr. Istaqbal Mehdi (M.D.)
Pakistan Mobile Corporation Limited	100,000	5,000	500,000,000	6 months KIBOR + 1.6% p.a.	In 5 equal semi-annual installments starting from the 36th month from March 2004.	300,000	Mr. Zuhair A. Khaliq
Carrying value of unlisted TFCs						<u>1,079,608</u>	

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 and Federal Government Securities (refer note 9) - held to maturity

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency Amount (in '000)	Carrying value as at December 31, 2007 (Rupees in '000)
	Principal	Interest				
Federal Government Securities						
Government of Pakistan	Yearly	Yearly	"Barclays Bank's 3 months USD LIBOR +1%"	US\$	6,110	378,845
Government Compensation Bonds						
Government of Srilanka Treasury Bonds	At maturity	Half-yearly	11.75%	SLRs	353,474	201,763
Srilanka Development Bonds	At maturity	Half-yearly	6.55%	US\$	2,000	124,320
					<u>361,584</u>	<u>704,928</u>
Heavy Mechanical Complex	At maturity	Yearly	6.00%	PKR	-	27,224
Public Sector Enterprises Bonds (PSE-89)	At maturity	Yearly	6.00%	PKR	-	556,990
Public Sector Enterprises Bonds (PSE-90)	At maturity	Yearly	9.00%	PKR	-	286,557
					<u>-</u>	<u>870,771</u>
Sukuk Bonds						
Government Sukuk Bonds	At maturity	Half-yearly	6 Month LIBOR +2.2%	US\$	12,669	785,475
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	6 Month KIBOR +1.4%	PKR	-	350,000
Century Paper and Boards Mills Limited Sukuk Bonds	At maturity	Half-yearly	6 Month KIBOR +1.35%	PKR	-	250,000
					<u>12,669</u>	<u>1,785,475</u>
Euro Bonds						
Euro Bonds - OBU Bahrain	At maturity	Half-yearly	6.75%	US\$	47,805	2,963,910
Euro Bonds - OBU Bahrain Treasury	At maturity	Half-yearly	6.88%	US\$	3,908	242,296
Euro Bonds - Srilanka	At maturity	Half-yearly	6.75%	US\$	1,503	93,424
					<u>53,216</u>	<u>3,299,630</u>

* The above excludes bonds, which are fully provided for in these financial statements.

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - I

6. Details of certificates of investment (refer note 9) - 'held-to-maturity' in local currency

Company Name	Carrying value at December 31, 2007 (Rupees in '000)	Profit rate (%)	Maturity date
Pak Libya Holding Company Limited	250,000	9.85	February 7, 2008
Saudi Pak Commercial Bank Limited	250,000	9.80	February 25, 2008
	500,000		

7. Summarised 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	% of interest held
		----- (Rupees in '000) -----					
2007							
First Women Bank Limited (un-audited based on September 30, 2007)	Pakistan	8,148,575	7,102,478	1,046,097	375,134 *	111,845	26.78%
Adamjee Insurance Company Limited (un-audited based on September 30, 2007)	Pakistan	14,362,406	9,368,665	4,993,741	4,100,951 **	1,543,244	29.13%
		22,510,981	16,471,143	6,039,838	4,476,085	1,655,089	
2006							
First Women Bank Limited	Pakistan	8,232,447	7,401,926	830,521	360,263 *	105,752	26.78%
Adamjee Insurance Company Limited	Pakistan	10,567,871	7,068,793	3,499,078	3,899,013 **	1,287,706	29.13%
		18,800,318	14,470,719	4,329,599	4,259,276	1,393,458	

* Represents net mark-up / interest income

** Represents net premium revenue

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - II

ISLAMIC BANKING BUSINESS

The Bank is operating 8 Islamic banking branches at the end of December 31, 2007 as compared to 6 Islamic banking branches at the end of December 31, 2006.

	2007	2006
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	601,665	92,053
Investments	1,419,000	800,000
Financing and receivables		
-Murabaha	2,406,402	1,592,019
-Ijara	1,585,202	1,073,014
-Islamic export refinance	738,178	268,347
Other assets	764,036	505,909
Total Assets	7,514,483	4,331,342
LIABILITIES		
Bills payable	47,115	14,517
Deposits and other accounts		
-Current accounts	440,567	121,102
-Saving accounts	907,283	264,268
-Term deposits	76,382	54,439
-Others	30,256	7,968
Borrowings from SBP	593,000	316,782
Due to head office	4,750,000	2,750,000
Deferred Tax Liability	4,988	-
Other liabilities	113,598	434,076
	6,963,189	3,963,152
NET ASSETS	551,294	368,190
REPRESENTED BY		
Islamic banking fund	400,000	280,000
Unappropriated profit	137,282	88,190
	537,282	368,190
Surplus on revaluation of assets - net of tax	14,012	-
	551,294	368,190
Remuneration to Shariah Advisor / Board	1,179	935
CHARITY FUND		
Opening Balance	3,244	2,757
Additions during the year	983	487
Payments / utilization during the year	-	-
Closing Balance	4,227	3,244

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - III

Statement showing written-off Loans or any other financial relief of five hundred thousand rupees or above provided during the year 2007.

(Rupees in '000)

Sr. No.	Name and Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at beginning of				Principal Written-off	Interest/Mark-up Written-off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest/Mark-up	Other	Total				
1	M/S JOHNSON & PHILLIPS (PAKISTAN) LTD C-10, South Avenue, S.I.T.E, Karachi.	1. Shehryar Anwer Saeed 2. Mohammad Asad Khan 3. Nadeem S. Qureshi 4. Raja Ahmed Khan 5. Fayaz Ahmed Longi 6. Mrs. Shahnila Parekh			123,071	68,919	-	191,990	118,971	-	68,919	187,890
2	M/S GANDAF STEEL INDUSTRIES (PVT) LTD 93-94, Industrial Area, I-9, Islamabad.	1. Muhammad Nasir Khan 2. Muhammad Raza Khan	101-55-519788 101-46-046586	Haji Muhammad Umar Khan Haji Muhammad Umar Khan	27,398	28,119	500	56,017	27,398	5,526	23,093	56,017
3	M/S RIZWAN TEXTILE MILLS LTD No.4, 1st Floor, Malik Complex, 80-West Blue Area, Islamabad.	1. Kamran Sadiq 2. Mrs.Munawar Begum 3. Miss.Shazia Sadiq 4. Muhammad Sadiq 5. Mrs.Bushra Kamran 6. Rizwan Sadiq 6. Rizwan Sadiq H # 141, St.14, Sector E-7, Islamabad. 7. Muhammad Munsif H # 680, Chaklala Scheme-III, Rawalpindi.	221-92-588474 61101-2967863-6 221-77-693829 61101-8663515-9 61101-5463383-6 61101-6788739-1 37405-0314737-3	Muhammad Sadiq W/o Muhammad Sadiq Muhammad Sadiq Haji Malik Abdullah Khan W/o Kamran Sadiq Muhammad Sadiq Muhammad Afsar	58,929	79,908	750	139,587	58,929	28,647	43,749	131,325
4	M/S.ARSALA INTERNATIONAL 947/14, F.B.Area, Karachi.	1. Gulzar Ahmed Chandio 2. Asadullah Khan	42201-4721258-9	Haji Ali Nawaz Imdadullah Khan	643	1,461	12	2,116	643	-	1,473	2,116
5	M/S.GULZAR TIN BOX & TIN CUTTING INDUSTRY R-59, Block-2, F.B.Area, Karachi	Gulzar Ahmed Chandio	42201-4721258-9	Haji Ali Nawaz	224	943	42	1,209	224	-	985	1,209
6	M/S.STANDARD CONTAINERS Plot No.DF-1534, Survey No.885, Bhangoria Goth, F.B.Area, Karachi.	Zakir Noor Khan	42201-0484185-1	Saadat Noor khan	297	1,063	21	1,381	297	-	1,084	1,381
7	M/S.SINDH ENGINEERING CONCERN 6/3,Al-Hayat Chambers, Sultan Ahmed Shah Road, Karachi.	Sibghatullah	409-86-161780	Abdul Jabbar	703	1,611	52	2,366	528	-	1,663	2,191
8	M/S.ALI'S INTERNATIONAL 242/1, Sector-24, Korangi Industrial Area, Karachi.	Kazi Rahat Ali	514-61-177211	Hakeem Musarrat Ali	11,486	8,758	-	20,244	-	-	5,804	5,804
9	M/S.GHAZI VEGITABLE GHEE & OIL MILLS LTD 16-Street No.37, F-8/1, Islamabad.	1. Aziz Muhammad Khan 2. Bashir Ahmed 3. Mrs.Hamida Begum 4. Javed Mehmood Khan 5. Khalid Abbasi 6. Maqsood Khan 7. M.Saghir Khan	101-45-478911 701-57-527083 701-42-423660 701-92-289011 703-76-011688 703-48-011686 701-51-052413	Ali Moahammad Khan Noor Akbar Khan W/o M.Younas Khan(Late) Khan Mohammad Khan Mohammad Maqsood Khan Itar Khan Sardar Mohammad Feroz Khan	90,971	17,060	-	108,031	90,246	9,204	7,856	107,306
10	M/S.ZAM COTTON MILLS LTD. 51-A-III, Gulberg-III, Lahore.	1. Muhammad Zarak Khan 2. Mrs.Mumtaz Abbas Khan 3. Mrs.Sarwar Jehan Begum 4. Mst.Zarmina 5. Mst.Mehar Sultana 6. Muhammad Zarif 7. Imtiaz Ali	136-89-081180 136-48-081177 128-24-072575 136-89-081179 139-34-075380 122-35-060037 139-90-075377	Muhammad Abbas Khan W/o Muhammad Abbas Khan W/o Amir Khan Hoti D/o Muhammad Abbas Khan W/o Ajab Gul Mehboob Khan Ajab Gul	106,151	164,390	-	270,541	80,151	10,217	154,173	244,541

Notes to the Financial Statements for the year ended December 31, 2007

Statement showing written-off Loans or any other financial relief of five hundred thousand rupees or above provided during the year 2007.

Annexure - III

(Rupees in '000)

Sr. No.	Name and Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at beginning of				Principal Written-off	Interest/Mark-up Written-off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest/Mark-up	Other	Total				
11	M/S.THARPARKER SUGAR MILLS LTD Kot Ghulam Muhammad, Mirpurkhas, Sindh.	1. Imtiaz Ali Shah 2. Ali Qutub Shah 3. Adil Ali Shah 4. Irfan Ali Shah 5. Imdad Ali Shah 6. Imran Iqbal 7. Ashraf Kothari	475-88-080553 501-34-442248 475-93-317732 475-91-080557 477-47-004643 516-88-096663 511-52-043771	S. Ghulam Hyder Shujah M. Shah Abid Ali Shah S. Ghulam Hyder M. Iqbal M. Iqbal Jan Muhammad	8,249	-	-	8,249	3,249	-	-	3,249
12	M/S.SAKRAND SUGAR MILLS LTD 41-K, Block-6, P.E.C.H.S., Karachi.	1. A. Sattar Kerio 2. Mrs. Hamida Bano 3. Miss.Zahida Bano Kerio 4. Miss.Shahida Kerio PRESENT MANAGEMENT Mr. Khalid Mirza (Receiver appointed by court)			34,973	-	-	34,973	32,658	-	-	32,658
13	M/S.KIRAN SUGAR MILLS LTD Dubber Road, Rohri, Distt Sukkur.	1. Islamuddin Shaikh 2. Asif Iqbal 3. Haji Haroon Kapadia 4. Akhtar Ali 5. Muhammad Saeed Khan 6. Mrs.Noorin Islamuddin	45504-2238311-9 42201-057315-1 517-39-048473 32102-5708852-7 42201-8138073-7 409-57-229189	Noor Mohammad M. Yaseen Zubari Haji Habib Kapadia Abdul Shakoore Inayat Ali Khan Islamuddin Shaikh	26,666	-	-	26,666	26,666	-	-	26,666
14	M/S.BAWANY SUGAR MILLS LTD Dewan Centre 3-A, Lalazar, Beach Hotel Road, Karachi.	1. Shamsuddin Khawaja 2. Mrs.Husna Amjad Qazi 3. M.Arshad Mirza 4. Mohammad Din 5. M.Ashiq 6. Qazi Amjad Abbasi 7. Abdul Hasan	458-52-028641 502-61-049068 449-61-301151 494-78-012093 455-91-027431 450-58-131152 458-91-186608	Ali Muhammad Amjad Qazi Abbasi M. Iqbal Mirza Shamsuddin Memon M. Ismail (Late) Qazi Abdul Majeed Abid Abbasi M. Hassan Khan	5,559	2,312	-	7,871	4,134	475	-	4,609
15	M/S KIM FOODS (PVT) LTD. 15-B, Old Jamrud Road, University Town, Peshawar.	1. Abdul Moqeeet Tahir 2. Khalid Bashir Sheikh 3. Maqbool Hussain 4. Muhammad Irfanuddin 5. Qari Munir Ahmed 6. Mrs.Rizwan Imtiaz 7. Umar Farooq 8. Waseem Malik	101-64-038838 027-42-388078 502-93-761172 240-88-669246 101-89-038840 285-62-242947	Abdul Ghaffar Nasir Sh.Muhammad Bashir Mirza Khan Abdul Ghaffar Ishfaq Ahmed Qari Abdul Ghaffar Nasir Malik Muhammad Tufail	4,103	8,453	55	12,611	4,103	175	8,333	12,611
16	MUHAMMAD SHAKEEL FARIDI 227-A, Gulberg Colony, Faisalabad.	Muhammad Shakeel Faridi	33102-1775994-5	Muhammad Jamil Chiragh	1,625	-	-	1,625	1,625	-	-	1,625
17	M/S.YADGAR DISTRIBUTORS (PVT) LTD Opp GPO, Paris Road, Sialkot.	1. Hafeez M. Yad 2. Tanveer Hafeez 3. Mrs. Zarina Javed	300-25-097847 45453-5564654-6 54531-3215456-6	Ghulam Sabir Hafeez Muhammad Hafeez Muhammad	895	870	-	1,765	895	-	870	1,765
18	M/S.ALI MODERN TRADERS 87-Badami Bagh, Lahore.	M.Azam Khan	35202-3654889-7	M. Ayub	552	684	98	1,334	552	-	782	1,334
19	M/S.ADVANCE CHEMICALS (PVT) LTD Butt House, 1-A, Faiz Road, Old Muslim Town, Lahore.	1. Mian Maqbool Ahmed 2. Raheel Pervaiz 3. Muhammad Nazir Ch. 4. Mrs. Zubaida Asad Gillani 5. Nisar A. Bajwa	35203-4879562-2 35204-8456465-4 35204-5648456-2 35206-4484451-3	Mian M. Shafi Ch. M. Siddique Ch. M. Siddique W/o Syed Ahmed Hussain	1,932	1,211	-	3,143	1,932	932	279	3,143
20	M/S.AGHA FABRICS (PVT) LTD 29 Khaid Street, Islamia Park, Lahore.	1. Agha Asad Nizam 2. Mrs.Attia Asad 3. Agha Nizam- ud -Din	35207-9874113-3 21456-4641313-3 35204-8744133-3	Agha Nizam-ud-Din W/o Agha Asad Qazi Ghulam Mohy-ud-Din	4,900	6,200	50	11,150	4,900	-	6,250	11,150
21	M/S.CAPITAL TRADERS (PVT) LTD Capital Road, Sialkot.	1. Mian Mehmood Hussain 2. Aamir Rahim 3. Jahangir Mehmood	35206-545464-5 300-65-200167	Hakim Din Abdul Rahim Hakim Din	28,253	8	-	28,261	28,253	8	-	28,261

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - III

Statement showing written-off Loans or any other financial relief of five hundred thousand rupees or above provided during the year 2007.

(Rupees in '000)

Sr. No.	Name and Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at beginning of				Principal Written-off	Interest/Mark-up Written-off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest/Mark-up	Other	Total				
22	M/S.LIFE CARE ENTERPRISES Capital Road, Sialkot.	1. Hamid Mehmood 2. Mrs.Tasneem Maqsood 3. Umar Mehmood 4. Mrs.Waseem Khushnud	35202-4556451-5 35204-5648456-6 35204-4446468-9 35206-4844654-6	Hakim Din Maqsood Ahmed Mian Mehmood Hussain W/o Khushnud Ahmed	1,921	-	16	1,937	1,921	-	16	1,937
23	M/S.AL-IMRAN TRADING CORPORATION 41-A, Street No.2, Cavalary Ground, Lahore.	1. Muhammad Ikram 2. Mrs. Zahida Parveen 3. Nazar Hussain 4. Mrs.Kalsoom Akhtar	35224-4644544-6 11564-5131311-5 64645-6111113-1 32454-6546546-1	Nazir Hussain Muhammad Ikram Muhammad Hayat Nazir Hussain	613	716	53	1,382	613	716	53	1,382
24	M/S.TAJ TEXTILE MILLS LTD 31/C-1, Chahlib Road, Gulberg-III, Lahore.	1. Jahangir Elahi 2. Amir Jahangir 3. Tanveer Elahi 4. Shahrukh Elahi 5. Tariq Latif 6. Muhammad Asif 7. Sheikh M.Ashraf	35203-2214695-4 35626-6565656-5 35489-4861113-1 35203-2154456-6 35602-1554646-5	Ehsan Elahi Jahangir Elahi Ehsan Elahi Tanveer Elahi Abdul Latif Muhammad Shafi Sh. Nasir-ud-Din	84,354	12,589	132	97,075	12,383	-	12,721	25,104
25	M/S.TECHNO GLASS INDUSTRIES LTD 198-G, Model Town, Lahore.	1. Shaukat Hussain Bukhari 2. Sakhawat Hussain Bukhari 3. S.M.Tahir-ul-Hassan 4. Muhammad Zahid 5. Syed Azhar Pervaiz 6. Imdad Ali 7. Ms.Zubaida Chandh	654-13-213211 35204-5645321-3 35204-4631315-5 535-13-213211 654-53-213211	Talib Hussain Zafar-ul-Hassan Fazal Hussain Syed M. Aslam Noor Muhammad	20,320	11,745	15	32,080	18,789	11,745	15	30,549
26	M/S.REGAL CERAMICS LIMITED 13 KM Lahore, G.T.Road, Gujranwala.	1. Malik Saleem Ismail 2. Jahangir Ali Shamsi 3. Azizuddin Hassan Ali 4. Ahmed Muhammad Hussain 5. Muhammad Amir Hassan Ali 6. Muhammad Amir Ismail 7. Rahim Pervaiz Ismail 8. Mrs.S.Ali 9. Mehmood Muhammad Hussain	87646-5464313-1 64548-4764654-8 65546-4789745-6	Muhammad Ismail Hassan Ali Charan Hassan Ali Charan Muhammad Hassain Hassan Ali Charan M. Ismail Ali Charan M. Ismail Ali Charan W/o Sikandar Ali Muhammad Hassain	27,027	14,555	-	41,582	27,027	-	14,555	41,582
27	M/S.TESH (PVT) LTD 30-Nicholson Road, Lahore.	1. Salah uddin Ahmed 2. Waheed uddin Sahaf 3. Qamar Javed Bukhari 4. Amar Khurshid Mirza 5. Mrs.Pervaiz 6. Mrs.Sidra Waheed 7. Mrs.Salah Bukhari	275-37-015894 35205-4564654-5 35206-6454513-2	Qamar-ud-Din Sahaf Qamar-ud-Din Sahaf Syed Noor Shah Col Khurshid Mazahir W/o Waheed uddin Sahaf W/o Qamar Javed Bukhari	23,403	3,312	-	26,715	23,403	3,312	-	26,715
28	M/S.FRESH JUICES LTD 218-P, Model Town extension, Lahore.	1. AkhtarHussain Ch. 2.Mrs.Malika Jamila 3. Malik Dil Muhammad 4. Ch.Sardar Hussain 5. Muhammad Alam 6. Muhammad Latif	11151-5454313-1 54131-3211454-6 35454-4312354-5 55154-5413313-3 45454-5444466-8 54132-1145446-6	Ch. Fazal Hussain W/o Akhtar Hussain Muhammad Akram Ch. Fazal Hussain Haji ghulam Qadir Ch. Sultan	7,559	-	-	7,559	5,217	-	-	5,217
29	M/S.MODERN TEXTILE INDUSTRIES 24-1/A, Industrial Estate, Multan.	Zia Mohyuddin	322-76-523128	Ghulam Mohyuddin	4,915	16,249	57	21,221	4,915	-	16,306	21,221
30	M/S.ZAKRIA TEXTILES 1765-10, Khanewal Road, Near Khana Farhang-e-Iran, Multan.	1.Mian Muhammad Arif 2.Muhammad Ali 3.Muhammad Shoaib 4.Ms.Razia Sultana	36302-7156917-7 322-58-581844 322-85-049172 322-32-049158	Sh. Ashiq Hussain Sh. Ashiq Hussain Sh. Ashiq Hussain W/o Sh. Ashiq Hussain	15,816	23,945	439	40,200	15,327	-	24,384	39,711

Notes to the Financial Statements for the year ended December 31, 2007

Statement showing written-off Loans or any other financial relief of five hundred thousand rupees or above provided during the year 2007.

Annexure - III

(Rupees in '000)

Sr. No.	Name and Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at beginning of				Principal Written-off	Interest/Mark-up Written-off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest/Mark-up	Other	Total				
31	M/S.ZAMIR TEXTILE MILLS LTD Atta Turk Block, New Garden Town, Lahore.	1.A.Sheikh 2.Liaquat Malik 3.Ms.Yasmeen A.Sheikh			5,381	5,733	-	11,114	5,381	-	5,733	11,114
32	M/S.ARIF INDUSTRIES 6-C, Chagla Street, Opp Gordhandas Market, Karachi.	Mrs.Afshan A.Khaliq		W/o Abdul Khaliq	5,670	12,530	140	18,340	5,670	-	12,670	18,340
33	M/S.ABDULLAH GARMENTS (PVT) LTD 6-C, Chagla Street, Opp Gordhandas, Market, Karachi.	1.Khaliq A.Sattar 2.M.Ilyas A.Sattar 3.Mrs.Afshan A.Khaliq 4.Mrs.Najma M.Ilyas	511-49-019048 511-88-019047	Abdul Sattar Abdul Sattar W/o Abdul Khaliq W/o M. Ilyas	5,868	12,812	139	18,819	5,868	-	12,951	18,819
34	M/S.BHANBHORE BULK STORAGE 6/3,Al-Hayat Chambers, Block 7&8, 2.Mst.Azhar Khatoon JCHS, Sultan Ahmed Shah Road, Karachi.	1. Aminuddin Tariq 3.Azmat Elahi 4.Bashira Dilnawaz 5.Sibghatullah 6.Syed Attiquddin Ahmed 7.Tariq Qureshi	409-86-161780	Abdul Jabbar	17,333	4,662	-	21,995	17,333	4,662	-	21,995
35	M/S.TARIQ SULTAN & CO. 6-B, Block-6, PECHS, Shahra-e-Faisal, Karachi.	1.Khalid Sultan Khawaja 2.Majid Sultan Khawaja 3.Abrar Sethi	135-91-022829	Khawaja Muhammad Yousuf Khawaja Muhammad Yousuf Shafiq Sethi	28,315	70,085	-	98,400	23,211	24,945	45,140	93,296
36	M/S.DANNEMAN FABRICS LTD 10th Floor, Building No.1, Lakson Square, Karachi.	1.Imran Hussain 2.Muzaffar Hussain 3.Navabzada Ahmed Hussain 4.Akber Liaquat Ali 5.Ali Murad Bozdar 6.Ms.Aisha Baig Muhammad 7.Mrs.Sumayra Ayazuddin			80,420	14,804	-	95,224	74,339	-	14,804	89,143
37	M/S.KAMRAN AND CO. Market Road, Hyderabad.	Amir Ali Khoja		Javed Bhai	1,500	3,252	-	4,752	1,500	436	2,816	4,752
38	M/S.ALI PAPER BOARD INDUSTRIES 27-KM Lahore, Sheikhpura Road, Lahore.	1.Farooq Alam Butt 2.Sirajuddin Butt 3.Asad Akhtar 4.muhammad Saleem Lone 5.Sheikh Amir Ali 6.Sheikh Amir Haider 7.Syed Nisar Ahmed			2,033	3,618	-	5,651	2,033	-	3,618	5,651
39	M/S.SABICO INTERNATIONAL 2./23, Abdullah Square, Altaf Hussain Hali Road, New Challi, Karachi.	Abdul Razzak		H. A. Rehman	2,232	-	-	2,232	2,232	-	-	2,232
40	M/S.OOSMAN BROTHERS Oosman Chambers, Abdullah Haroon Road, Karachi.	1.Anwar Oosman 2.Samir Anwar		Oosman Haji Wali Muhammad Anwar Oosman	2,554	6,901	141	9,596	2,554	-	7,042	9,596
41	M/S.HANIF ADAMJEE & OTHERS Adamjee House, I.I.Chundrigar Road, Karachi.	M.Hanif Adamjee		A. Waheed Adamjee	4,011	740	83	4,834	4,011	-	823	4,834

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - III

Statement showing written-off Loans or any other financial relief of five hundred thousand rupees or above provided during the year 2007.

(Rupees in '000)

Sr. No.	Name and Address of the Borrower	Name of Individuals/Partners/ Directors		Father's/Husband's Name	Outstanding Liabilities at beginning of				Principal Written-off	Interest/Mark-up Written-off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Interest/Mark-up	Other	Total				
42	M/S.RANKIN (PVT) LTD 111-A, SMCHS, Shahra-e-Faisal, Karachi.	1.Jahanzaib Attiq Siddiqui 2.Atif Attiq Siddiqui 3.Shoukat Ali			1,503	2,884	53	4,440	1,503	-	2,937	4,440
43	M/S.CHIRAGH SUN ENGINEERING LTD 4-Down Stream Unit, Pakistan Steel Mills, Karachi.	1.Rana Mushtaq Ahmed 2.Rana Saeed Ahmed Zafar 3.Lt.Col.(Rtd) Muhammad Shafi 4.Lt.Col.(Rtd) M.Zafar Khan 5.Col.(Rtd) Abdul Rashid 6.Brig.(Rtd) Mian M.Mehmood 7.M.Mubashir Khan			1,118	1,908	-	3,026	839	-	1,908	2,747
44	M/S.AZEEM TAPES LIMITED Industrial Estate, Jamrud Road, Peshawar.	1.Muhammad Ishaq Jan 2.Fuad Ishaq 3.Shabir Ahmed 4.Mrs.Khursheed Ishaq 5.Mrs.Yasmeen Fuad 6.Mrs.Aisha Manzoor 7.Mrs.Afia Shabir	17301-5076941-9 17301-7483063-9 17301-1681253-3 17301-8595265-6 17301-2244725-8 17301-9388979-0 17301-4482908-4	Mian Muhammad Azeem Muhammad Ishaq Jan Muhammad Aslam W/o Muhammad Ishaq Jan W/o Fuad Ishaq W/o Manzoor Ahmed W/o Shabir Ahmed	1,747	484	-	2,231	1,657	-	484	2,141
45	M/S.A.H.TRADERS 12, Wazir Mansion, Nicol Road, Karachi.	Bahadur Hamani		Pardhan Bhai	1,812	-	-	1,812	1,812	-	-	1,812
46	M/S.NOMOREE & CO. Haji Sir Abdullah Haroon Road, Waqf Building-2, North Napier Road, Karachi.	1.Zakaria Ibrahim Namoree (Late) 2.Abdul Satter Abu Bakar 517-58-094820		Abu Bakar Namoree	1,631	-	246	1,877	1,631	-	246	1,877
47	M/S.FEROZ A.KARIM (EX-STAFF) 415/2, Azizabad, Near Jauharabad P.S., Federal B Area, Karachi.	Feroz A. Karim (Ex-Staff) 501-89-196170		Abdul Karim	706	56	95	857	706	56	95	857
48	M/S.IQBAL TRADERS 11-Feroz Chamber, Saleh Muhammad Street, Karachi.	Sh.Gulzar Ahmed 509-46-209120		Mian Muhammad Bux	635	348	-	983	635	348	-	983
49	KHALID ZUHAIR 18-B, South Circular Avenue, Phase-II, DHA, Karachi.	Khalid Zuhair		Riaz Hussain Zuhair	1,030	-	-	1,030	910	-	-	910
50	M/S.ES ES IMPEX A-1/4, A-1/5, Mezzanine Floor, Block-4, Al-Karam Square, Karachi.	1.Shibly Shabkhez Ali Khan Sherwani 2.Saleem Ahmed Khan 3.Mrs.Nazli Razi (Late) 42101-2455308-1		Muhammad Ahmed	746	-	-	746	746	-	-	746
Total					889,753	615,898	3,189	1,508,840	750,520	101,404	504,630	1,356,554
Grand Total					889,753	615,898	3,189	1,508,840	750,520	101,404	504,630	1,356,554

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - IV

Disposal of operating fixed assets (refer note 11.2.4)

Description	Cost/	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal/ settlement	Particulars of buyers	Location
	----- (Rupees in '000) -----						
Furniture and fixture, electrical, computer and office equipment							
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000	29,322	29,094	228	325	Auction	Fatima Scrap Karachi	Karachi
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	102,047	78,487	23,560	17,459			
Vehicles							
Suzuki Cultus	604	604	-	60	Retirement Benefit	Mr. Hurmat Hussain, EX-VP	Gujranwala
Suzuki Cultus	604	604	-	60	Retirement Benefit	Mr. Irfan Akhtar Khan, EX-VP	Karachi
Toyota Corolla	939	939	-	94	Retirement Benefit	Mr. Zahid Akhtar, EX-SVP	Karachi
Suzuki Cultus	609	609	-	61	Retirement Benefit	Mr. Atiq Ahmed Khan, EX-VP	Karachi
Suzuki Cultus	609	386	223	218	Retirement Benefit	Mr. Zahid Asgher Mughal.VP	Karachi
Toyota Corolla	1,169	1,169	-	117	Expiry of Contract	Mr. M.U.A Usmani , Ex-SEVP	Karachi
Honda Civic	1,248	686	562	507	Expiry of Contract	Mr. M.U.A Usmani, EX-SEVP	Karachi
Toyota Corolla	939	516	423	423	Resignation	Mr. Agha Ahmed Shah, EX-EVP	Karachi
Honda Civic	962	544	418	434	Resignation	Mr. Agha Ahmed Shah. EX-EVP	Karachi
Toyota Corolla	969	436	533	589	Retirement Benefit	Mr. Asad Haider Naqvi, EX-VP	Quetta
Suzuki Cultus	604	604	-	181	New Car Policy	Mr. Farrukh Nadeem, VP	Lahore
Suzuki Cultus	924	924	-	289	New Car Policy	Mr. Abdul Ghani, SVP	Karachi
Suzukii Cultus	604	604	-	176	New Car Policy	Mr. Sammi Uddin Khan, VP	Islamabad
Honda Civic	945	945	-	293	New Car Policy	Mr. Javaid Hussain Mir, SVP	Rawalpindi
Suzuki Cultus	604	604	-	152	New Car Policy	Mr. Shahid Alvi, AVP/Executive	Karachi
Suzuki Cultus	604	604	-	60	Retirement Benefit	Mr. Amir Ali Lakhani, EX-VP	Karachi
Toyota Corolla	849	849	-	274	New Car Policy	Mr. Navaid Iqbal, SVP	Karachi
Toyota Corolla	924	924	-	237	New Car Policy	Mr. Zafar Ali Chatta, SVP	Lahore
Suzuki Cultus	609	507	102	107	Retirement Benefit	Mr. Muhammad Umer, EX-VP	Karachi
Suzuki Cultus	620	114	506	530	Retirement Benefit	Mr. Muhammad Khalid, VP	Karachi
Suzuki Cultus	604	503	101	106	Retirement Benefit	Mr. Shabbir Ahmed, EX-VP	Karachi
Toyota Corolla	969	275	694	969	Under Claim	M/s. Adamjee Insurance Co.	Karachi
Suzuki Cultus	609	396	213	233	Retirement Benefit	Mr. S. Amjad Ali Rizvi, EX-VP	Lahore
Toyota Corolla	939	595	344	360	Retirement Benefit	Mr. Kaleem Raza Sherwani, VP	Lahore
Suzuki Cultus	604	604	-	169	New Car Policy	Mr. Mashkooor Ahmed Babar, VP	Karachi
Toyota Corolla	939	595	344	350	Retirement Benefit	Mrs. Nusrat Ishaq, EX-SVP	Karachi
Suzuki Cultus	604	604	-	173	New Car Policy	Mr. Ch. Muhammad Riaz,VP/Chief	Gujranwala
Toyota Corolla	939	626	313	320	Retirement Benefit	Mr. Shahid Masood Zubari,SVP	Karachi
Toyota Corolla	939	814	125	141	Pre-Mature Retired	Mr. Abdul Gani, EX-SVP	Karachi
Suzukii Cultus	604	604	-	60	Retirement Benefit	Mr. Muhammad Afzal Rabani,VP	Lahore
Toyota Corolla	954	382	572	525	Pre-Mature Retired	Mr. M Shahzad Boota, VP	R.Y Khan
Suzuki Cultus	615	57	558	615	Under Claim	M/s. Adamjee Insurance Co.	Karachi
Toyota Corolla	969	355	614	614	New Car Policy	Mr. Ali M Mahoon, SEVP	Lahore
Suzuki Cultus	609	419	190	212	Retirement Benefit	Mr. Ch. Asghar Ali, VP	Faisalabad
Suzuki Cultus	609	402	207	210	Pre-Mature Retired	Mr. Ishtaq Ahmed Awan, VP	Lahore
Honda Civic	1,002	307	695	695	Retirement Benefit	Mr. Fahim Butt, SVP/GM	Faisalabad
Toyota Corolla	1,309	436	873	873	Resignation	Mr. M Aftab Manzoor,President	Karachi
Toyota Corolla	939	798	141	158	Resignation	Mr. Saulat Mujtaba, EVP	Karachi
Honda Civic	962	561	401	354	Resignation	Mr. Saulat Mujtaba, EVP	Karachi
Toyota Corolla	969	129	840	965	Under Claim	M/s Adam jee Insurance Company	Karachi
Suzuki Cultus	604	604	-	186	New Car Policy	Mr. Azhar Iqbal VP / Unit Head	Lahore
Toyota Corolla	939	401	538	551	Retirement Benefit	Mr. Amjad H.Ansari SVP / GM	Multan
Suzuki Cultus	604	604	-	177	New Car Policy	Mr. Kh. Naeem-ud-din VP / CM	Lahore

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - IV

Description	Cost/ revalued amount	Accumulated depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal/ settlement	Particulars of buyers	Location
	----- (Rupees in '000) -----						
Vehicles							
Toyota Corolla Gli	939	939	-	278	New Car Policy	Mr. Farooq A. Malhi RM / Agrc	Lahore
Honda Civic VTI	1,506	20	1,486	1,506	Resignation	Mr. M. Aftab Manzoor President	Karachi
Toyota Corolla	859	859	-	482	Through Auction	Mr. Muhammad Arif	Karachi
Toyota Corolla	1,029	1,029	-	550	Through Auction	Mr. Syed Ghulam Mustafa Shah	Lahore
Suzuki Cultus	604	604	-	328	Through Auction	Mr. Muhammad Nasir Khan	Karachi
Suzuki Cultus	604	604	-	281	Through Auction	Mr. Muhammad Arif	Karachi
Honda Civic	1,043	223	820	762	Resignation	Ms. Shazia Ashraf EX-SVP	Karachi
Suzuki Cultus	609	317	292	300	Retirement Benefit	Mr. Abdul Razak	Karachi
Suzuki Cultus	609	609	-	61	Retirement Benefit	Mr. Anwar Raza Khan	Karachi
Toyota Corolla	939	939	-	94	Retirement Benefit	Mr. Syed Sikander Ali	Mirpurkhas
Suzuki Cultus	609	609	-	201	New Car Policy	Mr. Tanvir Ahmed Khan VP	Quetta
Toyota Corolla	939	939	-	242	New Car Policy	Mr. Zafar Alam Baig	Karachi
Suzuki Cultus	620	66	554	528	Resignation	Mr. Qaiser Tanoli VP	Karachi
Toyota Corolla	939	939	-	247	New Car Policy	Ms. Ghazala Malik VP	Lahore
Suzuki Cultus	604	604	-	212	New Car Policy	Mr. Amjad Saleem Butt VP	Lahore
Suzuki Cultus	609	349	260	260	Retirement Benefit	Mrs. Kausar Shabbir VP	Karachi
Toyota Corolla	969	194	775	807	Resignation	Mr. Saadat Yakoob SVP	Karachi
Honda Civic	1,288	258	1,030	770	Resignation	Mr. Zahiruddin Ahmed EVP	Karachi
Suzuki Cultus	609	350	259	260	Retirement Benefit	Mr. Atiq ur Rehman VP	Peshawar
Toyota Corolla	939	877	62	682	Through Auction	Mr. Shahid Farid	Lahore
Suzuki Cultus	604	564	40	360	Through Auction	Mr. Syed Fida Hussain	Lahore
Honda M/Cycle	78	78	-	21	Through Auction	Mr. M. Kashif Ali	Lahore
Suzuki Cultus	620	108	512	513	Retirement Benefit	Mr. Abdul Sattar Mamji VP	Karachi
Suzuki Cultus	604	604	-	356	Through Auction	Mr. Muhammad Arif	Karachi
Suzuki Cultus	604	604	-	312	Through Auction	Mrs. Saima Atif	Lahore
Suzuki Cultus	604	604	-	367	Through Auction	Mr. Abdul Rahman	Lahore
Suzuki Cultus	555	555	-	313	Through Auction	Mr. Muhammad Nasir Khan	Karachi
Suzuki Cultus	511	511	-	285	Through Auction	Mr. Muhammad Arif	Karachi
Suzuki Cultus	604	604	-	324	Through Auction	Mr. Muhammad Arif	Karachi
Suzuki Cultus	555	555	-	317	Through Auction	Mr. M. Nasir	Lahore
Toyota Corolla	689	689	-	459	Through Auction	Mr. Muhammad Arif	Karachi
Toyota Corolla	939	939	-	676	Through Auction	Mr. Fida Hussain Khan	Faisalabad
Honda Civic	955	955	-	275	New Car Policy	Mr. Ahsan Abbasi	Karachi
Toyota Corolla	939	783	156	157	Retirement	Mr. Kafeel Y Burni	Karachi
Suzuki Cultus	609	292	317	317	Retirement	Mr. Nusrat Mehmood	Karachi
Suzuki Cultus	609	357	252	252	Retirement	Mr. Abdul Majeed	Lahore
Toyota Corolla	969	362	607	611	Negotiation	MCB Foundation	Karachi
Toyota Corolla	824	824	-	269	Auction	Mr. Naseer Channa	Hyderabad
Suzuki Khyber	394	394	-	98	Auction	Mr. Ikram VP	Karachi
Suzuki Cultus	609	349	260	260	Retirement	Mr. Slaeem Akhtar VP	Lahore
Honda Civic	958	574	384	383	Retirement	Mr. Syed Farid Hussain GM Hyd.	Hyderabad
Honda Civic	955	955	-	343	New Car Policy	Mr. Imran Maqbool	Karachi
Toyota Corolla	849	849	-	568	Auction	Mr. Zulfikar Ahmed	Karachi
Suzuki Cultus	620	132	488	492	Retirement	Mr. Muhammad Ismail VP	Karachi
Toyota Corolla	938	938	-	365	New Car Policy	Mr. Muneer Ahmed Saleem EVP	Lahore
	68,834	49,750	19,084	31,422			
Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000"	15,333	8,922	6,411	13,213			
2007	215,536	166,253	49,283	62,419			
2006	187,646	129,952	57,694	82,597			

Notes to the Financial Statements for the year ended December 31, 2007

Annexure - V

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

City	Land	Building	Total
	----- (Rupees in '000) -----		
Karachi	3,461,072	1,993,702	5,454,774
Hyderabad	89,981	42,407	132,388
Sukkur	8,937	5,214	14,151
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	3,072,945	1,346,381	4,419,326
Kasur	16,380	1,673	18,053
Faisalabad	396,077	76,439	472,516
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	42,000	10,285	52,285
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 Asset Management Company (subsidiary company)	-	34,818	34,818
Grand total	9,465,847	4,003,676	13,469,523

Form of Proxy

Folio No. _____ CDC Participants Identity Card No. _____ A/C. No. _____

I/We _____ of _____ a member/ members of **MCB Bank Limited**, and holder of _____ shares do hereby appoint _____ of _____ or failing him / her _____ of _____ who is also a member of the Company, vide Registered Folio No. _____ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 60th Annual General Meeting of the Company to be held on Friday, March 28, 2008 at 3:00 p.m. at Hotel Holiday Inn, G-6, Civic Centre, Islamabad and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2008.

Signature on
Five-Rupees
Revenue Stamp

The signature should
agree with the
specimen registered
with the Company.

Dated:

Place:

Notes:

1. The Proxy Form should be deposited in the office of THK Associates (Pvt.) Ltd., Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, as soon as possible but not less than 48 hours before the time of holding the meeting and in default Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he/she is a member of the company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.



Principal Office:

MCB Bank Limited

MCB 15-Main, Gulberg, Lahore. UAN: (021) 111-000-111, PABX: (021) 2635460, Website: www.mcb.com.pk