



#### *Our Purpose*

*To be the leading financial services provider, partnering with our customers for a more prosperous and secure future”*

#### *Our Mission*

*“We are a team of committed professionals, providing innovative and efficient financial solutions to create and nurture long-term relationships with our customers. In doing so, we ensure that our shareholders can invest with confidence in us”*

#### *Our Values*

*The standards and principles which determine our behavior and how we interact with our customers and each other*

*Credit Rating  
Long - Term AA+(double A plus)  
Short-Term A1+(A one plus)  
By PACRA*



## CORPORATE PROFILE

### Board of Directors

Mian Mohammad Mansha

Chairman

S.M. Muneer

Vice Chairman

Tariq Rafi

Shahzad Saleem

Sarmad Amin

Dr. Muhammad Yaqub

Mian Raza Mansha

Mian Umer Mansha

Dato' Mohammed Hussein

Abdul Farid Bin Alias

Aftab Ahmad Khan

Muhammad Ali Zeb

Atif Bajwa

President & Chief Executive Officer

**Audit Committee**

Tariq Rafi - Chairman

Dr. Muhammad Yaqub - Member

Dato' Mohammed Hussein - Member

Aftab Ahmad Khan - Member

Muhammad Ali Zeb

Malik Abdul Waheed

**Chief Financial Officer**

Salman Zafar Siddiqi

**Company Secretary**

Abdus S. Sami

**Auditors**

KPMG Taseer Hadi & Co.

Chartered Accountants

**Legal Advisors**

Khalid Anwer & Co.

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) Ltd.

State Life Building No. 3,

Dr. Ziauddin Ahmed Road,

Karachi



**DIRECTORS' REVIEW REPORT - June 2009**

It gives me great pleasure to present, on behalf of the Board of Directors, the financial statements of MCB Bank Limited for the half year ended June 30, 2009.

**FINANCIAL HIGHLIGHTS**

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

	----- (Rupees in '000) -----
Profit before taxation	11,688,703
Taxation	<u>3,932,214</u>
Profit after taxation	7,756,489
Un-appropriated profit brought forward	9,193,332
Transfer from surplus on revaluation of fixed assets (net of tax)	<u>10,660</u>
Profit available for appropriation	<u>16,960,481</u>
<b>Appropriations:</b>	
Transferred to Statutory Reserve	<u>775,649</u>
Final Cash dividend– December 31, 2008	1,570,692
Issue of bonus shares - December 31, 2008	628,277
Interim Cash dividend – March 31, 2009	<u>1,727,781</u>
Total appropriations	<u>4,702,399</u>
Un-appropriated profit carried forward	<u>12,258,082</u>
	<b>Rupees</b>
Earnings per share	<u>11.22</u>

**PERFORMANCE REVIEW**

The Bank has achieved a healthy balance sheet and revenue growth. During the first half of the calendar year 2009, the Bank's profit before tax closed at Rs.11.7 billion registering a significant growth of 10% over the reported profit before tax of corresponding period last year. Profit after tax closed at Rs. 7.76 billion translating into an EPS of Rs. 11.22.

Total Assets of the Bank increased by 5% over December 2008 to Rs. 468 billion. The bank's deposits showed a growth of 10% from December 2008 and closed at Rs. 362 billion. The increase in deposits was mainly in current and savings deposits which grew by Rs. 17 billion (15%) and Rs. 19.6 billion (13%), respectively. Fixed deposits on the other hand decreased by Rs. 5 billion (-8%). Gross loans and advances marginally decreased by Rs. 315 million from Rs. 273.2 billion as at December 2008



and closed at Rs. 272.9 billion. Non-performing loans increased by Rs. 2.6 billion and closed at Rs. 20.86 billion.

**RATINGS**

PACRA, based on their current review, has maintained long term and short term ratings of AA+ & A1+ of the Bank respectively which supports its stable outlook.

**ECONOMY**

The optimism and improvements predicted at the end of 2008 have been observed in the first half of the calendar year 2009 as depicted by the stabilization in the political, equity market and economic fronts. Moreover, Pakistan has benefitted from timely and disciplined implementation of macroeconomic policies. The tight monetary stance in particular has contributed towards trimming the inflation down to 13.1 percent in June 2009 as compared to 23.3 percent in December 2008. Nominal GDP for the current fiscal year is predicted at \$162.6 billion; a contraction of \$4.6 billion from the previous fiscal year. Although the interest rates have been lowered by the State Bank of Pakistan during the said period of six months, more reduction is anticipated in the upcoming monetary policy to boost economy and drive growth. The country's foreign exchange reserves are building up, fuelled amongst others by a narrowing trade deficit and healthy remittances.

**FUTURE OUTLOOK**

MCB Bank Limited's commitment to maintaining financial strength is unwavering. Principal concerns for the Bank in these challenging times include strict cost control, risk management, customer centric growth and continued investment to support long terms strategies and ambitions. The institutional synergies in the future will empower the Bank in achieving its long term goals.

**ACKNOWLEDGEMENT**

In the end the Board would like to greet and thank all shareholders and customers for their trust, our staff for their continuous hard work and dedication and the Government and the State Bank of Pakistan for their patronage and support..

on behalf of Directors

*Mian Muhammad Mansha*  
**Mian Muhammad Mansha**  
 Chairman

August, 08, 2009



**Report on Review of Interim Financial Information  
Members of MCB Bank Limited**

**INTRODUCTION**

We have reviewed the accompanying unconsolidated condensed interim balance sheet of MCB Bank Limited as at 30 June 2009 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity for the six months period then ended ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

**SCOPE OF REVIEW**


We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information as at 30 June 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended 30 June 2009 in the unconsolidated condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

Date: August, 08, 2009  
Lahore

  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Farid Uddin Ahmed)



**Unconsolidated Condensed Interim Balance Sheet  
As at June 30, 2009**

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

**Contingencies and commitments**

13

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

  
Atif Bajwa  
President and Chief Executive

  
S.M. Muneer  
Director

  
Dato' Mohammed Hussein  
Director

  
Mian Umer Mansha  
Director



**Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)**  
For the six months period ended June 30, 2009

Note	Quarter ended	Half year ended	Quarter ended	Half year ended
	June 30, 2009	June 30, 2009	June 30, 2008	June 30, 2008
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	12,847,323	25,849,695	8,747,842	16,936,027
Mark-up / return / interest expensed	3,857,115	7,765,380	2,346,903	4,339,277
Net mark-up / interest income	8,990,208	18,084,315	6,400,939	12,596,750
Provision for diminution in the value of investments - net	567,677	518,495	210,431	210,431
Provision against loans and advances - net	1,582,415	3,373,762	626,467	1,241,687
	2,150,092	3,892,257	836,898	1,452,118
Net mark-up / interest income after provisions	6,840,116	14,192,058	5,564,041	11,144,632
<b>Non mark-up / interest income</b>				
Fee, commission and brokerage income	856,635	1,679,984	794,723	1,547,974
Dividend income	92,561	190,024	42,813	209,402
Income from dealing in foreign currencies	(152,758)	279,073	(189,174)	(42,257)
Gain on sale of securities - net	20,843	133,332	128,369	751,508
Unrealized gain / (loss) on revaluation of investments classified as held for trading	13,686	1,360	(44,262)	(46,032)
Other income	238,920	474,195	206,264	434,626
Total non mark-up / interest income	1,069,887	2,757,968	938,733	2,855,221
	7,910,003	16,950,026	6,502,774	13,999,853
<b>Non-mark-up / interest expenses</b>				
Administrative expenses	2,282,655	4,906,908	1,417,293	3,079,503
Other provisions	465	3,534	-	-
Other charges	176,149	350,881	215,005	291,287
Total non mark-up / interest expenses	2,459,269	5,261,323	1,632,298	3,370,790
	5,450,734	11,688,703	4,870,476	10,629,063
Extra ordinary / unusual item	-	-	-	-
<b>Profit before taxation</b>	<b>5,450,734</b>	<b>11,688,703</b>	<b>4,870,476</b>	<b>10,629,063</b>
Taxation - Current period	2,451,359	4,605,510	1,488,243	3,565,483
- Prior years	(23,100)	(85,600)	(400,269)	(630,269)
- Deferred	(599,043)	(587,696)	217,738	16,952
	1,829,216	3,932,214	1,305,712	2,952,166
<b>Profit after taxation</b>	<b>3,621,518</b>	<b>7,756,489</b>	<b>3,564,764</b>	<b>7,676,897</b>
Earnings per share - basic and diluted - Rupees	14 5.24	11.22	5.16	11.11

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

Atif Bajwa  
President and Chief Executive

S.M. Muneer  
Director

Dato' Mohammed Hussein  
Director

Mian Umer Mansha  
Director



**Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)**  
For the six months period ended June 30, 2009

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

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

Atif Bajwa  
President and Chief Executive

S.M. Muneer  
Director

Dato' Mohammed Hussein  
Director

Mian Umer Mansha  
Director



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

	Capital Reserves				Statutory reserve	Revenue reserves		Total
	Share capital	Share premium	Reserve for issue of bonus shares	Exchange translation reserve		General reserve	Unappropriated profit	
<b>Balance as at January 01, 2008</b>	6,282,768	9,702,528	-	(41,981)	6,740,091	17,600,000	5,130,750	45,414,156
<b>Change in equity for six month ended June 30, 2008</b>								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	14,860	14,860
Exchange differences on translation of net investment in foreign branches	-	-	-	113,203	-	-	-	113,203
Net income recognised directly in equity	-	-	-	113,203	-	-	14,860	128,063
Profit after taxation for six months period ended June 30, 2008	-	-	-	-	-	-	7,676,897	7,676,897
Total comprehensive income for the period ended June 30, 2008	-	-	-	113,203	-	-	7,691,757	7,804,960
Transferred to statutory reserve	-	-	-	-	767,690	-	(767,690)	-
Transferred to general reserve	-	-	-	-	-	1,000,000	(1,000,000)	-
Final cash dividend - December 31, 2007	-	-	-	-	-	-	(3,141,384)	(3,141,384)
Interim cash dividend - March 31, 2008	-	-	-	-	-	-	(1,884,831)	(1,884,831)
<b>Balance as at June 30, 2008</b>	6,282,768	9,702,528	-	71,222	7,507,781	18,600,000	6,028,602	48,192,901
<b>Change in equity for six month ended December 31, 2008</b>								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	6,459	6,459
Exchange differences on translation of net investment in foreign branches	-	-	-	117,464	-	-	-	117,464
Net income recognised directly in equity	-	-	-	117,464	-	-	6,459	123,923
Profit after taxation for six months period ended December 31, 2008	-	-	-	-	-	-	7,697,703	7,697,703
Total comprehensive income for the period ended December 31, 2008	-	-	-	117,464	-	-	7,704,162	7,821,626
Transferred to statutory reserve	-	-	-	-	769,770	-	(769,770)	-
Interim cash dividend - June 30, 2008	-	-	-	-	-	-	(1,884,831)	(1,884,831)
Interim cash dividend - September 30, 2008	-	-	-	-	-	-	(1,884,831)	(1,884,831)
<b>Balance as at December 31, 2008</b>	6,282,768	9,702,528	-	188,686	8,277,551	18,600,000	9,193,332	52,244,865
<b>Change in equity for six month ended June 30, 2009</b>								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	10,660	10,660
Exchange differences on translation of net investment in foreign branches	-	-	-	9,528	-	-	-	9,528
Net income recognised directly in equity	-	-	-	9,528	-	-	10,660	20,188
Profit after taxation for six months period ended June 30, 2009	-	-	-	-	-	-	7,756,489	7,756,489
Total comprehensive income for the period ended June 30, 2009	-	-	-	9,528	-	-	7,767,149	7,776,677
Transferred to statutory reserve	-	-	-	-	775,649	-	(775,649)	-
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	-	(628,277)	-
Final cash dividend - December 31, 2008	-	-	-	-	-	-	(1,570,692)	(1,570,692)
Interim cash dividend - March 31, 2009	-	-	-	-	-	-	(1,727,781)	(1,727,781)
<b>Balance as at June 30, 2009</b>	6,911,045	9,702,528	-	198,214	9,053,200	18,600,000	12,258,082	56,723,069

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

Atif Bajwa  
President and Chief Executive

S.M. Muneer  
Director

Dato' Mohammed Hussein  
Director

Mian Umer Mansha  
Director

Atif Bajwa  
President and Chief Executive

S.M. Muneer  
Director

Dato' Mohammed Hussein  
Director

Mian Umer Mansha  
Director



**Un-Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)**  
For the six months period ended June 30, 2009

	Quarter ended	Half year ended	Quarter ended	Half year ended
	June 30, 2009	June 30, 2009	June 30, 2008	June 30, 2008
	------(Rupees '000')-----			
Profit after tax for the period	3,621,518	7,756,489	3,564,764	7,676,897
<b>Other comprehensive income</b>				
Effect of translation of net investment in foreign branches	26,422	9,528	96,793	113,203
Surplus on revaluation of fixed assets relating to incremental depreciation	8,200	16,400	(6,618)	22,862
Income tax relating to incremental depreciation on revaluation of fixed assets	(2,870)	(5,740)	2,316	(8,002)
<b>Total comprehensive income for the period</b>	<b>3,653,270</b>	<b>7,776,677</b>	<b>3,657,255</b>	<b>7,804,960</b>

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

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



**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the six months period ended June 30, 2009

**1 STATUS AND NATURE OF BUSINESS**

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB - 15 Main, Gulberg Lahore respectively. The Bank operates 1,051 branches including 11 Islamic banking branches (December 31, 2008: 1,040 branches including 11 Islamic banking branches) within Pakistan and 7 (December 31, 2008: 7) branches outside the country (including the Karachi Export Processing Zone branch).

**2 BASIS OF PRESENTATION**

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

**2.2** The financial results of the Islamic banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 18 to these unconsolidated condensed interim financial statements.

**3 STATEMENT OF COMPLIANCE**

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

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

**3.3** The disclosures made in these unconsolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the statements required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2008.

**3.4** During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standards has resulted in certain increased disclosures only.

**4 BASIS OF MEASUREMENT**

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



**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the six months period ended June 30, 2009

**4.2** These unconsolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to nearest thousand.

**5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT**

**5.1** The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2008.

**5.2** The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the bank for the year ended December 31, 2008.

**6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

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

	<b>June 30,</b>	December 31,
	<b>2009</b>	<b>2008</b>
	----- (Rupees in '000) -----	

**7 LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	5,177,225	1,700,000
Repurchase agreement lendings	1,210,563	2,400,079
	<u>6,387,788</u>	<u>4,100,079</u>

	<b>June 30, 2009</b>		
	<b>Held by</b>	<b>Given as</b>	<b>Total</b>
	<b>bank</b>	<b>collateral</b>	
	----- (Rupees in '000) -----		

**8 INVESTMENTS - NET**

**8.1 Investments by types**

Held-for-trading securities		49,597	-	49,597
Available-for-sale securities	8.2	102,791,790	3,068,156	105,859,946
Held-to-maturity securities		12,345,199	-	12,345,199
		<u>115,186,586</u>	<u>3,068,156</u>	<u>118,254,742</u>

Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		377,532	-	377,532
		<u>1,384,432</u>	<u>-</u>	<u>1,384,432</u>
<b>Investments at cost</b>		<u>116,571,018</u>	<u>3,068,156</u>	<u>119,639,174</u>

Less: Provision for diminution in the value of investments		(3,290,478)	-	(3,290,478)
<b>Investments (net of provisions)</b>		<u>113,280,540</u>	<u>3,068,156</u>	<u>116,348,696</u>
(Deficit) / surplus on revaluation of available for sale securities - net		(264,539)	3,262	(261,277)

Surplus on revaluation of 'held for trading' securities - net		1,360	-	1,360
<b>Investments at revalued amounts - net of provisions</b>		<u>113,017,361</u>	<u>3,071,418</u>	<u>116,088,779</u>

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the six months period ended June 30, 2009

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

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

**8.3** Investment in Adamjee Insurance Company Limited has been carried at cost amounting to Rs. 943.600 million (December 31, 2008: Rs. 943.600 million). The market value of the investment as at June 30, 2009 amounted to Rs. 2,751.336 million (December 31, 2008: Rs. 3,032.786 million).

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

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

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

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the six months period ended June 30, 2009

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
<b>9 ADVANCES - NET</b>		
Loans, cash credits, running finances, etc		
- In Pakistan	252,206,326	252,387,594
- Outside Pakistan	7,983,280	8,910,253
	260,189,606	261,297,847
Net Investment in finance lease		
- In Pakistan	4,716,906	5,358,475
- Outside Pakistan	80,890	90,733
	4,797,796	5,449,208
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	3,388,297	2,364,211
- Payable outside Pakistan	4,532,058	4,111,059
	7,920,355	6,475,270
Advances - gross	272,907,757	273,222,325
Provision against loans and advances		
- Specific provision	(13,171,896)	(9,895,889)
- General provision	(272,892)	(273,222)
- General provision against consumer loans	(582,849)	(533,693)
- General provision for potential lease losses (in Srilanka operations)	(30,268)	(9,051)
	(14,057,905)	(10,711,855)
Advances - net of provision	258,849,852	262,510,470

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

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

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



**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the six months period ended June 30, 2009

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>10 BORROWINGS</b>		
In Pakistan	14,727,980	17,742,776
Outside Pakistan	1,754,945	4,921,064
	<u>16,482,925</u>	<u>22,663,840</u>
<b>10.1 Details of borrowings (secured / unsecured)</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
Export refinance scheme	9,243,987	9,217,004
Long term financing - export oriented projects scheme	2,114,801	2,100,751
	<u>11,358,788</u>	<u>11,317,755</u>
Borrowings from other financial institutions	367,111	-
Repurchase agreement borrowings	3,069,192	6,325,021
	<u>3,436,303</u>	<u>6,325,021</u>
	<u>14,795,091</u>	<u>17,642,776</u>
<b>Unsecured</b>		
Overdrawn nostro accounts	369,621	4,418,990
Call borrowings	1,318,213	602,074
	<u>1,687,834</u>	<u>5,021,064</u>
	<u>16,482,925</u>	<u>22,663,840</u>
<b>11 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	56,596,260	61,680,332
Savings deposits	171,022,107	150,927,938
Current accounts - non remunerative	124,442,174	105,403,393
Margin accounts	2,848,629	3,137,434
Others	484	563
	<u>354,909,654</u>	<u>321,149,660</u>
<b>Financial institutions</b>		
Remunerative deposits	4,656,474	5,197,969
Non-remunerative deposits	2,268,383	3,926,526
	<u>6,924,857</u>	<u>9,124,495</u>
	<u>361,834,511</u>	<u>330,274,155</u>
<b>12 DEFERRED TAX LIABILITY / (ASSET) - NET</b>		
The details of the tax effect of taxable and deductible temporary differences are as follows:		
<b>Taxable temporary differences on:</b>		
Surplus on revaluation of operating fixed assets	510,802	516,543
Accelerated tax depreciation	669,459	678,001
Net investment in finance lease	316,400	436,823
Others	6,104	2,444
	<u>1,502,765</u>	<u>1,633,811</u>
<b>Deductible temporary differences on:</b>		
Deficit on revaluation of securities	(41,939)	(661,966)
Provision for contributory benevolent scheme	(60,529)	(79,121)
Provision for post retirement medical benefits	(425,186)	(455,587)
Provision for bad debts	(505,644)	-
	<u>(1,033,298)</u>	<u>(1,196,674)</u>
	<u>469,467</u>	<u>437,137</u>

**12.1** The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable up to a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances can be carried over to succeeding years. However the management, based on the projections prepared by the Bank, is of the view that it would be able to get deduction of provision in excess of 1% of total advances and accordingly has recognised deferred tax amounting to Rs. 505.644 million on such provisions.

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the six months period ended June 30, 2009

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>13 CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Transaction-related contingent liabilities / commitments</b>		
Guarantees in favour of:		
- Government	5,514,437	5,743,838
- Banks and financial institutions	12,879	36,030
- Others	18,937,417	15,148,692
Suppliers credit / payee guarantee	2,292,944	2,255,011
	<u>26,757,677</u>	<u>23,183,571</u>
<b>13.2 Trade-related contingent liabilities</b>	<u>61,246,226</u>	<u>54,869,480</u>
<b>13.3 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>222,572</u>	<u>226,246</u>
<b>13.4 Commitments to extend credit</b>		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	<u>50,423,600</u>	<u>69,708,932</u>
<b>13.5 Commitments in respect of forward foreign exchange contracts</b>	<u>52,319,880</u>	<u>67,476,228</u>
Purchase	50,423,600	69,708,932
Sale	1,896,280	7,767,296
	<u>52,319,880</u>	<u>67,476,228</u>
<b>13.6 Commitments for the acquisition of fixed assets</b>	-	557,810
Forward Lending	-	-
<b>13.7 Other commitments</b>		
Cross currency swaps (notional amount)	297,972	346,254
Interest rate swaps (notional amount)	250,000	2,410,797
Forward outright sale of Government Securities	50,000	20,827,530
Outright purchase of Government Securities from SBP	-	26,644,450
	<u>297,972</u>	<u>346,254</u>
	<u>250,000</u>	<u>2,410,797</u>
	<u>50,000</u>	<u>20,827,530</u>
	<u>-</u>	<u>26,644,450</u>
	<u>7,756,489</u>	<u>7,676,897</u>
<b>14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX</b>		
Profit after taxation	<u>7,756,489</u>	<u>7,676,897</u>
Weighted average number of shares outstanding during the period	<u>691,104,527</u>	<u>691,104,527</u>
	<u>11.22</u>	<u>11.11</u>
<b>15 CREDIT RATING</b>		
PACRA has assigned long-term credit rating of AA+ (double A plus) and short-term credit rating of A1+ (A one plus) to the Bank.		

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the six months period ended June 30, 2009

**16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

	Six months period ended June 30, 2009					Total
	Corporate finance	Trading and sales	Retail and consumer banking	Commercial banking	Eliminations	
	(Rupees in '000)					
Total income	62,330	5,547,489	13,428,580	9,640,560	(71,296)	28,607,663
Total expenses	(11,916)	(1,326,456)	(13,850,463)	(1,801,421)	71,296	(16,918,960)
Income tax expense	-	-	-	-	-	(3,932,214)
<b>Net income</b>	<b>50,414</b>	<b>4,221,033</b>	<b>(421,883)</b>	<b>7,839,139</b>	<b>-</b>	<b>7,756,489</b>
Segment assets - (Gross of NPLs Provisions)	-	137,940,124	132,092,486	210,821,724	-	480,854,334
<b>Total assets</b>	<b>-</b>	<b>137,940,124</b>	<b>132,092,486</b>	<b>210,821,724</b>	<b>-</b>	<b>480,854,334</b>
Segment non performing loans	-	-	7,473,362	13,390,080	-	20,863,442
Segment specific provision required	-	-	4,718,222	8,453,674	-	13,171,896
Segment liabilities	-	121,144,568	103,153,127	174,429,971	-	398,727,666
Deferred tax liabilities - net	-	-	-	-	-	469,467
Provision for taxation	-	-	-	-	-	3,699,392
<b>Total liabilities - net</b>	<b>-</b>	<b>121,144,568</b>	<b>103,153,127</b>	<b>174,429,971</b>	<b>-</b>	<b>402,896,525</b>
Segment return on assets (ROA) (%)	-	6.12%	-0.66%	7.75%	-	3.32%
Segment cost of fund (%)	-	3.05%	3.84%	4.09%	-	3.86%
	Six months period ended June 30, 2008					
Total income	46,176	3,947,198	10,243,094	5,659,222	(104,442)	19,791,248
Total expenses	(8,812)	(634,358)	(7,846,187)	(777,270)	104,442	(9,162,185)
Income tax expense	-	-	-	-	-	(2,952,166)
<b>Net income</b>	<b>37,364</b>	<b>3,312,840</b>	<b>2,396,907</b>	<b>4,881,952</b>	<b>-</b>	<b>7,676,897</b>
Segment assets - (Gross of NPLs provision)	-	163,148,105	146,276,754	148,949,738	-	458,374,597
<b>Total assets</b>	<b>-</b>	<b>163,148,105</b>	<b>146,276,754</b>	<b>148,949,738</b>	<b>-</b>	<b>458,374,597</b>
Segment non performing loans	-	-	5,453,631	6,534,087	-	11,987,718
Segment specific provision required	-	-	3,656,803	4,381,278	-	8,038,081
Segment liabilities	-	162,355,908	141,909,666	143,797,494	-	448,063,068
Deferred tax assets	-	-	-	-	-	729,813
Provision for taxation	-	-	-	-	-	1,543,635
<b>Total liabilities - net</b>	<b>-</b>	<b>162,355,908</b>	<b>141,909,666</b>	<b>143,797,494</b>	<b>-</b>	<b>450,336,516</b>
Segment return on assets (ROA) (%)	-	4.06%	3.36%	6.75%	-	3.41%
Segment cost of fund (%)	-	5.20%	2.21%	2.77%	-	2.35%

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the six months period ended June 30, 2009

**17 RELATED PARTY TRANSACTIONS**

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

Transactions between the bank and its related parties are carried out at an arm's length basis under the comparable uncontrolled price method. However, the transactions between the bank and one of its subsidiary MNET Services (Private) Limited are carried out on 'cost plus' method. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. There are no transactions with key management personnel other than under their terms of employment. Remuneration to the executives and key management personnel are determined in accordance with the terms of their employment.

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

Type of related party	Directors		Associated companies		Subsidiary companies		Other related parties	
	Half year ended June 30, 2009	Year ended Dec 31, 2008	Half year ended June 30, 2009	Year ended Dec 31, 2008	Half year ended June 30, 2009	Year ended Dec 31, 2008	Half year ended June 30, 2009	Year ended Dec 31, 2008
	(Rupees in '000)							
<b>Deposits</b>								
Deposits at beginning of the period / year	425,898	17,980	301,929	275,826	29,774	9,719	7,060,632	209,716
Deposits received during the period / year	11,185,099	10,910,613	31,786,989	302,979,123	214,032	687,935	21,768,110	50,640,762
Deposits repaid during the period / year	(11,521,645)	(10,502,695)	(30,627,246)	(302,953,020)	(226,488)	(667,880)	(17,759,691)	(43,789,846)
Deposits at the end of the period / year	89,352	425,898	1,461,672	301,929	17,318	29,774	11,069,051	7,060,632
<b>Advances (secured)</b>								
Balance at beginning of the period / year	-	-	-	-	1,640	2,116	-	1,661,869
Loan granted during the period / year	-	-	-	-	-	-	-	524,153
Repayment during the period / year	-	-	-	-	(242)	(476)	-	(2,186,022)
Balance at end of the period / year	-	-	-	-	1,398	1,640	-	-
Receivable from Pension Fund							7,163,228	5,399,019
	(Rupees in '000)							
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	December 31, 2008
<b>Adamjee Insurance Company Limited</b>								
Insurance premium paid	-	-	182,058	-	-	-	-	-
Insurance claim settled	-	-	28,429	61,895	-	-	-	-
Dividend received	-	-	29,780	44,670	-	-	-	-
Rent income received	-	-	8,846	489	-	-	-	-
<b>Mayban International Trust (Labuan) Berhad</b>								
Dividend paid	-	-	628,276	-	-	-	-	-
Bonus shares issued	-	-	125,655	-	-	-	-	-
Forward foreign exchange contracts (Notional)	-	-	2,434,674	-	-	-	-	-
Unrealized gain on forward foreign exchange contracts	-	-	16,506	-	-	-	-	-
<b>MNET Services (Private) Limited</b>								
Dividend received	-	-	-	-	-	4,997	-	-
Outsourcing service expenses	-	-	-	-	-	29,479	54,991	-
Networking service expenses	-	-	-	-	-	20,359	472	-
Payable for trade debts	-	-	-	-	-	21,145	-	-
<b>MCB Asset Management Company Limited</b>								
- Dividend received	-	-	-	-	-	29,998	-	-
- Markup paid	-	-	-	-	558	1,281	-	-
- Markup payable	-	-	-	-	38	234	-	-
- Others	-	-	-	-	448	681	-	-
<b>MCB Trade Services</b>								
- Dividend received	-	-	-	-	11,315	10,918	-	-
<b>MCB Employees Foundation</b>								
- Service expenses	-	-	-	-	-	-	8,476	8,747
- Cash sorting expenses	-	-	-	-	-	-	9,626	8,142
- Cash in transit expenses	-	-	-	-	-	-	799	2,210
<b>MCB Employees Security System &amp; Services (Private) Limited</b>								
- Security guard expenses	-	-	-	-	-	-	72,378	62,754
<b>Others</b>								
- Remuneration of key management personnel	32,646	21,982	-	-	-	-	112,324	146,778
- Miscellaneous expenses	-	-	-	-	-	-	20,513	36,196
- Contribution to provident fund	-	-	-	-	-	-	73,562	64,564

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



**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the six months period ended June 30, 2009

**18 ISLAMIC BANKING BUSINESS**

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

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



**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the six months period ended June 30, 2009

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

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

**19 NON-ADJUSTING EVENT**

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

**20 DATE OF AUTHORISATION FOR ISSUE**

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

  
Atif Bajwa  
President and Chief Executive

  
S.M. Muneer  
Director

  
Dato' Mohammed Hussein  
Director

  
Mian Umer Mansha  
Director



**MCB BANK LIMITED**

*(Consolidated Accounts of MCB Bank Limited and its Subsidiary Companies)*

**Consolidated Condensed Interim Balance Sheet**


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

**Contingencies and commitments**

13

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

  
Atif Bajwa  
President and Chief Executive

  
S.M. Muneer  
Director

  
Dato' Mohammed Hussein  
Director

  
Mian Umer Mansha  
Director

**Consolidated Condensed Interim Profit and Loss Account (Un-audited)**

For the six months period ended June 30, 2009

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

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

  
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President and Chief Executive

  
S.M. Muneer  
Director

  
Dato' Mohammed Hussein  
Director

  
Mian Umer Mansha  
Director

**Consolidated Condensed Interim Cash Flow Statement (Un-audited)**  
For the six months period ended June 30, 2009

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

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

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Director

Dato' Mohammed Hussein  
Director

Mian Umer Mansha  
Director

**Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)**  
For the six months period ended June 30, 2009

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

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

Atif Bajwa  
President and Chief Executive

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Director

Dato' Mohammed Hussein  
Director

Mian Umer Mansha  
Director



**Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)**  
For the six months period ended June 30, 2009

	Quarter ended June 30, 2009	Half year ended June 30, 2009	Quarter ended June 30, 2008	Half year ended June 30, 2008
	------(Rupees '000')-----			
Profit after tax for the period	3,666,306	7,920,290	4,507,017	8,513,592
<b>Other comprehensive income</b>				
Effect of translation of net investment in foreign branches	26,535	10,007	97,363	114,009
Surplus on revaluation of fixed assets relating to incremental depreciation	8,220	16,442	(6,597)	22,905
Income tax relating to incremental depreciation on revaluation of fixed assets	(2,877)	(5,755)	2,309	(8,017)
<b>Total comprehensive income for the period</b>	<b>3,698,184</b>	<b>7,940,984</b>	<b>4,600,092</b>	<b>8,642,489</b>

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

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

  
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President and Chief Executive

  
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Director

  
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Director

  
Mian Umer Mansha  
Director



**Notes to the consolidated Condensed Interim Financial statements (Un-audited)**  
For the six months period ended June 30, 2009

**1 STATUS AND NATURE OF BUSINESS**

The Group consists of:

Holding Company  
- MCB Bank Limited

Subsidiary Companies

- Muslim Commercial Financial Services (Private) Limited  
- MNET Services (Private) Limited  
- MCB Trade Services Limited  
- MCB Asset Management Company Limited

"Percentage holding of  
MCB Bank Limited"

99.99%  
99.95%  
100%  
99.99%

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB - 15 Main, Gulberg Lahore respectively. The Bank operates 1,051 branches including 11 Islamic banking branches (December 31, 2008: 1,040 branches including 11 Islamic banking branches) within Pakistan and 7 (December 31, 2008: 7) branches outside the country (including the Karachi Export Processing Zone branch).

**2 BASIS OF PRESENTATION**

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

**3 STATEMENT OF COMPLIANCE**

- These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.
- The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

**Notes to the consolidated Condensed Interim Financial statements (Un-audited)**  
For the six months period ended June 30, 2009

3.3 The disclosures made in these consolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Group for the year ended December 31, 2008.

3.4 During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standards has resulted in certain increased disclosures only.

**4 BASIS OF MEASUREMENT**

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

4.2 These consolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to nearest thousand.

**5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT**

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

5.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2008.

**6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

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

**7. LENDINGS TO FINANCIAL INSTITUTIONS**

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

**8 INVESTMENTS - NET**

**8.1 Investments by types**

		June 30, 2009 ----- (Rupees in '000) -----		
		Held by bank	Given as collateral	Total
Held-for-trading securities		385,151	-	385,151
Available-for-sale securities	8.2	102,791,790	3,068,156	105,859,946
Held-to-maturity securities		12,360,199	-	12,360,199
		<u>115,537,140</u>	<u>3,068,156</u>	<u>118,605,296</u>
<b>Associates</b>				
Adamjee Insurance Company Limited	8.3	2,633,129	-	2,633,129
First Women Bank Limited		63,300	-	63,300
		<u>2,696,429</u>	<u>-</u>	<u>2,696,429</u>
<b>Investments at cost</b>		<u>118,233,569</u>	<u>3,068,156</u>	<u>121,301,725</u>
Less: Provision for diminution in the value of investments		(3,290,478)	-	(3,290,478)
<b>Investments (net of provisions)</b>		<u>114,943,091</u>	<u>3,068,156</u>	<u>118,011,247</u>
(Deficit) / surplus on revaluation of available for sale securities - net		(264,539)	3,262	(261,277)
Surplus on revaluation of 'held for trading' securities - net		28,431	-	28,431
<b>Investments at revalued amounts - net of provisions</b>		<u>114,706,983</u>	<u>3,071,418</u>	<u>117,778,401</u>

**Notes to the consolidated Condensed Interim Financial statements (Un-audited)**  
For the six months period ended June 30, 2009

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

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

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

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

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

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

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



**Notes to the consolidated Condensed Interim Financial statements (Un-audited)**  
For the six months period ended June 30, 2009

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

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

Category of Classification	June 30, 2009				
	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Other Assets Especially Mentioned (OAEM)	9.1.1 94,428		94,428	-	-
Substandard	3,489,282	33,315	3,522,597	761,834	761,834
Doubtful	3,863,054	51,722	3,914,776	1,768,067	1,768,067
Loss	9,547,317	3,784,324	13,331,641	10,641,995	10,641,995
	16,994,081	3,869,361	20,863,442	13,171,896	13,171,896

Category of Classification	December 31, 2008				
	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Other Assets Especially Mentioned (OAEM)	9.1.1 100,447	-	100,447	-	-
Substandard	5,440,860	-	5,440,860	897,768	897,768
Doubtful	2,595,782	501	2,596,283	1,186,556	1,186,556
Loss	6,457,011	3,674,276	10,131,287	7,811,565	7,811,565
	14,594,100	3,674,777	18,268,877	9,895,889	9,895,889

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

**Notes to the consolidated Condensed Interim Financial statements (Un-audited)**  
For the six months period ended June 30, 2009

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>10 BORROWINGS</b>		
In Pakistan	14,702,003	17,742,776
Outside Pakistan	1,780,922	4,921,064
	16,482,925	22,663,840
<b>10.1 Details of borrowings (secured / unsecured)</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
Export refinance scheme	9,243,987	9,217,004
Long term financing - export oriented products scheme	2,114,801	2,100,751
	11,358,788	11,317,755
Borrowings from other financial institutions	367,111	-
Repurchase agreement borrowings	3,069,192	6,325,021
	3,436,303	6,325,021
	14,795,091	17,642,776
<b>Unsecured</b>		
Overdrawn nostro accounts	369,621	4,418,990
Call borrowings	1,318,213	602,074
	1,687,834	5,021,064
	16,482,925	22,663,840

**11 DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	56,596,260	61,680,332
Savings deposits	171,160,083	150,925,503
Current accounts - non remunerative	125,101,222	105,376,753
Margin accounts	2,848,629	3,137,434
Others	484	563
	355,706,678	321,120,585

**Financial institutions**

Remunerative deposits	4,517,427	5,197,969
Non-remunerative deposits	1,593,090	3,926,526
	6,110,517	9,124,495
	361,817,195	330,245,080

**12 DEFERRED TAX LIABILITY / (ASSET) - NET**

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

**Taxable temporary differences on:**

Surplus on revaluation of operating fixed assets	510,802	517,120
Accelerated tax depreciation	671,852	685,838
Net investment in finance lease	316,400	436,823
Others	8,793	-
	1,507,847	1,639,781

**Deductible temporary differences on:**

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

**Notes to the consolidated Condensed Interim Financial statements (Un-audited)**  
For the six months period ended June 30, 2009

12.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable up to a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances can be carried over to succeeding years. However the management, based on the projections prepared by the Bank, is of the view that it would be able to get deduction of provision in excess of 1% of total advances and accordingly has recognised deferred tax amounting to Rs. 505.644 million on such provisions.

**13 CONTINGENCIES AND COMMITMENTS**

**13.1 Transaction-related contingent liabilities / commitments**

Guarantees in favour of:

- Government	5,514,437	5,743,838
- Banks and financial institutions	12,879	36,030
- Others	18,937,417	15,148,692
Suppliers credit / payee guarantee	2,292,944	2,255,011
	<u>26,757,677</u>	<u>23,183,571</u>

**13.2 Trade-related contingent liabilities**

	<u>61,246,225</u>	<u>54,869,480</u>
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**13.3 Other contingencies**

Claims against the Bank not acknowledged as debts	222,572	226,246
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**13.4 Commitments to extend credit**

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

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

**13.5 Commitments in respect of forward foreign exchange contracts**

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

**13.6 Commitments for the acquisition of fixed assets**

Forward Lending	-	557,810
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**13.7 Other commitments**

Cross currency swaps (notional amount)	<u>297,972</u>	<u>346,254</u>
Interest rate swaps (notional amount)	<u>250,000</u>	<u>2,410,797</u>
Forward outright sale of Government Securities	<u>50,000</u>	<u>20,827,530</u>
Outright purchase of Government Securities from SBP	<u>-</u>	<u>26,644,450</u>

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

**14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX**

Profit after taxation	<u>7,920,290</u>	<u>8,513,592</u>
	<i>Number of shares</i>	
Weighted average number of shares outstanding during the period	<u>691,104,527</u>	<u>691,104,527</u>
	<i>Rupees</i>	
Basic and diluted Earnings per share - after tax	<u>11.46</u>	<u>12.32</u>

**15 CREDIT RATING**

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

**Notes to the consolidated Condensed Interim Financial statements (Un-audited)**  
For the six months period ended June 30, 2009

**16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

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



**Notes to the consolidated Condensed Interim Financial statements (Un-audited)**  
For the six months period ended June 30, 2009

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

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

**19 NON-ADJUSTING EVENT**

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

**20 DATE OF AUTHORISATION FOR ISSUE**

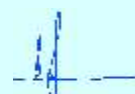
These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on August 8, 2009 .



Atif Bajwa  
President and Chief Executive



S.M. Muneer  
Director



Dato' Mohammed Hussein  
Director



Mian Umer Mansha  
Director