

DIRECTORS' REVIEW REPORT

It gives me immense pleasure to present, on behalf of the Board of Directors, the financial statements of MCB Bank Limited along with consolidated financial statements of MCB and its subsidiaries for the half year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

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

	Rs. in '000
Profit before taxation	8,708,969
Taxation	2,967,809
Profit after taxation	<u>5,741,160</u>
Un-appropriated profit brought forward	4,990,260
Transfer from surplus on revaluation of fixed assets (net of tax)	31,378
Profit available for appropriation	<u>10,762,798</u>
Appropriations :	
Transferred to Statutory Reserve	574,116
Transferred to General Reserve	5,000,000
Reserve for issue of bonus shares 2005 @ 20% (2004:10%)	853,065
Final cash dividend 2005 @ Re.1 per share - (2004:Re. Nil)	426,533
Interim Cash Dividend @ Rs. 2 per share	1,023,679
Total appropriations	<u>7,877,393</u>
Un-appropriated profit carried forward	<u>2,885,405</u>
	Rupees
Earning per share	<u>11.22</u>

PERFORMANCE REVIEW

The bank has earned a record pre tax profit of Rs. 8.7 billion for half year ended June 2006, which is more than double of Rs. 4.2 billion for the corresponding period of the last year. Profit after tax is Rs. 5.7 billion compared to Rs. 3.0 billion for the corresponding period of the last year. This translates into earning per share of Rs. 11.22 as compared to Rs. 5.94 last year.

The loan to deposit ratio increased from 62 % [first half of 2005] to 73% during the half year ended June 2006. This improvement in ratio helped bank to increase its net markup income from 6,046M to Rs.10,103M.

Bank's equity (capital and reserves) increased by 23.46% during the half year. Increase in equity would improve the lending limit and provide opportunity for significant growth of the bank's balance sheet. This will also help to meet capital requirement under Basel Accord II, which will be effective from January 2007.

INTERNATIONAL RECOGNITION

As a consequence of continuing growth and consistently outstanding performance, MCB has once again received the Euromoney Award 2006 for the “Best Bank in Pakistan”. MCB has become the only bank to receive the Euromoney Award for Excellence for the sixth time in the last seven years. Moreover Asia Money Magazine has also declared MCB as “The Best Domestic Commercial Bank in Pakistan” for the year 2006. Editors of Global Finance Magazine have also declared MCB as “Best Trade Finance Bank in Pakistan” for the year 2006.

During the second half of 2006 MCB is proposing to increase its capital by way of issuance of Global Depository Receipts (GDRs) which will be listed at the London Stock Exchange. This listing will help the bank to grow further and bring an international dimension to MCB’s shareholder base.

ECONOMIC OUTLOOK

Pakistan’s economy during the fiscal year 2006 remained on track and closed at 6.6%. FY 2007 is expected to remain between 7 to 7.5% backed by strong agriculture income and increase in capacity utilization of key industries like textiles, sugar and steel. However, inflation remained fairly high and the balance-of-payments deficit continued to widen. State Bank of Pakistan has recently adjusted its monetary policy by increasing SLR and CRR requirements for banks together with a small increase in the discount rate.

ACKNOWLEDGEMENT

In the end, we would like to thank our customers for their patronage, employees for their hard work and dedication and Government of Pakistan and State Bank of Pakistan for their continued support.

On behalf of Directors,

Mian Mohammad Mansha
Chairman

Date: August 24, 2006