

## DIRECTORS' REPORT

It gives me immense pleasure to present, on behalf of the Board of Directors, the condensed interim financial statements of MCB Bank Limited along with consolidated condensed interim financial statements of MCB and its subsidiaries for the 3<sup>rd</sup> quarter ended September 30, 2006.

### FINANCIAL HIGHLIGHTS

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

	<b>Rs. in '000</b>
Profit before taxation	13,004,124
Taxation	4,361,307
Profit after taxation	8,642,817
Un-appropriated profit brought forward	4,990,260
Transfer from surplus on revaluation of fixed assets (net of tax)	32,486
Profit available for appropriation	13,665,563
<b>Appropriations:</b>	
Transferred to Statutory Reserve	864,282
Transferred to General Reserve	6,000,000
Reserve for issue of bonus shares 2005@ 20%	853,065
Final cash dividend 2005 @ Re.1 per share	426,533
Interim Cash Dividend @ Rs 2 per share – March 2006	1,023,679
Interim Cash Dividend @ Rs 2 per share – June 2006	1,023,679
Total appropriations	10,191,238
Un-appropriated profit carried forward	3,474,325
	<b>Rupees</b>
Earning per share	16.89

### PERFORMANCE REVIEW

The bank has earned a record pre tax profit of Rs 13.0 billion for the period ended September 2006, registering a growth of 68% against the profit of Rs 7.7 billion for the corresponding period ended September 2005. Profit after tax is Rs 8.6 billion compared to Rs 5.3 billion for the corresponding period of the year. This translates into earning per share of Rs 16.89 as compared to Rs 10.52 last year achieving a growth of 61%.

Bank's equity (capital and reserves) increased by 33.90% during last 9 months. Increase in equity would improve the lending limit and provide opportunity for significant growth of the bank's balance sheet.

The profits have strengthened due to increase in the core banking operations generating high returns. This is evident from the improvement in our loan to deposit ratio and margins which have increased considerably. The positive growth is reflected by the profit trends achieved over the past few years and the balance sheet growth exhibited over the same period. There has clearly been a marked improvement in the capital adequacy, asset quality and efficiency of the bank leading to improved levels of Tier 1 capital, low level of non-performing loans and an excellent cost to income ratio.

### **INTERNATIONAL RECOGNITION**

As a consequence of the extraordinary performance metrics, the Bank has successfully completed the listing of its Global Deposit Receipts (GDRs) on London Stock Exchange by way of further issue of capital raising US\$ 150 million. This landmark transaction represents the first GDR offering for a Pakistani issuer in over 10 years. Following the offering, MCB will be the first Pakistani corporate institute to be listed for trading on the Professional Securities Market. This GDR issue attracted demand in excess of US\$ 700 million from over 50 investors globally which clearly demonstrates the testament to the quality of our institution, and recognition that the Bank is internationally competitive capable of delivering sustainable returns to its stakeholders locally and abroad.

The issue of GDR will not only improve the capital base of the Bank but will provide a platform to invest more funds strategically and to meet any capital requirement under Basel Accord II, which will be effective from January 2007.

As a result of continuing growth and consistently outstanding performance, MCB 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.

### **FUTURE OUTLOOK**

As a strategic aim, the Bank is looking to diversify its revenue base and plans to further consolidate its core business and competencies. It is seeking to diversify and focus its energy towards consumer financing so as to leverage its capabilities towards greater corporate strength, synergy and profitability.

### **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



**MCB  
Bank  
Limited**

(Formerly Muslim Commercial Bank Ltd.)

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: October 26, 2006