



MCB Bank

2007 Full Year Results



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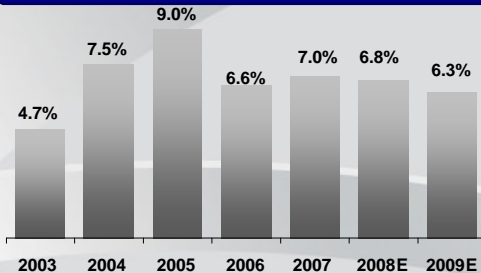
Agenda

- **MCB Overview and Strategy**
- **Financial Performance**



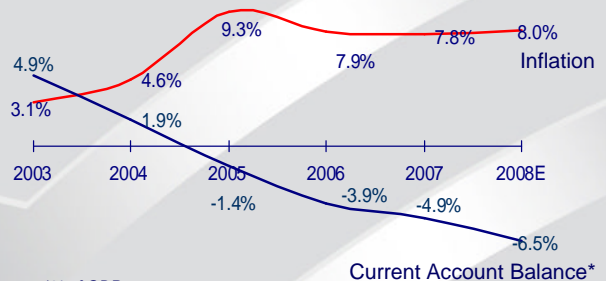
Pakistan: Economic & Political Outlook

GDP Growth Rate



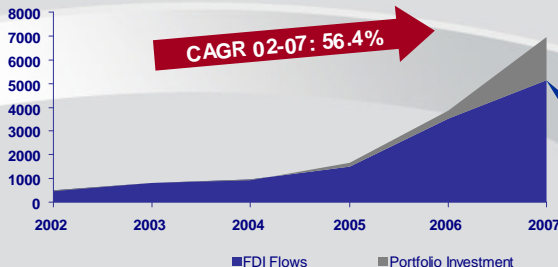
Source: SBP & ML's forecast

Inflation & Current Account Deficit



- *% of GDP
- Source: ADB Outlook 2006 - update & State Bank of Pakistan (SBP)

Rapidly Growing FDI Flows (US\$ mm)



Source: SBP Website

- Demographics led high domestic demand driving growth and FDI flows
- Monetary policy tightening to curb inflationary pressures
- Rising trade, fiscal deficit, lower GDP estimates
- Evolving political scenario
- MCB forecast: 15% annual growth in banking footprint

Portfolio Inv: US\$ 3.3Bn
FDI: 5.1Bn



Overview of MCB Bank

Snapshot

- Total assets: US \$6.7Bn
- Total deposits: US \$4.7Bn
- ROAA: 4.27%
- 4th largest bank in Pakistan (reach and footings) – 8% market share
- 125 cities, 1026 branches, 304 ATMs
- Presence in Sri Lanka, Bahrain and Dubai
- Over 17,000 employees(10,210 permanent staff)
- Listed on KSE; GDR on LSE
- Market capitalization*: PKR 273 Bn/ US\$ 4.38 Bn.
- LT Credit rating: AA+ (PACRA)



Our Businesses

- Wholesale
- Commercial & SME
- Consumer
- Islamic
- Investment Banking
- Treasury and Capital Markets
- MCB Asset Management (wholly owned subsidiary)
- Insurance (through Adamjee Insurance Company; 29% stake in largest insurance company in Pakistan)

Note: MCB Stats are YE 2007

**As on 29th Feb '08, US\$:PKR 62.436*



2007: Year Of Significant Achievement & Change for MCB

Strengthening Management Team

- **CEO - Atif Aslam Bajwa:** Over 25 years of diverse international experience in Corporate and Consumer Banking
- **WBG - Muhtashim Ashai:** Over 15 years of financial sector experience in Pakistan and internationally; last 10 years with ABN AMRO Bank
- **HR - Faisal Farooq Khan:** Over 15 years of HR and business experience with ICI, Pakistan
- **IT - Shahid Saeed:** Over 24 years of IT experience in different geographies. Last assignment: CIO, Warid Telecom, Pakistan
- Separation of Retail Banking Group into Commercial/SME and Consumer to provide better focus

Setting Our Strategic Direction

- Developing 5 year vision for the bank
- Identifying key imperatives to achieve strategic goals

While Delivering Strong Returns in 2007

- Deposit: PKR 292Bn, up 14% from 2006
- Advances: PKR 219Bn, up 10% from 2006
- 2007 Profit after tax: PKR 16Bn, up 31% from 2006
- NPLs: 4.7% despite tough economic environment
- 2007 ROAA: 4.27%
- 2007 ROAE: 38%



Our Value Proposition and Positioning Going Forward

Leverage our strengths...

- Powerful brand name
- Wide distribution network
- Loyal customer base
- Prudent financial and risk practices
- Low cost of funds
- Strong balance sheet

...To provide superior customer experience...

- Further segment, diversify and understand customer groups we serve
- Provide holistic customer experience: channels, products and service
- Be viewed as a “partner” to our customers

... And become the leading financial services provider

- Continued superior returns to shareholders
- Market share leadership in Consumer and SME; Top 3 in all other businesses
- International expansion
- Strong performance ratios



Our Strategy

Wholesale & Investment Banking

- Diversify corporate portfolio by targeting new sectors and clients
- Aggressive cross-sell to increase fee income
- Leverage / strengthen syndication and distribution capability
- Grow share of advisory business

Commercial & SME Banking

- Continue strengthening deposit gathering franchise and low cost competitive advantage
- Focus on Agriculture and SME as high growth engines through direct sales force and structured lending products

Consumer Assets

- Segment and product focused approach / expansion to drive growth and profitability
- Combination of traditional and alternate channels to reach customers

Islamic Banking

- Leverage existing businesses and infrastructure to build Islamic volume
- Enhance dedicated Islamic network to attract and increase SOW with strictly Islamic customers

International

- Explore expansion into regions with Pakistan interest / opportunity

2008: Investing For Sustainable Growth

Strategy Requirements

Accelerated sales growth

Stronger customer orientation

Skilled, motivated workforce

Improved efficiencies and productivity

State-of-art IT capabilities & controls

Work Underway

- Strengthen business units to deliver strategies
 - Revamp sales structures / mechanisms as needed
 - More effective, orchestrated use of all channels
-
- Develop deeper customer insight / segmentation
 - Strengthen customer service / quick wins
 - Streamline / reengineer critical customer facing processes
-
- Hire and retain “right” people
 - Enhance “one team”, performance oriented culture
 - Continue investing in training
-
- Continue centralization of back office to lower unit cost, drive scale and strengthen controls
-
- Leverage IT platform and develop CRM system
 - Refine information systems (MIS) to better measure and manage business



Agenda

- MCB Overview and Strategy

- **Financial Performance**



Key Performance Highlights

PKR MM, except EPS & DPS

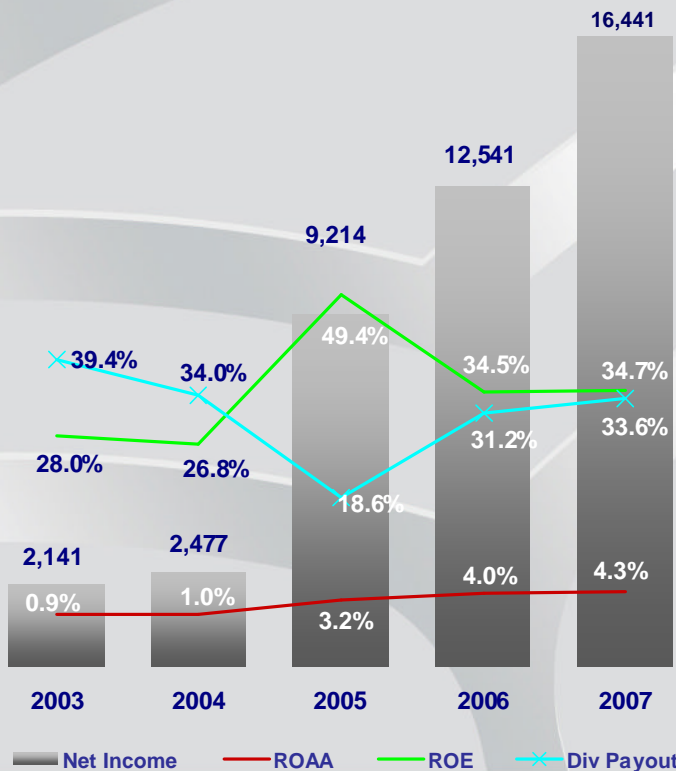
	2007	2006		YOY %
<u>Line Items:</u>				
Operating Revenues	30,010	26,223	↑	14
Net Income	16,441	12,541	↑	31
Year-End Advances	218,960	198,237	↑	10
Year-End Assets	412,901	343,178	↑	20
Year-End Deposits	292,088	257,185	↑	14
<u>Ratios:</u>				
NIM (%)	8.08	8.37	↓	
Gross NPL Ratio(%)	4.69	4.14	↓	
Cost / Income (%)	31.9	32.6	↑	
ROE (%)	34.7	34.5	↔	
ROA (%)	4.3	3.9	↑	
EPS	26.17	19.96	↑	
DPS	12.5	7.5*	↑	

*+ PKR 1.5 bonus. Dividend payout frequency: quarterly

Cost to Income ratio: Operating expense+ PF reversal/ Net Interest income + Non interest income+ PF reversal



Continued Stellar Growth

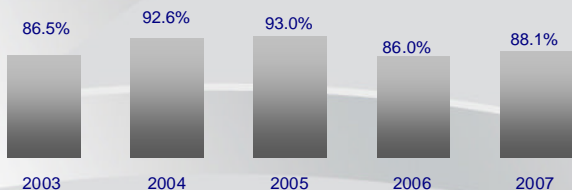


4x increase in ROAA

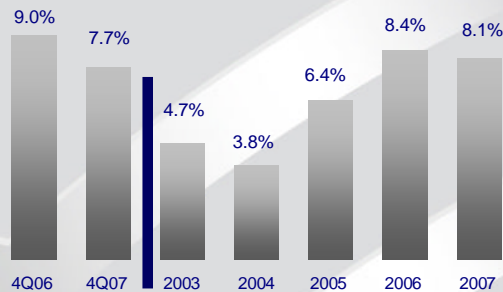


Maintaining Industry Leading Efficiencies and Productivity

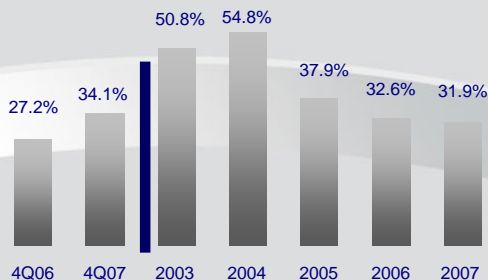
Share of Low Cost Deposits



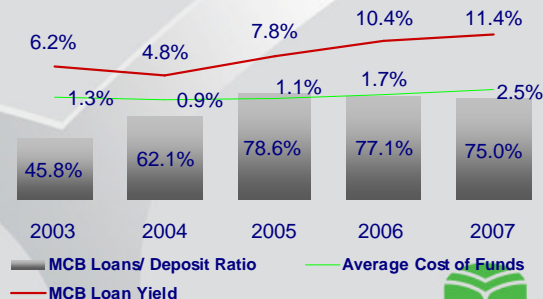
Net Interest Margin



Cost to Income*



Yield/Cost of Funds



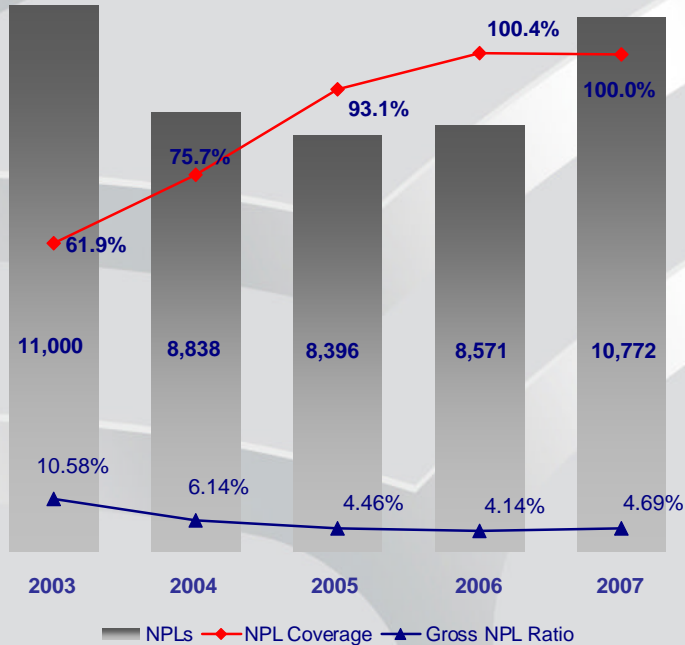
*Cost to Income ratio: Operating expense+ PF reversal/ Net Interest income + Non interest income+ PF reversal.

Overall Yield on Assets went from 10.04% in 2006 to 10.52% in 2007



Superior Asset Quality

PKR MM



Summary Income Statement

(USD mm, except EPS & DPS)	4Q'07	4Q'06	▲ % 4Q07 - 4Q06	2007	2006	▲ % '07 - '06
Net Interest Income	97	95	3%	389	350	11%
Non Interest Income	21	22	(5%)	99	81	22%
Operating Revenue	118	117	1%	488	431	14%
Operating Expense	14	13	3%	92	108	(15)%
Pre-Provision Operating Profit	118	105	13%	416	331	26%
Provision Expenses	24	13	90%	50	19	157%
Net Income	79	59	34%	267	206	30%
EPS	0.13	0.09		0.43	0.33	
DPS	0.08	0.05		0.20	0.15	
Div Payout*	32.4%	21.7%		33.6%	31.2%	
ROE (period-end)	40.9%	39.4%		34.7%	34.5%	

*Dividend payout frequency: quarterly

PKR Conversion: Dec 31, 2006: US\$ 60.81

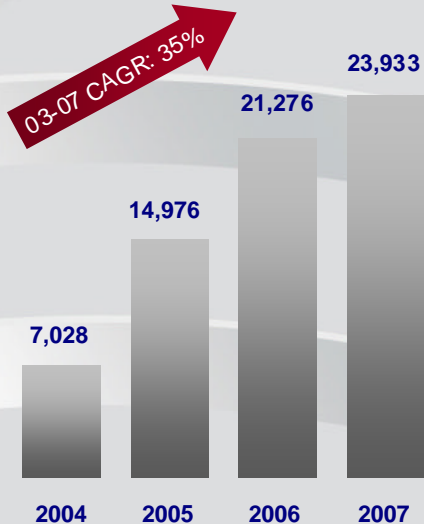
PKR Conversion: Dec 31, 2007: US\$ 61.47



Interest and Non Interest Income

Net Interest Income (PKR MM)

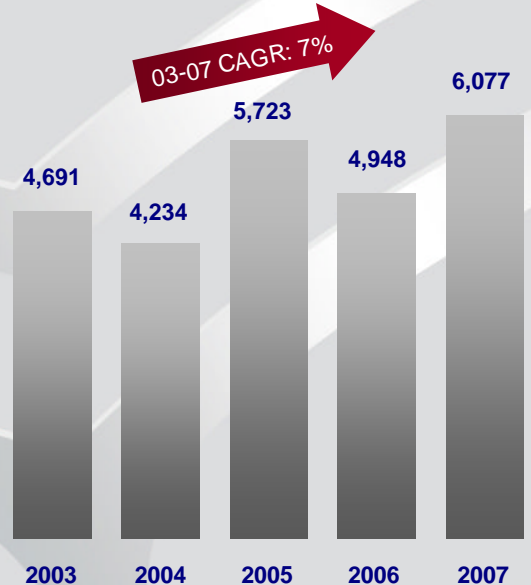
2006 – 2007 Growth: 12%



NIM %	2003	2004	2005	2006	2007
	4.7%	3.8%	6.4%	8.4%	8.1%

Non Interest Income (PKR MM)

2006 – 2007 Growth: 23%

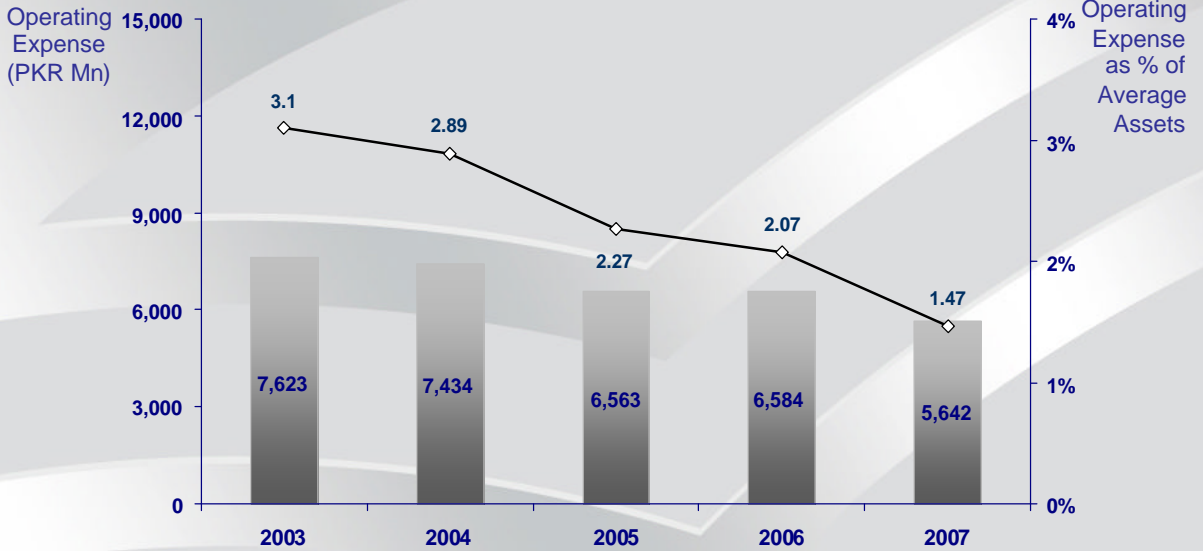


Non Int. %	2003	2004	2005	2006	2007
	18.8%	27.9%	22.6%	14.9%	15.0%

Non Interest Income (%) Operating Income



Operating Expense Analysis



%					
YOY Growth		(2.5)	(11.7)	0.3	(14.3)
Cost /Income	50.8	54.8	37.9	32.6	31.9



Summary Balance Sheet

(USD mm)	2004			2005			2006		
	2004	2005	△ %	2005	2006	△ %	2006	2007	△ %
Cash and Balances with Banks	401	396	(1%)	396	534	35%	534	646	21%
Investments	1,131	1,178	4%	1,178	1,060	(10%)	1,060	1,877	77%
Advances	2,311	3,020	31%	3,020	3,260	8%	3,260	3,562	9%
Assets	4,363	5,019	15%	5,019	5,643	12%	5,643	6,717	19%
Deposits	3,720	3,841	3%	3,841	4,229	10%	4,229	4,752	12%
Liabilities	4,116	4,613	12%	4,613	4,950	7%	4,950	5,781	17%
Equity	247	406	65%	406	694	71%	694	936	35%
ROAA	0.96%	3.19%		3.19%	3.95%		3.95%	4.27%	

PKR Conversion: Dec 31, 2004: US\$ 59.43
 PKR Conversion: Dec 31, 2005: US\$ 59.71
 PKR Conversion: Dec 31, 2006: US\$ 60.81
 PKR Conversion: Dec 31, 2007: US\$ 61.47

Industry trend (Source: SBP)
 *Advances: 2006 – 2007 up 10%
 **Deposits: 2006 – 2007 up 22%

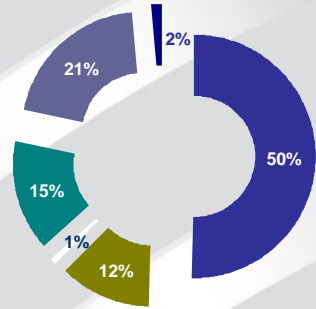
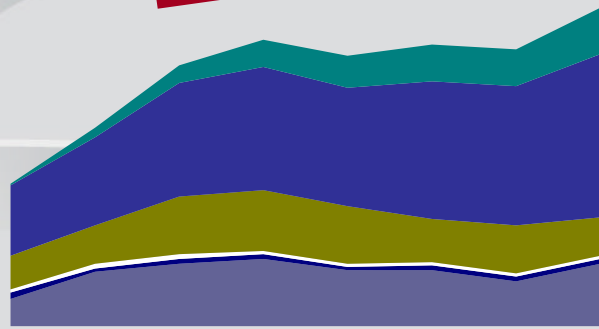


Gross Loans Classification by Product Groups

PKR MM
250,000

03-07 CAGR: 22%

200,000
150,000
100,000
50,000
0



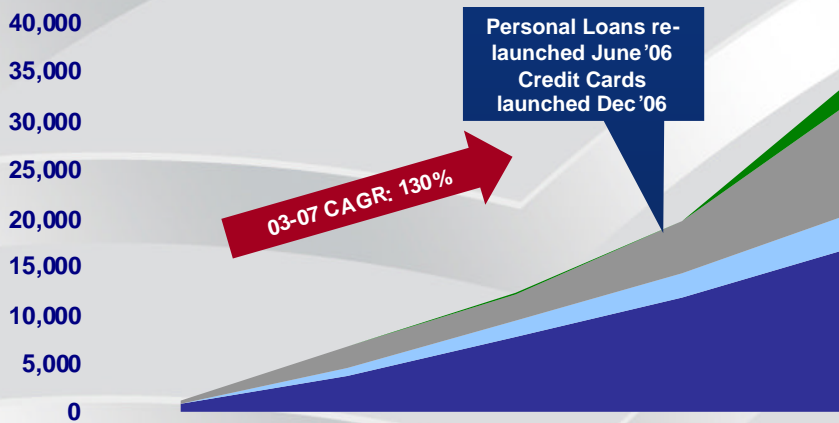
	2003	2004	2005	2006	1Q07	2Q07	3Q07	2007	Chg '06-'07
Consumer	1,212	6,725	12,174	19,603	22,801	26,466	27,062	33,743	72.1%
Corporate	50,491	62,933	80,718	87,601	85,205	98,340	98,844	115,692	32.1%
Commercial	23,652	27,671	41,224	43,483	40,517	30,613	34,278	27,861	(35.9) %
Agriculture	1,916	2,790	3,868	2,155	1,972	1,974	2,003	1,935	(10.2)%
Others	4,874	3,334	3,180	3,238	3,239	3,246	3,284	3,284	1.4%
Commodity	21,867	40,558	46,976	50,765	41,673	42,681	34,597	47,218	(7)%
Overall									11.1%

Commodity Others Agriculture Commercial Corporate Consumer



Consumer Assets Portfolio

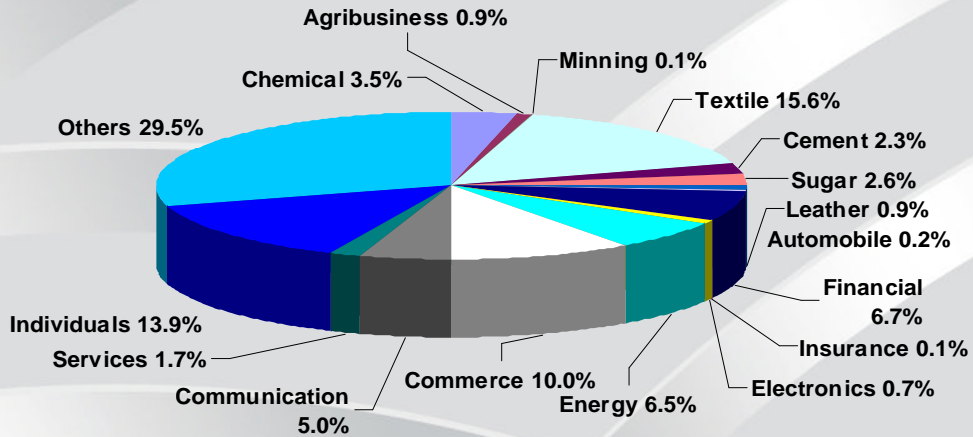
PKR MM



	2003	2004	2005	2006	2007	% Portfolio	% Chg '06-'07
■ Credit cards	67	58	66	68	2,028	6	2882
■ Personal Loans	292	2,115	2,769	5,337	11,538	34	116
■ Mortgage Loans	56	950	1,629	2,498	3,476	10	39
■ Auto Loans	797	3,602	7,710	11,700	16,700	49	43



Industry wise Concentration of Advances



As on 31 Dec' 07



Liabilities & Equity

PKR MM

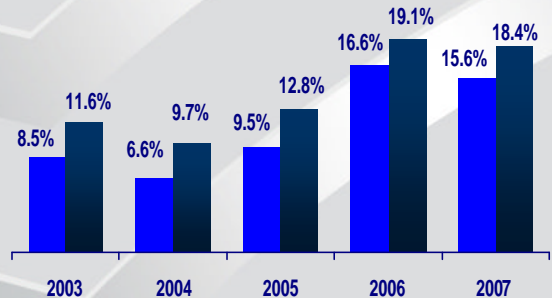
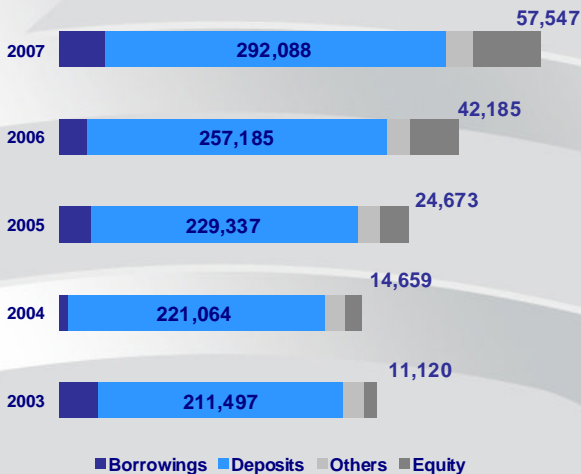
Equity 2003 – 2007 CAGR: 51%

Deposits 2003 – 2007 CAGR: 8%

Equity 2006 – 2007 Growth: 36%

Deposits 2006 – 2007 Growth: 14%

Capital Adequacy*



■ Tier 1 ■ Total Capital Ratio



Appendix



Financial Highlights – Balance Sheet

(PKR mm)	2003	2004	2005*	2006	2007	▲ % '06 – '07	▲ % '03 – '07 CAGR
Cash and Balances with Banks	24,054	23,833	23,666	32,466	39,684	22%	13%
Investments - Net	128,219	67,242	70,357	64,451	115,359	79%	(3)%
Advances – Net	97,200	137,318	180,323	198,237	218,960	10%	22%
Total Assets	272,309	259,274	299,708	343,178	412,901	20%	11%
Customer Deposits	212,081	221,064	229,340	257,185	292,088	14%	8%
Total Liabilities	261,274	244,615	275,461	300,993	355,354	18%	8%
Equity ⁽¹⁾	11,035	14,659	24,247	42,185	57,547	36%	51%

(1) Includes minority interest and surplus on revaluation of assets
* Re-stated figures



Financial Highlights – Income Statement

(PKR mm)	2003	2004	2005*	2006	2007	▲% '06 – '07	▲% '03 – '07 CAGR
Net Interest Income ⁽¹⁾	7,248	7,028	14,976	21,276	23,932	12%	35%
Non Interest Income	4,530	4,947	5,723	4,948	6,077	23%	8%
Operating Revenue	11,940	11,262	20,699	26,223	30,010	14%	26%
Operating Expense	7,623	7,434	6,563	6,584	5,642	(14%)	(7)%
Pre-Provision Operating Profit	4,317	4,392	14,485	20,113	25,591	27%	56%
Provision Expenses	781	280	1,144	1,183	3,065	159%	41%
Net Income	2,142	2,477	9,214	12,541	16,441	31%	66%

(1) Before provision expenses

**Re-stated figures*

