



# **MCB Bank Limited**

## **FULL YEAR 2008 RESULTS PRESENTATION**

**5<sup>th</sup> March 2009**

# 2008 Financial Highlights



PKR mm	Consolidated			Unconsolidated		
		O (U) PKR	O (U) %		O (U) PKR	O (U) %
	2008	2007	2007	2008	2007	2007
Net mark-up interest income	28,457	4,524	19%	28,483	4,562	19%
Non-interest income	5,930	(584)	(9%)	5,791	(657)	(10%)
Total Revenue	34,386	3,939	13%	34,275	3,905	13%
Profit before Tax	21,887	(640)	(3%)	21,868	560	3%
Net Income	15,323	(1,118)	(7%)	15,375	109	1%
EPS	24.4	(2)	(7%)	24.5	0.2	1%
Advances (gross)	273,221	43,489	19%			
Market Share (Actual)	8.7%	8.7%				
Deposits	330,245	38,157	13%			
Market Share (Actual)	8.7%	8.2%				
Equity (including Reval)	60,132	2,585	4%			
		<i>Actual .</i>				
ROE (1)	30%	39%				
ROA (2)	3.6%	4.3%				
NIM (3)	8.4%	8.2%				

(1) ROAE = Net income / Average shareholder funds over period. Shareholder funds exclude revaluation reserve  
 (2) ROAA = Net income / Average assets over period  
 (3) NIM = Net interest income + capital markets income + dividend income / average earning assets over period  
 (balance with other banks + lending to FI + investments + advances)

# Operating Highlights



			O (U) PKR	O (U) %
	<u>Dec-07</u>	<u>Dec-08</u>	<u>Dec-07</u>	<u>Dec-07</u>
Branches (Total)	1,026	1,047	21	2%
Online Branches	669	836	167	25%
Symbols Branches	227	663	436	192%
No of active accounts	2.9 Mn	3.1 Mn	0.2 Mn	8%
ATM	349	370	21	6%
Virtual Banking Users	39,525	47,686	8,161	21%
POS Machine	4,345	7,160	2,815	65%
ATM Cards	715,042	895,317	180,275	25%
VISA Cards	64,809	74,111	9,302	14%
Branches Renovated	53	69	16	30%
Employee (permanent)	9,721	10,160	439	5%
Credit Rating				
	Long Term	AA+	AA+	
	Short Term	A1+	A1+	

# MCB Business Performance & Key Events



2008



New branch sales model:  
Over 400 PBA / DSCs  
inducted  
Consumer 40 branches  
Commercial 56 branches

Mobile banking – SMS  
alerts, e-statements

COSO framework  
compliance  
implementation

First domestic bank in  
Pakistan to obtain ICFR  
certification by auditor



Best Bank in Asia  
Award (July)



Trade Products  
Division Launched in  
June

Centralization of  
inward, outward  
clearing and bulk  
remittances

Strengthening of Agri  
Division and hiring of  
Agricultural Marketing  
Officers (AMOs) in  
2H08



Launched in Aug



Business cooperation  
with Maybank



Mini MCB:  
Electronic lobbies / van  
– ATM, virtual and  
phone banking



PRIVILEGE

Launched in Nov  
Karachi, Lahore, Islamabad



Core banking system  
installed in 750+ branches  
by Dec – whole network by 1H08



Oracle GL implemented in Dec



Business Continuity  
Planning tested  
throughout year for  
mission critical  
functions

# **REVIEW OF 2008 FINANCIALS**

# 2008 - Consolidated Income Statement



PKR mm	O (U) PKR		O (U) %
	2008	2007	2007
Mark-up Interest Earned	40,050	8,258	26%
Mark-up Interest Expensed	11,593	3,734	48%
Net mark-up / interest income	28,457	4,524	19%
Non mark-up / interest income	5,930	(584)	(9%)
Total revenue	34,386	3,939	13%
Total Provisions	4,019	954	31%
Provisions against loans and advances	1,335	(1,624)	(55%)
Provision for impairment of investments	2,684	2,579	N/A
Non-interest expense excluding PF Reversal	13,911	2,062	17%
PF Reversal	5,399	(370)	(6%)
Profit from associates	31	(1,193)	(97%)
Profit before tax	21,887	(640)	(3%)
Profit before tax excluding PF Reversal and Associate Income	16,457	923	6%
Taxation	6,564	479	8%
Net income	15,323	(1,118)	(7%)
EPS	24.4	(2)	(7%)
Effective tax rate	30%	27%	

# Non Interest Income

<b>Fee, Brokerage and Commission Income</b>	<b>O (U) PKR</b>		<b>O (U) %</b>
<b>PKR Mm</b>	<b>FY08</b>	<b>FY07</b>	<b>FY07</b>
ATM/ Debit Card/ Visa	538	149	38%
Utility Bill	220	(23)	(9%)
Cash Management	189	58	45%
Commission on bill/ LC/ Gaurantee	857	89	12%
Commission on DD/ TT/ MT	194	(71)	(27%)
Others	881	(97)	(10%)
<b>Total Fee, Brokerage &amp; Commission Income</b>	<b>2,879</b>	<b>106</b>	<b>4%</b>

<b>Non Interest Income</b>	<b>O (U) PKR</b>		<b>O (U) %</b>
<b>PKR Mm</b>	<b>FY08</b>	<b>FY07</b>	<b>FY07</b>
Fee, commission and brokerage income	2,879	106	4%
Dividend income	451	(85)	(16%)
Income from dealing in foreign currencies	728	34	5%
Gain on sale of securities - net	748	(759)	(50%)
Other income	1,124	119	12%
<b>Non Interest Income</b>	<b>5,930</b>	<b>(584)</b>	<b>(9%)</b>

# 2008 Non Interest Expenses - Consolidated



PKR Mm	O (U) PKR		O (U) %
	<u>FY08</u>	<u>FY07</u>	<u>FY07</u>
<b>Admin Expenses</b>			
Salary allowances	6,680	871	15%
PF reversal	(5,399)	370	(6%)
Defined Plan and Provident Contribution	208	(210)	-50%
Rents, taxes, utilities	1,045	201	24%
Communications	850	193	29%
Repair & maintenance	510	133	35%
Cash transportation charges	399	37	10%
Depreciation	823	219	36%
Amortisation	143	(49)	(25%)
Travelling and fuel	621	300	93%
Other	1,700	73	5%
Sub-total	7,580	2,140	39%
<i>Sub-total excl. PF</i>	12,980	1,770	16%
<b>Other Charges</b>			
SBP penalties	300	(113)	(27%)
WWF	437	437	N.M
Others	184	(46)	(20%)
Sub-total	921	278	43%
<b>Other</b>	10	14	(370%)
<b>Total Non-Interest Expenses</b>	<b>8,511</b>	<b>2,432</b>	<b>40%</b>
<b>Total Non - Interest Expenses without PF Reversal</b>	<b>13,911</b>	<b>2,062</b>	<b>17%</b>

Note: Car monetization cost of 290M in 08, against 141M in 07.



# Deposit Base



PKR Bn	% Total			O (U) PKR	O (U) %
	Dec-08	Dec-08	Dec-07	Dec-07	Dec-07
<b>Customers</b>					
Fixed deposits	62	19%	11%	29	92%
Savings deposits	151	46%	52%	-1	0%
Current deposits	105	32%	33%	9	10%
Margin	3	1%	1%	1	21%
Other	0	0%	0%	0	(87%)
	321	97%	97%	39	14%
<b>Financial Institutions</b>					
Remunerative	5	2%	3%	-4	(44%)
Non-remunerative	4	1%	0%	3	619%
<b>Total Deposits</b>	<b>330</b>	<b>100%</b>	<b>100%</b>	<b>38</b>	<b>13%</b>
CASA	269	81%	89%		

System Growth (29<sup>th</sup> Dec 07 - 27<sup>th</sup> Dec 08) = 7%

# Loan Portfolio



PKR Bn	Dec 08		O (U) PKR	O (U) %
	Dec 08	% of Total	Dec 07	Dec 07
Corporate	149	54%	47	46%
Commercial	80	29%	(6)	(7%)
Consumer	30	11%	-	0%
Islamic	5	2%	-	0%
Other	10	4%	3	43%
Gross advances	273	100%	44	19%
ADR (gross) %	83%		79%	
ADR (net) %	79%		75%	

System Growth (29<sup>th</sup> Dec 07 - 27<sup>th</sup> Dec 08) = 18%

# Loan Portfolio By Sector

	O (U) PKR		O (U) %		% Total	
	Dec 08	Dec 07	Dec 07	Dec 08	Dec 08	Dec 08
<b>Advances</b>						
Financial	10,491	(4,879)	-32%			4%
Power / utilities	48,481	33,643	227%			18%
Textiles	35,241	(501)	-1%			13%
Transport, storage and communication	33,182	21,812	192%			12%
Chemicals and pharma	13,931	5,870	73%			5%
Cement	4,986	(324)	-6%			2%
Sugar	6,490	554	9%			2%
Wholesale and retail	24,868	2,029	9%			9%
Export/imports	0	(184)	-100%			0%
Individuals	32,721	866	3%			12%
Other	62,830	(15,398)	-20%			23%
<b>Total</b>	<b>273,221</b>	<b>43,489</b>	<b>19%</b>			<b>100%</b>

# Asset Quality



PKR mm			O (U) PKR	O (U) %
	<u>Dec 08</u>	<u>Dec 07</u>	<u>Dec 07</u>	<u>Dec 07</u>
Gross loans	273,221	229,732	43,489	19%
NPL	18,269	10,725	7,544	70%
Total provision s	10,712	10,772	(60)	(1%)
NPL: Loans	6.69%	4.67%		
Provisions: NPLs	58.6%	100.4%		

# Provisions



PKR Mn	<u>2008</u>
<b>Specific Provisioning o/b</b>	<b>7,327</b>
Specific Provision charge to P&L	1,488
General Provision transferred to Specific Provisions (1)	2,477
<b>Specific Provisions charge</b>	<b>3,965</b>
Amounts written off	(1,600)
Exchange adjustments	204
<b>Specific Provision c/b</b>	<b>9,896</b>
Total provisions o/b	10,772
<b>Total Provision c/b</b>	<b>10,712</b>

(1) In 2008, management revised the estimate relating to General Provisions against unidentified losses to c.0.1% of advances (gross) from 1% as the bank does not utilize FSV benefit in its provisioning policy. The estimate of providing 1% provision was made when FSV benefit was in place and unidentified losses were not properly covered through provisions

# Asset Quality By Sector



PKR Mm	Non Performing Advances	NPL O (U)	Specific Provision Coverage
	Dec 2008	PKR	Dec 2008
Financial	2,094	2,041	6%
Power / utilities	4	2	86%
Textiles	2,921	1,642	79%
Transport, storage, comm.	73	38	82%
Chemicals and pharma	118	96	51%
Cement	0	(0)	100%
Sugar	388	367	35%
Wholesale and retail	3,147	(1,676)	69%
Export/imports	318	(36)	91%
Individuals	1,444	661	51%
Other	7,760	4,408	52%
<b>Total</b>	<b>18,269</b>	<b>7,544</b>	<b>54%</b>

# Capital Strength

---



	<u>Dec-08</u>	<u>Dec-07</u>
Total assets	445,286	412,901
Tier 1 Capital	52,493	45,067
Tier 2 Capital	580	6,371
Risk weighted assets	330,372	308,170
Tier 1 Capital Ratio	15.9%	14.6%
Total Capital Adequacy	16.1%	16.7%

# Outlook For 2009

---



- Spreads
  - Interest rate environment
  - Credit spreads
  - Cost of deposits
  - Banking liquidity
- NPLs and provisioning
- Opex and Capex
- Deposit market
- Lending/ Advances



**Thank you  
&  
Question & Answer Session**