



# **MCB Bank Limited**

**FULL YEAR AND FOURTH QUARTER 2008**

**24<sup>th</sup> February 2009**

# Disclaimer

---

THIS PRESENTATION IS BEING PRESENTED TO YOU SOLELY FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE.

The securities of MCB Bank Limited (the "Company") have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The securities of the Company may not be offered or sold in the United States, or to or for the account or benefit of U.S. persons (as such term is defined in Regulation S under the Securities Act), absent registration under the Securities Act or pursuant to an exemption from registration.

Neither this presentation nor any copy of it may be sent, taken, distributed or transmitted, directly or indirectly, in or into the United States, Canada or Japan or distributed, directly or indirectly, or to U.S. persons (as defined in Regulation S under the Securities Act). The distribution of this presentation in other jurisdictions may be restricted by law, and persons into whose possession this presentation comes should inform themselves about, and observe, any such restrictions.

This presentation contains certain "forward looking statements." These forward looking statements that include words or phrases such as the Company or its management "believes", "expects", "anticipates", "intends", "plans", "foresees", or other words or phrases of similar import. Similarly, statements that describe the Company's objectives, plans or goals also are forward-looking statements. All such forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Such forward looking statements are made based on management's current expectations or beliefs as well as assumptions made by, and information currently available to, management. The Company, nor any of their respective affiliates, shareholders, directors, employees, agents or advisers, makes expressed or implied representations or warranties as to the accuracy and completeness of the information contained herein and none of them shall accept any responsibility or liability (including any third party liability) for any loss or damage, whether or not arising from any error or omission in compiling such information or as a result of any party's reliance or use of such information. The information and opinions in this presentation are subject to change without notice. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this presentation.

By participating in this presentation or by accepting any copy of the slides presented, you agree to be bound by the foregoing limitations.



# Important Information about Results Presentation

---

- Certain prior period financial numbers have been reclassified to conform to current period results presentation



# Challenging Year

---

- Slow down in growth and high inflation environment
- Recourse to IMF to fund Balance of Payments
- An election year and change in government
- Continued law and order/ security situation
- International financial crisis and slowdown in global growth

# 2008 Financial Highlights – Consolidated Basis

- EPS for 2008 was Rps. 24.4, down 7% YoY on a consolidated basis, and was flat at Rps. 24.5 on a stand alone basis
  - A final dividend of Rps. 2.5 in cash and 10% bonus shares was announced
  - Total payout for the year is Rps. 12.5 including bonus shares
- Net interest income increased 19% to Rps. 28B, on the back of higher interest rates and strong advances growth (up 19% - gross)
- Non interest income declined by 9% to Rps. 5.9B due primarily to weaker capital markets
- Provisions were up 31% to Rps. 4B on the back of a Rps. 2.7B impairment charge on investments
- Non-interest expenses were up 17% or Rps. 2B to Rps. 13.9B on the back of franchise investments, inflationary pressures and new government charges:
  - New government charge - Worker Welfare Fund (WWF) of Rps. 437M
  - Renovations of branches added Rps. 133M to costs while roll-out of core banking system led to an increase in communication costs of Rps. 193M. Depreciation charge was also higher by Rps. 219M
  - Higher oil prices and greater use of electricity generators led to travelling and fuel costs rising by Rps. 300M, while rental inflation led to c.Rps. 200M increase in costs
  - Salaries and allowances rose by 15% or c.Rps. 870M, and includes a new car monetisation scheme for employees
- PF reversal was Rps. 5.4B, down 6%
- Profit contribution from associates declined significantly by Rps. 1.2B to Rps. 31M
- PBT was Rps. 21.9 Bn, a decline of 3% YoY and net income was Rps. 15.3 B on revenues of Rps. 34.4 B
- Deposits were Rps. 330 Bn, an increased of 13% YoY - current deposits also rose by 13% to Rps. 112B
- Gross advances were Rps. 273 B, an increase of 19% YoY
- ROAA was 3.6% and ROAE 30%
- The bank remains well capitalised with a tier 1 CAR of 16.% at Dec 08



# 2008 Consolidated Highlights

PKR mm	O (U) PKR		O (U) %
	<u>2008</u>	<u>2007</u>	<u>2007</u>
Net mark-up interest income	28,457	4,524	19%
Non-interest income	<u>5,930</u>	<u>(584)</u>	<u>(9%)</u>
Total Revenue	<u>34,386</u>	<u>3,939</u>	<u>13%</u>
Profit before Tax	21,887	(640)	(3%)
Net Income	15,323	(1,118)	(7%)
EPS	24.4	(2)	(7%)
Advances (net)	262,509	43,549	20%
Deposits	330,245	38,157	13%
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. Both ROAE and ROAA are presented as annualized numbers for presentation
- (3) NIM = Net interest income + capital markets income + dividend income / average earning assets over period (balance with other banks + lending to FI + investments + advances)



# 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%)
Taxation	6,564	479	8%
Net income	15,323	(1,118)	(7%)
EPS	24.4	(2)	(7%)
Effective tax rate	30%	27%	



# 4Q 2008 Financial Highlights

- EPS for 4Q08 was Rps. 4.5, down 42% YoY and 30% QoQ on a consolidated basis and Rps. 6/-, down 7% YoY and 5% QoQ on an unconsolidated basis
- Net interest income rose 5% QoQ and 36% YoY to Rps. 8.1B on the back of higher rates and strong advances growth
- Non-interest income declined 28% QoQ and 10% YoY to Rps. 1.3B
  - Fee income increased 15% QoQ, while FX dealing and dividend income were lower
  - Non-interest income declined YoY primarily on the back of lower capital markets earnings
- Provisions rose to Rps. 1.8B and included a Rps. 2.5B charge for impairment in investments
- Non-interest expenses at Rps. 3.7B were flat QoQ and up 10% YoY
- Contribution from associates was a loss of Rps. 820M
- PBT was Rps. 4.7B down 19% YoY and 18% QoQ, while net income decreased to Rps. 2.8B down 42% YoY and 30% QoQ on the back of a higher effective tax rate
- Advances growth remained robust during the quarter and gross advances increased by 5%
- Deposit growth slowed to 2% in the quarter and was skewed toward term deposits
- ROA was 2.5% and ROE was 21% on a consolidated basis, dragged down by the impairment charge and decline in income contribution from associates





# 4Q 2008 Consolidated Highlights

PKR mm	4Q08	O (U) PKR		O (U) %	
		4Q07	3Q08	4Q07	3Q08
Net mark-up interest income	8,132	2,148	407	36%	5%
Non-interest income	1,256	(141)	(483)	(10%)	(28%)
Total Revenue	9,388	2,007	(76)	27%	(1%)
Profit before Tax	4,693	(1,093)	(1,046)	(19%)	(18%)
Net Income	2,802	(2,045)	(1,205)	(42%)	(30%)
EPS	4.46	(3.3)	(1.9)	(42%)	(30%)
Advances (net)	262,509	43,549	13,715	20%	6%
Deposits	330,245	38,157	6,304	13%	2%
ROE (1)	21%	42%	31%		
ROA (2)	2.5%	4.9%	3.5%		
NIM (3)	8.9%	7.5%	8.7%		

- (1) ROAE = Net income / Average shareholder funds over period. Shareholder funds exclude revaluation reserve
- (2) ROAA = Net income / Average assets over period. Both ROAE and ROAA are presented as annualized numbers for presentation
- (3) NIM = Net interest income + capital markets income + dividend income / average earning assets over period (balance with other banks + lending to FI + investments + advances)



# 4Q 2008 Standalone Highlights

PKR mm	4Q08	O (U) PKR		O (U) %	
		4Q07	3Q08	4Q07	3Q08
Net mark-up interest income	8,163	2,180	440	36%	6%
Non-interest income	1,290	(83)	(356)	(6%)	(22%)
Total Revenue	9,453	2,097	83	29%	1%
Profit before Tax	5,572	644	(95)	13%	(2%)
Net Income	3,751	(267)	(195)	(7%)	(5%)
EPS	5.97	(0.4)	(0.3)	(7%)	(5%)
ROE (1)	29%	36%	32%		
ROA (2)	3.3%	4.1%	3.5%		
NIM (3)	9.1%	7.6%	8.8%		

- (1) ROAE = Net income / Average shareholder funds over period. Shareholder funds exclude revaluation reserve  
 (2) ROAA = Net income / Average assets over period. Both ROAE and ROAA are presented as annualised numbers for presentation

# 4Q08 - Consolidated Income Statement

PKR mm	O (U) PKR			O (U) %	
	4Q08	4Q07	3Q08	4Q07	3Q08
Mark-up Interest Earned	11,967	3,874	823	48%	7%
Mark-up Interest Expensed	3,835	1,726	416	82%	12%
Net mark-up / interest income	8,132	2,148	407	36%	5%
Non mark-up / interest income	1,256	(141)	(483)	(10%)	(28%)
Total revenue	9,388	2,007	(76)	27%	(1)%
Provisions / bad debt writeoffs	1,812	320	1,058	21%	140%
Provisions against loans and advances	(661)	(2,179)	(1,416)	N/M	N/M
Provisions Impairment	2,474	2,499	2,474	N/M	N/M
Non-interest expense excluding PF Reversal	3,743	326	10	10%	0%
PF Reversal	1,680	(781)	929	(32%)	124%
Profit from associates	(820)	(1,674)	(832)	(196%)	(6805%)
Profit before tax	4,693	(1,093)	(1,046)	(19)%	(18)%
Taxation	1,891	952	159	101%	9%
Net income	2,802	(2,045)	(1,205)	(42)%	(30)%
EPS	4.7	(3)	(2)	(42)%	(30)%
Effective tax rate	40%	16%	30%		



# Non Interest Income

PKR mm	O (U) PKR			O (U) %	
	4Q08	4Q07	3Q08	4Q07	3Q08
Fee, commission and brokerage income	712	(6)	94	(1)%	15%
Income earned as trustee to various funds	5	2	(1)	48%	(9%)
Dividend income	49	37	(235)	312%	(83)%
Income from dealing in foreign currencies	192	51	(386)	36%	(67)%
Gain on sale of securities - net	33	(189)	56	(85)%	(242)%
Gain / (loss) on trading in government securities - net	12	12	7	10104%	129%
Unrealized loss on revaluation of invest. Classif. HFT	(100)	(96)	(100)		
Other income	<u>352</u>	<u>48</u>	<u>81</u>	<u>16%</u>	<u>30%</u>
Total non mark-up / interest income	1,256	(141)	(483)	(10)%	(28)%

# Deposit Base

PKR Bn	% Total			O (U) PKR		O (U) %	
	Dec 08	Dec 08	Dec 07	Dec 07	Sep 08	Dec 07	Sep 08
Fixed deposits	62	19%	11%	29	23	92%	61%
Savings	156	47%	55%	(5)	(13)	(3)%	(8)%
Current	112	34%	34%	13	(4)	13%	(4)%
Total deposits	330	100%	100%	38	6	13%	2%
CASA deposits	269	81%	89%	9	(17)	3%	(6)%

- Deposits increased by PKR 6.3bn during the quarter compared to 3Q08
  - CASA deposits decreased by PKR 17.1bn, while fixed deposits increased by PKR 23.4bn compared to 3Q08
  - Saving deposits decreased by 8% QoQ and current deposits by 4% QoQ
- Over the year, the mix of deposits has changed with CASA deposits representing 81% of total deposits at Dec 2008

- (1) Savings = saving deposits plus financial institutions remunerative deposits
- (2) Current = current deposits plus financial institutions non-remunerative deposits plus margin accounts plus other accounts



# Loan Portfolio

PKR Bn	Dec 08	O (U) PKR		O (U) %	
		Dec 07	Sep 08	Dec 07	Sep 08
Corporate	149	47	5	46%	4%
Commercial	80	(6)	12	(7%)	18%
Consumer	30	-	(3)	0%	(9%)
Islamic	5	-	(1)	0%	(14%)
Other	10	3	(1)	43%	(7%)
Gross advances	273	44	13	19%	5%
ADR (gross) %	83%	79%	81%		
ADR (net) %	79%	75%	77%		

- Total loan portfolio grew by PKR 44bn YoY and PKR 13bn QoQ
  - Corporate lending increased 46% YoY and 4% QoQ
  - Commercial loan book decreased 7% YoY and increased 18% QoQ (due to seasonal factors)
  - Consumer lending flat YoY and decreased 9% QoQ



# Asset Quality

PKR mm	Dec 08	Dec 07	Sep 08	O (U) PKR		O (U) %	
				Dec 07	Sep 08	Dec 07	Sep 08
Gross loans	273,221	229,732	260,822	43,489	12,399	19%	5%
NPL	18,269	10,725	13,320	7,544	4,949	70%	37%
Total provision	10,712	10,772	12,028	(60)	(1,316)	(1%)	(11%)
NPL: Loans	6.69%	4.67%	5.11%				
Provision: NPLs	58.6%	100.4%	90.3%				

- Non-performing loans increased 37% QoQ to PKR 18,269mm.
- The NPL: advances (gross) ratio increased by 158bps during the 4Q 08 to 6.69% compared to 5.11% in 3Q 08
- NPLs are 59% provisioned at the end of 4Q 08
- In 4Q08, management changed its provisioning policy – general provisions are reduced to 0.1% of assets/ advances (gross) from 1% as the bank does not utilize FSV benefit in its provisioning policy
- The bank used to provide general provisions of 1% for unidentified losses as it used to utilize FSV benefit in its provisioning against NPLs

# Consolidated Balance Sheet

PKR Bn	O (U) PKR			O (U) %	
	4Q08	4Q07	3Q08	4Q07	3Q08
<b>Assets</b>					
Cash	39.6	(0.1)	(8.1)	0%	(17%)
Balances with other banks	4.1	0.2	(5.8)	6%	(58%)
Lendings to financial institutions	4.1	3.0	(14.6)	290%	(78%)
Investments - net	97.8	(17.6)	4.7	(15%)	5%
Advances - net	262.5	43.5	13.7	20%	6%
<i>Gross Advances</i>	273.2	43.5	12.4	19%	5%
Other assets - net	37.1	3.2	(0.9)	9%	(2%)
<b>Total assets</b>	<b>445.3</b>	<b>32.4</b>	<b>(11.0)</b>	<b>8%</b>	<b>(2%)</b>
<b>Liabilities</b>					
Bills payable	10.6	0.1	3.2	1%	44%
Borrowings	22.7	(16.7)	(16.7)	(42%)	(42%)
Deposits and other accounts	330.2	38.2	6.3	13%	2%
Sub-ordinated loan	0.0	(0.5)	0.0	(100%)	-
Other liabilities	21.7	8.8	(4.8)	68%	(18%)
<b>Total liabilities</b>	<b>385.2</b>	<b>29.8</b>	<b>(11.9)</b>	<b>8%</b>	<b>(3%)</b>
<b>Net assets</b>	<b>60.1</b>	<b>2.6</b>	<b>1.0</b>	<b>4%</b>	<b>2%</b>
<i>Of which</i>					
Shareholder funds	54.1	6.8	0.9	14%	2%
Minority interests	0.0	0.0	0.0	10%	(1%)
Revaluation reserve	6.0	(4.2)	0.1	(41%)	1%

- Industry gross advances increased by 18% YoY\*

- Total banking sector deposits increased 7% YoY\*

- SBP weekly release for all scheduled banks
- 27<sup>th</sup> Dec 08 and 29<sup>th</sup> Dec 07





# 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%
Credit Risk Capital Adequacy Ratio	20.9%	21.7%

- Tier 1 capital ratio was 16% at Dec 2008
- Capital Adequacy ratio was 16.1% at Dec 2008



# Financial Summary

	<u>1Q08</u>	<u>2Q08</u>	<u>3Q08</u>	<u>4Q08</u>	<u>FY08</u>	Growth %				
						<u>1Q08</u>	<u>2Q08</u>	<u>3Q08</u>	<u>4Q08</u>	<u>FY 08</u>
Interest earned	8,190	8750	11,144	11,967	40,050	8%	9%	38%	48%	26%
Interest expensed	1,992	2347	3,419	3,835	11,593	27%	7%	72%	82%	48%
<b>Net interest income</b>	<b>6,197</b>	<b>6,403</b>	<b>7,725</b>	<b>8,132</b>	<b>28,457</b>	<b>2%</b>	<b>10%</b>	<b>27%</b>	<b>36%</b>	<b>19%</b>
Provision against advances	615	626	755	(661)	1,335	219%	(37%)	198%	(144%)	(55%)
Provision –impairment	-	210	-	2,474	2,684	-	N/M	-	N/M	N/M
<b>Provisions</b>	<b>615</b>	<b>837</b>	<b>755</b>	<b>1,812</b>	<b>4,019</b>	<b>219%</b>	<b>(14%)</b>	<b>84%</b>	<b>21%</b>	<b>31%</b>
<b>Non interest income</b>	<b>1,910</b>	<b>1,024</b>	<b>1,739</b>	<b>1,256</b>	<b>5,930</b>	<b>40%</b>	<b>(48%)</b>	<b>(1%)</b>	<b>(10%)</b>	<b>(9%)</b>
<i>Of which:</i>										
<i>Fee, commission &amp; brokerage income</i>	753	795	619	712	2,879	30%	1%	(11%)	(1%)	4%
<i>Income earned as trustee to funds</i>	5	6	6	5	22	2171%	1178%	242%	48%	273%
<i>Dividend income</i>	87	32	284	49	451	(22%)	9%	(26%)	312%	(16%)
<i>Income from dealing in foreign currencies</i>	147	(189)	578	192	728	(34%)	(199%)	313%	36%	5%
<i>Gain on sale of securities - net</i>	610	128	(23)	33	748	159%	(83%)	(108%)	(85%)	(50%)
<i>Unrealized loss - HFT</i>		-	-	(100)	(100)					
<i>Other income</i>	292	286	272	352	1,202	33%	20%	13%	16%	20%
<b>Revenues (net)</b>	<b>7,492</b>	<b>6,590</b>	<b>8,709</b>	<b>7,576</b>	<b>30,367</b>	<b>4%</b>	<b>(3%)</b>	<b>17%</b>	<b>29%</b>	<b>11%</b>



# Financial Summary

	<u>1Q08</u>	<u>2Q08</u>	<u>3Q08</u>	<u>4Q08</u>	<u>FY08</u>	<b>Growth %</b>				
						<u>1Q08</u>	<u>2Q08</u>	<u>3Q08</u>	<u>4Q08</u>	<u>FY 08</u>
Non interest expenses (excluding PF)	3,092	3,342	3,734	3,743	13,911	17%	11%	34%	10%	17%
Associate income	27	812	12	(820)	31	(83%)	314%	(21%)	(196%)	(97%)
Pension Fund Reversal	1,320	1,648	751	1,680	5,399	120%	(20%)	16%	(32%)	(6%)
<b>Profit before taxation</b>	<b>5,747</b>	<b>5,708</b>	<b>5,739</b>	<b>4,693</b>	<b>21,887</b>	<b>8%</b>	<b>(6%)</b>	<b>8%</b>	<b>(19%)</b>	<b>(3%)</b>
Taxation	1,740	1,201	1,732	1,891	6,564	15%	(39%)	4%	101%	8%
<b>Profit after taxation</b>	<b>4,007</b>	<b>4,507</b>	<b>4,007</b>	<b>2,802</b>	<b>15,323</b>	<b>5%</b>	<b>10%</b>	<b>9%</b>	<b>(42%)</b>	<b>(7%)</b>
Advances - net	229,835	228,974	248,794	262,509	262,509	23%	18%	31%	20%	20%
Deposits	301,640	350,701	323,941	330,245	330,245	8%	17%	13%	13%	13%
Equity including reval	58,373	58,787	59,160	60,132	60,132	28%	19%	18%	4%	4%

---

**Thank you  
&  
Question & Answer Session**

---

