



Press Release

MCB profit up by 24% to Rs 13.2 billion in 1st Half of 2020

[Lahore: 21st August 2020] The Board of Directors of MCB Bank Limited (MCB) met under the Chairmanship of Mian Mohammad Mansha, on August 20, 2020 to review the performance of the Bank and approve the condensed interim financial statements for the half year ended June 30, 2020. In compliance with the SBP's instructions, Bank has not declared dividend for the second quarter ended June 30, 2020.

During H1 2020, MCB accelerated its business momentum while overcoming the challenges posed by the COVID-19 pandemic which had an adverse impact on the economic growth the world over, including Pakistan. Following the breakout of the COVID-19 pandemic, MCB has taken all necessary steps to ensure continued and uninterrupted services to our customers in a safe environment. The State Bank of Pakistan has taken a host of measures to manage the impact of the pandemic, including cuts in interest rates, refinance schemes for continued payment of wages and salaries, ease in debt burden ratio, rescheduling/ restructuring of financing facilities, etc.

With strong build up in core earnings, MCB recorded a year on year growth of 24 percent in profits after tax (PAT) for the half year ended June 30, 2020. The Bank unconsolidated PAT increased to Rs. 13.2 billion compared to Rs. 10.67 billion in corresponding period last year. This performance translated to Earnings Per Share (EPS) of Rs 11.15 for H1'20 (H1'19: Rs. 9.01). The strategic maturity profiling of the investments based on the interest rate calls resulted in a gradual shift from shorter to longer term investments, thereby capitalizing upon the significant opportunity available.

The Bank's net interest income for the first six months of 2020 increased by 30% over the first half of 2019, to Rs. 36.01 billion, on the back of volume growth and 69bps increase in net interest margin.

On the operating expenses side (excluding pension fund reversal), despite the surge in inflationary pressures and increased operational and infrastructural outreach, the Bank was able to contain the growth in administrative expenses and reported a net decrease of Rs. 138 million versus last year, with the cost to income ratio improving from 46.1 percent in H1'19 to 38.0 percent in H1'20. This was achieved through a strategic cost efficiency drive initiated in 2019 ensuring delivery through well-defined tactical plans.

The stock market has responded to the COVID-19 pandemic with worrying volatility; resultantly, Bank has recorded a charge of Rs. 1.3 billion against equity investment portfolio. With respect to advances, the full potential effect of the economic stress posed by the COVID-19 outbreak remains difficult to predict, therefore management has exercised prudence and booked General Provision of Rs. 4 billion during the half year ended June 30, 2020, providing insulation and loss absorption capacity in case of any NPL surge.

On the financial position side, the total asset base of the Bank on unconsolidated basis was reported at Rs. 1.67 trillion depicting an increase of 10% over December 2019. Analysis of the asset mix highlights that net investments increased by Rs. 180 billion (24%) whereas gross advances decreased by Rs. 32 billion (-6%) over December 2019.

The Non-performing loan (NPLs) base of the Bank recorded an increase of Rs. 939 million and was reported at Rs. 50.4 billion. The increase was primarily on account of currency



Press Release

devaluation impact of foreign currency denominated NPLs with no significant accretion in the number of cases. The Bank has not taken FSV benefit in calculation of specific provision and has increased its un-encumbered general provision reserve to Rs. 4.5 billion. The coverage and infection ratios of the Bank were reported at 94.02% and 9.91% respectively.

On the liabilities side, the deposit base of the Bank registered an unprecedented increase of Rs. 129.92 billion (+11%) over December 2019, with over 50% growth from current accounts, improving the current account mix to 39.0% and CASA ratio to 94.2%.

Return on Assets and Return on Equity improved to 1.66% and 18.16% respectively, whereas book value per share was reported at Rs. 122.93.

While complying with the regulatory capital requirements, the Bank's total Capital Adequacy Ratio is 20.51% against the requirement of 11.50% (including capital conservation buffer of 1.50% as reduced under the BPRD Circular Letter No. 12 of 2020). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 15.23% against the requirement of 6.00%. Bank's capitalization also resulted in a leverage ratio of 6.72% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 227.51% and Net Stable Funding Ratio (NSFR) of 174.47% against requirement of 100.

The Bank enjoys highest local credit ratings of AAA / A1+ categories for long term and short term respectively, based on PACRA notification dated June 26, 2020.

ENDS

About MCB Bank:

MCB Bank is one of the largest & most innovative banks in Pakistan. The Bank operates a strong and vast network of over 1,400 Branches and over 1,350 ATMs in Pakistan and 11 branches overseas. With a customer base of over 7 million, MCB leads the banking & financial services sector in Pakistan and customers across the globe have 24/7 access to MCB Bank via our World Class Internet Banking.

The Bank on consolidated basis is operating the 2nd largest network of more than 1,550 branches in Pakistan. The Bank remains one of the prime stocks traded in the Pakistani equity market with highest market capitalization in the industry.

Media Contacts:

Humaid Merchant

Unit Head Strategic Public Relations
MCB Bank Ltd.

Phone # +92 42 36041610

Cell # 321 7777166

humaid.merchant@mcb.com.pk

Rais Ahmed Alvi

Department Head Marketing
MCB Bank Ltd.

Phone # +92 42 36042785

Cell # 0340-0007081

rais.alvi@mcb.com.pk