



Press Release

MCB profit up by 39% to Rs. 38.35 billion for nine months period ended September 30, 2020

[Lahore: October 28, 2020] The Board of Directors of MCB Bank Limited (MCB) met under the Chairmanship of Mian Mohammad Mansha, on October 27, 2020 to review the performance of the Bank and approve the condensed interim financial statements for the nine months period ended September 30, 2020. In compliance with SBP's instructions, Bank has not declared dividend for the third quarter ended September 30, 2020.

During the nine months ended September 30, 2020, MCB achieved significant financial growth by focusing on its operational resilience and continuity planning to successfully navigate through the downside risks posed to operating and economic outlook by the ongoing COVID-19 outbreak while concurrently playing a central role in supporting Governments' key pandemic responses for credit extension and provision of essential banking services to the general public.

With strong build up in core earnings, MCB's Profit After Tax (PAT) for the nine months period ended September 30, 2020, posted an year on year growth of 41% to reach Rs. 22.94 billion; translating into an Earning Per Share (EPS) of Rs. 19.35 against an EPS of Rs. 13.74 posted in the corresponding period of 2019.

Sizeable growth in current deposits, timely shift in maturity profiling of investments and favorable re-pricing lag enabled the Bank to increase its net interest income by 29% to Rs. 55.35 billion.

Fee income for 9M'20 was reported less by 4% over the same period last year, primarily due to lower transaction volumes and business activities induced by the lockdowns; however, with their lifting, fee income is normalizing, growing by 25% over the previous quarter in 3Q'20. Amidst evolving yield curve expectations, proactive duration management of the investments portfolio resulted in capital gains of Rs. 2.80 billion during the period under review. Hence, the total non-markup income posted a robust growth of 18% to reach Rs. 13.56 billion.

On the operating expenses side (excluding pension fund reversal), despite sustained inflationary pressures, expansion in branch outreach and continued investment in technological infrastructure together with regular performance and merit adjustments for the Human Capital, the Bank's strategic focus of balancing short term tactical cost reductions with long term cost initiatives has assisted in containing growth in administrative expenses; in turn registering a decline of Rs. 292 million during the period under review.

In anticipation that customers affected by the pandemic might require provisioning once SBP's relaxations and waivers expire in 2021, the management has exercised prudence and booked a general provision of Rs. 5.30 billion during the period under review, hence providing insulation and loss absorption capacity against emerging risks to asset quality. With respect to equity investments, ensuing volatility in the stock market amidst rising systematic risks and realization of other idiosyncratic factors led to the recognition of an impairment charge of Rs. 1.74 billion.

On the financial position side, the total asset base of the Bank on an unconsolidated basis was reported at Rs. 1.67 trillion depicting an increase of 11% over December 2019. Analysis



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of the asset mix highlights that net investments increased by Rs. 216 billion (29%) whereas due to subdued domestic demand gross advances decreased by Rs. 46 billion (-9%) over December 2019.

The Non-performing loan (NPLs) base of the Bank recorded an increase of Rs. 784 million and was reported at Rs. 50.21 billion. The increase was primarily on account of currency 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. 5.87 billion. The coverage and infection ratios of the Bank were reported at 96.89% and 10.17% respectively.

On the liabilities side, the deposit base of the Bank registered an unprecedented increase of Rs. 130.11 billion (+11%) over December 2019, with over 43% growth contributed by current accounts, improving the current account mix to 37.7% and CASA ratio to 93.2%.

Return on Assets and Return on Equity improved to 1.92% and 20.35% respectively, whereas book value per share was reported at Rs. 131.08.

While complying with the regulatory capital requirements, the Bank's total Capital Adequacy Ratio (CAR) is 21.84% 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 17.20% against the requirement of 6.00%. Bank's capitalization also resulted in a Leverage Ratio of 7.11% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 235.06% and Net Stable Funding Ratio (NSFR) of 187.78% against requirement of 100%.

MCB has been declared the Overall Most Outstanding Company in Pakistan - 2020 and Most Outstanding Company – Financials Sector in Pakistan - 2020 by Asiamoney, an associate of Euromoney. The Annual report of MCB Bank has also been adjudged 1st by ICAP/ICMAP in the financial sector category. MCB has won this award 10 times in last 11 years with 8 consecutive wins.

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 1,450 ATMs in Pakistan and 11 overseas branches. 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 innovative and accessible Digital Banking Services.

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