Press Release

MCB Bank announces financial results for the year ended December 31, 2018

[Lahore: 21st February 2019] The Board of Directors of MCB Bank Limited, met under the Chairmanship of Mian Mohammad Mansha, on February 20, 2019 to review the performance of the Bank and approve the financial statements for the year ended December 31, 2018.

Unconsolidated Profit Before Tax (PBT) of the Bank for the year ended December 31, 2018 increased by 3% and was reported at Rs. 32.06 billion as compared to Rs. 31.01 billion for 2017, whereas Profit After Tax (PAT) for 2018 was reported at Rs. 21.36 billion.

During the calendar year 2018, the changing macro-economic factors made the operating environment more challenging with discount rate registering a steep increase of 425 bps in absolute terms. Based on the anticipated interest rate movement, the Bank focused on asset base with shorter maturities, resulting in 8% increase in net interest income over last year. On the gross markup income side, the Bank reported an increase of Rs. 9.2 billion over last year. Analysis of the interest earning assets highlights that income on advances increased by Rs. 10 billion, primarily on account of improved average advances volume of Rs. 83 billion coupled with increased yield of 92bps. On the investment side, gross markup income decreased by Rs. 2.2 billion, due to decreased average volume of Rs. 66 billion. On the interest bearing liabilities side, the cost of deposits increased by 69bps over last year, to corroborate to the increasing interest rates. The Bank increased its average deposits by Rs. 123 billion when compared with last year. Average borrowings volume registered a significant decline of Rs. 84 billion over last year.

The non-markup income block of the Bank was reported at Rs 17.2 billion with major contributions coming in from fee, commission income and income from dealing in foreign currencies. Fee income increased by 10% with major contributions from card related fee, remittances, commission on trade and bancassurance. On the capital market front, the Bank recorded capital gains amounting to Rs, 1 billion as compared to Rs. 3.8 billion in last year. Foreign exchange income reflected a healthy increase of Rs. 1.8 billion (+109%) over last year.

On the administrative expenses side excluding pension fund, despite the surge in inflationary pressures coupled with significant devaluation and increase in operational outreach, the Bank was able to contain the growth percentage to 10%. The increase includes the premium cost amounting to Rs. 559 million on account of deposit protection premium, which was effective from July 01, 2018. Barring the impact of deposit protection premium, the increase in operating cost was only 8.27%.

On the provision side, the bank reversed provision amounting to Rs. 2.9 billion on advances whereas the Bank recorded gross charge of 2.8 billion on equity portfolio in 2018.

On the financial position side, the total asset base of the Bank on an unconsolidated basis was reported at Rs. 1.5 trillion depicting a significant increase of 12% over December 2017. Analysis of the asset mix highlights that net investments have increased by Rs. 92.4 billion (+14%) whereas advances have increased by Rs. 34.2 billion (+7%) over December 31, 2017. Investment mix continued to shift from long-term PIBs to the short-term T-Bills during the year in the wake of rising interest rate scenario. Resultantly investment in T-Bills increased by Rs. 194 billion whereas investment in PIBs decreased by Rs. 95 billion.

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The Non-performing loan base of the bank almost remained static with marginal increase of Rs. 203 million and was reported at Rs. 48.9 billion. The coverage and infection ratios of the Bank were reported at 88.26% (Dec 2017: 93.74%) and 8.95% (Dec 2017: 9.47%) respectively.

On the liabilities side, the deposit base of the Bank registered a significant increase of Rs. 81 billion (+8%) over December 2017. The increase of Rs. 81 billion is net of the deposits amounting to Rs. 22 billion transferred to MCB's wholly owned subsidiary MCB Islamic Bank Limited under the scheme of demerger sanctioned by the Lahore High Court.

Earnings per share (EPS) for the year ended December 31, 2018 was Rs. 18.02 as compared to Rs. 19.56 for 2017. Return on Assets and Return on Equity were reported at 1.5% and 15.5% respectively, whereas book value per share was reported at Rs. 117.74.

While complying with the regulatory capital requirements, the Bank has paid the highest cash dividend per share in the industry with regular interim dividends and remains one of the prime stocks traded in the Pakistani equity markets. Bank's total Capital Adequacy Ratio is 18.13% against the requirement of 11.90% (including capital conservation buffer of 1.90%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 16.02% against the requirement of 6.00%. Bank's capitalization also resulted in a leverage ratio of 7.09% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 178.70% and Net Stable Funding Ratio (NSFR) of 130.6% 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 27, 2018. Moreover, PACRA has maintained TFC rating of MCB Bank Limited at AAA, through its notification dated June 27, 2018.

The Board of Directors declared final cash dividend of Rs. 4.0 per share for the year ended December 31, 2018, which is in addition to Rs. 12.0 per share interim dividends already paid to shareholders.

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 1400 Branches (including 13 sub-branches) and over 1350 ATMs in Pakistan and 11 branches overseas. With a customer base of over 6 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.

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