

Flash Note

Thursday, 17 October 2019

Commercial Banks

MCB Bank Limited (MCB)

Helped by a strong NII; EPS prints a growth of +23%/y/y to PKR 4.74/share in 3q (PKR 13.74/share in 9m up by +14%/y/y)

- On unconsolidated basis, MCB posted earnings of PKR 5.6bn (or PKR 4.7/share) up by +23% y/y for the period 3q, taking its 9m 2019, cumulative earnings to PKR 16.3bn (or PKR 13.7/share) an increase of +14% from last year same period. In addition, the bank announced a cash dividend of PKR 4.0/share, bringing a 9m total payout to PKR 12.0/share.
- Impressively, bank's interest earned increased by a healthy +85% to PKR 39bn during 3q, while interest expense grew by 2.5x to PKR 24bn taking overall NII growth to +34% on y/y basis. NFI stayed flat on y/y basis at PKR 3.5bn, despite a +11% y/y growth in fee income.
- Operating expenses growth slowed during the qtr at 4% y/y bringing down C/I ratio ~46% from ~55% in previous year same qtr. On pre-provisioning profits basis, bank reported a decent growth of +49% y/y during the quarter under review. Provisioning charge for the qtr came at PKR 0.9bn down from PKR 1.2bn last qtr.

Exhibit: MCB Bank Limited (MCB) Financial highlights

Period end (Dec) - PKRbn	3Q'19	2Q'19	1Q'19	9m' 19	9m' 18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Income	15.2	14.3	13.5	43.0	33.9	46.0	12.1	11.4	11.6	11.0	42.4	11.0	11.4	10.3	9.7	43.8
NIMs	0.0%	4.6%	4.4%	6.9%	3.8%	3.8%	4.0%	3.9%	4.0%	3.9%	4.1%	3.9%	4.0%	3.7%	3.9%	4.9%
NII Growth YoY	34%	24%	23%	27%	8%	9%	11%	-1%	12%	13%	-3%	11%	11%	-15%	-15%	-11%
Fee Income	2.8	2.8	2.8	8.3	7.6	10.7	3.1	2.5	2.5	2.6	9.4	2.3	2.4	2.4	2.2	7.6
Non-Interest Income	3.5	4.4	3.5	11.5	11.9	17.2	5.4	3.7	4.0	4.3	17.9	4.1	4.1	4.5	5.2	16.2
NFI Growth YoY	-5%	12%	-18%	-4%	-14%	-4%	33%	-11%	-12%	-17%	11%	-6%	-28%	45%	75%	-2%
Total Revenue	18.7	18.8	17.0	54.4	45.9	63.2	17.5	15.0	15.5	15.3	60.3	15.1	15.6	14.8	14.9	60.0
Non-II / Total Revenue	19%	24%	21%	21%	26%	27%	31%	24%	26%	28%	30%	27%	27%	30%	35%	27%
Total Revenue Growth YoY	24%	21%	11%	19%	1%	5%	17%	-4%	5%	3%	1%	6%	-3%	-2%	3%	-9%
Admin	8.3	8.1	8.2	24.6	24.8	32.1	7.5	8.1	7.5	9.2	27.4	7.3	7.6	6.3	6.1	22.1
Operating Expenses	8.6	8.4	8.4	25.3	24.7	32.9	8.4	8.2	7.7	8.7	28.7	7.5	7.8	7.0	6.3	23.3
OPEX Growth YoY	4%	8%	-4%	3%	16%	15%	13%	5%	10%	38%	23%	27%	29%	28%	9%	1%
Cost-To-Income Ratio	46%	45%	49%	47%	54%	52%	48%	55%	50%	57%	48%	50%	50%	48%	42%	39%
PPOP	10.1	10.4	8.6	29.1	21.2	30.3	9.1	6.8	7.8	6.6	31.7	7.6	7.7	7.8	8.6	36.7
PPOP Growth YoY	49%	34%	31%	38%	-12%	-4%	20%	-12%	0%	-23%	-14%	-10%	-23%	-20%	0%	-14%
Provisioning Charge	0.9	1.2	(0.5)	1.6	(2.1)	(1.8)	0.4	(0.5)	(0.9)	(0.7)	0.7	2.6	(0.5)	(0.5)	(0.9)	0.7
EO/one-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Profits	9.3	9.2	9.1	27.5	23.3	32.1	8.7	7.3	8.7	7.3	31.0	5.0	8.3	8.3	9.5	36.1
Taxation	3.6	3.6	4.0	11.2	9.0	10.7	1.7	2.8	3.7	2.5	8.6	1.7	2.8	0.7	3.3	14.2
Effective Tax Rate	39%	39%	44%	41%	39%	33%	19%	38%	43%	35%	28%	34%	34%	9%	35%	39%
Profit After Tax	5.6	5.6	5.1	16.3	14.3	21.4	7.0	4.5	5.0	4.8	22.4	3.3	5.4	7.5	6.1	21.9
PAT Growth YoY	24%	12%	6%	14%	-25%	-5%	112%	-17%	-34%	-22%	2%	-26%	-19%	61%	2%	-14%
EPS	4.74	4.72	4.29	13.74	12.06	18.02	5.95	3.82	4.21	4.03	18.93	2.80	4.60	6.36	5.19	18.47
DPS	4.00	4.00	4.00	12.00	12.00	16.00	4.00	4.00	4.00	4.00	16.00	4.00	4.00	4.00	4.00	16.00
BVPS	127.6	126.9	126.9	127.6	127.2	126.0	126.0	125.4	127.2	129.1	129.6	129.6	132.1	121.3	120.6	119.5
Interest Earned	39.3	31.8	27.4	98.4	58.9	83.3	24.4	21.2	19.5	18.2	74.1	18.5	19.5	18.7	17.3	67.4
Interest Expense	24.1	17.4	13.9	55.5	25.0	37.3	12.3	9.9	7.9	7.2	31.7	7.5	8.0	8.4	7.5	23.7
Interest Earned growth	85%	63%	50%	67%	64%	12%	32%	9%	4%	5%	10%	22%	25%	0%	-3%	-16%
Interest Expense growth	145%	119%	93%	122%	57%	18%	63%	23%	-5%	-4%	34%	44%	51%	25%	17%	-24%

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