

# Flash Note

Wednesday, 10 February 2021

## Commercial Banks

### MCB Bank Limited (MCB)

#### Contained costs and higher revenue pushed bank's eps to PKR 24.5 (up by +21%); Cash dividend PKR 15.0/share (2020: PKR 20.0/share)

- On an unconsolidated basis, MCB Bank Limited posted earnings of PKR 29bn or PKR 24.5/share up by +21% y/y for full year ending 2020. On a quarterly basis profitability is down by 37%q/q to PKR 6bn or PKR 5.2/share.
- Bank announced a PKR 15/share cash dividend along with interim PKR 5/share announced in 1q 2020, taking full year pay out to PKR 20/share.
- For the year 2020, bank's total revenue increased by a +17% y/y to PKR ~89bn led by a +20% increase in interest income and +9% increase in non-interest income. Fee income reported at PKR 10.9bn (down by 3%y/y) and treasury income rose to PKR 7.1bn (up +38%y/y). Interest earned decreased by 4%, whereas interest expense dropped by 19%, pushing the net interest income to PKR 71bn. Nevertheless, bank's admin expenses showed meagre growth of 1%y/y to PKR 32.6bn, keeping its C/I under at 38% (44%, 52% in 2019, 2018). Bank's pre-provisioning profit increased to PKR 55.6bn compared to PKR 42.6bn last year (up by +31%y/y). Net provisioning charge as expected has more than doubled to PKR 7.3 compared to PKR 2.5bn last year.

Exhibit: MCB Bank Limited (MCB) Financial highlights											
Period end (Dec) - PKRbn	2020	4q/20	3q/20	2q/20	1q/20	2019	4q/19	3q/19	2q/19	1q/19	2018
<b>Interest Income</b>	<b>71.3</b>	<b>16.0</b>	<b>19.3</b>	<b>19.7</b>	<b>16.3</b>	<b>59.6</b>	<b>16.6</b>	<b>15.2</b>	<b>14.3</b>	<b>13.5</b>	<b>46.0</b>
NII Growth YoY	20%	-4%	27%	38%	21%	30%	37%	34%	24%	23%	9%
Fee Income	10.9	2.9	2.9	2.3	2.8	11.3	3.0	2.8	2.8	2.8	10.7
Treasury Income	7.1	1.6	3.6	0.9	1.0	5.1	2.1	0.7	1.7	0.7	6.0
-- Capital Gain	3.3	0.5	2.9	(0.1)	0.1	0.8	0.9	0.1	(0.1)	0.0	1.3
-- Fx Income	2.5	0.6	0.5	0.7	0.7	2.9	0.7	0.5	1.3	0.4	3.4
-- Dividend Income	1.2	0.5	0.2	0.3	0.2	1.4	0.5	0.2	0.5	0.2	1.3
<b>Non-Interest Income</b>	<b>18.2</b>	<b>4.6</b>	<b>6.5</b>	<b>3.2</b>	<b>3.9</b>	<b>16.7</b>	<b>5.2</b>	<b>3.5</b>	<b>4.4</b>	<b>3.5</b>	<b>17.2</b>
NFI Growth YoY	9%	-12%	85%	-28%	11%	-3%	-4%	-5%	12%	-18%	-4%
<b>Total Revenue</b>	<b>89.5</b>	<b>20.6</b>	<b>25.8</b>	<b>22.9</b>	<b>20.2</b>	<b>76.3</b>	<b>21.8</b>	<b>18.7</b>	<b>18.8</b>	<b>17.0</b>	<b>63.2</b>
Total Revenue Growth YoY	17%	-6%	38%	22%	19%	21%	25%	24%	21%	11%	5%
Admin	(32.6)	(8.2)	(8.2)	(8.0)	(8.2)	(32.7)	(8.0)	(8.3)	(8.1)	(8.2)	(32.1)
<b>Operating Expenses</b>	<b>(33.9)</b>	<b>(8.5)</b>	<b>(8.6)</b>	<b>(8.3)</b>	<b>(8.6)</b>	<b>(33.7)</b>	<b>(8.4)</b>	<b>(8.6)</b>	<b>(8.4)</b>	<b>(8.4)</b>	<b>(32.9)</b>
OPEX Growth YoY	1%	1%	0%	-1%	2%	2%	0%	4%	8%	-4%	15%
Cost-To-Income Ratio	-38%	-41%	-33%	-36%	-43%	-44%	-38%	-46%	-45%	-49%	-52%
<b>PPOP</b>	<b>55.6</b>	<b>12.1</b>	<b>17.2</b>	<b>14.6</b>	<b>11.6</b>	<b>42.6</b>	<b>13.5</b>	<b>10.1</b>	<b>10.4</b>	<b>8.6</b>	<b>30.3</b>
PPOP Growth YoY	30.5%	-9.9%	70.5%	40.3%	35.1%	40.5%	47.4%	48.5%	33.9%	30.7%	-4.3%
Provisioning Charge	(7.3)	(2.2)	(1.1)	(3.2)	(0.7)	(2.5)	(0.9)	(0.9)	(1.2)	0.5	1.8
<b>Pre-Tax Profits</b>	<b>48.3</b>	<b>9.9</b>	<b>16.1</b>	<b>11.4</b>	<b>10.9</b>	<b>40.1</b>	<b>12.6</b>	<b>9.3</b>	<b>9.2</b>	<b>9.1</b>	<b>32.1</b>
Taxation	(19.2)	(3.8)	(6.4)	(4.7)	(4.3)	(16.1)	(4.9)	(3.6)	(3.6)	(4.0)	(10.7)
Effective Tax Rate	-40%	-38%	-40%	-41%	-40%	-40%	-39%	-39%	-39%	-44%	-33%
<b>Profit After Tax</b>	<b>29.1</b>	<b>6.1</b>	<b>9.7</b>	<b>6.7</b>	<b>6.5</b>	<b>24.0</b>	<b>7.7</b>	<b>5.6</b>	<b>5.6</b>	<b>5.1</b>	<b>21.4</b>
PAT Growth YoY	21%	-20%	73%	20%	28%	12%	9%	24%	12%	6%	-5%
<b>EPS</b>	<b>24.5</b>	5.2	8.2	5.6	5.5	<b>20.23</b>	6.5	4.7	4.7	4.3	<b>18.02</b>
<b>DPS</b>	<b>20.00</b>	15.0	-	-	5.0	<b>17.00</b>	5.0	4.0	4.0	4.0	<b>16.00</b>

Source: PSX, IGI Research

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