

Flash Note

Wednesday, 24 October 2018

Commercial Banks

MCB Bank Limited (MCB)

Higher opex and tax charge took a toll on bank's earnings, 3QCY18 EPS down by 17% to PKR 3.84/share; DPS maintained at PKR 4.0/share

- On unconsolidated basis, MCB Bank Limited (MCB) posted earnings of PKR 3.84/share down by 17%YoY (down by 9% on a quarterly basis). This takes 9MCY18 cumulative earnings of the bank to PKR 12.08/share compared to PKR 16.15/share same period last year, a decline of 25%YoY. The bank along with the result also announced a cash dividend of PKR 4.0/share taking total payout during CY18 so far to PKR 12.0/share (PKR 12.0/share last year 9MCY17).
- During 9MCY18, bank's interest income increased by a decent +8% thanks to a better interest earning growth of 6% versus interest expense growth of 6%. Moreover, fee income also depicted a decent +9%YoY while a 63% decline in capital gains as expected limited total revenue support from non-interest income to just 1%YoY. Bank's opex showed a +15%YoY growth to PKR 24.5bn, which despite bank posting net reversal of PKR 2.1bn (PKR 1.9bn) during the period dented bank's bottom-line.

Exhibit:

MCB Result Highlights

PKRmn (Period end=Dec)	3QCY18	3QCY17	YoY	9MCY18	9MCY17	YoY	2QCY18	QoQ
Interest Earned	21,211	19,473	9%	58,926	55,438	6%	19,501	9%
Interest Expensed	9,854	8,036	23%	25,016	23,954	4%	7,946	24%
Net Interest Income	11,357	11,436	-1%	33,910	31,484	8%	11,555	-2%
Fee Income	2,492	2,387	4%	7,637	7,025	9%	2,524	-1%
Capital Gain & Div. Income	246	1,281	-81%	1,946	5,322	-63%	756	-67%
Non-Interest Income	3,493	4,148	-16%	11,757	13,828	-15%	3,966	-12%
Total Revenue	14,850	15,584	-5%	45,667	45,312	1%	15,521	-4%
Operating Expenses	8,024	7,847	2%	24,488	21,210	15%	7,745	4%
Pre-Provisioning Profits	6,826	7,737	-12%	21,179	24,102	-12%	7,777	-12%
Provision (Rev.) / Charge	(489)	(537)	-9%	(2,136)	(1,897)	13%	(917)	-47%
Pre-Tax Profits	7,315	8,273	-12%	23,315	25,999	-10%	8,693	-16%
Extraordinary Item	-	-	n.m.	-	-	n.m.	-	n.m.
Taxation	2,768	2,824	-2%	9,004	6,860	31%	3,707	-25%
Profit After Tax	4,548	5,449	-17%	14,311	19,138	-25%	4,986	-9%
EPS (PKR)	3.84	4.60		12.08	16.15		4.21	
DPS (PKR)	4.0	4.0		12.0	12.0		4.0	
BVPS (PKR) Est.	127.0	140.6					127.2	

Key Ratio

Cost-To-Income Ratio	54%	50%		54%	47%		50%	
Effective Tax Rate	38%	34%		39%	26%		43%	
Non-II / Total Income	24%	27%		26%	31%		26%	

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1185.06

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