

# Flash Note

Wednesday, 25 April 2018

## Commercial Banks

### MCB: EPS clocks in at PKR 4.03; The bank books one-time pension cost of PKR 2.0bn

- MCB Bank Limited (MCB) reported unconsolidated earnings of PKR 4.03/share or PKR 4.8bn for the 1QCY18, compared to PKR 2.80/share or PKR 3.3bn in the last quarter, by +44%QoQ. On a yearly basis, earnings are down 22%.
- During the quarter, bank's total revenue grew by +2%QoQ, primarily due to 13%QoQ increase in fee income, with flattish growth in net interest income and 31%QoQ decline in capital gains and dividend income.
- Opex declined by 10%QoQ as the bank reduced its administrative expenses by +2%QoQ and also booked an expense reversal of PKR 709mn, pulling its cost-to-income ratio down by 600bpsQoQ to 44%.
- The bank also booked a provision reversal of PKR 730mn compared to a charge of PKR 2.6bn in the last quarter. The primary difference was due to PKR 416mn reversal for diminution in value of investment compared to a charge of PKR 3.0bn in the last quarter.
- The profits were dragged down by extraordinary cost of PKR 2.0bn related to pensions, having a per share impact of PKR 1.7.

Exhibit:

#### MCB Result Highlights

PKRmn (Period end=Dec)	1QCY18	1QCY17	YoY	4QCY17	QoQ
Interest Earned	18,214	17,320	5%	18,471	-1%
Interest Expensed	7,216	7,585	-5%	7,520	-4%
<b>Net Interest Income</b>	<b>10,998</b>	<b>9,735</b>	<b>13%</b>	<b>10,951</b>	<b>0%</b>
Fee Income	2,621	2,196	19%	2,329	13%
Capital Gain & Div. Income	944	2,598	-64%	1,360	-31%
<b>Non-Interest Income</b>	<b>4,298</b>	<b>5,184</b>	<b>-17%</b>	<b>4,104</b>	<b>5%</b>
Total Revenue	15,296	14,919	3%	15,055	2%
Operating Expenses	6,694	6,326	6%	7,470	-10%
Pre-Provisioning Profits	8,602	8,593	0%	7,585	13%
Provision (Rev.) / Charge	(730)	(880)	-17%	2,570	n.m
Extraordinary/Unusual item (pension cost)	2,025	-	-	-	-
Pre-Tax Profits	7,306	9,473	-23%	5,015	46%
Taxation	2,529	3,326	-24%	1,695	49%
<b>Profit After Tax</b>	<b>4,777</b>	<b>6,147</b>	<b>-22%</b>	<b>3,320</b>	<b>44%</b>
EPS (PKR)	4.03	5.19		2.80	
DPS (PKR)	4.00	4.00		4.00	
BVPS (PKR) Est.	129.62	120.64		129.59	
<b>KEY RATIOS</b>					
Cost-To-Income Ratio	44%	42%		50%	
Effective Tax Rate	35%	35%		34%	
Non-II / Total Income	28%	35%		27%	

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1185.1

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