

Flash Note

Wednesday, 20 February 2019

Commercial Banks

MCB Bank Limited (MCB)

MCB: Gains from weakening PKR, curtailed provisioning charges and lower effective tax rates highlight quarterly performance

- MCB Bank Limited (MCB) reported its 4QCY18 unconsolidated earnings at PKR 7.0bn (EPS: PKR 5.94), up by +2.1xYoY (up by +55%QoQ). This brings full year CY18 earnings to PKR 21.4bn (EPS PKR 18.02), down by -5%YoY.
- The bank announced cash dividend of PKR 4.0/share along with 4QCY18 result, bringing CY18 total cash dividend to PKR 16.0/share.
- Countering rapidly rising interest expense (up +64%YoY) by +31%YoY increase in interest earned, MCB reported +8%YoY increase in net interest income during 4QCY18. Similarly, cumulatively for CY18, net interest income also inclined by +8%YoY.
- Substantial increase in income from foreign currencies (up by +3.8xYoY) and robust increase in fee income (up by 14%YoY) helped take Non-Interest Income up by +27%YoY despite a significant fall in capital gains and dividend income (down 54%YoY in 4QCY18)
- During the quarter, operating expenses were up +12%YoY (up +15%YoY for CY18).
- The biggest boost to earnings apart from income from foreign currencies resulted from reduced provision charge (down by 87%YoY) and reduced tax charge (4QCY18 Effective Tax Rate: 19%).

Exhibit:

MCB Result Highlights (Unconsolidated)

PKRmn (Period end Dec)	4QCY18	4QCY17	YoY	CY18	CY17	YoY	3QCY18	QoQ
Interest Earned	24,393	18,653	31%	83,319	74,091	12%	21,211	15%
Interest Expensed	12,289	7,475	64%	37,305	31,429	19%	9,854	25%
Net Interest Income	12,104	11,178	8%	46,014	42,662	8%	11,357	7%
Fee Income	3,094	2,716	14%	10,731	9,741	10%	2,492	24%
Capital Gain & Div. Income	627	1,360	-54%	2,573	6,682	-61%	246	155%
Foreign Exchange Income	2,159	571	3.78x	3,420	1,636	109%	339	6.37x
Non-Interest Income	5,441	4,290	27%	17,198	18,118	-5%	3,493	56%
Total Revenue	17,545	15,468	13%	63,212	60,780	4%	14,850	18%
Operating Expenses	8,414	7,511	12%	32,902	28,721	15%	8,024	5%
Pre-Provisioning Profits	9,131	7,957	15%	30,310	32,059	-5%	6,826	34%
Provision (Rev.) / Charge	383	2,942	-87%	(1,753)	1,045	-3.68x	(489)	-178%
Pre-Tax Profits	8,749	5,015	74%	32,064	31,014	3%	7,315	20%
Taxation	1,700	1,695	0%	10,704	8,555	25%	2,768	-39%
Profit After Tax	7,049	3,320	2.12x	21,360	22,459	-5%	4,548	55%
EPS (PKR)	5.94	3.41		18.02	19.56		3.84	
DPS (PKR)	4.0	4.0		16.0	16.0		4.0	
Key Ratio								
Cost-To-Income Ratio	48%	49%		52%	47%		54%	
Effective Tax Rate	19%	34%		33%	28%		38%	
Non-II / Total Income	31%	28%		27%	30%		24%	

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1185.06

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