

Commercial Banks

MCB: 1QCY24 Management Call Takeaways

- MCB Bank Limited (MCB) held an investor briefing session to discuss the 1QCY24 financial results and provide key insights on the future outlook for the Bank.
- The Company reported unconsolidated 1QCY24 earnings of PKR 16.6bn (EPS PKR 13.97), as compared to earnings of PKR 13.0bn (EPS PKR 11.02) in the similar period last year. On quarterly basis, profitability went up by +6%q/q during 1QCY24.
- The Bank informed that it has achieved a growth of +13%/y/y to PKR 98bn in average current deposits and was targeting 55% CA ratio in the short term.
- The management also highlighted that the deposits with the Bank has crossed PKR 1.85 trillion due to which domestic market share improved to 6.05% compared to 5.92% as at December 31, 2024.

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Key highlights from management conference call

- The Bank informed that it has achieved a growth of +13%/y/y to PKR 98bn in average current deposits and was targeting 55% CA ratio in the short term.
- The management also highlighted that the deposits with the Bank has crossed PKR 1.85 trillion due to which domestic market share improved to 6.05% compared to 5.92% as at December 31, 2024.
- The Bank's gross advances grew by +4%/y/y led by growth in corporate and retail loans by PKR 15.3bn and PKR 14.8bn respectively. Coverage and infection ratios were at 92.67% and

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8.56%. Moreover, Ex-NIB related recovery amounted to PKR 259mn for the period ended March, 2024. The Bank also mentioned that it classified PKR 2.1bn worth of loans pertaining to mid-sized steel companies to doubtful category.

- The Bank also informed that currently its Capital Adequacy Ratio (CAR) stands at 19.6% which is well above the regulatory limit of 11.5% whereas leverage ratio is at 6.5% above the regulatory limit of 3.0%.
- The Bank's investment mix as of March, 2024 was: i) T-Bills (26%) i.e. PKR 350.4bn ii) PIBs (64%) of which PKR 247.22 were fixed and PKR 600.7bn were floating rate and iii) Others (10%). Current yield on fixed rate PIBs is ~10.75% whereas fixed rate PIBs added during the quarter have yields of ~16.5-16.7%.
- Moreover, the management expects a policy rate cut of ~200bps in 2H CY24 whereas no rate cut in the next monetary policy announcement due in June 2024. Regarding the PKR USD exchange rate, they expect the PKR to depreciate by 4-5% in CY24.
- Its wholly owned subsidiary, MCB Islamic Bank Limited, also posted a healthy growth of +38%/y in its earnings recording at PKR 1.16 billion whereas its net assets increased by +4%/y to PKR 22.96 billion. Regarding its listing, the management believes that it would require years of profitability history before being considered for listing on the PSX.

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