

Commercial Banks

MCB: 3QCY24 Management Call Takeaways

- MCB Bank Limited (MCB) held an investor briefing session to discuss the 3QCY24 financial results and provide key insights on the future outlook for the Bank.
- The Company reported 3QCY24 earnings of PKR 16.5bn (EPS PKR 13.94), down by -5%/y compared to PKR 17.5bn (EPS PKR 14.73) in the similar period last year. On quarterly basis, profitability was up by 7%q/q during 3QCY24. The Company announced cash dividend of PKR 9.0/share along with the result.
- The management highlighted that the Bank's total deposits crossed PKR 2tn mark with the domestic market standing at 6.1% compared to 5.92% as at December 31, 2023. Advances grew by 17% to PKR 725.4bn while the yield on advances stood at 18.15% during 3QCY24.
- As at September 30, 2024, the bank's ADR stands at ~35% which the bank is committed to increase to 50% by Dec-24 to avoid any additional taxation. However, in case of failure to meet the required ADR, the management anticipates an estimated tax cost of ~PKR 7bn in 4QCY24.

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Key highlights from management conference call

- The management highlighted that the Bank's total deposits crossed PKR 2tn mark with the domestic market standing at 6.1% compared to 5.92% as at December 31, 2023. Current and saving deposits increased by 12% and 17% respectively with the CASA ratio improving to 97.2%. The Bank's cost of deposits increased by 157 bps y/y to 9.77%.
- The management also reported that it received inflows of USD 3.2bn home remittances which depicts a market share of 12.5%.

Analyst

Sakina Makati
sakina.makati@igi.com.pk

- The bank's coverage and infection ratio for the period stood at 91.98% and 7.59% respectively.
- The Bank's total investments grew by 20.6% from Dec-23 to PKR 1507.15bn. The investment portfolio consists of 53% floating PIBs, 16% fixed PIBs and 23% T-Bills. Yield on investments increased to 19.35% in Sep-24 as compared to 17.76% a year back.
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- As at September 30, 2024, the bank's ADR stands at ~35% which the bank is committed to increase to 50% by Dec-24 to avoid any additional taxation. However, in case of failure to meet the required ADR, the management anticipates an estimated tax cost of ~PKR 7bn in 4QCY24.
- The Management expects a further 200-250 bps cut in policy rate in 4QCY24 taking the policy rate to 15.5-15%. This estimated rate cut is expected to shrink NIMs from 1QCY25 onwards.
- The Management also disclosed that IPO of MCB Islamic Bank is also under consideration and it will be launched soon.

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Laraib Nisar	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 974	laraib.nisar@igi.com.pk

IGI Finex Securities Limited

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Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Islamabad Office

3rd Floor, Kamran Centre,
 Block- B, Jinnah Avenue, Blue Area
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The
 Regency International 949, The Mall
 Faisalabad
 Tel: (+92-41) 2540843-45

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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