

Flash Note

Tuesday, 04 February 2020

Commercial Banks

MCB Bank Limited

Curtailed opex and better revenue lifted 4q EPS to PKR 6.5/share; Cash dividend of PKR 5.0/share. 2019 EPS comes at PKR 20.2/share; DPS at PKR 17.0/share

- ✓ On an unconsolidated basis, bank posted earnings of PKR 24bn or PKR 20.23/share up by +12% y/y for 2019. On a quarterly basis, earnings up by +9% y/y to PKR 7.7bn or PKR 6.49/share.
- ✓ The bank announced a final cash dividend of PKR 5/share taking total payout to PKR 17.0/share for the year 2019
- ✓ Bank's total revenue increased by +22% y/y to PKR 76.3bn (+24% y/y in 4q) led by a +30% y/y growth in net interest income and a decline of 3% y/y in non-funded income. Interest earned increased by a +66% y/y (+63% y/y in 4q) compared to interest expense up by +1.1x y/y, (89% y/y in 4q). Break-up wise under NFI, fee income is up by +5% y/y and dividend income up by +7.6% to PKR 1.4bn. Apart from fee income and dividend income, rest of the heads under NFI should a decline. Operating expenses growth remained curtailed at PKR 32.7bn, up by +1.2% y/y which is significant improvement compared to other peer banks. Nevertheless, as a result of improved revenue stream and curtailed opex, C/I flattened out to 44% (38% in 4q) compared to 52% in 2018. On pre-provisioning profits basis, bank reported a growth of +40% y/y (47% in 4q). Cumulative provision charge for the year stood at PKR 2.5bn (PKR 0.9bn in 4q 2019) compared to a reversal of PKR 1.8bn last year.

Exhibit: MCB Bank Limited (MCB) Financial highlights										
Period end (Dec) - PKRbn	2019	4q/19	3q/19	2q/19	1q/19	2018	4q/18	3q/18	2q/18	1q/18
Interest Earned	138.3	39.8	39.3	31.8	27.4	83.3	24.4	21.2	19.5	18.2
Interest Expense	78.7	23.2	24.1	17.4	13.9	37.3	12.3	9.9	7.9	7.2
Interest Income	59.6	16.6	15.2	14.3	13.5	46.0	12.1	11.4	11.6	11.0
NII Growth YoY	30%	37%	34%	24%	23%	9%	11%	-1%	12%	13%
Fee Income	11.3	3.0	2.8	2.8	2.8	10.7	3.1	2.5	2.5	2.6
Other NFI	5.4	2.3	0.7	1.7	0.7	6.5	2.3	1.2	1.4	1.7
Non-Interest Income	16.7	5.2	3.5	4.4	3.5	17.2	5.4	3.7	4.0	4.3
NFI Growth YoY	-3%	-4%	-5%	12%	-18%	-4%	33%	-11%	-12%	-17%
Total Revenue	76.3	21.8	18.7	18.8	17.0	63.2	17.5	15.0	15.5	15.3
Non-II / Total Revenue	22%	24%	19%	24%	21%	27%	31%	24%	26%	28%
Total Revenue Growth YoY	21%	25%	24%	21%	11%	5%	17%	-4%	5%	3%
Admin	32.7	8.0	8.3	8.1	8.2	32.1	7.5	8.1	7.5	9.2
Operating Expenses	33.7	8.4	8.6	8.4	8.4	32.9	8.4	8.2	7.7	8.7
OPEX Growth YoY	2%	0%	4%	8%	-4%	15%	13%	5%	10%	38%
Cost-To-Income Ratio	44%	38%	46%	45%	49%	52%	48%	55%	50%	57%
PPOP	42.6	13.5	10.1	10.4	8.6	30.3	9.1	6.8	7.8	6.6
PPOP Growth YoY	40%	47%	49%	34%	31%	-4%	20%	-12%	0%	-23%
Provisioning Charge	2.5	0.9	0.9	1.2	(0.5)	(1.8)	0.4	(0.5)	(0.9)	(0.7)
EO/one-offs	-	-	-	-	-	-	-	-	-	-
Pre-Tax Profits	40.1	12.6	9.3	9.2	9.1	32.1	8.7	7.3	8.7	7.3
Taxation	16.1	4.9	3.6	3.6	4.0	10.7	1.7	2.8	3.7	2.5
Effective Tax Rate	40%	39%	39%	39%	44%	33%	19%	38%	43%	35%
Profit After Tax	24.0	7.7	5.6	5.6	5.1	21.4	7.0	4.5	5.0	4.8
PAT Growth YoY	12%	9%	24%	12%	6%	-5%	112%	-17%	-34%	-22%
EPS	20.23	6.49	4.74	4.72	4.29	18.02	5.95	3.82	4.21	4.03
DPS	17.00	5.00	4.00	4.00	4.00	16.00	4.00	4.00	4.00	4.00
BVPS	131.8	132.2	129.7	126.9	126.9	126.0	126.0	125.4	127.2	129.1
Interest Earned	138.3	39.8	39.3	31.8	27.4	83.3	24.4	21.2	19.5	18.2
Interest Expense	78.7	23.2	24.1	17.4	13.9	37.3	12.3	9.9	7.9	7.2
Interest Earned growth	66%	63%	85%	63%	50%	12%	32%	9%	4%	5%
Interest Expense growth	111%	89%	145%	119%	93%	18%	63%	23%	-5%	-4%

Analyst

Saad Khan

Saad.khan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 810

Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

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
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

Lahore Office

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

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

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

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

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

Abbottabad Office

Ground Floor, Al Fatah Shopping Center ,
Opp. Radio Station, Mansehra Road
Tel: (+92-99) 2408243 - 44

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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 **Jama Punji**
 سرمایہ کاری سمجھداری کے ساتھ
<http://www.jamapunji.pk>