

Flash Note

Wednesday, 07 August 2019

Commercial Banks

MCB Bank Limited (MCB)

Helped by a strong NII; EPS prints a growth of +12%/y/y to PKR 4.7/share in 2q (PKR 9.0/share in 1h up by +9%/y/y)

- On unconsolidated basis, MCB posted earnings of PKR 5.6bn (or PKR 4.7/share) up by +12% y/y for the period 2q, taking its 1h 2019, cumulative earnings to PKR 10.7bn (or PKR 9.0/share) an increase of +9% from last year same period.
- The bank announced a cash dividend of PKR 4.0/share, bringing a 1h total payout to PKR 8.0/share.
- Bank's interest earned increased by a healthy +63% to PKR 32bn during 2q, while interest expense grew by a hefty 1.19x to PKR 17bn taking overall NII growth to +24% on y/y basis
- NFI is up by +12% to PKR 4.4bn, thanks to PKR 1.82bn received under FX and derivative income (up +~75% q/q). Fee income remained flat at PKR 2.8bn. Operating expenses showed a normalized growth of 8% y/y bringing down C/I ratio ~45% from 49% in previous qtr.
- On pre-provisioning profits basis, bank reported a decent growth of +34% y/y during the quarter under review. Provisioning charge for the qtr came at PKR 1.2bn compared to a reversal of 0.5bn in previous qtr.

Exhibit: MCB Bank Limited (MCB) Financial highlights

Period end (Dec) - PKRbn	2Q'19	1Q'19	2H'19	2H'18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Earned	31.8	27.4	59.1	37.7	83.3	24.4	21.2	19.5	18.2	74.1	18.5	19.5	18.7	17.3	67.4
Interest Expense	17.4	13.9	31.3	15.2	37.3	12.3	9.9	7.9	7.2	31.7	7.5	8.0	8.4	7.5	23.7
Interest Income	14.3	13.5	27.8	22.6	46.0	12.1	11.4	11.6	11.0	42.4	11.0	11.4	10.3	9.7	43.8
NII Growth YoY	24%	23%	23%	12%	9%	11%	-1%	12%	13%	-3%	11%	11%	-15%	-15%	-11%
Fee Income	2.8	2.8	5.6	5.1	10.7	3.1	2.5	2.5	2.6	9.4	2.3	2.4	2.4	2.2	7.6
Non-Interest Income	4.4	3.5	8.0	8.3	17.2	5.4	3.5	4.0	4.3	17.9	4.1	4.1	4.5	5.2	16.2
NFI Growth YoY	12%	-18%	-4%	-15%	-4%	33%	-16%	-12%	-17%	11%	-6%	-28%	45%	75%	-2%
Total Revenue	18.8	17.0	35.8	30.8	63.2	17.5	14.9	15.5	15.3	60.3	15.1	15.6	14.8	14.9	60.0
Non-II / Total Revenue	24%	21%	22%	27%	27%	31%	24%	26%	28%	30%	0.3	0.3	0.3	0.3	27%
Total Revenue Growth YoY	21%	11%	16%	4%	5%	17%	-5%	5%	3%	1%	6%	-3%	-2%	3%	-9%
Operating Expenses	8.4	8.4	16.8	16.5	32.9	8.4	8.0	7.7	8.7	28.7	7.5	7.8	7.0	6.3	23.3
OPEX Growth YoY	8%	-4%	2%	23%	15%	13%	2%	10%	38%	23%	27%	29%	28%	9%	1%
Cost-To-Income Ratio	45%	49%	47%	53%	52%	48%	54%	50%	57%	48%	50%	50%	48%	42%	39%
PPOP	10.4	8.6	19.0	14.4	30.3	9.1	6.8	7.8	6.6	31.7	7.6	7.7	7.8	8.6	36.7
PPOP Growth YoY	34%	31%	32%	-12%	-4%	20%	-12%	0%	-23%	-14%	-10%	-23%	-20%	0%	-14%
Provisioning Charge	1.2	(0.5)	0.8	(1.6)	(1.8)	0.4	(0.5)	(0.9)	(0.7)	0.7	2.6	(0.5)	(0.5)	(0.9)	0.7
EO/one-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Profits	9.2	9.1	18.2	16.0	32.1	8.7	7.3	8.7	7.3	31.0	5.0	8.3	8.3	9.5	36.1
Taxation	3.6	4.0	7.6	6.2	10.7	1.7	2.8	3.7	2.5	8.6	1.7	2.8	0.7	3.3	14.2
Effective Tax Rate	39%	44%	42%	39%	33%	19%	38%	43%	35%	28%	34%	34%	9%	35%	39%
Profit After Tax	5.6	5.1	10.7	9.8	21.4	7.0	4.5	5.0	4.8	22.4	3.3	5.4	7.5	6.1	21.9
PAT Growth YoY	12%	6%	9%	-29%	-5%	112%	-17%	-34%	-22%	2%	-26%	-19%	61%	2%	-14%

EPS	4.7	4.3	9.0	8.2	18.0	5.9	3.8	4.2	4.0	18.9	2.8	4.6	6.4	5.2	18.5
DPS	4.0	4.0	8.0	8.0	16.0	4.0	4.0	4.0	4.0	16.0	4.0	4.0	4.0	4.0	16.0
BVPS	127.7	126.9	127.7	127.2	126.0	126.0	125.4	127.2	129.1	129.6	129.6	132.1	121.3	120.6	119.5
Interest Earned growth	63%	50%	57%	5%	12%	32%	9%	4%	5%	10%	22%	25%	0%	-3%	-16%
Interest Expense growth	119%	93%	107%	-5%	18%	63%	23%	-5%	-4%	34%	44%	51%	25%	17%	-24%

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