

# Flash Note

Friday, 25 August 2017

## Commercial Banks

### MCB: Profit after tax surges on the back of tax benefit likely driven from NIB Bank merger

- MCB Bank Limited (MCB) reported unconsolidated earnings for 2QCY17 of PKR 7.5bn (or PKR 6.78/share) up by +23%QoQ (or up by +61%YoY) bringing 1HCY17 total unconsolidated earnings to PKR 13.7bn (or PKR 12.30/share), up by +28%YoY.
- During the quarter, 56%QoQ decline in capital gains counteracted the rise of +6%QoQ and +11%QoQ in net interest income and fee income respectively. Resultantly, total revenue declined by 1%QoQ.
- Although the bank posted an NPL reversal of PKR 1.2bn, yet the +11%QoQ rise in operating expenses pulled the pre-tax profits down by 13%QoQ.
- However, the bank recorded effective tax rate of 9%, wherein, the bank booked tax benefit which likely arose from the bank's merger with NIB Bank.

Exhibit:

### MCB Result Highlights

PKRmn (Period end=Dec)	2QCY17	2QCY16	YoY	1QCY17	QoQ	1HCY17	YoY
Interest Earned	18,763	18,774	0%	17,320	8%	36,084	-2%
Interest Expended	8,448	6,703	26%	7,585	11%	16,033	22%
<b>Net Interest Income</b>	<b>10,316</b>	<b>12,071</b>	<b>-15%</b>	<b>9,735</b>	<b>6%</b>	<b>20,050</b>	<b>-15%</b>
Fee Income	2,442	1,951	25%	2,196	11%	4,638	19%
Capital Gain & Div. Income	1,443	752	92%	2,598	-44%	4,041	188%
<b>Non-Interest Income</b>	<b>4,494</b>	<b>3,100</b>	<b>45%</b>	<b>5,184</b>	<b>-13%</b>	<b>9,678</b>	<b>59%</b>
Total Revenue	14,810	15,171	-2%	14,919	-1%	29,729	0%
Operating Expenses	7,037	5,497	28%	6,326	11%	13,363	18%
Pre-Provisioning Profits	7,773	9,675	-20%	8,593	-10%	16,366	-11%
NPL (Rev.) / Prov.	(480)	(155)	n.m	(880)	n.m	(1,360)	n.m
Pre-Tax Profits	8,253	9,830	-16%	9,473	-13%	17,726	-6%
Taxation	710	5,135	-86%	3,326	-79%	4,036	-51%
<b>Profit After Tax</b>	<b>7,543</b>	<b>4,694</b>	<b>61%</b>	<b>6,147</b>	<b>23%</b>	<b>13,689</b>	<b>28%</b>
EPS (PKR)	6.78	4.22		5.52		12.30	
DPS (PKR)	4.00	4.00		4.00		8.00	
BVPS (PKR)	131.23	126.93		128.45		131.23	

#### KEY RATIOS

Cost-To-Income Ratio	48%	36%		42%		45%	
Effective Tax Rate	9%	52%		35%		23%	
Non-Il / Total Income	30%	20%		35%		33%	

SOURCE: IGI Research, Company accounts, PSX notifications

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