

Flash Note

Tuesday, 27 October 2020

Commercial Banks

MCB Bank Limited (MCB)

Higher capital gains and Lower provisioning charge pushed profitability to PKR 8.2/share (up by +73%/y); Cash dividend –nil–

- On an unconsolidated basis, MCB Bank Limited posted earnings of PKR 9.7bn or PKR 8.2/share up by +73% y/y for 3q 2020. On a quarterly basis profitability is up by +45%/q. This takes 9m'20 cumulative earnings to PKR 22.9bn or PKR 19.4/share up by +41%/y/y.
- Bank did not announce any cash dividend stating in compliance with SBP directives.
- For the Sep-20 ending quarter, bank's total revenue increased by a +38% y/y to PKR ~25.8bn led by a +27% increase in interest income and +85% increase in non-interest income. Fee income increased to PKR 2.9bn (up by +4%) and treasury income rose significantly to PKR 3.6bn (up 5.2x/y). Bank's Interest earned decreased by 19%, whereas interest expense dropped by 48%. Nevertheless, bank's admin expenses also dropped albeit slightly by 1% y/y to PKR 8.2bn, which brings bank's C/I to ~33% (46% in 3q 2019). Bank's pre-provisioning profit increased to PKR 17.2bn compared to PKR 10.4bn last year (up by +71%/y/y). On a 9m basis total PPOP is up by +49%. Net provisioning charge reduced to PKR 1.1bn from last qtr PKR 3.2bn.

Exhibit: MCB Bank Limited (MCB) Financial highlights													
Period end (Dec) - PKRbn	3q/20	2q/20	1q/20	2019	4q/19	3q/19	2q/19	1q/19	2018	4q/18	3q/18	2q/18	1q/18
Interest Income	19.3	19.7	16.3	59.6	16.6	15.2	14.3	13.5	46.0	12.1	11.4	11.6	11.0
NII Growth YoY	27%	38%	21%	30%	37%	34%	24%	23%	9%	11%	-1%	12%	13%
Fee Income	2.9	2.3	2.8	11.3	3.0	2.8	2.8	2.8	10.7	3.1	2.5	2.5	2.6
Treasury Income	3.6	0.9	1.0	5.1	2.1	0.7	1.7	0.7	6.0	2.8	0.6	1.3	1.4
-- Capital Gain	2.9	(0.1)	0.1	0.8	0.9	0.1	(0.1)	0.0	1.3	0.2	0.0	0.4	0.8
-- Fx Income	0.5	0.7	0.7	2.9	0.7	0.5	1.3	0.4	3.4	2.2	0.3	0.5	0.4
-- Dividend Income	0.2	0.3	0.2	1.4	0.5	0.2	0.5	0.2	1.3	0.5	0.2	0.4	0.2
Non-Interest Income	6.5	3.2	3.9	16.7	5.2	3.5	4.4	3.5	17.2	5.4	3.7	4.0	4.3
NFI Growth YoY	85%	-28%	11%	-3%	-4%	-5%	12%	-18%	-4%	33%	-11%	-12%	-17%
Total Revenue	25.8	22.9	20.2	76.3	21.8	18.7	18.8	17.0	63.2	17.5	15.0	15.5	15.3
Total Revenue Growth YoY	38%	22%	19%	21%	25%	24%	21%	11%	5%	17%	-4%	5%	3%
Admin	-	(8.0)	(8.2)	(32.7)	(8.0)	(8.3)	(8.1)	(8.2)	(32.1)	(7.5)	(8.1)	(7.5)	(9.2)
Operating Expenses	(8.6)	(8.3)	(8.6)	(33.7)	(8.4)	(8.6)	(8.4)	(8.4)	(32.9)	(8.4)	(8.2)	(7.7)	(8.7)
OPEX Growth YoY	0%	-1%	2%	2%	0%	4%	8%	-4%	15%	13%	5%	10%	38%
Cost-To-Income Ratio	-33%	-36%	-43%	-44%	-38%	-46%	-45%	-49%	-52%	-48%	-55%	-50%	-57%
PPOP	17.2	14.6	11.6	42.6	13.5	10.1	10.4	8.6	30.3	9.1	6.8	7.8	6.6
PPOP Growth YoY	70.5%	40.3%	35.1%	40.5%	47.4%	48.5%	33.9%	30.7%	-4.3%	20.4%	-12.0%	0.1%	-23.5%
Provisioning Charge	(1.1)	(3.2)	(0.7)	(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	16.1	11.4	10.9	40.1	12.6	9.3	9.2	9.1	32.1	8.7	7.3	8.7	7.3
Taxation	(6.4)	(4.7)	(4.3)	(16.1)	(4.9)	(3.6)	(3.6)	(4.0)	(10.7)	(1.7)	(2.8)	(3.7)	(2.5)
Effective Tax Rate	-40%	-41%	-40%	-40%	-39%	-39%	-39%	-44%	-33%	-19%	-38%	-43%	-35%
Profit After Tax	9.7	6.7	6.5	24.0	7.7	5.6	5.6	5.1	21.4	7.0	4.5	5.0	4.8
PAT Growth YoY	73%	20%	28%	12%	9%	24%	12%	6%	-5%	112%	-17%	-34%	-22%
EPS	8.2	5.6	5.5	20.23	6.5	4.7	4.7	4.3	18.02	5.9	3.8	4.2	4.0
DPS	-	-	5.0	17.00	5.0	4.0	4.0	4.0	16.00	4.0	4.0	4.0	4.0
Interest Earned growth	-19%	14%	43%	66%	63%	85%	63%	50%	12%	32%	9%	4%	5%
Interest Expense growth	-48%	-6%	64%	111%	89%	145%	119%	93%	18%	63%	23%	-5%	-4%

Source: PSX, IGI Research

No. of shares: 1185.1mn

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