

Flash Note

Thursday, 20 August 2020

Commercial Banks

MCB Bank Limited (MCB)

Decline in interest expense pushed profitability up by +20% y/y, EPS 5.65/share; Cash dividend -nil-

- On an unconsolidated basis, MCB bank posted earnings of PKR 6.7bn or PKR 5.65/share up by a +20% y/y for 2q 2020. On a quarterly basis profitability is up by +3%q/q. This takes 1h'20 cumulative earnings to PKR 13.2bn or PKR 11.15/share up by +24%y/y.
- In line with the SBP directives, the bank did not announce any cash dividend.
- For the June ending quarter, bank's total revenue increased by a +22% y/y to PKR ~23bn led by +38% y/y growth in net interest income, while non-interest income declined by 28%y/y to PKR 3.2bn, amid a) 16%y/y drop in fee income and b) 47% drop in treasury income. Bank's admin expenses declined by 1%y/y to PKR 8.3bn, which given a robust income pulled down its C/I to ~36% (43% in previous qtr.). On pre-provisioning profit basis, bank reported an increase of +40% y/y to PKR 14.6bn (PKR 11.6bn in 1q 2020). Net provisioning charge crawled up to PKR 3.2bn, possibly due to higher general provisioning and slowdown in specific NPLs recovery rate.

Exhibit: MCB Bank Limited (MCB) Financial highlights												
Period end (Dec) - PKRbn	2q/20	1q/20	2019	4q/19	3q/19	2q/19	1q/19	2018	4q/18	3q/18	2q/18	1q/18
Interest Income	19.7	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	38%	21%	30%	37%	34%	24%	23%	9%	11%	-1%	12%	13%
-- Fee Income	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	0.9	1.0	5.1	2.1	0.7	1.7	0.7	6.0	2.8	0.6	1.3	1.4
-- Other	0.0	0.0	0.3	0.1	0.1	0.0	0.0	0.5	(0.5)	0.6	0.2	0.3
Non-Interest Income	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	-28%	11%	-3%	-4%	-5%	12%	-18%	-4%	33%	-11%	-12%	-17%
Total Revenue	22.9	20.2	76.3	21.8	18.7	18.8	17.0	63.2	17.5	15.0	15.5	15.3
Non-II / Total Revenue	14%	19%	22%	24%	19%	24%	21%	27%	31%	24%	26%	28%
Total Revenue Growth YoY	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	8.3	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	-1%	2%	2%	0%	4%	8%	-4%	15%	13%	5%	10%	38%
Cost-To-Income Ratio	36%	43%	44%	38%	46%	45%	49%	52%	48%	55%	50%	57%
PPOP	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	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	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	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	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	41%	40%	40%	39%	39%	39%	44%	33%	19%	38%	43%	35%
Profit After Tax	6.69	6.52	24.0	7.69	5.61	5.60	5.08	21.4	7.0	4.5	5.0	4.8
PAT Growth YoY	20%	28%	12%	9%	24%	12%	6%	-5%	112%	-17%	-34%	-22%
EPS	5.65	5.50	20.23	6.49	4.74	4.72	4.29	18.02	5.95	3.82	4.21	4.03
DPS	-	5.00	17.00	5.00	4.00	4.00	4.00	16.00	4.00	4.00	4.00	4.00
BVPS	151.39	150.75	142.54	142.54	129.69	126.90	126.95	125.97	125.97	125.43	127.17	129.08
Interest Earned growth	14%	43%	66%	63%	85%	63%	50%	12%	32%	9%	4%	5%
Interest Expense growth	-6%	64%	111%	89%	145%	119%	93%	18%	63%	23%	-5%	-4%

Source: PSX, IGI Research, *Bvps for latest estimated

No. of shares: 1185.1mn

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