

MCB Bank Limited

KATS: MCB
Bloomberg: MCB PA

Price: PKR 222
Fair Value: PKR 255

OUTPERFORM

NII declined sequentially 3% Q/Q in 2QCY24

07 August 2024

- **2QCY24 EPS recorded at PKR 14.17.** Earnings in 2QCY24 declined 6% Q/Q (up 14% Y/Y) largely due to drop in Net interest income by 3% Q/Q (flat Y/Y). The sequential decline was largely expected due to declining investment yields and relatively shorter dated investments. Furthermore, we believe MCB has also started increasing its exposure in OMO, which was only PKR 47 BN in 1QCY24. This might have further depressed NII. MCB's 1HCY24 earnings clocked in at PKR 29.2/sh (up 21% Y/Y).
- **Dividend announced at PKR 9/sh.** The company maintained its stable payout policy with a PKR 9.0 DPS in 2QCY24, in line with expectations, taking 1HCY24 DPS to PKR 18.0.
- **Non interest income up 2.4% Q/Q.** The fee income declined 12% Q/Q to PKR 6.0 BN (up 14% Y/Y), however, this was compensated by 60% Q/Q jump in FX income at PKR 3.1 BN (up 7% Y/Y). This brought non interest income to PKR 9.9 BN (up 11% Y/Y).
- **Admin expense increased 5.6% Q/Q in 2QCY24.** Cost to income also jumped to 35% due to the sequential decline in total revenues, while admin costs continued to increase due to inflationary pressures. Admin costs were up 5.6% Q/Q and remained at 21% Y/Y.
- **Outlook.** The banks' core income is expected to increase due to the effect of lagged asset repricing amid declining interest rates. MCB has lower provisioning risk and better cost management compared to its peers. Furthermore, a higher CET-1 buffer against regulatory requirements provides greater comfort for maintaining healthy payouts in the upcoming quarters. We have an outperform stance on the bank as it is offering a dividend yield of 16.2% with a P/B of 1.0 based on CY24 estimates.

PKR	CY23	CY24E	CY25E	CY26E
EPS	54.9	56.4	55.1	52.1
DPS	30.0	36.0	36.0	36.0
BVPS	204.0	219.8	238.2	253.7
P/E	4.0	3.9	4.0	4.3
D/Y	13.5%	16.2%	16.2%	16.2%
P/B	1.1	1.0	0.9	0.9

Source: Company Accounts, Optimus Research

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REN: REP-107



Earnings Snapshot

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PKR MN (Consolidated)	2QCY24E	2QCY24	1QCY24	4QCY23	3QCY23	2QCY23	Q/Q	Y/Y	1HCY24	1HCY23	Y/Y
Net Interest Income	43,585	41,154	42,448	46,254	44,951	41,175	-3%	0%	83,602	74,217	13%
Mark up earned	105,994	106,262	100,642	103,616	100,600	89,999	6%	18%	206,904	160,233	29%
Mark up expensed	62,408	65,108	58,194	57,362	55,649	48,824	12%	33%	123,302	86,016	43%
Non Interest Income	10,080	9,856	9,628	10,843	9,159	8,908	2%	11%	19,484	15,395	27%
Fee and commission income	7,000	5,992	6,796	6,571	5,987	5,254	-12%	14%	12,788	9,903	29%
Dividend income	761	559	799	700	431	725	-30%	-23%	1,358	1,379	-2%
Foreign exchange income	2,215	3,083	1,926	2,785	2,505	2,871	60%	7%	5,009	3,907	28%
Gain on securities	-	75	6	634	130	(12)	1118%	n.m	81	73	11%
Total Revenues	53,665	51,010	52,076	57,098	54,109	50,083	-2%	2%	103,086	89,613	15%
Total Provisions	1,531	588	(28)	(721)	(434)	1,491	n.m	-61%	560	2,231	-75%
Non Mark up Exp.	17,975	17,973	17,171	17,649	16,681	15,092	5%	19%	35,144	29,244	20%
Admin Exp.	17,131	17,232	16,315	16,693	15,632	14,245	6%	21%	33,547	27,803	21%
Share of profit of associates	410	554	417	454	563	328	33%	69%	970	332	193%
Profit Before Tax	34,568	33,004	35,349	40,623	38,426	33,829	-7%	-2%	68,353	58,470	17%
Taxation	16,939	16,162	17,495	23,693	18,760	19,133	-8%	-16%	33,657	29,795	13%
Profit After Tax	17,630	16,841	17,854	16,930	19,666	14,695	-6%	15%	34,696	28,674	21%
Profit attr. to Eq. Holders	17,542	16,792	17,820	16,871	19,635	14,671	-6%	14%	34,611	28,599	21%
EPS	14.80	14.17	15.04	14.24	16.57	12.38			29.21	24.13	
DPS	9.00	9.00	9.00	9.00	8.00	7.00			18.00	13.00	
Payout	64%	64%	60%	63%	48%	57%			62%	54%	
Effective Tax Rate	49%	49%	49%	58%	49%	57%			49%	51%	
Cost to Income	35%	35%	33%	31%	31%	30%			34%	33%	

Source: Company Accounts, Optimus Research

Analyst Certification

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