

Pakistan Banks

MCB PA: Conference call - Key Takeaways

MCB has conducted its conference call today to discuss financial performance and future outlook of the bank. To highlight, bank's unconsolidated profitability increased by ~6% YoY in CY22, to clock-in at PKR32.7bn (EPS: PKR27.6) vs. PKR30.8bn (EPS: PKR26.0) in SPLY. While on consolidated basis, profitability increased by ~10% YoY in CY22, to clock-in at PKR34.4bn (EPS: PKR29.0) vs. PKR31.3bn (EPS: PKR26.3) in SPLY. Key takeaways of the conference call are as follows:

- MCB has a wide network of 1,439 domestic branch across Pakistan along with 8 international branches in 3 countries. Banks's market share in total deposits, advances, remittances and trade stood at ~5.8%, 6.4% , 11.6% and 5.8%, respectively.
- MCB recorded its highest ever PBT of PKR71.4bn in CY22, thanks to significant growth in Net Interest Income.
- Bank's gross advances increased by ~25% YoY, to clock in at PKR798bn. Yield on advance were recorded at 11.38% in CY22 vs. 7.22% in CY21. Bank's ADR clocked in at ~57.8% while infection ratio was recorded at 6.4%.
- As of Dec'22, bank carries T-bills worth of PKR132bn vs. PKR326bn in Dec'21. Similarly, fixed PIBs and floating PIB stood at PKR289bn and PKR528bn, respectively. Within the investment portfolio, 35% of total PIB comprises of fixed, while 65% is floating rate PIBs. The weighted average maturity of fixed PIBs is around 2.3 years, having rate of ~10.5%.
- On deposit front, bank is aggressively focused on expanding current account mix which stands at 49% at the end of CY22 vs. 40% in SPLY.
- Bank's total Capital Adequacy Ratio stood at ~18.8% in Dec'22 vs. ~17.0% in Dec'21.
- Regarding implementation of IFRS-9, management commented that the bank will record one-time impact of PKR6.5bn on its equity, resulting in slight improvement in CAR.
- On macro economic indicators, management opined that domestic currency will remain stable in near future, however, will devalue by ~6%-7% per annum going forward.
- Management expect hike of ~150-200bps in policy rate in near term, while management did not expect reversal in monetary settings in CY23.



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- Discounted cash flow (DCF)
- Relative Valuation (P/E, P/Bv, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	CAGR	Compounded Annual Growth Rate

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