

December 20, 2023

Sector**COMMERCIAL BANKS**Chase Researchresearch@chasesecurities.com
+92-21-35293054-60Symbol: **MCB**Current Price: **PKR 172.50**Market Cap (PKR bn): **204.42**Total Shares (bn): **1.19**Free Float (mn): **414.77**52 Week Low: **PKR 106.99**52 Week High: **PKR 203.82****MCB Bank Limited (MCB)**

Cosolidatedly, MCB Bank Limited (MCB) reported a net profit of PKR 48.34 billion (EPS: PKR 40.70) in 9MCY23, a increase from the net profit of PKR 20.67 billion (EPS: PKR 17.40) in the corresponding period of the previous year.

The Net Interest Income exhibited a 70% YoY surge, reaching PKR 260.83 billion in 9MCY23, compared to PKR 153.35 billion in the corresponding period last year. The increase in NII was attributed to strong volumetric growth and timely repositioning of the asset book.

Simultaneously, the Non-Markup income witnessed a 16% YoY decrease, reaching PKR 24.55 billion in 9MCY23, due to the increase in fee commission, foreign exchange income and dividend income.

The operating expenses of the bank increased by 24% YoY to PKR 43.44 billion due to the higher inflation, currency devaluation, investments in human resource and technological upgradation.

In 9MCY23, the PBT increased by 80% YoY to PKR 96.90 billion, the highest ever for the nine months period, as compared to PKR 53.77 billion in SPLY.

The unconsolidated PAT increased to PKR 44.15 billion in 9MCY23 while PBT witnessed an increase of 71% YoY to PKR 88.09 billion in 9MCY23. NIMs and NFI increased by 73% YoY and 12% YoY to PKR 106.42 billion and PKR 22.59 billion in 9MCY23. Growth in no cost liability attributed toward the increase in NIMs. The deposits and investments witnessed an increase of 24% YTD and 29% YTD to PKR 1.7 trillion and PKR 1.3 trillion respectively during the said period.

The bank witnessed a 30% YoY growth (PKR 190 billion) in average current deposits. Moreover, the cost-to-income ratio improved to PKR 28.96% due to the 58% YoY (PKR 129.02 billion) increase in total income.

Bank operates 1,431 domestic branches, with one EPZ branch, seven international branches in three countries with over 8.6 million accounts.

Gross advances of MCB decreased by 19% YoY (PKR 151 billion) to PKR 646.24 billion. Corporate lending dropped by 22% YoY (PKR 133.4 billion) whereas retail loan portfolio decreased by 21% YoY (PKR 18 billion). The consumer lending decreased by 8% YoY (PKR 3 billion) while overseas lending increased by 12% (PKR 4 billion). Converge and Infection ratios were reported at 82.86% and 8.45% respectively.

The non-performing advances increased by 6% YoY to PKR 54.58 billion. The yield on advances increased to 17.70 % in 3QCY23 as compared to 10.55% in SPLY. Total Recoveries related to NPL stock transferred from NIB Bank amounts to Rs. 9.45 billion. Recovery from NIB NPL Stock stands at PKR 932 million in 3QCY23.

The investment portfolio witnessed a growth in Floating PIBs by PKR 125 billion, closing at PKR 653.4 billion whereas Fixed PIBs decreased by PKR 76.7 billion due to increased maturities and closing at PKR 212.7 billion. T-Bills increased by PKR 211.4 billion to PKR 343 billion.

The yield on investment increased to 17.66% in 3QCY23 as compared to 11.83% during the same period last year. PIBs, AFS & HTM excluding floating, WA time to maturity of PIBs is 2.43 years.

The breakdown of investments is as: T-Bills (26%), PIBs (66%), Equity Securities (4%), Other Government Securities (3%) and Debt Instruments (1%). The deposit

mix of MCB is: Current(49%), Savings (48%) and Term Deposits (3%).

MCB witnessed an unprecedented increase of 24% YoY in current deposits base as a result of business initiatives, customer engagements and no cost deposits. Current to total deposits ratio remained flat at 49%. CASA improved to 96.67% in 3QCY23 as compared to 95.93% in CY22. The sharp increase in policy rates caused CoD to stand at 8.19% in 3QCY23 as compared to 5.94% in SPLY.

MCB's Islamic Banking witnessed a 19% YoY growth in deposits to PKR 183.43 billion and investments by 52% YoY to PKR 110.76 billion whereas gross advances witnessed a drop of 20% YoY to PKR 72.64 billion in 3QCY23. The net markup and total income increased to PKR 12.38 billion and PKR 13.62 billion. PBT and PAT increased to PKR 7.51 billion and PKR 3.83 billion in 3QCY23. The total Islamic branches are 200 across Pakistan. The management plans to double the number of Islamic branches by 2026.

The total Capital Adequacy Ratio is 20.26% and leverage ratio 6.05%, Liquidity Coverage Ratio (LCR) 246.89% and Non Stable Funding Ratio 150.03%, well above regulatory requirements. It provides a buffer of 876bps on top of regulatory CAR

The management expects to sustain the higher ROE, enabling the Company to pay higher dividend. ROE and ROA were reported at 31.84% and 2.63% respectively in 3QCY23.

The total registered used cross one million, reflecting 80% YoY growth with a throughput of PKR 808 billion in 9MCY23.

Going forward, the bank management anticipates GDP growth to improve, fiscal deficit to remain high,

softening inflation rate and easing of monetary policy in FY24. In the expected low interest rate, the management is optimistic about sustaining higher income by increase in low cost deposits.

Financial Highlights			
PKR million	9MCY23	9MCY22	YoY
Interest Earned	260,832	153,350	70.09%
Interest Expensed	141,665	86,111	64.51%
NII	119,168	67,239	77.23%
Fee & Commission Income	15,890	11,285	40.81%
Dividend Income	1,810	1,436	26.06%
Forex Income	6,412	8,331	-23.03%
Gain from derivatives	15	20	-25.77%
Gain/Loss on Securities	203	(166)	-222.99%
Other Income	224	184	21.85%
Total Non-Markup Income	24,554	21,091	16.42%
Total Income	143,722	88,330	62.71%
Operating Expenses	43	35	23.61%
Other Charges	557	165	236.94%
Total Non-Mark up Expenses	45,925	36,380	26.24%
Profit before provisions	98,692	52,472	88.09%
Provisions and write offs – net	1,797	(1,298)	-238.38%
PBT	96,896	53,770	80.20%
Taxation	48,555	33,101	46.69%
PAT	48,341	20,669	133.88%
EPS	40.70	17.40	-
*Source: MCB Bank Limited, PSX			

Important Disclosures**Disclaimer:**

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