

Pakistan Banks

MCB PA: Conference call - Key Takeaways

MCB Bank Limited has conducted its conference call today to discuss bank's financial performance and future outlook. To note, MCB has posted an unconsolidated PAT of PKR59.6bn in CY23 vs. PAT of PKR32.7bn in SPLY, up by 82% YoY. Key takeaways of the conference call are as follows:

- 📌 The management highlighted that the new government will have to engage with IMF for an extended program and due to high fiscal deficit, reliance on banking sector is expected to continue.
- 📌 Gross advances declined by ~175bn in CY23 compared to SPLY, where major reduction is witnessed in corporate lending portfolio which fell by ~PKR168bn. These loans primarily catered to working capital needs. Yield on advances inched up to 17.9% in CY23 vs. 11.4% in SPLY.
- 📌 During the year, recoveries from NIB's NPL stock stands at PKR1.1bn.
- 📌 On investment front, share of PIBs fell to 63% compared to 80% in CY22. On the other hand, share of T-bills recorded an uptick from 13% in CY22 to 28% in CY23.
- 📌 Bank's continued to focus on zero cost deposits which has grown at a 5 year CAGR of ~15% to clock in at PKR871bn.
- 📌 Markup income recorded a whopping increase of ~69% YoY in CY23 on the back of growth in current account deposit and timely repositioning of the asset book.
- 📌 Bank's CAR stood at ~20.4% at the end of CY23 against 18.8% in CY22.
- 📌 Commenting on higher tax charge during 4QCY23, management clarified that PKR3.5bn pertains to windfall tax on FX income which bank has recorded on prudent basis.
- 📌 The management also highlighted that they expect interest rate cuts to commence in 2HCY24 and estimate a 300 basis points reduction during this period.



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- Discounted cash flow (DCF)
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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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