

Earnings Review

MCB: 3QCY21 EPS clocked in at Rs6.73/sh, DPS Rs4.50

Event

- MCB Bank Limited (MCB PA) announced its 3QCY21 result with consolidated earnings of Rs6.73/sh (down/up by 20/1% YoY/QoQ). This takes cumulative earnings during 9MCY21 to Rs19.29/sh (↓2% YoY). The result is accompanied with a cash dividend of Rs4.50/sh translating into a cumulative dividend of Rs14.00/sh.
- The result outperformed our estimates with deviation from reversal of provisioning expense clocking in at Rs1.5bn.

Impact

- The bank posted a PAT of Rs7.97bn in 3QCY21 (down/up by 20/1% YoY/QoQ). On YoY basis, decline in profitability was a result of lower Net Interest Income (NII) (↓16% YoY) and drop in gain on securities (↓93% YoY). However, on QoQ basis, profitability remained flattish as drop in PBT was offset by lower effective tax rate.
- During 3QCY21, interest income remained flattish YoY but increased by 6% QoQ. On the other hand, interest expense registered an increase of 23/14% YoY/QoQ. This has translated into NII for the quarter clocking in at Rs17.32bn (↓16/1% YoY/QoQ).
- Non-markup income clocked in at Rs5.15bn ↓26% YoY but remained flattish over QoQ. On YoY basis, decline in non-markup income was mainly driven by lower gain on securities which declined to Rs207mn from Rs2,935mn (↓93% YoY). However on sequential basis, non-markup income remained flat with fee income increasing by 17% QoQ which was restricted by decline in other non-markup income (↓80% QoQ).
- Operating expense clocked in at Rs10.3bn translating into an increase of 8/4% YoY/QoQ. However, drop in total income (↓18% YoY) and upbeat cost increased cost/income by 11/2ppt YoY/QoQ to stand at 45%.
- The bank reported a reversal of provisioning expense amounting to Rs1.5bn this quarter compared to provisioning expense of Rs1.1bn in 3QCY20. This cumulated provisioning reversal of Rs3.5bn in 9MCY21 compared to Rs5.2bn of provisioning expense in 9MCY20. To highlight general provisioning stood at Rs4.1bn, as per 2QCY21.

Outlook

- Going forward, we expect NII to recover due to recovery in banking spreads in the medium term.
- We have an 'Outperform' rating on the stock with the Jun-22 TP of Rs235/sh.

Analyst

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Table 01: Earnings Review MCB 3QCY21

	3QCY21	3QCY20	YoY	2QCY21	QoQ	9MCY21	9MCY20	YoY
Interest Earned	34,032	34,108	0%	32,132	6%	96,766	114,517	-16%
Interest Expensed	16,716	13,561	23%	14,698	14%	45,718	55,717	-18%
Net Interest Income (NII)	17,316	20,547	-16%	17,434	-1%	51,048	58,800	-13%
Fee Income	3,475	3,134	11%	2,975	17%	10,086	8,792	15%
Dividend Income	375	214	76%	505	-26%	1,228	629	95%
Foreign Exchange Income	954	567	68%	818	17%	2,379	2,100	13%
Gain on Securities	207	2,935	-93%	168	24%	384	2,932	-87%
Other Income	133	88	52%	660	-80%	1,168	110	963%
Total Non-Markup Income	5,146	6,937	-26%	5,126	0%	15,246	14,563	5%
Share of Profit from Associates	259	106	144%	155	66%	690	519	33%
Total Income	22,720	27,590	-18%	22,715	0%	66,985	73,882	-9%
Non-Markup Expense	10,627	9,890	7%	10,529	1%	31,245	29,259	7%
Operating Expense	10,297	9,549	8%	9,902	4%	30,028	28,232	6%
WWF	270	322	-16%	280	-4%	780	767	2%
Other Charges	61	19	218%	347	-82%	437	259	69%
Profit Before Provisions	12,093	17,700	-32%	12,186	-1%	35,739	44,623	-20%
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Provisions	(1,501)	1,114	235%	(1,787)	-16%	(3,501)	5,190	167%
Profit Before Taxation	13,594	16,587	-18%	13,972	-3%	39,241	39,434	0%
Taxation	5,591	6,549	-15%	6,058	-8%	16,274	15,922	2%
Profit After Taxation	8,003	10,038	-20%	7,914	1%	22,967	23,512	-2%
PAT Attributable to Shareholders	7,972	9,981	-20%	7,871	1%	22,854	23,407	-2%
EPS	6.73	8.42		6.64		19.29	19.75	
DPS	4.50	-		5.00		14.00	5.00	
Cost/Income	45%	35%		44%		45%	38%	
ETR	41%	39%		43%		41%	40%	

Source: Company Accounts, Foundation Research, October 2021

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If	
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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.