

Foundation Alert

Earnings review: MCB 4QCY21 EPS at Rs7.0, DPS Rs5.0

Event

- MCB Bank Limited (MCB PA) announced its 4QCY21 result with consolidated earnings of Rs7.0/sh (up by 39/4% YoY/QoQ). This translates into CY21 earnings of Rs26.31/sh (up by 6% YoY).
- The result is accompanied with a cash dividend of Rs5.0/sh taking total payout during CY21 to Rs19/sh.
- The result is in line with our estimates.

Impact

- The bank posted a PAT of Rs8.33bn in 4QCY21 (up by 39/4% YoY/QoQ), mainly due to (1) higher non-funded income (↑15% YoY), (2) provision reversal of Rs2.0bn as compared to provisioning expense of Rs2.1bn SPLY. This cumulated profitability to Rs31.2bn (↑6% YoY) for CY21.
- On sequential basis, increase in probability was due to higher provisioning reversal (↑31% QoQ) and higher FX income increasing by 54%.
- Net interest income (NII) increased marginally by 2% YoY, however on sequential basis it remained stagnant due to lagged effect of asset repricing. However, on cumulative basis, NII declined by 10% due to increase in interest rate in latter half of CY21.
- The increase in non-funded income was supported by higher FX income clocking in at Rs1.47bn (↑2.3x/54% YoY/QoQ) and dividend income increasing by 22/12% YoY/QoQ.
- Operating expense increased by 11/3% YoY/QoQ to Rs10.6bn in 4QCY21. This translated into Cost/income of 48% (up by 3/1ppts YoY/QoQ).
- The bank recorded provision reversal of Rs2.0bn in 4QCY21 as compared to provisioning expense of Rs2.1bn in 4QCY20, and reversal of Rs1.5bn last quarter.
- Effective tax rate for 4QCY21 clocked in at 40% (↑/↓ 1 YoY/QoQ).

Outlook

- MCB prudent asset deployment and robust quality is likely to keep profitability outlook attractive in the medium term as asset repricing takes place. We have an outperform stance on the stock as currently stock is trading at P/B of 1.00 with dividend yield of 13%. We have target price of Rs212.0 for Dec-22.

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Table 01: Earnings Review MCB 4QCY21

	4QCY21	4QCY20	YoY	QoQ	CY21	CY20	YoY
Interest Earned	35,843	31,256	15%	5%	132,609	145,772	-9%
Interest Expensed	18,513	14,212	30%	11%	64,231	69,929	-8%
Net Interest Income (NII)	17,330	17,044	2%	0%	68,378	75,843	-10%
Fee Income	3,875	3,180	22%	12%	13,961	11,971	17%
Dividend Income	727	340	114%	94%	1,955	969	102%
Foreign Exchange Income	1,469	635	131%	54%	3,848	2,735	41%
Gain on Securities	(122)	464	-126%	-159%	263	3,396	-92%
Other Income	(541)	86	-728%	-506%	627	196	220%
Total Non-Markup Income	5,408	4,705	15%	5%	20,655	19,269	7%
Share of Profit from Associates	253	54	367%	-2%	944	573	65%
Total Income	22,991	21,803	5%	1%	89,976	95,685	-6%
Non-Markup Expense	10,928	9,778	12%	3%	42,173	39,037	8%
Operating Expense	10,562	9,532	11%	3%	40,590	37,764	7%
WWF	278	208	34%	3%	1,058	975	9%
Other Charges	88	39	128%	44%	525	298	76%
Profit Before Provisions	12,063	12,025	0%	0%	47,803	56,648	-16%
Provisions	(1,972)	2,140	na	31%	(5,473)	7,330	na
Profit Before Taxation	14,035	9,884	42%	3%	53,275	49,318	8%
Taxation	5,674	3,834	48%	1%	21,948	19,756	11%
Profit After Taxation	8,361	6,050	38%	4%	31,328	29,562	6%
PAT Attributable to Shareholders	8,325	6,003	39%	4%	31,180	29,410	6%
EPS	7.03	5.07			26.31	24.82	
DPS	5.00	15.00			19.00	20.00	
Cost/Income	48%	45%			47%	41%	
ETR	40%	39%			41%	40%	

Source: Company Accounts, Foundation Research, Feb 2022

Important disclosures:

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