

Earnings Review

MCB: 1QCY22 EPS clocked in at Rs7.7/sh, DPS Rs5.0

Event

- MCB Bank Limited (MCB PA) announced its 1QCY22 result with consolidated earnings of Rs7.7/sh (up by 30/9% YoY/QoQ).
- The result is accompanied with a cash dividend of Rs5.0/sh.

Impact

- The bank posted a PAT of Rs9.0bn in 1QCY22 (up by 30/9% YoY/QoQ). On YoY basis, increase in profitability was mainly because of higher Net Interest Income (NII) (↑19% YoY), higher FX income (↑2.1x YoY), and higher provisional reversal (↑4.7x YoY)
- Similarly, on QoQ basis, profitability increased due higher Net Interest Income (NII) (↑12% QoQ), modest increase in NFI of (9% QoQ)
- During 1QCY22, interest income increased by 39/19% YoY/QoQ. On the other hand, interest expense registered an increase of 63/26% YoY/QoQ. This has translated into NII for the quarter clocking in at Rs19.4bn (↑19/12% YoY/QoQ).
- Non-markup income clocked in at Rs5.8bn (↑18/9% YoY/MoM). The increase in non-markup income was mainly driven by FX income (↑2.1x YoY).
- Operating expense clocked in at Rs10.7bn translating into an increase of 9/2% YoY/QoQ in 1QCY22. This translated to cost/income decreasing by 3/4ppt YoY/QoQ to stand at 44%.
- The bank reported a reversal of provisioning expense amounting to Rs992mn this quarter compared to provisioning expense reversal of Rs213mn in 1QCY21.

Outlook

- Bank is expected to post robust profitability due to its prudent investment book and low cost of deposit. We have an 'Outperform' rating on the stock with the Dec-22 TP of Rs212/sh, dividend yield of 14% and attractive P/B of 0.80.

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Table 01: Earnings Review MCB 1QCY22

	1QCY22	4QCY21	YoY	1QCY21	QoQ
Interest Earned	42,689	30,601	39%	35,843	19%
Interest Expensed	23,331	14,303	63%	18,513	26%
Net Interest Income (NII)	19,358	16,298	19%	17,330	12%
Fee Income	3,549	3,637	-2%	3,875	-8%
Dividend Income	699	348	101%	727	-4%
Foreign Exchange Income	1,286	606	112%	1,469	-12%
Gain on Securities	290	9	3059%	(122)	-339%
Other Income	52	375	-86%	(541)	-110%
Total Non Markup Income	5,876	4,975	18%	5,408	9%
Share of Profit from Associates	204	277	-26%	253	-19%
Total Income	25,438	21,549	18%	22,991	11%
Non-Markup Expense	11,083	10,089	10%	10,928	1%
Operating Expense	10,754	9,829	9%	10,562	2%
WWF	306	230	33%	278	10%
Other Charges	23	29	-23%	88	-74%
Profit Before Provisions	14,355	11,460	25%	12,063	19%
Provisions	(992)	(213)	365%	(1,972)	-50%
Profit Before Taxation	15,347	11,674	31%	14,035	9%
Taxation	6,242	4,624	35%	5,674	10%
Profit After Taxation	9,106	7,050	29%	8,361	9%
PAT Attributable to Shareholders	9,083	7,012	30%	8,325	9%
EPS	7.66	5.92		7.03	
DPS	4.50	4.50		5.00	
Cost/Income	44%	47%		48%	
ETR	41%	40%		40%	

Source: Company Accounts, Foundation Research, April 2022

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