

Earnings Review

MCB: 3QCY22 EPS clocked in at Rs7.80, DPS Rs5.0

Event

- MCB Bank Limited (MCB PA) announced its 3QCY22 result with consolidated profitability of Rs9.2bn (EPS Rs7.8/sh), up by 16/304% YoY/QoQ. This cumulates into 9MCY22 profitability of Rs20.6bn (EPS Rs17.4), down 10% YoY.
- The result is accompanied with a cash dividend of Rs5.0/sh, which takes 9MCY22 payout to Rs14.0/sh.
- Bank Profitability is above our expectation given higher foreign exchange income and provision reversal during the quarter.

Impact

- The bank posted a PAT of Rs9.2bn in 3QCY22 (up by 16/304% YoY/QoQ). The increase in profitability was mainly because of higher net interest income and non-markup income.
- During 3QCY22, interest income increased by 79/23% YoY/QoQ. On the other hand, interest expense registered an increase of 116/85% YoY/QoQ. This translated into NII of Rs25.0bn (↑44/9% YoY/QoQ) for the quarter.
- Non-markup income clocked in at Rs7.9bn (↑53/7% YoY/QoQ). The increase in non-markup income was mainly driven by FX income (↑4.3x/39% YoY/QoQ) and higher Fee income (↑13/2% YoY/QoQ).
- Operating expense clocked in at Rs12.6bn translating into an increase of 22/6% YoY/QoQ in 3QCY22. This translated to cost/income of 40%, down by 7.2/0.7ppt YoY/QoQ.
- The bank reported provisioning reversal amounting to Rs377mn against our expectation of provisioning expense in this quarter compared to provisioning reversal of Rs1.5bn in 3QCY21.
- Bank's effective tax rates increased to 54% in 3QCY22 from 47% in 3QCY21 due to imposition of super tax at the rate of 10% for tax year 2023 and increase in tax rate for incremental investment in government securities for banks on the basis of ADR.

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, providing dividend yield of 16% and attractive at an attractive P/B of 0.8.

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Table 01: Earnings Review 3QCY22

	3QCY22	3QCY21	YoY	QoQ	9MCY22	9MCY21	YoY
Interest Earned	61,034	34,032	79%	23%	153,350	96,766	58%
Interest Expensed	36,045	16,716	116%	35%	86,111	45,718	88%
Net Interest Income (NII)	24,990	17,316	44%	9%	67,239	51,048	32%
Fee Income	3,911	3,475	13%	2%	11,285	10,086	12%
Dividend Income	331	375	-12%	-18%	1,436	1,228	17%
Foreign Exchange Income	4,102	954	330%	39%	8,339	2,379	251%
Gain on Securities	(543)	207	-362%	-720%	(165)	384	-143%
Other Income	60	133	-55%	-28%	196	1,168	-83%
Total Non-Markup Income	7,861	5,146	53%	7%	21,091	15,246	38%
Share of Profit from Associates	160	259	-38%	1%	522	690	-24%
Total Income	33,010	22,720	45%	9%	88,852	66,985	33%
Non-Markup Expense	13,066	10,627	23%	7%	36,380	31,245	16%
Operating Expense	12,557	10,297	22%	6%	35,139	30,028	17%
WWF	409	270	51%	13%	1,076	780	38%
Other Charges	101	61	65%	139%	165	437	-62%
Profit Before Provisions	19,944	12,093	65%	10%	52,472	35,739	47%
Provisions	(377)	(1,501)	-75%	-629%	(1,298)	(3,501)	-63%
Profit Before Taxation	20,322	13,594	49%	12%	53,770	39,241	37%
Taxation	11,039	5,591	97%	-30%	33,101	16,274	103%
Profit After Taxation	9,282	8,003	16%	307%	20,669	22,967	-10%
PAT Attributable to Shareholders	9,246	7,972	16%	304%	20,615	22,854	-10%
EPS	7.80	6.73			17.40	19.29	
DPS	5.00	4.50			14.00	14.00	
Cost/Income	40%	47%			41%	47%	
ETR	54%	41%			62%	41%	

Source: Company Accounts, Foundation Research, October 2022

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Recommendations definitions

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