

Foundation Alert

Earnings review: MCB 1QCY23 EPS at Rs11.75, DPS Rs6.0

Event

- MCB Bank Limited (MCB PA) announced its 1QCY23 result with consolidated earnings of Rs11.75/sh (up by 53/2% YoY/QoQ).
- The result is accompanied with a cash dividend of Rs6.0/sh.
- The result is above our expectation given lower interest cost and provision expense.

Impact

- The bank posted a PAT of Rs13.9bn in 1QCY23 (up by 53/2% YoY/QoQ), mainly due to (1) higher Net Interest Income (\uparrow 71%/15% YoY/QoQ), and (2) higher non-funded income (\uparrow 10%/35% YoY/QoQ).
- Net interest income (NII) increased by 71%/15% YoY/QoQ as interest earned increased by 65%/6% YoY/QoQ in 1QCY23. Meanwhile, interest expense increased by 59% YoY while remained stagnant on sequential basis as bank shifted focus to current accounts.
- The increase in non-funded income was mainly driven by higher fee income clocking in at Rs4.6bn (\uparrow 31%/8% YoY/QoQ).
- However, FX income clocked in at Rs1.0bn (\downarrow 19% /18% YoY/QoQ) and dividend income decreasing by 6%/6% YoY/QoQ.
- Operating expense increased by 26/5% YoY/QoQ to Rs13.6bn in 1QCY22. This translated into Cost/income of 36% (down by 7.8/4.2ppts YoY/QoQ).
- The bank recorded provision expense of Rs740mn in 1QCY23 as compared to provisioning reversal of Rs992mn in 1QCY22, and Rs1.3bn in last quarter.
- Effective tax rate for 1QCY23 clocked in at 43% (\uparrow 2.6%/7.2% YoY/QoQ).

Outlook

- Prudent asset deployment with lower ADR concentrated corporate book along with higher CASA would provide cushion to the Bank to pass through this tough economic environment. Moreover, lower cost of deposits and operating cost along with adequate CAR would further strengthen our conviction for the bank to reflect asset repricing in its profitability. Thus, we have an "Outperform" stance on the bank with Dec-23 TP of Rs154.0.

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Table 01: Earnings Review MCB 1QCY23

	1QCY23	1QCY22	YoY	4QCY22	QoQ
Interest Earned	70,234	42,689	65%	66,073	6%
Interest Expensed	37,191	23,331	59%	37,344	0%
Net Interest Income (NII)	33,042	19,358	71%	28,729	15%
Fee Income	4,649	3,549	31%	4,289	8%
Dividend Income	654	699	-6%	694	-6%
Foreign Exchange Income	1,036	1,286	-19%	1,257	-18%
Gain on Securities	84	290	-71%	(1,544)	na
Other Income	64	52	23%	125	-49%
Total Non-Markup Income	6,487	5,876	10%	4,822	35%
Share of Profit from Associates	4	204	-98%	149	-97%
Total Income	39,533	25,438	55%	33,700	17%
Non-Markup Expense	14,152	11,083	28%	13,473	5%
Operating Expense	13,558	10,754	26%	12,937	5%
WWF	496	306	62%	434	14%
Other Charges	98	23	336%	102	-4%
Profit Before Provisions	25,381	14,355	77%	20,228	25%
Provisions	740	(992)	na	(1,343)	na
Profit Before Taxation	24,641	15,347	61%	21,570	14%
Taxation	10,662	6,242	71%	7,788	37%
Profit After Taxation	13,979	9,106	54%	13,782	1%
PAT Attributable to Shareholders	13,928	9,083	53%	13,677	2%
EPS	11.75	7.66		11.54	
DPS	6.00	5.00		6.00	
Cost/Income	36%	44%		40%	
ETR	43%	41%		36%	

Source: Company Accounts, Foundation Research, April 2023

Important disclosures:

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Recommendations definitions

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