

MCB Bank Limited

Corporate Briefing Takeaways

Management Conference Call

MCB held its conference call on December 20, 2023 whereby they discussed the banks' financials and its future outlook. The call was led by the CFO, Mr. Hammad Khalid.

Brief Takeaways

- To recall, MCB announced earnings (PAT) for 3QCY23 at PKR 19.6bn (EPS: PKR 16.57), depicting an increase of 112% YoY | 34% QoQ (3QCY22 EPS: PKR 7.80). The jump in profitability during 3Q on YoY basis was due to improved total income. Alongside the result, the bank announced a DPS of PKR 8 in 3QCY23. With this, MCB reached its all-time high PAT and paid a historical high dividend in 9MCY23.
- The investment portfolio comprises 95% of gov't securities of which PKR 343bn is invested in T-Bills, PKR 213bn in Fixed PIBs, and PKR 653bn in Floaters as of Sep'23.
- The average yield on investment increased to 17.66% in Sep'23 as compared to 11.83% in SPLY while yields on advances improved from 10.55% (Sep'22) to 17.70% (Sep'23).
- The bank stands at ADR of 37.7%, while Coverage and Infection ratios of the Bank were reported at 82.86% and 8.45% respectively.
- Deposits were up from PKR 1.38trn (Dec'22) to PKR 1.72trn as of Sep'23. Going forward, the bank will continue focusing on improving CA proportion which rose to PKR 845.3bn as at Sep'23 from PKR 680bn as at Dec'22 (+25%). With this, the bank's CASA improved from 95.9% (Dec 22) to 96.7% (Sep'23).
- The bank's CAR stands at 20.26% as at Sep'23, well-above the regulatory requirement of 11.5%.
- The recoveries from NIB NPL stock during the out-going 9M were around PKR 932mn, taking the overall stock to PKR 9.45bn as at Sep'23.
- On the PKR devaluation, the management commented that MCB anticipates a depreciation of 10-12% in the PKR against the USD in CY24.
- Regarding the windfall tax, the management stated that the matter is currently sub judice. If implemented, the bank's effective tax rate is expected to be ~52.6%.
- Excluding floating PIBs, for PIBs categorized as AFS and HTM, the average time to maturity is 2.43 years.
- With an impressive RoE of 31.84% (Sep'23), up from 19.78% (Dec'22), and a robust RoA of 2.63% (against 1.61% as at Dec'22), the bank foresees sustained strength, expecting RoE to persist in the 25-26% range.

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