MCB Bank (MCB)

1Q2018 Conference Call Notes

Topline Research
research@topline.com.pk
Tel: +9221-35303330
Topline Securities, Pakistan

Key Takeaways

- MCB announced 1Q2018 earnings of Rs4/share, down 20% YoY. This decline was primarily due to a one-off pension cost of Rs2bn booked during the quarter as per the instructions of Supreme Court.
- Net Interest Income (NII) of MCB was up 14% YoY and 1% QoQ in 1Q2018 due to improving deposit profile of the bank and investment in high yielding assets.
- Management do not expect any major additional charge on account of pension case in upcoming quarters.
- In 1Q2018, MCB continued to book NPL reversals, which stood at Rs313mn. Management also expects to recover 40-50% of NPL book of NIB (which was merged with MCB in 3Q2017) during the next 3-5 years. NIB had NPL book of Rs29bn.
- Banks will have to pay 4% super tax on Tax Year 2018 and 3% super tax on Tax Year 2019, which will both be booked in calendar year 2018 as per MCB management.
- The management do not expect any major charge of provisioning after implementation of IFRS 9 as the banks already classifies certain NPLs on subjective basis. As of now, SBP has asked banks to evaluate the possible impact of the regulatory changes.
- 1Q2018 NII does not entirely account for 25bps hike of policy rate in Jan 2018 as 80-85% of loans are reprised on quarterly basis whereas deposits are reprised in the following month. Hence, the complete impact of the 25bps will be seen in 2Q2018.
- Currently, consumer book contributes around Rs21bn (~4% of total loan book). The bank is targeting it to gradually increase it to around 8%.
- Fees, commission & brokerage income grew by 20% in 1Q2018 led by increased banking transactions, trade volumes, banc assurance etc. Management targets to maintain this growth in 2018.

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