

# MCB Bank (MCB)

1Q2018 EPS of Rs4, -20% YoY (+61% QoQ)

Interim Cash dividend of Rs4/share

In-line with expectations

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Umair Naseer<sup>AC</sup>

umair.naseer@topline.com.pk

Tel: +9221-35303330

Topline Securities, Pakistan

## Earnings down 20% due to one-time pension cost

<b>MCB: Financial Highlights</b>					
<b>Rsmn</b>	<b>1Q2018</b>	<b>1Q2017</b>	<b>4Q2017</b>	<b>YoY</b>	<b>QoQ</b>
Markup interest earned	18,947	17,670	19,159	7%	-1%
Markup interest expensed	7,607	7,690	7,906	-1%	-4%
Net Interest Income	11,340	9,980	11,254	14%	1%
NPL provisioning/reversals	(313)	(755)	(425)	NM	NM
Total provisioning expense	(730)	(878)	2,570	NM	NM
Non Interest Income	4,359	5,149	4,125	-15%	6%
Non Interest Expense	7,307	6,850	8,210	7%	-11%
Pension Cost	2,025	-	-		
Profit before Tax	7,296	9,351	4,538	-22%	61%
Taxation	2,584	3,421	1,613	-24%	60%
Profit attributable to equity holder	4,701	5,897	2,916	-20%	61%
<b>EPS</b>	<b>4.0</b>	<b>5.0</b>	<b>2.5</b>		

Source: PSX, Topline Research

- MCB announced 1Q2018 earnings of Rs4/share, down 20% YoY primarily due to a one time pension cost of Rs2bn (Rs1.1/share). To recall, Supreme Court had ordered top four banks to increase minimum monthly pensions of the pensioners to Rs8,000/month with an annual increase of 5%. In line with the above orders, MCB bank charged a one time pension cost based on the present value of the future expected expenses against the same. UBL and ABL has also charged a one-off pension cost of Rs6bn and 265mn respectively during 1Q2018.
- Earnings excluding pension charge would have clocked in at Rs5.1/share vs. Rs5/share in 1Q2017.
- Net Interest Income (NII) of the bank clocked in 14% higher compared to previous year. This was mainly led by higher interest income post merger with NIB bank during 3Q2017.

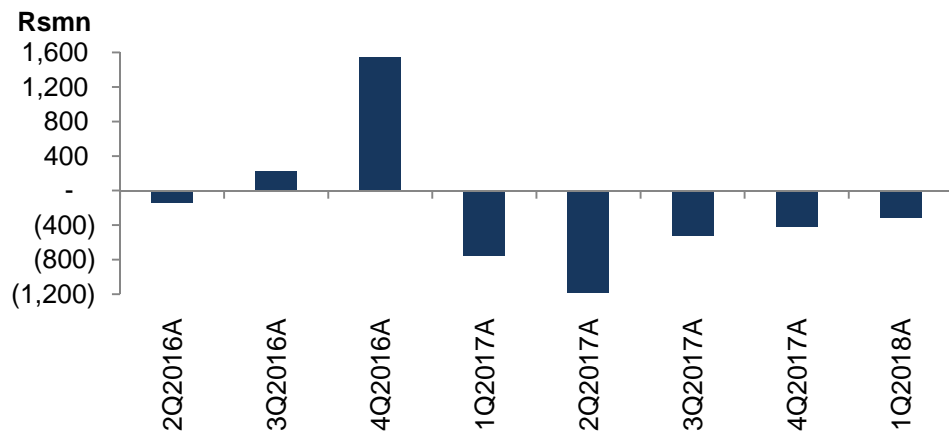
## Earnings down 20% due to one-time pension cost

- The bank booked net provision reversals of Rs730mn in 1Q2018 as against reversal of Rs878mn during the same period last year. Reversals against the NPLs stood at Rs313mn while the remainder attributed to reversals against investments.
- MCB's Non-Interest Income also declined by 15% to Rs4.3bn due to normalization of capital gains number. MCB booked capital gains against sale of investments to the tune of Rs585mn in 1Q2018, down 72% YoY. Fee, commission & brokerage income continued to post strong growth of 20% led by higher banking transactions, card business & trade volumes, we believe.
- Non-Interest bearing expenses were up 18% YoY to Rs7.8bn, largely in line with estimates.
- On QoQ basis, MCB registered earnings growth of 61% due to absence of any major provision charge on QoQ basis. NII of the bank continued to grow by 1% QoQ whereas non-markup income was up 6% QoQ.
- Key risks for the company include 1) delay in hike in policy rate, 2) lower than expected advances growth and deposit growth, and 3) deterioration in Pakistan macros.

MCB: Key Numbers					
	2013A	2014A	2015A	2016A	2017A
EPS	18.5	20.8	21.0	18.6	19.1
Earnings Growth	4%	13%	1%	-11%	3%
PE at Rs212.9	11.5	10.2	10.1	11.4	11.1
Dividend Yield	6%	6%	8%	8%	8%
ROE	19%	18%	18%	15%	15%
PBV	2.2	1.9	1.8	1.7	1.7

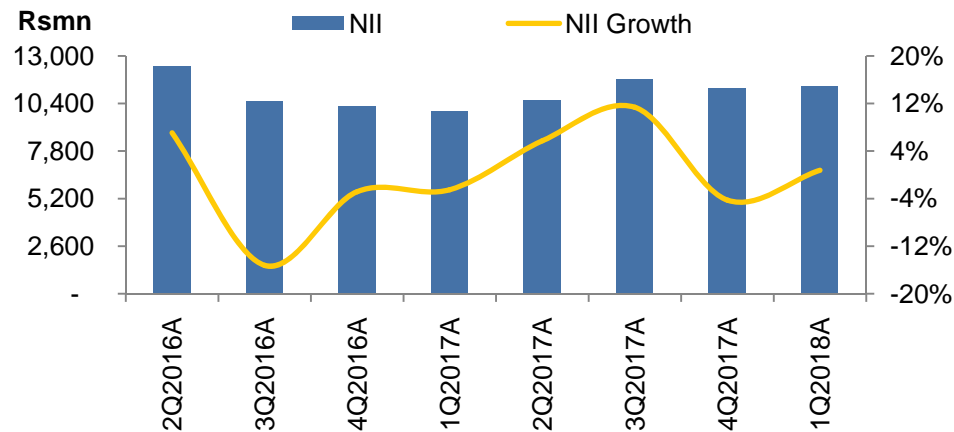
Source: Company Accounts, Topline Research

### MCB: Quarterly NPL provisioning / Reversal



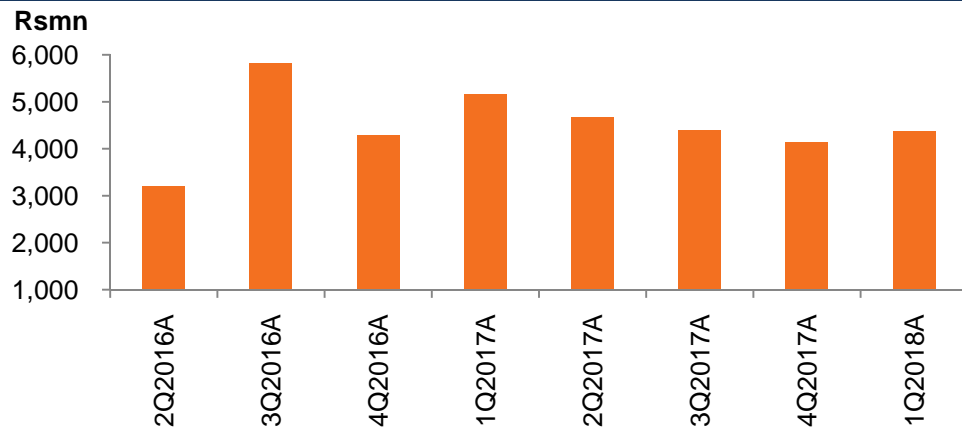
Source: Company Accounts, Topline Research

### MCB: Quarterly NII and NII Growth



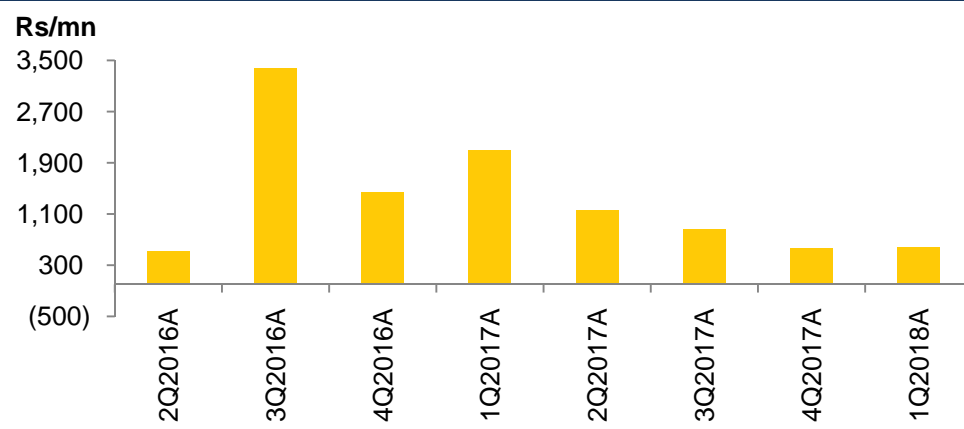
Source: Company Accounts, Topline Research

### MCB: Quarterly Non interest income



Source: Company Accounts, Topline Research

### MCB: Quarterly Capital gains



Source: Company Accounts, Topline Research

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Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

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Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

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