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## MCB: 3QCY24 EPS clocks in at PKR 13.94, down 5% YoY, DPS PKR 9.00

### MCB Bank Limited

PSX: MCB | Bloomberg: MCB PA | Reuters: MCB.PSX

- MCB announced the 3QCY24 result today wherein the bank recorded an unconsolidated EPS of PKR 13.94, down 5% YoY. The bank declared a cash dividend of PKR 9.0/sh, taking the payout for 9MCY24 to PKR 27.0/sh.
- Net interest income for 3QCY24 remained flattish on a YoY basis at PKR 40.2bn. Interest expense accelerated at a faster pace (+15% YoY) to PKR 58.3bn, versus interest income which increased by 9% YoY to PKR 98.5bn.
- Non-interest income arrived at PKR 8.6bn with fee & commission income of PKR 5.1bn (-6% YoY) and FX income of PKR 2.5bn (+10% YoY).
- MCB booked a provisioning expense of PKR 160mn, versus provisioning reversal of PKR 675mn in SPLY.
- Admin expenses for 3QCY24 increased by 13% YoY to PKR 16.3bn, translating into a cost-income ratio of 32% versus 27% in 3QCY23.
- Effective tax rate clocked in at 49% with the taxation expense arriving at PKR15.9bn, recording a decline of 5% YoY.
- We have a 'Hold' rating on the scrip with Dec-25 price target of PKR 234/share, providing a downside of 4% along with a dividend yield of 12%.

#### Key Data

Key Data	Value
PSX Ticker	MCB
Target Price (PKR)	234
Current Price (PKR)	243
Upside/(Downside) (%)	-4%
Dividend Yield (%)	12%
Total Return (%)	8%
12-month High (PKR)	259
12-month Low (PKR)	142
Outstanding Shares (mn)	1,185
Market Cap (PKR mn)	287,413

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)	3QCY23	3QCY24	YoY	9MCY23	9MCY24	YoY
M/up Earned	90,102	98,517	9%	235,381	281,697	20%
M/up Expense	50,694	58,301	15%	128,964	166,624	29%
<b>Net Interest Income</b>	<b>39,408</b>	<b>40,215</b>	<b>2.0%</b>	<b>106,417</b>	<b>115,073</b>	<b>8%</b>
Non-Interest Income	8,535	8,598	1%	22,600	26,854	19%
Total Provisions	(675)	160	-124%	1,236	665	-46%
Admin Expenses	14,364	16,260	13%	39,684	46,151	16%
<b>Profit Before Tax</b>	<b>34,254</b>	<b>32,393</b>	<b>-5%</b>	<b>88,095</b>	<b>95,111</b>	<b>8%</b>
Tax	16,794	15,879	-5%	43,949	46,660	6%
<b>Profit After Tax</b>	<b>17,460</b>	<b>16,514</b>	<b>-5%</b>	<b>44,147</b>	<b>48,451</b>	<b>10%</b>
EPS	14.73	13.94	-	37.25	40.88	-
DPS	8.00	9.00	-	21.00	27.00	-

Source: Company Accounts, Akseer Research

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS (PKR)	26.0	27.6	50.3	48.5	47.9	45.7
EPS Growth	6.1%	6.3%	82.1%	-3.6%	-6.0%	-5%
DPS (PKR)	19.0	20.0	30.0	31.5	29.0	32.0
BVPS	147.2	159.9	185.5	200.7	216.8	232.2
PER	8.2	7.7	4.2	5.0	4.3	4.4
Dividend Yield	7.8%	8.2%	12.4%	13.0%	12.0%	13.2%
P/B	1.6	1.5	1.2	1.2	1.1	1.0
ROE	16.9%	18.0%	28.4%	24.5%	23.8%	22.6%

Source: Company Accounts, Akseer Research

## Valuation Basis

Our PT for MCB Bank Limited (MCB) has been computed on dividend discounting method using Justified P/B for the calculation of terminal value. We have used a sustainable ROE of 21.4% to arrive to calculate exit P/B, along with a risk-free rate of 14%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 20%.

## Investment Thesis

We have a 'BUY' recommendation on the stock based on our Dec-25 PT of PKR 234/share which results in an downside of 4% along with a dividend yield of 12%. Our investment case on MCB is based on 1) One of the highest CASA in the industry 2) higher CAR to ensure sustainability of payouts, and 3) lowest cost to income ratio.

## Risks

Key risks to our investment thesis are: 1) lower than anticipated growth in advances and deposits 2) higher than anticipated provisioning.

## Company Description

MCB Bank Limited is a banking company incorporated in Pakistan providing commercial banking and related services in Pakistan and outside the country. The bank was incorporated in 1947 and is based in Lahore, Pakistan. As of Dec 31, 2023, MCB is operating through 1,430 branches in Pakistan and 8 branches outside the country, including Karachi Export Processing Zone.

## Financial Highlights - MCB

Income Statement (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest earned	123,334	200,763	328,057	370,948	333,040	290,729
Mark-up/interest expensed	59,347	113,607	180,356	221,873	185,723	148,980
<b>Net interest income</b>	<b>63,987</b>	<b>87,156</b>	<b>147,701</b>	<b>149,075</b>	<b>147,317</b>	<b>141,749</b>
<b>Non-interest income</b>	<b>20,074</b>	<b>24,613</b>	<b>32,916</b>	<b>38,672</b>	<b>42,899</b>	<b>46,334</b>
Provision charged	(4,823)	(2,782)	373	1,239	1,684	2,566
Operating expenses	35,381	41,495	51,838	59,127	63,524	66,538
<b>Profit after tax</b>	<b>30,811</b>	<b>32,741</b>	<b>59,631</b>	<b>57,459</b>	<b>56,734</b>	<b>54,100</b>

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	183,443	121,241	205,790	204,860	297,952	345,624
Investments	1,035,585	978,731	1,249,439	1,462,776	1,716,951	2,016,276
Advances	589,711	753,400	577,863	707,158	778,298	855,838
Operating Fixed Assets	58,307	80,719	214,016	87,430	85,694	83,993
Other Assets	60,955	93,301	214,016	396,671	297,910	345,576
<b>Total Assets</b>	<b>1,970,468</b>	<b>2,085,355</b>	<b>2,557,338</b>	<b>2,858,896</b>	<b>3,278,719</b>	<b>3,765,528</b>
Borrowings from FIs	269,526	340,237	216,611	259,933	301,523	349,766
Deposits	1,411,852	1,378,717	1,805,387	2,166,465	2,513,099	2,915,195
Other Liabilities	89,365	137,769	101	194,599	207,793	241,040
<b>Total Liabilities</b>	<b>1,796,061</b>	<b>1,895,861</b>	<b>2,047,195</b>	<b>2,620,997</b>	<b>3,039,824</b>	<b>3,525,595</b>
Equity	174,407	189,495	230,707	237,898	238,896	239,933
<b>Total Liabilities &amp; Equity</b>	<b>1,970,468</b>	<b>2,085,355</b>	<b>2,277,902</b>	<b>2,858,896</b>	<b>3,278,719</b>	<b>3,765,528</b>

Source: Company Accounts, Akseer Research

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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