

MCB has announced its 1QCY23 result where it posted a profit after tax of Rs13.06bn (EPS: Rs11.02) as compared to a profit after tax of Rs8.91bn (EPS: Rs7.52) in the same period last year, up by 46.5% YoY amid a hike in interest rate in addition to higher fee and commission income.

The company has posted a net interest income of Rs30.07bn against Rs18.11bn in SPLY, recording a growth of 66% YoY. Non-interest income has increased by 3.5% YoY to Rs5.92bn. However, FX income and securities recorded losses of 18.9% and 87.5% respectively.

Furthermore, the operating cost-to-income ratio has declined to 32.8% as compared to 39.6% during SPLY. Moreover, effective taxation has increased to 43.3%.

MCB is currently trading at CY23E PE of 3.54x. Furthermore, the scrip is trading at a CY23E P/B of 0.70x which offers a discount of 8.7% relative to its historical 3-year average of 0.77x. We suggest our investors to **BUY** the scrip with a justified P/B Dec-23 TP of Rs.160 which provides an upside potential of 32%. Furthermore, it also offers an attractive dividend yield of 21% which makes a total return of 53%.

Rupees' millions	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Interest earned	63,855	39,717	60.8% ▲	200,763	123,334	62.8% ▲
Interest expensed	-33,785	-21,605	56.4% ▲	-113,607	-59,347	91.4% ▲
Net Interest Income	30,070	18,112	66.0% ▲	87,156	63,987	36.2% ▲
Fee and commission income	4,172	3,274	27.4% ▲	14,182	12,440	14.0% ▲
Dividend income	649	755	14.1% ▼	2,414	2,251	7.2% ▲
Foreign exchange income	983	1,211	18.9% ▼	9,159	3,734	145.3% ▲
(Loss) / gain on securities	52	415	87.5% ▼	-1,464	811	280.6% ▼
Other income	54	64	15.0% ▼	290	823	64.8% ▼
Non-Interest Income	5,922	5,722	3.5% ▲	24,613	20,074	22.6% ▲
Operating expenses	-11,793	-9,449	24.8% ▲	-41,495	-35,381	17.3% ▲
Workers' Welfare Fund	-460	-299	54.2% ▲	-1,427	-1,040	37.3% ▲
Other charges	-98	-21	369.2% ▲	-264	-474	44.2% ▼
Profit Before Provisions	23,640	14,065	68.1% ▲	68,583	47,167	45.4% ▲
Provisions	-624	864	172.3% ▼	2,782	4,823	42.3% ▼
Profit Before Taxation	23,016	14,928	54.2% ▲	71,365	51,989	37.3% ▲
Taxation	-9,960	-6,014	65.6% ▲	-38,624	-21,178	82.4% ▲
Profit After Taxation	13,056	8,914	46.5% ▲	32,741	30,811	6.3% ▲
Earnings Per Share	11.02	7.52	46.5% ▲	27.63	26.00	6.3% ▲
Dividend	6.00	5.00	20.0% ▲	20.00	19.00	5.3% ▲
Bonus	0%	0%		0%	0%	

Closing Period: May 10, 2023 - May 12, 2023

Operating Cost to Income	-32.8%	-39.6%	6.9% ▼	-37.1%	-42.1%	5.0% ▼
Effective Taxation	-43.3%	-40.3%	3.0% ▲	-54.1%	-40.7%	13.4% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	MCB
TP - Dec 23	160
LDPC	120.05
Upside (%)	33
Free Float ('mn)	415
Market Cap. (Rs. 'mn)	142,266

MCB vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Mark-up / Return / Interest earned	136,076	123,334	200,763	255,021	280,166	310,632	345,010
Mark-up / Return / Interest expensed	-64,741	-59,347	-113,607	-156,237	-169,601	-175,723	-184,492
Net Mark-up / Interest Income	71,334	63,987	87,156	98,784	110,564	134,909	160,518
Fee and commission income	10,936	12,440	14,182	16,689	19,193	21,112	22,167
Dividend income	1,210	2,251	2,414	2,593	2,703	2,853	3,053
Foreign exchange income	2,525	3,734	9,159	3,929	4,778	5,494	6,044
(Loss) / gain from derivatives	4	14	33	0	0	0	0
(Loss) / gain on securities	3,332	811	-1,464	208	615	693	795
Other income	128	823	290	437	524	629	692
Total non-markup / interest income	18,136	20,074	24,613	23,856	27,812	30,781	32,751
Non mark-up / interest expenses							
Operating expenses	-32,646	-35,381	-41,495	-46,979	-53,007	-69,494	-81,061
Workers' Welfare Fund	-965	-1,040	-1,427	-1,834	-2,069	-2,332	-2,720
Other charges	-297	-474	-264	-393	-480	-588	-719
Profit Before Provisions	55,562	47,167	68,583	73,435	82,820	93,276	108,769
Provisions / (reversal of provisions)	-7,313	4,823	2,782	-2,495	-3,854	-5,276	-7,012
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	48,249	51,989	71,365	70,940	78,967	88,000	101,757
Income tax expense	-19,212	-21,178	-38,624	-30,699	-35,535	-39,600	-45,791
Profit for the year	29,037	30,811	32,741	40,241	43,432	48,400	55,966
EPS	24.50	26.00	27.63	33.96	36.65	40.84	47.23

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Mark-up / Return / Interest earned	-1.6%	-9.4%	62.8%	27.0%	9.9%	10.9%	11.1%
Mark-up / Return / Interest expensed	-17.7%	-8.3%	91.4%	37.5%	8.6%	3.6%	5.0%
Net Mark-up / Interest Income	19.7%	-10.3%	36.2%	13.3%	11.9%	22.0%	19.0%
Total non-markup / interest income	8.7%	10.7%	22.6%	-3.1%	16.6%	10.7%	6.4%
Non mark-up / interest expenses							
Operating expenses	-0.1%	8.4%	17.3%	13.2%	12.8%	31.1%	16.6%
Workers' Welfare Fund	20.3%	7.8%	37.3%	28.5%	12.8%	12.7%	16.6%
Other charges	25.8%	59.3%	-44.2%	48.5%	22.4%	22.4%	22.4%
Profit Before Provisions	30.5%	-15.1%	45.4%	7.1%	12.8%	12.6%	16.6%
Provisions / (reversal of provisions)	194.5%	-165.9%	-42.3%	-189.7%	54.4%	36.9%	32.9%
Profit before income tax	20.3%	7.8%	37.3%	-0.6%	11.3%	11.4%	15.6%
Income tax expense	19.1%	10.2%	82.4%	-20.5%	15.8%	11.4%	15.6%
Profit for the year	21.1%	6.1%	6.3%	22.9%	7.9%	11.4%	15.6%
EPS	21.1%	6.1%	6.3%	22.9%	7.9%	11.4%	15.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Yield on Earning Assets	%	8.50	6.76	10.55	13.08	13.60	13.59	13.61
Interest Cost	%	4.38	3.48	6.46	8.89	9.00	8.24	7.77
Net Interest Margin	%	4.12	3.28	4.09	4.20	4.61	5.35	5.83
Operating Cost to Income	%	37.90	43.89	38.64	40.12	40.15	43.70	43.72
Return on Equity	%	15.27	17.67	17.28	19.92	20.15	20.93	22.56
Return on Assets	%	1.65	1.56	1.57	1.86	1.90	1.91	1.99
Balance Sheet Analysis								
		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Deposits Growth	%	12.64	9.49	-2.35	7.23	7.23	9.23	11.23
CASA to Deposits	%	88.89	89.33	90.93	86.93	86.43	85.93	85.43
Advances to Deposits	%	35.90	41.77	54.64	54.23	54.24	54.25	54.26
Investments to Deposits	%	78.78	73.35	70.99	70.37	68.41	66.11	63.59
PIBs to Investments	%	35.90	65.37	83.67	83.67	83.17	83.17	83.17
T Bills to Investments	%	61.43	32.23	13.46	13.46	13.46	13.46	13.46
Gross Infection Ratio	%	9.97	7.94	6.43	7.33	7.33	7.33	7.33
Provisioning Coverage	%	88.19	87.45	81.83	81.83	81.83	81.83	81.83
Net Infection Ratio	%	1.31	1.07	1.24	1.42	1.42	1.42	1.42
Capital Adequacy Ratio	%	20.98	17.01	18.84	19.21	19.29	18.67	18.01
Leverage Ratio	%	7.03	6.13	6.12	6.09	6.09	6.01	5.81
Operational Analysis								
		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Market Share - Deposits	%	7.21	6.73	6.14	5.83	5.54	5.36	5.28
Market Share - Advances	%	6.04	6.26	6.70	6.36	6.04	5.84	5.76
Market Share - Investments	%	8.78	7.46	5.71	5.27	4.86	4.55	4.31
No. of Branches		1429	1437	1448	1459	1470	1482	1493
Investment Ratios								
		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Dividend Per Share		20.00	19.00	20.00	25.00	27.00	30.00	35.00
Dividend Yield	%	16.66	15.83	16.66	20.82	22.49	24.99	29.15
Dividend Cover	x	1.23	1.37	1.38	1.36	1.36	1.36	1.35
Retention Ratio	%	18.38	26.92	26.92	26.92	26.92	26.92	26.92
Payout Ratio	%	81.62	73.08	73.08	73.08	73.08	73.08	73.08
No. of Shares	('m)	1185	1185	1185	1185	1185	1185	1185
Earnings Per Share		24.50	26.00	27.63	33.96	36.65	40.84	47.23
Book Value Per Share		160.42	147.17	159.90	170.50	181.91	195.15	209.37
Price to Earnings	x	4.90	4.62	4.35	3.54	3.28	2.94	2.54
Price to Book Value	x	0.75	0.82	0.75	0.70	0.66	0.62	0.57

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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