

MCB has announced its CY22 result where it posted a profit after tax of Rs32.74bn (EPS: Rs27.63) as compared to a profit after tax of Rs30.81bn (EPS: Rs26) in the same period last year, up by 6.3% YoY amid a hike in interest rate and higher foreign exchange income.

The company has posted a net interest income of Rs87.16bn against Rs63.99bn in SPLY, recording a growth of 62.8% YoY. Non-interest income has increased by 22.6% YoY to Rs24.61bn mainly due to the increase in foreign exchange income which surged by 145.3% to Rs9.16bn.

Furthermore, the operating cost-to-income ratio has declined to 37.1% as compared to 42.1% during SPLY. Moreover, effective taxation has increased to 54.1%.

MCB is currently trading at CY23E PE of 3.02x. Furthermore, the scrip is trading at a CY23E P/B of 0.68x which offers a discount of 8.3% relative to its historical 3-year average of 0.74x. We suggest our investors to **BUY** the scrip with a justified P/B Dec-23 TP of Rs.150 which provides an upside potential of 31%. Furthermore, it also offers an attractive dividend yield of 24% which makes a total return of 55%.

Rupees' millions	4QCY22	4QCY21	YoY	CY22	CY21	YoY
Interest earned	59,735	33,431	78.7% ▲	200,763	123,334	62.8% ▲
Interest expensed	-34,090	-17,189	98.3% ▲	-113,607	-59,347	91.4% ▲
Net Interest Income	25,645	16,242	57.9% ▲	87,156	63,987	36.2% ▲
Fee and commission income	3,881	3,286	18.1% ▲	14,182	12,440	14.0% ▲
Dividend income	726	809	10.3% ▼	2,414	2,251	7.2% ▲
Foreign exchange income	1,190	1,404	15.2% ▼	9,159	3,734	145.3% ▲
(Loss) / gain on securities	-1,559	107	1550.6% ▼	-1,464	811	280.6% ▼
Other income	109	79	38.2% ▲	290	823	64.8% ▼
Non-Interest Income	4,360	5,691	23.4% ▼	24,613	20,074	22.6% ▲
Operating expenses	-11,195	-9,190	21.8% ▲	-41,495	-35,381	17.3% ▲
Workers' Welfare Fund	-396	-274	44.2% ▲	-1,427	-1,040	37.3% ▲
Other charges	-102	-73	38.7% ▲	-264	-474	44.2% ▼
Profit Before Provisions	18,313	12,395	47.7% ▲	68,583	47,167	45.4% ▲
Provisions	1,465	1,324	10.7% ▲	2,782	4,823	42.3% ▼
Profit Before Taxation	19,778	13,719	44.2% ▲	71,365	51,989	37.3% ▲
Taxation	-6,890	-5,464	26.1% ▲	-38,624	-21,178	82.4% ▲
Profit After Taxation	12,889	8,255	56.1% ▲	32,741	30,811	6.3% ▲
Earnings Per Share	10.88	6.97	56.1% ▲	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: Mar 16, 2023 - Mar 27, 2023						
Operating Cost to Income	-37.3%	-41.9%	4.6% ▼	-37.1%	-42.1%	5.0% ▼
Effective Taxation	-34.8%	-39.8%	5.0% ▼	-54.1%	-40.7%	13.4% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	MCB
TP - Dec 23	150
LDPCP	114.75
Upside (%)	31
Free Float ('mn)	415
Market Cap. (Rs. 'mn)	135,986

MCB vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116
Email: salman@abbasiandcompany.com

Financial Projections

Rupees' millions	CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Mark-up / Return / Interest earned	136,076	123,334	200,763	239,042	284,239	307,894	334,986
Mark-up / Return / Interest expensed	-64,741	-59,347	-113,607	-136,335	-150,100	-163,008	-177,021
Net Mark-up / Interest Income	71,334	63,987	87,156	102,707	134,139	144,886	157,965
Fee and commission income	10,936	12,440	14,182	15,522	16,989	18,594	20,351
Dividend income	1,210	2,251	2,414	2,905	3,118	3,350	3,605
Foreign exchange income	2,525	3,734	9,159	4,580	2,290	1,145	572
(Loss) / gain from derivatives	4	14	33	0	0	0	0
(Loss) / gain on securities	3,332	811	-1,464	-6,236	-1,237	-1,361	-1,497
Other income	128	823	290	437	319	233	170
Total non-markup / interest income	18,136	20,074	24,613	17,208	21,478	21,961	23,201
Non mark-up / interest expenses							
Operating expenses	-32,646	-35,381	-41,495	-44,778	-65,055	-69,749	-75,735
Workers' Welfare Fund	-965	-1,040	-1,427	-1,582	-1,907	-2,045	-2,220
Other charges	-297	-474	-264	-408	-504	-624	-773
Profit Before Provisions	55,562	47,167	68,583	73,147	88,151	94,429	102,438
Provisions / (reversal of provisions)	-7,313	4,823	2,782	5,858	-5,692	-6,232	-6,824
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	48,249	51,989	71,365	79,006	82,459	88,196	95,614
Income tax expense	-19,212	-21,178	-38,624	-33,972	-35,457	-37,924	-41,114
Profit for the year	29,037	30,811	32,741	45,033	47,002	50,272	54,500
EPS	24.50	26.00	27.63	38.00	39.66	42.42	45.99

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%	19.1%	18.9%	8.3%	8.8%
Mark-up / Return / Interest expensed	-17.7%	-8.3%	91.4%	20.0%	10.1%	8.6%	8.6%
Net Mark-up / Interest Income	19.7%	-10.3%	36.2%	17.8%	30.6%	8.0%	9.0%
Total non-markup / interest income	8.7%	10.7%	22.6%	-30.1%	24.8%	2.2%	5.6%
Non mark-up / interest expenses							
Operating expenses	-0.1%	8.4%	17.3%	7.9%	45.3%	7.2%	8.6%
Workers' Welfare Fund	20.3%	7.8%	37.3%	10.9%	20.5%	7.2%	8.6%
Other charges	25.8%	59.3%	-44.2%	54.2%	23.8%	23.8%	23.8%
Profit Before Provisions	30.5%	-15.1%	45.4%	6.7%	20.5%	7.1%	8.5%
Provisions / (reversal of provisions)	194.5%	-165.9%	-42.3%	110.5%	-197.2%	9.5%	9.5%
Profit before income tax	20.3%	7.8%	37.3%	10.7%	4.4%	7.0%	8.4%
Income tax expense	19.1%	10.2%	82.4%	-12.0%	4.4%	7.0%	8.4%
Profit for the year	21.1%	6.1%	6.3%	37.5%	4.4%	7.0%	8.4%
EPS	21.1%	6.1%	6.3%	37.5%	4.4%	7.0%	8.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Yield on Earning Assets	%	8.50	6.76	9.55	11.17	12.15	12.03	11.98
Interest Cost	%	4.38	3.48	5.33	6.67	6.70	6.65	6.60
Net Interest Margin	%	4.12	3.28	4.22	4.50	5.44	5.38	5.39
Operating Cost to Income	%	37.90	43.89	38.64	39.00	43.35	43.40	43.46
Return on Equity	%	15.27	17.67	17.57	22.52	21.91	21.84	22.21
Return on Assets	%	1.65	1.56	1.52	1.91	1.83	1.79	1.77
Balance Sheet Analysis								
		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Deposits Growth	%	12.64	9.49	9.49	9.49	9.49	9.49	9.49
CASA to Deposits	%	88.89	89.33	84.23	80.23	79.73	79.23	78.73
Advances to Deposits	%	35.90	41.77	41.29	41.52	41.53	41.54	41.55
Investments to Deposits	%	78.78	73.35	71.87	70.83	69.42	68.13	66.95
PIBs to Investments	%	35.90	65.37	65.37	65.37	65.37	65.37	65.37
T Bills to Investments	%	61.43	32.23	32.23	32.23	32.23	32.23	32.23
Gross Infection Ratio	%	9.97	7.94	9.10	9.10	9.10	9.10	9.10
Provisioning Coverage	%	88.19	87.45	87.45	82.15	82.15	82.15	82.15
Net Infection Ratio	%	1.31	1.07	1.24	1.76	1.76	1.76	1.76
Capital Adequacy Ratio	%	20.98	17.01	16.51	16.20	15.90	15.61	15.23
Leverage Ratio	%	7.03	6.13	5.97	5.86	5.76	5.66	5.53
Operational Analysis								
		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Market Share - Deposits	%	7.21	6.73	6.77	6.71	6.47	6.25	6.03
Market Share - Advances	%	6.04	6.26	6.28	6.24	6.02	5.81	5.61
Market Share - Investments	%	8.78	7.46	6.45	7.69	7.28	6.90	6.54
No. of Branches		1410	1426	1442	1459	1475	1492	1509
Investment Ratios								
		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Dividend Per Share		20.00	19.00	20.00	28.00	29.00	31.00	34.00
Dividend Yield	%	17.43	16.56	17.43	24.40	25.27	27.02	29.63
Dividend Cover	x	1.23	1.37	1.38	1.36	1.37	1.37	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	38.00	39.66	42.42	45.99
Book Value Per Share		160.42	147.17	157.27	168.75	181.03	194.21	207.03
Price to Earnings	x	4.68	4.41	4.15	3.02	2.89	2.71	2.50
Price to Book Value	x	0.72	0.78	0.73	0.68	0.63	0.59	0.55

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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SELL	Less than and equal to -5%

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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com