

MCB Bank Limited Corporate Briefing Takeaways

Management Conference Call

MCB senior management held an analyst briefing today to discuss financial performance of 2QCY24 and the future outlook

Brief Takeaways

- To recall, MCB announced earnings for 2QCY24 at PKR 16.8bn (EPS: PKR 14.17), depicting an uptick of 14% YoY while down 6% QoQ (2QCY23 EPS: PKR 12.38).
- The investment portfolio is heavily concentrated in government securities, accounting for 96% of the total. As of Jun'24, the Bank had PKR 345bn invested in T-Bills, PKR 247.3bn in Fixed PIBs, and PKR 770.8bn in Floaters. Additionally, ~PKR 78bn in Fixed Rate PIBs are maturing in the 3QCY24 with a yield of 10.76%. Moreover, the average maturity of the Fixed PIBs is 2.4 years.
- Investment yields saw a significant increase, rising to 19.06% in Jun'24 from 16.60% in Jun'23. Similarly, the yield on advances improved, climbing from 17.04% in Jun'23 to 18.47% in Jun'24.
- The Bank's gross advances grew by PKR 37.03bn, representing a 6% increase since Dec'23, bringing the total to PKR 659bn by the end of Jun'24. This growth was primarily driven by a PKR 31.2bn increase in the corporate lending book, which rose by 7%, and a robust 15% expansion in the retail loan portfolio, which grew by PKR 10.9bn.
- On the asset quality front, the Bank reported a strong coverage ratio of 89.07% and an infection ratio of 8.64%.
- Deposits increased from PKR 1.81trn in Dec'23 to PKR 1.99trn by Jun'24. Going forward, the Bank plans to continue focusing on enhancing its current account proportion, evidenced by a PKR 69bn (+9% since Dec'23) increase in average current deposits by Jun'24.
- Recoveries from the NIB NPL stock during the last quarter amounted to ~PKR 464bn, bringing the overall NPL stock recoveries to PKR 10.1bn as of Jun'24.
- The Bank's CAR remains robust at 20.68% as of Jun'24, well above the regulatory requirement of 11.5%.
- The Bank anticipates a decrease in policy rates by ~200bps during the remainder of CY24, with a 100bps cut expected in the Sep'24 policy and another 100bps reduction in Nov'24.
- The Advance-to-Deposit Ratio (ADR) stood at around 33% as of Jun'24. The management is optimistic about achieving the 50% threshold by year-end to avoid the ADR tax.

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Sana Tawfik | Muhammad Abrar

D: +92 21 32462589

UAN: +92 21 111 245 111, Ext: 248

Sana.tawfik@arifhabibltd.com | muhammad.abrar@arifhabibltd.com