

AHL Brief Note: Commercial Banks

MCB Bank Limited

Corporate Briefing Takeaways

Management Conference Call

MCB bank's senior management held an analyst briefing today to discuss financial performance of 1QCY25 and the future outlook.

Brief Takeaways

- To recall, MCB announced its earnings (Profit After Tax) for 1QCY25 at PKR 14.7bn, with an EPS of PKR 12.4. This reflects a decline of 18% YoY while increased by 39% QoQ (4QCY24 EPS:PKR 8.9). Along with the result, MCB announced cash dividend of PKR 9.0/share.
- Deposits increased to PKR 2.1trn in Mar'25 compared to PKR 1.9trn in Dec'24, resulting in a market share of 6.0%. Moreover, for CY25, MCB is targeting a 25% increase in current accounts, aiming for a 55% current account concentration within total deposits. The entire strategic focus of the bank is centered around mobilizing current accounts, with savings deposits growing at a slower rate.
- The revised MDR had minimal impact on MCB's conventional operations, affecting only a few institutional clients (FI, corporate, and PLCs) with an estimated cost of PKR 80–85mn. In contrast, MCB Islamic was more affected, due to its retail-heavy deposit base, experiencing an impact of over PKR 2bn, part of which was reflected in 1Q.
- Management acknowledged that borrowings as a percentage of deposits had increased to around 29%, which is elevated versus MCB's historical averages.
- MCB's leverage ratio stands at 6.18%, well above the regulatory minimum of 3%. According to management, borrowings are being used tactically due to available arbitrage opportunities, particularly in OMOs and floaters, where spreads of 110–120 bps over 10-year terms are currently achievable.
- Management expects the SBP to maintain the status quo in the upcoming May'25 monetary policy meeting. If macroeconomic fundamentals support it, the policy rate may decline by 100 to 150bps in the 2HCY25. The management expects interest rates to bottom out at 10.5%.
- MCB reported that during 1QCY25, the weighted average yield on fixed-rate PIBs was ~13%. The yield on floating-rate instruments stood at 13.54% and the T-bill yield for the quarter averaged around 12.6%. Management informed the major re-pricing will occur in 2QCY25.
- As of Mar'25, the bank's CAR stood at 19.10%, comfortably above the regulatory requirement of 11.5%.
- The bank's coverage ratio as of Mar'25 was 94.13%, while the infection ratio stood at 6.61%.
- The consumer loan portfolio grew to PKR 40bn in Mar'25, a 7% QoQ increase. While still conservative (under 5% of total loans), MCB plans to grow this gradually at 10–15% per quarter, with a medium-term target of 10% of total loans.
- Approximately 100 new branches have been added over the past three years, and the bank plans to open another 150 to 200 branches in the next two years, subject to approvals and market conditions.
- We maintain our Buy recommendation on MCB Bank Limited, with a Dec'25 target price of PKR 374/share. The stock is currently trading at forward P/B multiples of 1.2x for CY25e and 1.1x for CY26f

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