

MCB has announced its 1HCY21 result where it posted profit after tax of Rs14.7bn (EPS: Rs12.44) as compared to profit after tax of Rs13.2bn (EPS: Rs11.15) in same period last year, up by 11.6% YoY.

The company has posted the net interest income of Rs31.5bn against Rs36bn in SPLY, recording a decline of 12.4% YoY. We note that this negative growth is attributed to the decline in interest rate.

Non-interest income has been increased by 34.1% YoY to Rs9.5bn mainly due to the increase in fee and commission and other income during the period.

Furthermore, the operating cost to income ratio has been increased to 41.9% as compared to 37.6% during SPLY.

Lastly, the bank has booked a reversal of Rs2bn against the provision of Rs3.96bn during SPLY.

MCB is currently trading at CY21E PE of 6.47x. Furthermore, the script is trading at a CY21E P/B of 0.99x which offers a discount of 20% relative to its historical 5-year average of 1.23x. We suggest our investors to **BUY** the script with a DDM based Jun-22 TP of Rs.210 which provides an upside potential of 27%. Furthermore, it also offers an attractive dividend yield of 12% which makes the total return of 39%.

Rupees' millions	2QCY21	2QCY20	YoY	1HCY21	1HCY20	YoY
Interest earned	29,854	36,112	17.3% ▼	58,201	75,212	22.6% ▼
Interest expensed	-13,545	-16,407	17.4% ▼	-26,652	-39,199	32.0% ▼
Net Interest Income	16,309	19,705	17.2% ▼	31,549	36,013	12.4% ▼
Fee and commission income	2,676	2,300	16.3% ▲	6,011	5,146	16.8% ▲
Dividend income	562	310	81.3% ▲	979	534	83.3% ▲
Foreign exchange income	771	703	9.7% ▲	1,395	1,428	2.3% ▼
(Loss) / gain on securities	135	-138	197.5% ▲	485	-67	822.7% ▲
Other income	607	17	3448.6% ▲	620	50	1149.9% ▲
Non-Interest Income	4,750	3,195	48.7% ▲	9,499	7,083	34.1% ▲
Operating expenses	-8,560	-8,031	6.6% ▲	-17,196	-16,193	6.2% ▲
Workers' Welfare Fund	-275	-228	20.6% ▲	-500	-445	12.4% ▲
Other charges	-310	-31	904.6% ▲	-339	-240	41.3% ▲
Profit Before Provisions	11,914	14,610	18.5% ▼	23,012	26,218	12.2% ▼
Provisions	1,823	-3,221	156.6% ▼	2,001	-3,963	150.5% ▼
Profit Before Taxation	13,737	11,389	20.6% ▲	25,013	22,254	12.4% ▲
Taxation	-5,784	-4,699	23.1% ▼	-10,270	-9,045	13.5% ▲
Profit After Taxation	7,953	6,690	18.9% ▲	14,743	13,209	11.6% ▲
Earnings Per Share	6.71	5.65	18.9% ▲	12.44	11.15	11.6% ▲
Dividend	5.00	0.00		9.50	5.00	
Bonus	0%	0%		0%	0%	

Closing Period: 13 Sep 2021 - 20 Sep 2021

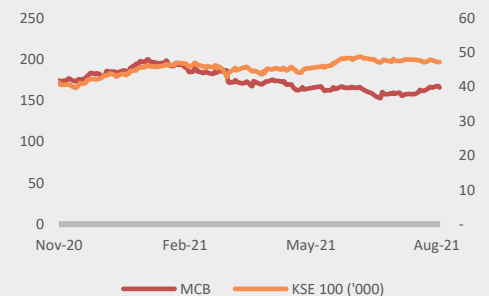
Operating Cost to Income	-40.6%	-35.1%	5.6% ▲	-41.9%	-37.6%	4.3% ▲
Effective Taxation	-42.1%	-41.3%	0.9% ▲	-41.1%	-40.6%	0.4% ▲

Source: ACPL Research, Company Financials

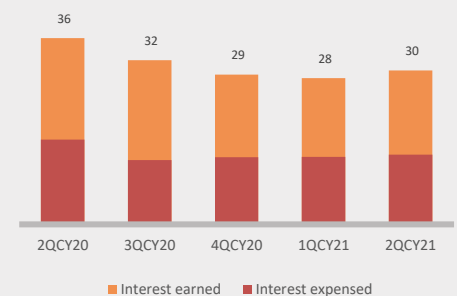
Key Statistics

Symbol	MCB
TP - Jun 22	210.00
LDCP	165
Upside (%)	27
Free Float ('mn)	415
Market Cap. (Rs. 'mn)	195,535

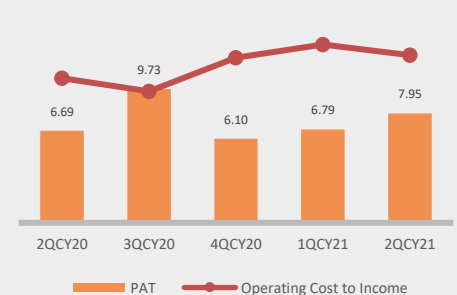
MCB vs KSE 100



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	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Mark-up / Return / Interest earned	80,393	67,422	74,091	83,319	138,292	136,076	117,559	125,309	135,638
Mark-up / Return / Interest expensed	-31,077	-23,655	-31,429	-37,305	-78,676	-64,741	-52,527	-57,780	-63,558
Net Mark-up / Interest Income	49,316	43,767	42,662	46,014	59,616	71,334	65,032	67,529	72,081
Fee and commission income	7,842	7,640	9,741	10,731	11,288	10,936	12,030	13,233	14,556
Dividend income	1,267	1,456	1,941	1,280	1,377	1,210	1,079	1,159	1,246
Foreign exchange income	946	959	1,636	3,420	2,895	2,525	2,064	2,064	2,064
(Loss) / gain from derivatives	0	0	15	12	15	4	0	0	0
(Loss) / gain on securities	4,429	5,679	4,741	1,293	833	3,332	1,007	1,101	1,205
Other income	2,083	488	43	462	272	128	61	29	14
Total non-markup / interest income	16,566	16,222	18,118	17,198	16,679	18,136	16,241	17,585	19,084
Non mark-up / interest expenses									
Operating expenses	-21,968	-22,074	-27,958	-32,091	-32,671	-32,646	-34,045	-35,655	-38,189
Workers' Welfare Fund	-927	-916	-620	-641	-802	-965	-802	-840	-900
Other charges	0	0	-143	-170	-236	-297	-357	-428	-514
Profit Before Provisions	42,987	36,999	32,059	30,310	42,586	55,562	46,069	48,192	51,562
Provisions / (reversal of provisions)	-659	-925	-1,045	1,753	-2,484	-7,313	1,906	-971	-1,961
Extraordinary / unusual items	0	0	0	0	0	0	0	0	0
Profit before income tax	42,329	36,075	31,014	32,064	40,102	48,249	47,975	47,221	49,601
Income tax expense	-16,782	-14,184	-8,555	-10,704	-16,125	-19,212	-17,751	-16,527	-17,360
Profit for the year	25,546	21,891	22,459	21,360	23,977	29,037	30,224	30,694	32,241
EPS	21.56	18.47	18.95	18.02	20.23	24.50	25.50	25.90	27.21

Source: ACPL Research, Company Financials

Horizontal Analysis

	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Mark-up / Return / Interest earned	4.04%	-16.13%	9.89%	12.45%	65.98%	-1.60%	-13.61%	6.59%	8.24%
Mark-up / Return / Interest expensed	-7.94%	-23.88%	32.86%	18.70%	110.90%	-17.71%	-18.87%	10.00%	10.00%
Net Mark-up / Interest Income	13.34%	-11.25%	-2.52%	7.86%	29.56%	19.66%	-8.83%	3.84%	6.74%
Total non-markup / interest income	27.99%	-2.08%	11.69%	-5.08%	-3.02%	8.73%	-10.45%	8.28%	8.52%
Non mark-up / interest expenses									
Operating expenses	6.58%	0.48%	26.66%	14.78%	1.81%	-0.08%	4.29%	4.73%	7.11%
Workers' Welfare Fund	-5.26%	-1.28%	-32.25%	3.38%	25.07%	20.31%	-16.89%	4.73%	7.11%
Other charges	0.00%	0.00%	0.00%	18.90%	39.16%	25.83%	20.00%	20.00%	20.00%
Profit Before Provisions	23.29%	-13.93%	-13.35%	-5.46%	40.50%	30.47%	-17.09%	4.61%	6.99%
Provisions / (reversal of provisions)	-135.33%	40.42%	13.00%	-267.77%	-241.65%	194.47%	-126.06%	-150.95%	101.97%
Profit before income tax	15.24%	-14.77%	-14.03%	3.38%	25.07%	20.31%	-0.57%	-1.57%	5.04%
Income tax expense	35.29%	-15.48%	-39.68%	25.12%	50.65%	19.14%	-7.60%	-6.89%	5.04%
Profit for the year	5.02%	-14.31%	2.59%	-4.89%	12.25%	21.11%	4.09%	1.55%	5.04%
EPS	5.02%	-14.31%	2.59%	-4.89%	12.25%	21.11%	4.09%	1.55%	5.04%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Yield on Earning Assets	%	9.04	7.18	6.16	6.05	10.18	8.50	6.42	6.31	6.28
Interest Cost	%	3.69	2.63	2.79	2.90	6.31	4.38	3.23	3.23	3.23
Net Interest Margin	%	5.35	4.55	3.37	3.15	3.87	4.12	3.19	3.07	3.05
Operating Cost to Income	%	34.75	38.32	47.25	52.05	44.18	37.90	43.32	43.38	43.44
Return on Equity	%	18.54	15.46	14.62	14.31	14.19	15.27	15.29	15.24	15.57
Return on Assets	%	2.54	2.08	1.67	1.43	1.58	1.65	1.52	1.42	1.37
Balance Sheet Analysis		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Deposits Growth	%	1.23	12.14	23.94	8.32	9.13	12.64	10.00	10.00	10.00
CASA to Deposits	%	90.34	91.07	87.54	86.04	86.13	88.89	88.89	88.89	88.89
Advances to Deposits	%	43.65	44.53	48.46	48.00	43.39	35.90	56.51	56.21	55.99
Investments to Deposits	%	81.18	71.14	67.83	71.43	65.41	78.78	63.64	62.11	60.73
PIBs to Investments	%	54.05	39.25	36.00	17.70	40.94	35.90	35.90	35.90	35.90
T Bills to Investments	%	43.85	58.32	61.72	79.67	55.65	61.43	61.43	61.43	61.43
Gross Infection Ratio	%	6.32	5.90	9.47	8.95	9.15	9.97	8.20	7.50	7.00
Provisioning Coverage	%	87.63	87.32	91.46	85.68	84.85	88.19	72.00	72.00	72.00
Net Infection Ratio	%	0.83	0.79	0.89	1.39	1.51	1.31	2.15	1.98	1.86
Capital Adequacy Ratio	%	19.43	19.33	16.34	17.02	17.84	19.69	18.39	17.33	16.44
Leverage Ratio	%	8.23	8.59	7.52	6.54	6.50	6.43	5.93	5.47	5.09
Operational Analysis		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Market Share - Deposits	%	7.49	6.98	7.83	7.86	7.82	7.21	7.02	6.83	6.65
Market Share - Advances	%	6.75	6.60	7.89	6.93	6.62	6.04	7.83	7.62	7.42
Market Share - Investments	%	8.13	7.47	7.68	10.04	8.56	8.78	6.93	6.58	6.26
No. of Branches		1223	1238	1444	1387	1410	1410	1410	1410	1410
Investment Ratios		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Dividend Per Share		16.00	16.00	16.00	16.00	17.00	20.00	20.00	25.00	25.00
Dividend Yield	%	9.70	9.70	9.70	9.70	10.30	12.12	12.12	15.15	15.15
Dividend Cover	x	1.35	1.15	1.18	1.13	1.19	1.23	1.28	1.04	1.09
Retention Ratio	%	25.78	13.38	15.57	11.23	15.98	18.38	21.58	3.48	8.11
Payout Ratio	%	74.22	86.62	84.43	88.77	84.02	81.62	78.42	96.52	91.89
No. of Shares	('m)	1185	1185	1185	1185	1185	1185	1185	1185	1185
Earnings Per Share		21.56	18.47	18.95	18.02	20.23	24.50	25.50	25.90	27.21
Book Value Per Share		116.28	119.51	129.59	125.97	142.54	160.42	166.81	169.98	174.68
Price to Earnings	x	7.65	8.93	8.71	9.15	8.16	6.73	6.47	6.37	6.06
Price to Book Value	x	1.42	1.38	1.27	1.31	1.16	1.03	0.99	0.97	0.94

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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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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