

MCB has announced its 9MCY22 result where it posted a profit after tax of Rs19.85bn (EPS: Rs16.75) as compared to a profit after tax of Rs22.56bn (EPS: Rs19.03) in the same period last year, down by 12% YoY amid imposition of super tax.

The company has posted a net interest income of Rs61.51bn against Rs47.75bn in SPLY, recording a growth of 28.8% YoY. We note that this growth is attributed to the high-interest rate.

Non-interest income has increased by 40.8% YoY to Rs20.25bn mainly due to the increase in foreign exchange income during the period.

Furthermore, the operating cost-to-income ratio has declined to 37.1% as compared to 42.2% during SPLY. Moreover, effective taxation has increased to 61.5%. Lastly, the bank has booked a reversal of Rs1.32bn against Rs3.50bn during SPLY.

MCB is currently trading at CY23E PE of 3.79x. Furthermore, the scrip is trading at a CY23E P/B of 0.73x which offers a discount of 6% relative to its historical 3-year average of 0.78x. We suggest our investors to **BUY** the scrip with a justified P/B Jun-23 TP of Rs.160 which provides an upside potential of 33%. Furthermore, it also offers an attractive dividend yield of 19% which makes a total return of 52%.

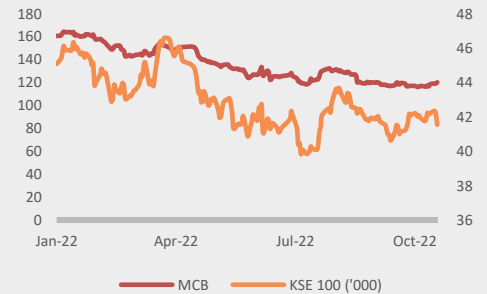
Rupees' millions	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Interest earned	55,612	31,702	75.4% ▲	141,028	89,903	56.9% ▲
Interest expensed	-33,090	-15,506	113.4% ▲	-79,518	-42,158	88.6% ▲
Net Interest Income	22,523	16,195	39.1% ▲	61,511	47,745	28.8% ▲
Fee and commission income	3,575	3,143	13.8% ▲	10,301	9,154	12.5% ▲
Dividend income	433	463	6.5% ▼	1,687	1,442	17.0% ▲
Foreign exchange income	3,855	935	312.2% ▲	7,969	2,331	241.9% ▲
(Loss) / gain on securities	-573	219	361.6% ▼	95	703	86.5% ▼
Other income	55	124	55.4% ▼	180	744	75.8% ▼
Non-Interest Income	7,355	4,884	50.6% ▲	20,253	14,383	40.8% ▲
Operating expenses	-10,861	-8,995	20.8% ▲	-30,300	-26,190	15.7% ▲
Workers' Welfare Fund	-381	-265	43.7% ▲	-1,032	-765	34.8% ▲
Other charges	-99	-61	63.0% ▲	-162	-400	59.4% ▼
Profit Before Provisions	18,536	11,759	57.6% ▲	50,269	34,771	44.6% ▲
Provisions	516	1,499	65.6% ▼	1,318	3,499	62.3% ▼
Profit Before Taxation	19,051	13,257	43.7% ▲	51,587	38,270	34.8% ▲
Taxation	-10,323	-5,444	89.6% ▲	-31,735	-15,714	101.9% ▲
Profit After Taxation	8,728	7,813	11.7% ▲	19,852	22,556	12.0% ▼
Earnings Per Share	7.36	6.59	11.7% ▲	16.75	19.03	12.0% ▼
Dividend	5.00	4.50	11.1% ▲	14.00	14.00	-
Bonus	0%	0%		0%	0%	
Closing Period: Nov 07, 2022 - Nov 09, 2022						
Operating Cost to Income	-36.4%	-42.7%	6.3% ▼	-37.1%	-42.2%	5.1% ▼
Effective Taxation	-54.2%	-41.1%	13.1% ▲	-61.5%	-41.1%	20.5% ▲

Source: ACPL Research, Company Financials

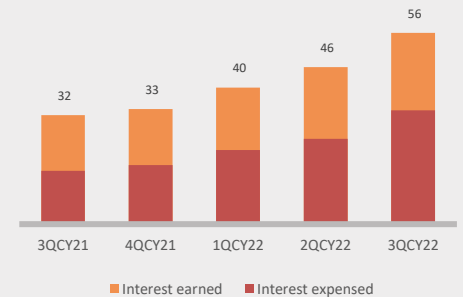
Key Statistics

Symbol	MCB
TP - Jun 23	160
LDPC	129.74
Upside (%)	23
Free Float ('mn)	415
Market Cap. (Rs. 'mn)	142,800

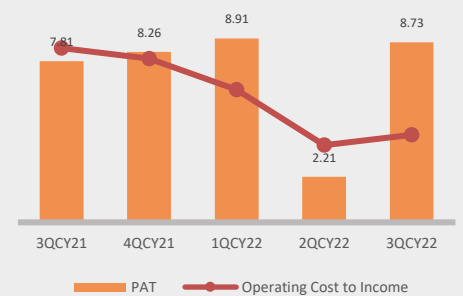
MCB vs KSE 100



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	CY22E	CY23E	CY24E	CY25E	CY26E
Mark-up / Return / Interest earned	136,076	123,334	189,156	247,965	248,406	268,628	291,899
Mark-up / Return / Interest expensed	-64,741	-59,347	-105,931	-153,596	-154,719	-169,159	-184,970
Net Mark-up / Interest Income	71,334	63,987	83,225	94,368	93,687	99,469	106,929
Fee and commission income	10,936	12,440	13,746	15,189	16,784	18,546	20,494
Dividend income	1,210	2,251	2,222	2,379	2,551	2,739	2,945
Foreign exchange income	2,525	3,734	10,624	3,144	3,144	3,144	3,144
(Loss) / gain from derivatives	4	14	0	0	0	0	0
(Loss) / gain on securities	3,332	811	128	141	156	171	189
Other income	128	823	226	226	226	226	226
Total non-markup / interest income	18,136	20,074	26,946	21,079	22,860	24,827	26,997
Non mark-up / interest expenses							
Operating expenses	-32,646	-35,381	-40,763	-42,716	-43,123	-45,989	-49,553
Workers' Welfare Fund	-965	-1,040	-1,388	-1,455	-1,469	-1,566	-1,687
Other charges	-297	-474	-497	-522	-548	-576	-605
Profit Before Provisions	55,562	47,167	67,522	70,755	71,408	76,164	82,082
Provisions / (reversal of provisions)	-7,313	4,823	1,769	-4,767	-5,219	-5,714	-6,256
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	48,249	51,989	69,292	65,988	66,189	70,450	75,825
Income tax expense	-19,212	-21,178	-45,601	-28,375	-28,461	-30,294	-32,605
Profit for the year	29,037	30,811	23,691	37,613	37,728	40,157	43,220
EPS	24.50	26.00	19.99	31.74	31.84	33.89	36.47

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20	CY21	CY22E	CY23E	CY24E	CY25E	CY26E
Mark-up / Return / Interest earned	-1.6%	-9.4%	53.4%	31.1%	0.2%	8.1%	8.7%
Mark-up / Return / Interest expensed	-17.7%	-8.3%	78.5%	45.0%	0.7%	9.3%	9.3%
Net Mark-up / Interest Income	19.7%	-10.3%	30.1%	13.4%	-0.7%	6.2%	7.5%
Total non-markup / interest income	8.7%	10.7%	34.2%	-21.8%	8.4%	8.6%	8.7%
Non mark-up / interest expenses							
Operating expenses	-0.1%	8.4%	15.2%	4.8%	1.0%	6.6%	7.7%
Workers' Welfare Fund	20.3%	7.8%	33.5%	4.8%	1.0%	6.6%	7.7%
Other charges	25.8%	59.3%	5.0%	5.0%	5.0%	5.0%	5.0%
Profit Before Provisions	30.5%	-15.1%	43.2%	4.8%	0.9%	6.7%	7.8%
Provisions / (reversal of provisions)	194.5%	-165.9%	-63.3%	-369.4%	9.5%	9.5%	9.5%
Profit before income tax	20.3%	7.8%	33.3%	-4.8%	0.3%	6.4%	7.6%
Income tax expense	19.1%	10.2%	115.3%	-37.8%	0.3%	6.4%	7.6%
Profit for the year	21.1%	6.1%	-23.1%	58.8%	0.3%	6.4%	7.6%
EPS	21.1%	6.1%	-23.1%	58.8%	0.3%	6.4%	7.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20	CY21	CY22E	CY23E	CY24E	CY25E	CY26E
Yield on Earning Assets	%	8.50	6.76	9.51	11.41	10.47	10.36	10.29
Interest Cost	%	4.38	3.48	5.67	7.51	6.91	6.90	6.89
Net Interest Margin	%	4.12	3.28	3.84	3.90	3.56	3.46	3.40
Operating Cost to Income	%	37.90	43.89	38.71	38.71	38.73	38.72	38.71
Return on Equity	%	15.27	17.67	13.01	19.38	18.28	18.35	18.19
Return on Assets	%	1.65	1.56	1.10	1.60	1.47	1.43	1.41
Balance Sheet Analysis								
Balance Sheet Analysis		CY20	CY21	CY22E	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	87.59	87.59	87.59	87.59	87.59
Advances to Deposits	%	35.90	41.77	44.60	44.62	44.63	44.64	44.65
Investments to Deposits	%	78.78	73.35	69.46	67.93	66.53	65.25	64.08
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	6.54	6.54	6.54	6.54	6.54
Provisioning Coverage	%	88.19	87.45	87.52	87.52	87.52	87.52	87.52
Net Infection Ratio	%	1.31	1.07	0.87	0.87	0.87	0.87	0.87
Capital Adequacy Ratio	%	20.98	17.01	16.27	15.87	15.45	15.01	14.89
Leverage Ratio	%	7.03	6.13	5.84	5.70	5.55	5.39	5.37
Operational Analysis								
Operational Analysis		CY20	CY21	CY22E	CY23E	CY24E	CY25E	CY26E
Market Share - Deposits	%	7.21	6.73	6.69	6.46	6.24	6.02	5.81
Market Share - Advances	%	6.04	6.26	6.57	6.34	6.12	5.91	5.70
Market Share - Investments	%	8.78	7.46	7.59	7.16	6.77	6.41	6.08
No. of Branches		1410	1426	1442	1459	1475	1492	1509
Investment Ratios								
Investment Ratios		CY20	CY21	CY22E	CY23E	CY24E	CY25E	CY26E
Dividend Per Share		20.00	19.00	15.00	23.00	23.00	25.00	27.00
Dividend Yield	%	16.65	15.81	12.49	19.14	19.14	20.81	22.47
Dividend Cover	x	1.23	1.37	1.33	1.38	1.38	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	19.99	31.74	31.84	33.89	36.47
Book Value Per Share		160.42	147.17	153.64	163.77	174.11	184.65	200.47
Price to Earnings	x	4.90	4.62	6.01	3.79	3.77	3.55	3.29
Price to Book Value	x	0.75	0.82	0.78	0.73	0.69	0.65	0.60

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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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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