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*MCB Bank Limited*

*Result Review: MCB 3QCY18 EPS PKR 3.50 Down by 25% YoY*

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**Result Review: MCB 3QCY18 EPS PKR 3.50, Down by 25% YoY**

- MCB has announced financial results for 3QCY18, wherein bank recorded PAT at 4,152 million (EPS PKR 3.50) plunged by 25% as compared to PKR 5,511 million (EPS PKR 4.66) during SPLY. Moreover, bank has also announced 40% cash dividend during the quarter under review, taking it to PKR 12.00 in 9MCY18 cumulatively.
- The dip in bottom line is primarily due to higher interest expense restricting the growth in Net Interest income (NII) and lack of capital gain (lower non-interest income) due to downturn in equity market and higher interest rate.
- Markup earned grew by 10% YoY to clock in at PKR 22,262 million in 1QCY18 on the back of higher interest rate and anticipated growth in credit lines. However, the interest expense grew at 24% YoY which restricts NII growth at 1%.
- Moreover, non-interest income down by 16% YoY mainly due to 50% YoY decline in dividend income and absence of capital gain induced by adverse equity market performance.

**MCB- 1QCY18 Earning Review (PKR mln)**

<b>Income Statement</b>	<b>3QCY18</b>	<b>3QCY17</b>	<b>YoY</b>	<b>2QCY18</b>	<b>QoQ</b>	<b>9MCY18</b>	<b>9MCY17</b>	<b>QoQ</b>
Interest Income	22,262	20,162	10%	20,326	10%	61,534	57,077	8%
Interest Expense	10,388	8,408	24%	8,406	24%	26,401	24,790	6%
Net Interest Income (NII)	11,874	11,753	1%	11,919	0%	35,133	32,286	9%
Provision/Reversal	(218)	(540)	-60%	(667)	-133%	1,614	1,894	-15%
NII after Provision	12,092	12,294	-2%	12,586	-4%	36,747	34,180	8%
Non Interest Income	3,671	4,395	-16%	4,248	-14%	12,278	14,216	-14%
Non Interest Expense	9,123	8,431	8%	8,596	6%	27,051	22,815	19%
PBT	6,759	8,397	-20%	8,396	-19%	22,450	26,076	-14%
PAT	4,152	5,511	-25%	4,760	-13%	13,624	19,047	-28%
EPS -Basic	3.50	4.66		3.99		11.66	16.77	
DPS	4.00	4.00		4.00		12.00	12.00	

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WE Financial Services Ltd. uses three rating categories, depending upon return form current market price, with Target period as December 2018 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Potential to target price	
Buy Upside	More than +10% from last closing price
HOLD	In between -10% and +10% from last closing price
SELL	Less than -10% from last closing price

### Equity Valuation Methodology

WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

### Risks

The following risks may potentially impact our valuations of subject security(ies);

- Market Risk
- Interest Rate Risk
- Exchange rate risk

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