

Foundation Alert

MCB: 3QCY26 Analyst Briefing Key Takeaways

Event

- MCB Bank Limited (MCB PA) held its analyst briefing today to discuss 3QCY26 results and outlook of the bank. Following are the key takeaways of the briefing:

Impact

- To recall, the bank posted 3QCY26 earnings of PKR 16.2Bn (EPS: PKR 13.7), $\uparrow 7/\uparrow 9\%$ YoY/QoQ, taking 9MCY26 earnings to PKR 44.2Bn (EPS: PKR 37.3), broadly flat YoY. The bank also announced a 3rd interim dividend of PKR 9.0/sh, taking 9MCY26 payout to PKR 27.0/sh.
- Net Interest Income (NII) of the bank (unconsolidated) rose 5/7% YoY/QoQ to PKR 39.5Bn in 3QCY26, taking 9MCY26 NII to PKR 114.8Bn ($\uparrow 5\%$ YoY). The growth came on the back of an expanding balance sheet, while yield on investments eased to 11.63% (Sep-25: 12.57%) and yield on advances to 10.66% (Sep-25: 10.98%). Domestic cost of deposits declined 44bps YoY to 4.57%. Following the recent 50bps hike in the policy rate, the management expects some NIM compression in 4Q as liabilities (borrowings and deposits) reprice immediately, though NII is expected to remain strong. On the asset side, 32% of the floating rate PIB portfolio reprices in October, $\sim 10\%$ in Nov/Dec and the remaining 50-60% in 1QCY27.
- Non-funded income of the bank was recorded at PKR 10.9Bn in 3Q, $\uparrow 28\%$ YoY, led by fee income of PKR 5.7Bn ($\uparrow 38\%$ YoY) and capital gains of PKR 2.5Bn (3QCY25: PKR 631Mn). FX income, however, fell 36/30% YoY/QoQ to PKR 1.9Bn. The management explained that remittance rebate expenses, earlier borne by the Government of Pakistan, are now borne by banks effective July 1, 2026 and are netted off against FX income; MCB paid $\sim$ PKR 1.5Bn in rebates in 3Q (annual run-rate of PKR 6-7Bn). Accordingly, FX income is expected to remain under pressure. Separately, MCB's share in the cost of the newly launched remittance scheme is estimated at $\sim$ PKR 400Mn/quarter (10% of the $\sim$ PKR 4.0Bn quarterly industry expense), to be booked under OPEX from 4QCY26.
- Operating expenses rose 10% YoY to PKR 55.7Bn in 9MCY26, driven by a 19% YoY increase in compensation expenses on the back of annual increments and the addition of 2,232 employees, mainly in the RBG field force for current account mobilization. Other operating expenses were up only 2% YoY. Cost-to-income ratio stood at 38.61% in 9MCY26 (3QCY26: 37.50%), within the bank's target of below 40%.
- The bank maintains a high-quality loan book, with net provision charge of only PKR 306Mn in 9MCY26 (9MCY25: reversal of PKR 5.5Bn), while it booked a reversal of PKR 400Mn in 3Q. NPLs declined PKR 706Mn YTD to PKR 49.1Bn, taking the infection ratio down to 5.99% (Dec-25: 6.76%) with coverage of 93.53%; 90% of NPLs are in the loss category. Recoveries from the legacy NIB portfolio have reached PKR 12.5Bn out of PKR 29.65Bn transferred at the time of the merger. The management does not foresee any significant change in the provisioning trajectory.
- MCB holds $\sim$ PKR 6.0Bn in general provisions above the IFRS 9 ECL requirement, which banks are allowed to maintain till Dec-26. The bank is in discussion with its external auditors and will either seek an extension from SBP or reverse the same through the P&L in 4QCY26. The impact on CAR would only be a shuffle from Tier 2 to Tier 1 capital.
- Deposits grew 20% YTD to PKR 2.71Tn, with current deposits up 15% YTD to PKR 1.40Tn and savings deposits up 19%. Domestic deposit market share improved to 6.03% (Dec-25: 5.38%). The CA mix eased to 52% from 54% at Dec-25 as the bank also focused on market share, though the average CA mix improved to 53% (2025: 51%). The management targets to keep the CA mix above 50%. On branch expansion, 31 branches have been added YTD, with 40 planned for 2026 and 50-60 targeted for 2027.
- Gross advances rose 11% YTD to PKR 819Bn, led by consumer banking ($\uparrow 34\%$, mainly auto and fleet financing), retail ($\uparrow 15\%$), overseas ($\uparrow 13\%$) and wholesale banking ($\uparrow 9\%$, mainly commodity financing).

Domestic advances market share improved to 4.92% (Dec-25: 4.59%). Going forward, the focus will remain on consumer and SME lending.

- Investments (at cost) increased 13% YTD to PKR 2.13Tn, with T-bills rising to PKR 339Bn (Dec-25: PKR 113Bn) and fixed rate PIBs to PKR 525Bn (Dec-25: PKR 404Bn), while floating rate PIBs fell to PKR 1.11Tn on maturities. The portfolio comprises 52% floating PIBs (spread of 99bps over T-bills, set at auction), 25% fixed PIBs (duration of 2.06 years), 16% T-bills, 3% equities and 4% others. A 100bps rise in rates results in a ~PKR 10Bn MTM loss on the fixed PIB book (~0.3% impact on CAR). The bank currently has PKR 300Bn+ of investments funded through borrowings and will increase leverage if yields rise and the rate outlook turns downward.
- The bank's CAR stood at 18.99% (Dec-25: 19.53%), a buffer of 749bps over the regulatory requirement of 11.5% (including capital conservation buffer of 1.5%). Leverage ratio stood at 5.74% against the regulatory limit of 3.0%. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) stood at 236.29% and 167.73%, respectively, comfortably above the regulatory requirement of 100%.
- Following the relaxation in MDR on savings deposits above PKR 10Mn for individuals and non-individuals, MCB has reduced its rate on such deposits by 1%, with an estimated positive impact of PKR 0.7-1.0Bn per quarter. The full impact cannot be passed on as these are rate-sensitive customers who are being offered special rates.
- MCB Islamic Bank's profit after tax rose 17/7% QoQ/YoY to PKR 702Mn in 3QCY26, though 9MCY26 profit was down 6% YoY at PKR 1.6Bn. Deposits grew 30% YTD to PKR 350Bn. The management expects CY26 profitability to surpass CY25 levels, with 320 branches currently and 25-30 more planned.
- On the digital front, MCB Live registered users rose 32% YoY to 2.4Mn while throughput doubled to PKR 4.3Tn in 9MCY26. The management does not see significant competition from fintechs or microfinance banks on the deposit side. The bank's exposure to GO Petroleum is not significant.

Table 1: Earnings Review MCB consolidated

PKR Mn	3QCY26	3QCY25	% YoY	2QCY26	% QoQ
Net interest income	43,907	41,200	6.6%	40,700	7.9%
Non-interest income	12,452	10,241	21.6%	12,127	2.7%
Fee income	7,108	5,499	29.3%	7,635	-6.9%
FX income	2,168	3,143	-31.0%	3,034	-28.5%
Gain / (loss) on securities	2,445	945	158.7%	490	399.0%
Operating expenses	23,641	21,342	10.8%	23,306	1.4%
Provisions & write offs – net	(469)	(1,204)	N/A	(544)	N/A
Profit before taxation	33,822	32,332	4.6%	30,923	9.4%
Profit after taxation (equity holders)	16,182	15,107	7.1%	14,865	8.9%
EPS	13.7	12.7	7.1%	12.5	8.9%
DPS	9.0	9.0		9.0	

Source: PSX Notices, Foundation Research, October 2026

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If	
Expected return >+15%	Outperform.
Expected return from 0% to +15%	Neutral.
Expected return <0%	Underperform.