MCB management held a corporate briefing today to discuss the financial performance of 3QCY26 and the future outlook.

- **Advances Growth & Market Share:** MCB's advances increased by 11% in 9MCY26, compared to industry growth of 3%, taking its market share to 4.92% from 4.59% at CY25-end. Consumer advances recorded strong growth of 34% during the period, driven primarily by agriculture and food financing, while wholesale advances benefited from commodity financing. Management remains focused on expanding consumer and SME lending.
- **Deposit Mobilisation & CASA Mix:** Deposits grew by PKR 447bn to PKR 2.71tn from PKR 2.26tn at CY25-end, while deposit market share (domestic) improved to 6.03% from 5.38%. Current deposits increased by PKR 181bn to PKR 1.40tn, representing 52% of total deposits, compared to 54% at CY25-end. Management aims to maintain the current account mix above 50%, while prioritising market share expansion.
- **Investment Portfolio & Interest Rate Sensitivity:** The investment portfolio increased to PKR 2.13tn from PKR 1.88tn at CY25-end, primarily driven by higher Treasury bill and fixed-rate PIB holdings. Floating-rate PIBs accounted for 52% of the portfolio, while fixed-rate PIBs represented 25%. The average spread on floating-rate PIBs stood at 99bps over Treasury bills, with a weighted average maturity of 5.21 years. Fixed-rate PIBs carried a weighted average yield of 12.15% and a duration of 2.06 years. Management highlighted that 32% of the floating-rate PIB portfolio was due for repricing in October, with approximately 10% in November and December, while the remaining 50–60% was expected to reprice in Q1 2027.
- **Net Interest Income & Margins:** Net interest income increased by PKR 6bn to PKR 115bn, while net interest margin improved by 5% YoY and 7% QoQ, according to management's presentation. However, management expects some sector-wide NII compression in Q4CY26 following the 50bps policy rate hike, as deposit and borrowing costs are expected to reprice relatively quickly. Nevertheless, management expects overall banking sector net interest income to remain strong.
- **Non-Markup Income:** Non-markup income increased by 14% YoY and 7% QoQ. Fee and commission income rose by 26% YoY, although it declined by 5% QoQ. Dividend income decreased by 13%, primarily due to lower dividends from selected investee companies, including Capco and FFC. Gains on securities increased by PKR 2.4bn.
- **Operating Expenses & Cost Efficiency:** Operating expenses increased by 10% YoY and 3% QoQ, primarily due to higher employee compensation costs, which rose by 19% YoY. Property expenses increased by 13%, while IT expenses rose by 8%. Management reiterated its cost-to-income target of below 40%, with 40% representing the maximum acceptable level. The reported cost-to-income ratio stood at 38.61%.
- **Profitability & Earnings:** Profit before provisions increased by 6% YoY to PKR 86.6bn. Provisioning charges amounted to PKR 306mn in 9MCY26, compared to a reversal of PKR 5.5bn in the corresponding period of 2025. Consequently, profit before tax declined by 1% YoY, while profit after tax increased by 1%. EPS stood at PKR 34.95 for 9MCY26, compared to PKR 34.68 in the corresponding period last year. On a quarterly basis, EPS improved to PKR 12.61 in Q3CY26 from PKR 11.54 in Q2CY26.

- **Asset Quality & Provisioning:** The infection ratio improved to 5.99% from 6.76%, while the NPL stock declined to PKR 49bn. The coverage ratio stood at 93.53%. Management does not currently anticipate a significant increase in NPLs. MCB also holds approximately PKR 6bn in general provisions over and above IFRS 9 expected credit loss-based provisions. Management is discussing a possible extension with external auditors; otherwise, the general provision may be reversed in Q4FY26. Any resulting capital impact is expected to be limited, with a shift from Tier 2 to Tier 1 capital.
- **MDR Relaxation & Deposit Pricing:** Following the relaxation of the minimum deposit rate requirements for certain deposit categories, MCB reduced applicable deposit rates by approximately 100bps. However, management noted that the full benefit cannot be passed on to interest-sensitive customers maintaining deposits above PKR 10mn. The resulting quarterly positive impact is estimated at PKR 700mn to 1bn.
- **Foreign Exchange Income & Remittance Scheme:** FX income remained under pressure, declining by approximately PKR 819mn QoQ in Q3CY26, primarily due to remittance-related rebate expenses previously borne by the government and now absorbed by banks. Separately, the newly launched remittance scheme is expected to cost the banking sector approximately PKR 4bn per quarter, of which MCB's estimated share is around PKR 400mn, based on its 10% remittance market share.
- **Capital Adequacy & Leverage:** The capital adequacy ratio stood at 18.99%, comfortably above the regulatory minimum of 11.50%, while the leverage ratio was 5.74%, against the required 3.0%. Liquidity coverage and net stable funding ratios also remained above regulatory requirements. Management indicated that it may increase leverage to fund investments if attractive opportunities emerge, particularly in a changing interest rate environment.
- **Branch Expansion & Deposit Growth Outlook:** MCB opened 31 branches through September 2026 and plans to complete its target of 40 new branches by year-end, with the remaining nine scheduled for Q4. For 2027, management plans to open 50–60 additional branches. The bank continues to prioritise deposit market share gains while maintaining its current account mix above 50%.
- **Digital Banking Growth:** MCB Live registered users increased by 32% YoY to 2.4mn, while active financial customers rose by 35% to approximately 1mn. Transaction throughput doubled to PKR 4.3tn from PKR 2.2tn SPLY. Debit card spending increased by 28% to PKR 90bn, credit card spending rose by 34% to PKR 40bn, and POS acquiring spending increased by 32% to PKR 113bn. Management does not currently view fintech players as a significant competitive threat to conventional banks' deposit mobilisation.
- **MCB Islamic Performance & Expansion:** MCB Islamic Bank's deposits increased by 30% from CY25-end, while current deposits grew by 29%. Profitability declined by 6% YoY but improved by 17% QoQ. Management expects full-year CY26 profitability to exceed CY25 levels and anticipates further growth in 2027. MCB Islamic currently operates 320 branches and plans to open an additional 25–30 branches next year.
- **Regulatory & External Account Outlook:** Management expects the current account deficit to remain contained within 0–1% of GDP, with a central estimate of around 0.5%, consistent with the outlook cited during the briefing. FX income is expected to remain under pressure due to remittance rebate expenses, while the bank continues to monitor external account developments and currency stability.

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