

## MCB Bank Limited – CY25

Wednesday, February 04, 2026

### Earnings soften amid margin compression and normalization of non-core income

MCB Bank Limited (MCB) has announced its consolidated results for the year ended December 31, 2025, reporting profit after tax of PKR 58.8bn, translating into EPS of PKR 49.29 (in line with our expectations), down ~7.6% Y/Y compared to PKR 63.5bn (EPS: PKR 53.35) in CY24. The earnings decline largely reflects pressure on net interest income, higher operating costs, and normalization in non-markup income, partially offset by lower provisioning charges. On the payout front, MCB gave PKR 36/- per share as dividend with PKR 9 distributed in its final quarter (also in line with HMFS expectations).

**Net Interest & Non-Markup Income:** Net markup/interest income declined ~4% Y/Y to PKR 161.2bn, primarily due to, a sharp rise in interest expense (~32% Y/Y). Non-markup income rose trivially by ~0.4% Y/Y to PKR 41.4bn. Aided by improved FX income (~13% Y/Y), sharp increase in Dividend income (~52% Y/Y), and Income from derivatives (~3x Y/Y).

**Cost Dynamics: Operating leverage weakens:** Operating expenses rose ~13.6% Y/Y to PKR 82.4bn/ Consequently, the cost-to-income ratio edged up, diluting operating leverage despite having a stable core.

**Asset Quality: Provisioning relief continues:** Credit loss allowance and write-offs declined to PKR 5.1bn (vs. PKR 4.8bn last year).

**Taxation: Still heavy, but slightly lower:** Tax expense stood at PKR 66.3bn; while lower Y/Y in absolute terms, the effective tax rate edged up to 53% in CY25 from 52% last year.

**Outlook:** Looking ahead, margin trajectory, deposit mix optimization, and cost discipline will remain key swing factors for earnings momentum, particularly as the interest rate cycle matures.

Financials (PKR in mn)	CY25	CY24	Y/Y
Mark-up/ Interest earned	327,508	413,551	-20.81%
Mark-up/ Interest expensed	166,304	245,603	-32.29%
Net mark-up/ interest income	161,203	167,947	-4.02%
<b>Non Mark-up/ Interest Income</b>			
Fee and commission income	24,347	24,784	-1.76%
Dividend income	4,449	2,929	51.89%
Foreign exchange income	10,856	9,613	12.93%
Income from derivatives	4	1	300.00%
Gain on securities	1,187	3,466	-65.75%
Other income	557	443	25.73%
Total non-markup/ interest income	41,403	41,240	0.40%
Total income	202,606	209,187	-3.15%
<b>Non Mark-up/ Interest Expenses</b>			
Operating expenses	82,413	72,527	13.63%
Workers Welfare Fund	2,471	2,599	-4.92%
Other charges	494	447	10.51%
Total non-markup/ interest expenses	85,380	75,573	12.98%
Share of profit of associates	2,826	2,441	15.77%
<b>Profit before credit loss allowance</b>	<b>120,052</b>	<b>136,055</b>	<b>-11.76%</b>
Credit loss allowance and write offs - net	5,066	4,878	3.85%
<b>Profit before taxation</b>	<b>125,118</b>	<b>131,177</b>	<b>-4.62%</b>
Taxation	66,343	67,711	-2.02%
<b>Profit after taxation</b>	<b>58,775</b>	<b>63,465</b>	<b>-7.39%</b>
Equity shareholders of the bank	58,415	63,225	-7.61%
Non-controlling interest	360	240	50.00%
	58,775	63,465	-7.39%
<b>Earnings per share</b>	<b>49.29</b>	<b>53.35</b>	<b>-7.61%</b>

Source: Company Financials, HMFS Research

\* Consolidated



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- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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