

## Earnings Review

### MEBL: 3QCY21 EPS clocked in at Rs4.28, DPS Rs1.5

#### Event

- Meezan Bank Limited (MEBL PA) announced its 3QCY21 result with earnings of Rs4.28/sh (up by 9/7% YoY/QoQ). The result is accompanied with a cash dividend of Rs1.5/sh. This takes cumulative EPS during 9MCY21 to Rs12.03 and DPS to 4.10.
- The result is in line with our estimates where slight deviation emanated from higher than estimated Net Interest Income (NII) and better fee income.

#### Impact

- The bank posted a PAT of Rs6.96bn in 3QCY21 (up by 9/7% YoY/QoQ). On QoQ basis, increase in profitability is primarily contributed by better NII and uptick in fee income. Whereas, improvement in YoY profitability was primarily driven by recovery in fee income and lower provision expense.
- During 3QCY21, interest income/expense increased by 8/26% YoY and 6/5% over QoQ. This has translated into ↑7% NII for the quarter clocking in at Rs17.31bn. On the other hand, NII recorded a moderate decline of 1% YoY.
- Non-markup income for 3QCY21 increased by 62/6% on YoY/QoQ. Recovery in non-markup income on QoQ basis was driven by higher fee income (↑61/23%, YoY/QoQ).
- Operating expense remained upbeat primarily on branch expansion and low base effect in 3QCY20 due to affected branch operations and grew by 14/2% over YoY/QoQ. Significant jump in total income (↑7% QoQ) coupled with the tamed operating expenses dropped cost/income by 2ppts QoQ to 41%.
- The bank reported a provisioning expense of Rs121mn against an expense of Rs148mn in the previous quarter.
- MEBL reported a higher Effective Tax Rate (ETR) of 41% during 3QCY21 compared to 39/40% in 2QCY21/3QCY20.

#### Outlook

- Going forward, we expect NII to recover due to recovery in banking spreads in the medium term. However, further increase in policy rate may exert some pressure until full asset re-pricing takes place. Whereas, recovery in economic activity and the delay in implementation of IFRS9 may keep the provisioning expense on the lower side.

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Table 1: Earnings Review MEBL 3QCY21 (Rs mn)

	3QCY21	3QCY20	YoY	2QCY21	QoQ	9MCY21	9MCY20	YoY
Interest Earned	27,499	25,483	8%	25,887	6%	77,615	83,312	-7%
Interest Expensed	10,185	8,083	26%	9,736	5%	29,096	33,557	-13%
<b>Net Interest Income (NII)</b>	<b>17,313</b>	<b>17,401</b>	<b>-1%</b>	<b>16,151</b>	<b>7%</b>	<b>48,519</b>	<b>49,756</b>	<b>-2%</b>
Fee Income	2,507	1,555	61%	2,035	23%	6,609	3,884	70%
Dividend Income	161	73	121%	129	24%	573	286	101%
Foreign Exchange Income	544	304	79%	784	-31%	2,149	1,602	34%
Gain on Securities	81	(5)	N.A	117	-31%	339	935	-64%
Other Income	165	212	-22%	183	-10%	598	458	31%
<b>Total Non-Markup Income</b>	<b>3,457</b>	<b>2,139</b>	<b>62%</b>	<b>3,248</b>	<b>6%</b>	<b>10,268</b>	<b>7,165</b>	<b>43%</b>
<b>Total Income</b>	<b>20,770</b>	<b>19,540</b>	<b>6%</b>	<b>19,399</b>	<b>7%</b>	<b>58,786</b>	<b>56,920</b>	<b>3%</b>
<b>Non-Markup Expense</b>	<b>8,835</b>	<b>7,775</b>	<b>14%</b>	<b>8,657</b>	<b>2%</b>	<b>25,583</b>	<b>22,667</b>	<b>13%</b>
Operating Expense	8,588	7,541	14%	8,424	2%	24,847	21,890	14%
WWF	245	233	5%	230	7%	729	693	5%
Other Charges	2	1	85%	4	-54%	7	85	-92%
<b>Profit Before Provisions</b>	<b>11,936</b>	<b>11,765</b>	<b>1%</b>	<b>10,742</b>	<b>11%</b>	<b>33,203</b>	<b>34,253</b>	<b>-3%</b>
Provisions	121	1,091	-89%	148	-19%	553	4,188	-87%
<b>Profit Before Taxation</b>	<b>11,815</b>	<b>10,674</b>	<b>11%</b>	<b>10,593</b>	<b>12%</b>	<b>32,650</b>	<b>30,065</b>	<b>9%</b>
Taxation	4,857	4,272	14%	4,087	19%	13,084	11,986	9%
<b>Profit After Taxation</b>	<b>6,958</b>	<b>6,402</b>	<b>9%</b>	<b>6,507</b>	<b>7%</b>	<b>19,566</b>	<b>18,079</b>	<b>8%</b>
<b>PAT Attributable to Shareholders</b>	<b>6,958</b>	<b>6,402</b>	<b>9%</b>	<b>6,507</b>	<b>7%</b>	<b>19,566</b>	<b>18,079</b>	<b>8%</b>
EPS	4.28	3.93		4.00		12.03	4.87	
DPS	1.50	3.48		1.30		4.10	3.48	
Cost/Income	41%	39%		43%		42%	38%	
ETR	41%	40%		39%		40%	40%	

Source: Company Accounts, Foundation Research, October 2021

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If	
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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.