

Earning Review

MEBL: 4QCY21 EPS clocked in at Rs5.40, up 2.2x YoY

Event

- Meezan Bank Limited (MEBL PA) announced its 4QCY21 result with unconsolidated earnings of Rs5.40/sh (up by 2.2x/26% YoY/QoQ). This translates into CY21 earnings of Rs17.43/sh (up by 28% YoY).
- The result is accompanied with a final dividend of Rs1.5/sh that takes CY21 total payout to Rs5.6/sh.

Impact

- The bank posted a PAT of Rs8.8bn in 4QCY21 (up by 115/26% YoY/QoQ), mainly due to (1) higher interest earned and (2) higher non-funded income and (3) lower provisioning in the quarter. This accumulated into profitability of Rs28.4bn, increasing by 28% YoY, which was mainly due to lower provisioning during the year.
- Net interest income clocked in at Rs20.4bn showing uptick of 35% YoY in 4QCY21, similarly on sequential basis, NII inclined by 18% due to high ADR amid 275bps hike in interest rate during the quarter. On cumulative basis, NII increased by 6% YoY in CY21.
- Non-funded income (NFI) increased by 59/34% YoY/QoQ in 4QCY21 mainly supported by fee income (↑35/9% YoY/QoQ), and higher FX income (↑83/86% YoY/QoQ). On cumulative basis NFI increased by 48% YoY, due to higher fee/FX income (↑58/47% YoY) in CY21.
- Operating expense increased by 37/11% YoY/QoQ to Rs9.7bn in 4QCY21. This translated into Cost/income of 39% (↑56/361bps YoY/QoQ).
- The bank recorded provision of Rs439mn in 4QCY21 as compared to Rs4.0bn in 4QCY20, decreasing /increasing by 89/265% YoY/QoQ. The cumulative provision expense for CY21 was Rs993mn as compared to Rs8.2bn SPLY.
- Effective tax rate for 4QCY21 clocked in at 41%.

Outlook

- The rising interest rate environment would prove to be fruitful for MEBLs profitability, due to its low cost of deposits and high ADR. Bank seems to be well covered from NPLs. However we expect the robust deposit growth to diffuse. We maintain positive stance with Dec'22 target price of Rs137/sh. The stock is currently trading at P/B of 2.51.

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Table 1: Earnings Review MEBL 4QCY21 (Rs mn)

	4QCY21	4QCY20	YoY	QoQ	CY21	CY20	YoY
Interest Earned	32,458	23,277	39%	18%	110,073	106,589	3%
Interest Expensed	12,055	8,183	47%	18%	41,151	41,740	-1%
Net Interest Income (NII)	20,403	15,093	35%	18%	68,921	64,849	6%
Fee Income	2,744	2,030	35%	9%	9,353	5,914	58%
Dividend Income	619	338	83%	286%	1,192	624	91%
Foreign Exchange Income	1,009	551	83%	86%	3,158	2,154	47%
Gain on Securities	10	(252)	-104%	-88%	349	683	-49%
Other Income	242	240	1%	47%	840	697	20%
Total Non Markup Income	4,624	2,907	59%	34%	14,892	10,072	48%
Total Income	25,026	18,001	39%	20%	83,813	74,921	12%
Non-Markup Expense	9,741	7,107	37%	10%	35,324	29,775	19%
Operating Expense	9,509	6,919	37%	11%	34,356	28,809	19%
WWF	211	180	17%	-14%	940	873	8%
Other Charges	22	9	149%	1246%	28	93	-70%
Profit Before Provisions	15,285	10,893	40%	28%	48,489	45,146	7%
Provisions	439	4,022	-89%	265%	993	8,210	-88%
Profit Before Taxation	14,846	6,871	116%	26%	47,496	36,936	29%
Taxation	6,057	2,784	118%	25%	19,141	14,770	30%
Profit After Taxation	8,789	4,087	115%	26%	28,355	22,166	28%
EPS	5.40	2.51			17.43	13.62	
DPS	1.50	1.74			5.60	5.22	
Cost/Income	39%	39%			42%	40%	
Effective Tax rate	41%	41%			40%	40%	

Source: Company Accounts, Foundation Research, February 2022

Important disclosures:

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