

Earning Review

MEBL: 1QCY22 EPS at Rs5.66, DPS Rs1.75

Event

- Meezan Bank Limited (MEBL PA) announced its 1QCY22 result with consolidated earnings of Rs9.2bn (EPS Rs5.66/sh), up by 51/5% YoY/QoQ.
- The result was accompanied by interim cash dividend of Rs1.75/sh.

Impact

- The bank posted a PAT of Rs9.2bn in 1QCY22 (up by 51/5% YoY/QoQ), mainly due to (1) higher Net interest income, and (2) higher Non-funded income.
- Net interest income (NII) increased by 43/5% YoY/QoQ in 1QCY22. Bank's NII was supported by increase in interest earned of 57/17% YoY/QoQ, meanwhile interest expense increased by 82/38% YoY/QoQ.
- Non markup expense increased by 27% YoY. This growth was mainly due to 62% increase in Fee income (22% QoQ).
- Operating expense increased by 30/7% YoY/QoQ to Rs10.2bn in 1QCY22. This translated into Cost/income of 41% (up/down by 2.9/1.7ppts YoY/QoQ).
- The bank recorded provision expense of Rs228bn in 1QCY22, (↓20/48% YoY/QoQ) as compared to provision expense of Rs285mn in 1QCY21.
- Effective tax rate for 1QCY22 clocked in at 39.4% (↓1/1.37ppt YoY/QoQ).

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 neutral 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 01: Earnings Review MEBL 1QCY22

	1QCY22	1QCY21	YoY	4QCY21	QoQ
Interest Earned	38,137	24,229	57%	32,458	17%
Interest Expensed	16,679	9,175	82%	12,055	38%
Net Interest Income (NII)	21,459	15,055	43%	20,403	5%
Fee Income	3,356	2,067	62%	2,744	22%
Dividend Income	174	283	-38%	619	-72%
Foreign Exchange Income	813	822	-1%	1,009	-19%
Gain on Securities	15	141	-89%	10	54%
Other Income	177	250	-29%	242	-27%
Total Non-Markup Income	4,537	3,563	27%	4,624	-2%
Total Income	25,996	18,617	40%	25,026	4%
Operating Expense	10,217	7,836	30%	9,509	7%
WWF	338	254	33%	211	61%
Other Charges	1	1	-18%	22	-95%
Non-Markup Expense	10,557	8,091	30%	9,741	8%
Profit Before Provisions	15,439	10,526	47%	15,285	1%
Provisions	228	285	-20%	439	-48%
Profit Before Taxation	15,211	10,242	49%	14,846	2%
Taxation	5,997	4,140	45%	6,057	-1%
Profit After Taxation	9,214	6,101	51%	8,789	5%
EPS	5.66	3.75		5.40	
DPS	1.75	1.30		1.50	
Cost/Income	40.61%	43.46%		38.92%	
Effective Tax rate	39.43%	40.43%		40.80%	

Source: Company Accounts, Foundation Research, April 2022

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Recommendations definitions

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