

Earning Review

MEBL: 4QCY22 EPS at Rs9.17, DPS Rs3.0

Event

- Meezan Bank Limited (MEBL PA) announced its 4QCY22 result with earnings of Rs16.4bn (EPS Rs9.17), up by 87/43% YoY/QoQ. This cumulates into CY22 profitability of Rs45.0bn (EPS Rs25.15), up 59% YoY.
- The result was accompanied by interim cash dividend of Rs3.0/sh which cumulates into CY22 cash dividend of Rs8.5/sh.
- The result is above our expectation given higher than expected Net Interest Income (NII) due to lower than expected interest expense.

Impact

- The bank posted a PAT of Rs16.4bn in 4QCY22 (up by 87/43% YoY/QoQ), mainly due to higher Net interest income.
- Net interest income (NII) increased by 118%/40% YoY/QoQ in 4QCY22. Bank's NII was supported by increase in interest earned of 2.4x/19% YoY/QoQ, meanwhile interest expense increased by 2.8xYoY while remained stagnant on sequential basis.
- Non markup income decreased by 12% YoY due to loss on foreign exchange income and securities. Bank booked loss of Rs249mn and Rs132mn against foreign exchange income and securities, respectively. However, fee income increased by 35%/8% YoY/QoQ in 4QCY22.
- Operating expense increased by 42/10% YoY/QoQ to Rs13.5bn in 4QCY22. This translated into Cost/income of 29.2% (down by 9.7/6.5ppts YoY/QoQ).
- The bank recorded provision expense of Rs2.4bn in 4QCY22, (up 5.6x/4.5x YoY/QoQ) as compared to provision expense of Rs439mn in 4QCY21.
- Effective tax rate for 4QCY22 clocked in at 48.7% (up 7.9/down 0.7ppts YoY/QoQ) due to imposition of 10% super tax on CY22 profitability.

Outlook

- We have an "Outperform" stance on the bank with Dec'23 TP of Rs123 as the elevated 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.

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Table 1: Earnings Review MEBL 4QCY22

	4QCY22	4QCY21	YoY	3QCY22	QoQ	CY22	CY21	YoY
Interest Earned	78,242	32,458	141%	65,582	19%	232,121	110,073	111%
Interest Expensed	33,688	12,055	179%	33,855	0%	110,418	41,151	168%
Net Interest Income (NII)	44,554	20,403	118%	31,727	40%	121,704	68,921	77%
Fee Income	3,716	2,744	35%	3,439	8%	13,316	9,353	42%
Dividend Income	435	619	-30%	128	239%	988	1,192	-17%
Foreign Exchange Income	(249)	1,009	-125%	735	-134%	3,617	3,158	15%
Gain on Securities	(132)	10	na	(105)	26%	(55)	349	na
Other Income	287	242	19%	191	51%	1,237	840	47%
Total Non-Markup Income	4,057	4,624	-12%	4,388	-8%	19,103	14,892	28%
Total Income	48,611	25,026	94%	36,115	35%	140,807	83,813	68%
Operating Expense	13,495	9,509	42%	12,279	10%	46,240	34,356	35%
WWF	667	211	217%	506	32%	1,910	940	103%
Other Charges	6	22	-72%	83	-93%	95	28	238%
Non-Markup Expense	14,169	9,741	45%	12,868	10%	48,245	35,324	37%
Profit Before Provisions	34,443	15,285	125%	23,247	48%	92,561	48,489	91%
Provisions	2,441	439	456%	546	347%	4,177	993	321%
Profit Before Taxation	32,001	14,846	116%	22,701	41%	88,385	47,496	86%
Taxation	15,591	6,057	157%	11,224	39%	43,378	19,141	127%
Profit After Taxation	16,410	8,789	87%	11,477	43%	45,007	28,355	59%
EPS	9.17	4.91		6.41		25.15	15.84	
DPS	3.00	1.50		2.00		8.50	5.60	
Cost/Income	29.15%	38.92%		35.63%		34.26%	42.15%	
Effective Tax rate	48.72%	40.80%		49.44%		49.08%	40.30%	

Source: Company Accounts, Foundation Research, February 2023

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