

## Earning Review

### MEBL: 1QCY23 EPS at Rs8.62, DPS Rs3.0

#### Event

- Meezan Bank Limited (MEBL PA) announced its 1QCY23 result with earnings of Rs15.4bn (EPS Rs8.62), up/down by 68/6% YoY/QoQ.
- The result was accompanied by interim cash dividend of Rs3.0/sh.
- The result is in line with our expectation.

#### Impact

- The bank posted a PAT of Rs15.4bn in 1QCY23 (up by 68% YoY), mainly due to higher Net interest income.
- Net interest income (NII) increased by 91% YoY in 1QCY23. Bank's NII was supported by increase in interest earned of 2.2x/5% YoY/QoQ, meanwhile interest expense increased by 2.5x/21% YoY/QoQ.
- Non markup income decreased by 10% YoY due to loss on foreign exchange income and securities. Bank booked loss of Rs155mn and Rs106mn against foreign exchange income and securities, respectively. However, fee income increased by 20% YoY in 1QCY23.
- Operating expense increased by 43/6% YoY/QoQ to Rs14.3bn in 1QCY23. This translated into Cost/income of 33.26% (down/up by 7.0/4.1ppts YoY/QoQ).
- The bank recorded provision expense of Rs2.1bn in 1QCY23, (up 9.4x YoY) as compared to provision expense of Rs228mn in 1QCY22.
- Effective tax rate for 1QCY23 clocked in at 44.6% (up 5.4/down 4.1ppt YoY/QoQ) due to imposition of super tax on profitability from CY22 onwards.

#### 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 for NPLs. However, we expect the robust deposit growth to diffuse.

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Table 01: Earnings Review MEBL 1QCY23

	1QCY23	1QCY22	YoY	4QCY22	QoQ
Interest Earned	81,953	38,111	115%	78,242	5%
Interest Expensed	40,907	16,674	145%	33,688	21%
<b>Net Interest Income (NII)</b>	<b>41,046</b>	<b>21,437</b>	<b>91%</b>	<b>44,554</b>	<b>-8%</b>
Fee Income	3,598	2,990	20%	3,716	-3%
Dividend Income	241	304	-21%	435	-45%
Foreign Exchange Income	(155)	813	-119%	(249)	-38%
Gain on Securities	(106)	15	-788%	(132)	-20%
Other Income	287	178	62%	287	0%
<b>Total Non-Markup Income</b>	<b>3,865</b>	<b>4,300</b>	<b>-10%</b>	<b>4,057</b>	<b>-5%</b>
<b>Total Income</b>	<b>44,911</b>	<b>25,737</b>	<b>74%</b>	<b>48,611</b>	<b>-8%</b>
Operating Expense	14,345	10,033	43%	13,495	6%
WWF	590	335	76%	667	-12%
Other Charges	3	1	150%	6	-54%
<b>Non-Markup Expense</b>	<b>14,937</b>	<b>10,369</b>	<b>44%</b>	<b>14,169</b>	<b>5%</b>
<b>Profit Before Provisions</b>	<b>29,974</b>	<b>15,369</b>	<b>95%</b>	<b>34,443</b>	<b>-13%</b>
Provisions	2,130	228	835%	2,441	-13%
<b>Profit Before Taxation</b>	<b>27,844</b>	<b>15,141</b>	<b>84%</b>	<b>32,001</b>	<b>-13%</b>
Taxation	12,420	5,935	109%	15,591	-20%
<b>Profit After Taxation</b>	<b>15,424</b>	<b>9,206</b>	<b>68%</b>	<b>16,410</b>	<b>-6%</b>
<b>EPS</b>	<b>8.62</b>	<b>5.14</b>		<b>9.17</b>	
<b>DPS</b>	<b>3.00</b>	<b>1.59</b>		<b>3.00</b>	
<b>Cost/Income</b>	<b>33.26%</b>	<b>40.29%</b>		<b>29.15%</b>	
<b>Effective Tax rate</b>	<b>44.61%</b>	<b>39.20%</b>		<b>48.72%</b>	

Source: Company Accounts, Foundation Research, April 2023

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**Recommendations definitions**

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