

Earning Review

MEBL: CY23 profitability surges to a record PKR 47.2/sh, DPS PKR 20.0

Event

- Meezan Bank Limited (MEBL) announced its 4QCY23 results today reporting earnings of PKR 26.4Bn (EPS: PKR14.8), ↑61/4% YoY/QoQ respectively. This cumulates to CY23 earnings of PKR 84.5Bn (EPS: PKR47.2), ↑88% YoY.
- Along with the result, the bank announced a final cash dividend of PKR 8.0/sh taking full year payout to PKR 20.0/sh.

Impact

- Net Interest Income (NII) of the bank shot up by a sizable 86% YoY in CY23 primarily led by NIMs accretion owing to persistently high interest rate over the past 12 months. Balance sheet expansion has also aided the increase. During 2QCY23, NII underwent a 12% accretion sequentially as the lagged impact of 600bps hike observed in 1HCY23 started to flow through. Looking ahead, major repricing effects have already been realized, indicating that the significant growth observed may start to taper off. The expectation is for a softer growth trajectory from this point onward.
- Non-funded income of the bank surged to PKR 22.1Bn in CY23, ↑16% YoY on the back of robust fee income growth. Fee income jumped to PKR 17.4Bn (↑31% YoY) which was spearheaded by debit card related fees, higher income from branch banking and improved cash management throughput. However, forex income receded to PKR 3.1Bn (↓14% YoY). Furthermore, capital losses exceeding PKR 800Mn limited the overall increase in non-core income.
- Provisioning charges were recorded at PKR 7.3Bn in CY23 which we expect to emanate from the loan book and to create adequate provisioning buffers for the bank as IFRS-9 implementation comes into play from Jan 1st, 2024.
- Admin expenses in CY23 underwent a sharp 47% YoY increase to PKR 67.9Bn which can be attributed to a mix of inflationary pressures, higher compensation expense and investments in IT infrastructure & branch network. ETR for the bank clocked-in at 50% due to the imposition of 10% Super tax.

Outlook

- We have an “Outperform” stance on the bank as elevated interest rate environment would prove to be fruitful for MEBL’s profitability, due to its low cost of deposits and high ADR. Moreover, the bank seems to be well covered for NPLs.

Analyst

Abdul Rehman Siddiqui
+92 21 3561 2290-94

abdul.rehman@fs.com.pk
Ext: 338

Table 1: Earnings Review MEBL unconsolidated

PKR Mn	Dec'23	Dec'22	% YoY	Sep'23	% QoQ	CY23	CY22	% YoY
Net interest income	71,784	44,555	61.1%	64,067	12.0%	226,429	121,704	86.0%
Non-interest income	6,939	4,057	71.0%	6,193	12.0%	22,107	19,103	15.7%
Fee income	5,026	3,716	35.2%	4,603	9.2%	17,414	13,316	30.8%
FX income	979	-249	N/A	1,575	-37.9%	3,095	3,617	-14.4%
Gain / (loss) on securities	93	-132	N/A	-526	N/A	-808	-55	N/A
Operating expenses	19,635	13,495	45.5%	18,453	6.4%	67,877	46,240	46.8%
Provisions & write offs - net	2,924	2,441	19.8%	782	274.1%	7,340	4,177	75.7%
Profit before taxation	54,843	32,002	71.4%	49,971	9.8%	169,408	88,385	91.7%
Profit after taxation (equity holders)	26,439	16,410	61.1%	25,451	3.9%	84,476	45,007	87.7%
EPS	14.8	9.2	61.1%	14.2	3.9%	47.2	25.1	87.7%
DPS	8.0	2.0		5.0		20.0	8.5	

Source: PSX Notices, Foundation Research, February 2024

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