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## MEBL: 2QCY24 EPS to clock in at PKR 14.08, up 47% YoY, DPS PKR 7.00

### Meezan Bank Limited

PSX: MEBL | Bloomberg: MEBL PA | Reuters: MEBL: KA

- MEBL's BoD meeting is scheduled on August 8<sup>th</sup>, 2024 to consider the accounts for 2QCY24. We expect the bank to post unconsolidated EPS of PKR 14.08 up 47% YoY. Along with the result, we expect the bank to announce an interim dividend of PKR 7.0/share.
- We expect the banks' Net interest income to grow by 30% YoY to PKR 64.4bn in 2QCY24. Interest income is likely to increase by 20% YoY to PKR 121bn while the interest expense is expected to grow at a lower pace of 10% YoY to PKR 56.6bn.
- Non-interest income is expected to increase by 36% YoY to PKR 7.0bn in 2QCY24 on the back of fee & commission income which is likely to grow by 32% YoY to PKR 5.5bn.
- We expect the bank to book a provision reversal of PKR 351mn during 2QCY24 against provision expense of PKR 1.5bn SPLY.
- Operating expenses are likely to clock in at PKR 22.3bn during 2QCY24, up 36% YoY, translating into a cost to income ratio of 31% for 2QCY24 vs 30% for 2QCY23.
- Effective tax rate of the bank is anticipated to record at 49% in 2QCY24.
- We have a 'Hold' stance on the stock with Dec-24 PT of PKR 194/share, providing a capital downside of 20% while the stock is offering dividend yield of 11%.

#### Key Data

PSX Ticker	MEBL
Target Price (PKR)	194
Current Price (PKR)	242
Upside/(Downside) (%)	-20%
Dividend Yield (%)	11%
Total Return (%)	-8%
12-month High (PKR)	256
12-month Low (PKR)	115
Outstanding Shares (mn)	1,791
Market Cap (PKR mn)	433,286

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	2QCY23	2QCY24E	YoY	1HCY23	1HCY24E	YoY
M/up Earned	101,032	120,975	20%	182,985	240,121	31%
M/up Expense	51,499	56,591	10%	92,407	108,173	17%
<b>Net Interest Income</b>	<b>49,533</b>	<b>64,384</b>	<b>30%</b>	<b>90,578</b>	<b>131,948</b>	<b>46%</b>
Non-Interest Income	5,110	6,971	36%	8,976	13,329	49%
Total Provisions	1,504	(351)	NM	3,634	(695)	NM
Admin Expenses	16,389	22,247	36%	31,326	43,455	39%
<b>Profit Before Tax</b>	<b>36,750</b>	<b>49,459</b>	<b>35%</b>	<b>64,594</b>	<b>102,517</b>	<b>59%</b>
Tax	19,588	24,235	24%	32,008	51,886	62%
<b>Profit After Tax</b>	<b>17,161</b>	<b>25,224</b>	<b>47%</b>	<b>32,586</b>	<b>50,631</b>	<b>55%</b>
EPS	9.58	14.08	-	18.19	28.27	-
DPS	4.00	7.00	-	7.00	14.00	-

Source: Company Accounts, Akseer Research

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	17.4	25.1	47.2	55.4	50.2	47.5
EPS Growth	11.2%	44.2%	87.7%	17.4%	-9.3%	-5.3%
DPS	5.6	8.2	20	27.5	29.8	28.8
BVPS	48.3	64.4	103.2	131.4	152.8	170.9
PER	13.2	9.1	4.9	4.1	4.6	4.8
Dividend Yield	2.3%	3.4%	8.3%	11.4%	12.3%	11.9%
P/B	5.0	3.8	2.3	1.8	1.6	1.4
ROE	38.8%	45.4%	58.3%	51.0%	37.0%	30.6%

Source: Company Accounts, Akseer Research

### Valuation Basis

Our PT for Meezan Bank Limited (MEBL) has been computed on dividend discounting method using Justified P/B for the calculation of terminal value. We have used sustainable ROE of 26% to calculate exit P/B, along with a risk free rate of 15%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 21%.

### Investment Thesis

We have a 'Hold' recommendation on the stock based on our Dec-24 PT of PKR 194/share which provides a downside of 20% along with a dividend yield of 11%. Our investment case on MEBL is based on (1) normalization of deposit growth and (2) decline in interest rates.

### Risks

Key risks to our investment thesis are: 1) lower than anticipated decline in interest rates, 2) lower than estimated growth in advances and deposits 3) higher than expected provisioning.

### Company Description

Meezan Bank Limited is the largest Islamic commercial bank operating in the country since 2002. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities. As of Dec 31, 2023, MEBL operated 1,004 branches in Pakistan.

### Financial Highlights - MEBL

Income Statement (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest earned	110,073	232,121	431,722	508,254	503,143	473,318
Mark-up/interest expensed	41,151	110,418	205,293	241,872	230,436	205,832
<b>Net interest income</b>	<b>68,921</b>	<b>121,704</b>	<b>226,429</b>	<b>266,382</b>	<b>272,707</b>	<b>267,486</b>
<b>Non-interest income</b>	<b>14,892</b>	<b>19,103</b>	<b>22,107</b>	<b>28,197</b>	<b>29,761</b>	<b>30,909</b>
Provision charged	993	4,177	7,340	5,031	7,475	8,281
Operating expenses	35,324	48,245	71,788	95,086	108,618	123,197
<b>Profit after tax</b>	<b>28,355</b>	<b>45,007</b>	<b>84,476</b>	<b>101,430</b>	<b>89,923</b>	<b>85,128</b>

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	170,501	117,743	242,612	266,873	306,904	343,732
Investments	620,132	1,283,210	1,572,388	1,617,882	1,819,398	2,037,697
Advances	758,086	995,508	961,673	1,185,245	1,398,998	1,556,924
Operating Fixed Assets	35,454	42,271	60,890	60,850	74,077	90,180
Other Assets	63,802	85,379	128,130	147,320	169,418	189,748
<b>Total Assets</b>	<b>1,902,971</b>	<b>2,577,398</b>	<b>3,012,109</b>	<b>3,329,227</b>	<b>3,827,513</b>	<b>4,284,044</b>
Borrowings from FIs	220,414	573,326	377,495	415,244	477,531	534,834
Deposits	1,455,886	1,658,490	2,217,474	2,439,221	2,805,105	3,141,717
Other Liabilities	82,982	169,095	167,305	173,779	199,846	223,827
<b>Total Liabilities</b>	<b>1,816,414</b>	<b>2,462,077</b>	<b>2,827,201</b>	<b>3,093,944</b>	<b>3,553,792</b>	<b>3,978,006</b>
Equity	86,558	115,321	184,908	235,283	273,720	306,038
<b>Total Liabilities &amp; Equity</b>	<b>1,902,971</b>	<b>2,577,398</b>	<b>3,012,109</b>	<b>3,329,227</b>	<b>3,827,513</b>	<b>4,284,044</b>

Source: Company Accounts, Akseer Research

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