

# Meezan Bank Limited

## Corporate Briefing Takeaways

### Management Conference Call

MEBL senior management held an analyst briefing today to discuss CY23 results.

### Brief Takeaways

- MEBL announced earnings (PAT) for 4QCY23 at PKR 26.9bn (EPS: PKR 15.00), depicting an increase of 65% YoY | 4% QoQ (4QCY22 EPS: PKR 8.16). This jump in overall earnings was mainly on the back of growth in total income. Along with the result, MEBL announced a final dividend of whopping PKR 8/share (CY23: PKR 20/share).
- In CY23, there was a significant increase in net spread earnings, amounting to PKR 226bn, marking an 86% YoY rise. This surge contributed to an 88% YoY increase in PAT. The boost in net spread earnings can be attributed not only to elevated interest rates throughout the year but also to significant growth in deposit volumes, which saw a 34% YoY increase, reaching PKR 2.2trn by the end of Dec'23. CASA ratio increased to 89% compared to 88% SPLY.
- The bank's investment portfolio totaled PKR 1.57trn, with PKR 1.4trn allocated to investments in Sukuks. Of this portfolio, 82% consists of Variable Sukuk, while the remaining 18% is comprised of Fixed Sukuk. Variable Sukuk are yielding an average of ~20-23%, whereas Fixed Sukuk have an average yield of around 11%.
- ROE of the bank stands at 56.3% as at CY23 end compared to 44.6% during CY22. MEBL has the highest ROE in the banking sector.
- With a CAR ratio comfortably at 22.4%, well above the minimum requirement of 11.5%, the bank intends to leverage its strong capital position to boost payouts to the range of 45-50% and to grow its financing portfolio. This strategic approach is driven by the reintroduction of the ADR tax this year, a factor not present in CY23, as highlighted by the management.
- Infection ratio stood at 1.7% while coverage ratio was 179%, by CY23 end.
- During CY23, the bank recorded a provisioning expense of PKR 7.3bn. Of this amount, PKR 4.5bn was attributed to general provisioning. Regarding stress on portfolio with NPL risk, the management highlighted sector-wise concerns, primarily stemming from the steel sector, with textile also presenting some challenges.
- The bank has conducted internal assessments of the implementation of IFRS-9 and has concluded that there will be no significant impact on MEBL's financials.

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- The bank aims to open 40-50 new branches in CY24.
- As for deposit growth, the bank aims for a growth rate of 18-20% in CY24.
- The bank intends to keep its OPEX in line with inflation, aiming to keep it around 20% or in the high teens in CY24. At the same time as, the bank plans to maintain its cost-to-income ratio at 35-40%.
- The management acknowledged ongoing discussions with the SBP regarding the minimum deposit rate.
- Regarding the interest rate outlook, the bank anticipates monetary easing in the latter half of CY24 or potentially later, contingent upon the prevailing economic conditions at that time.

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