

UBL 2QCY22 earnings drop 64%YoY – Below expectations

- UBL announced 2QCY22 profit of PKR2,654mn (EPS PKR2.17) compared to a PAT of PKR7,389mn (EPS PKR6.04) of the same quarter last year and PKR9,304mn (EPS PKR7.6) of the previous quarter, representing a decline of 64%YoY and 71%QoQ, respectively.
- The earnings came below our expectations primarily due to higher than expected operating expenses, provisions and tax, despite better than expected non-interest income.
- The bank announced second interim cash dividend of PKR4/share bringing CY22TD cash payout to PKR9/share compared to PKR8/share for the same period last year. The payout was better than expected with a payout ratio of 184% for the quarter compared to 66% for each of the same quarter last year and the previous quarter. 1HCY22 payout ratio stands at 92% compared to 65% of 1HCY21.
- NII of the bank recorded a growth of 31%YoY/10%QoQ.
- Non-interest income recorded a massive growth of 65%YoY/33%QoQ, over-shooting expectations, primarily due to foreign exchange income amounting to PKR3,386mn compared to PKR736mn of 2QCY21 and PKR1,343mn of the previous quarter.
- Operating expenses came higher than expected but they are in-line with the trends witnessed in the 2QCY22 result announcements of other banks. They reported an increase of 21%YoY/5%QoQ.
- Cost/income ratio on the other hand portrays a positive picture where it stood at 40% compared to 45% of the same quarter last year and 44% of the previous quarter.
- UBL booked provisions amounting to PKR1bn, that are significantly higher than PKR334mn booking in 1QCY22 and a reversal of PKR534mn in 2QCY21. We believe that this may be either provisions on investments or general provisions.
- Effective tax rate for the quarter stood at 85% where the overall tax charge was higher than what we estimated.
- For 1HCY22, UBL earnings declined by 20%YoY to a PAT of PKR11,958mn (EPS PKR9.77) compared to a PAT of PKR14,988mn (EPS PKR12.24) of the same period last year.

UBL Financial Highlights

PKRmn	2QCY22	YoY 1QCY22	QoQ 1HCY22	YoY
Interest Earned	56,516	53%	49,332	15%
Interest Expensed	31,889	77%	26,968	18%
Net Interest Income	24,627	31%	22,363	10%
Fee, Commission etc.	4,155	14%	4,217	-1%
Dividend Income	174	-5%	530	-67%
FX Income	3,386	360%	1,343	152%
Capital Gains/(Losses)	202	-72%	446	-55%
Share of Associates' Profits	99	36%	-47	n/a
Others	941	1463%	239	294%
Non-Interest Income	8,958	65%	6,729	33%
Total Income	33,585	39%	29,092	15%
Operating Expenses	13,304	21%	12,687	5%
Other Items	387	34%	334	16%
Provisions	1,034	n/a	334	209%
Profit Before Tax	18,860	40%	15,737	20%
Tax	16,080	162%	6,365	153%
PAT	2,804	-62%	9,395	-70%
PAT - Holding Co.	2,654	-64%	9,304	-71%
EPS	2.17		7.60	9.77
DPS	4.00		5.00	9.00

Source: Company Accounts, NEXT Capital Research

Shahab Farooq

shahab.farooq@nextcapital.com.pk

+92-21-35222 204

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