

MEBL 2QCY22 earnings jump 22%YoY despite higher taxation – Above expectations

- MEBL announced 2QCY22 profit of PKR7,914mn (EPS PKR4.86) compared to a PAT of PKR6,507mn (EPS PKR4) of the same quarter last year and PKR9,206mn (EPS PKR5.66) of the previous quarter, representing a growth of 22%YoY and a decline of 14%QoQ, respectively.
- The earnings came above our expectations primarily due to higher than expected fee & commission income and foreign exchange income, despite higher than expected provisions charged.
- The bank announced second interim cash dividend of PKR1.75/share bringing CY22TD cash payout to PKR3.5/share compared to bonus-adjusted PKR2.61/share for the same period last year. The cash payout was better than expected due better earnings and a slightly higher payout ratio of 36% for the quarter compared to 33% and 31% of the same quarter last year and the previous quarter, respectively. 1HCY22 payout ratio stands at 33% compared to 34% of 1HCY21.
- The bank also announced 10% bonus shares along with the results.
- Net spreads of the bank recorded a growth of 49%YoY/12%QoQ coming in-line with expectations.
- Non-interest income recorded a massive growth of 96%YoY/48%QoQ, over-shooting expectations, primarily due to foreign exchange income amounting to PKR2,318mn compared to PKR784mn of 2QCY21 and PKR813mn of the previous quarter.
- Fee & Commission income also reported a healthy growth of 56%YoY/6%QoQ.
- Operating expenses in-line with the trends witnessed in the 2QCY22 result announcements of other banks, reported an increase of 24%YoY/4%QoQ.
- Cost/income ratio on the other hand portrays a positive picture due to higher growth in income, standing at 34% compared to 43% of the same quarter last year and 39% of the previous quarter.
- MEBL booked provisions amounting to PKR961mn, that are significantly higher than PKR228mn booking in 1QCY22 and PKR148mn in 2QCY21. We believe that this may be a result of general provisions.
- Effective tax rate for the quarter stood at 57% higher due to the imposition of one-time super tax of 10% on CY22 earnings and increase in corporate tax rate from 35% to 39%.
- For 1HCY22, MEBL earnings increased by 36%YoY to a PAT of PKR17,119mn (EPS PKR10.52) compared to a PAT of PKR12,608mn (EPS PKR7.75) of the same period last year, with a 62% growth in pre-tax profit.

MEBL Financial Highlights

PKRmn	2QCY22	YoY 1QCY22	QoQ 1HCY22	YoY
Return on Islamic Financing	50,185	94%	38,111	32%
Profit on Deposits & Dues	26,200	169%	16,674	57%
Net Spread Earned	23,985	49%	21,437	12%
Fee, Commission etc.	3,172	56%	2,990	6%
Dividend Income	119	-8%	304	-61%
FX Income	2,318	196%	813	185%
Capital Gains/(Losses)	166	42%	15	982%
Others	582	218%	178	228%
Total Other Income	6,358	96%	4,300	48%
Total Income	30,343	56%	25,737	18%
Operating Expenses	10,433	24%	10,033	4%
Other Items	407	74%	336	21%
Provisions	961	548%	228	322%
Profit Before Tax	18,542	75%	15,141	22%
Tax	10,628	160%	5,935	79%
PAT	7,914	22%	9,206	-14%
EPS	4.86		5.66	
DPS	1.75		1.75	

Source: Company Accounts, NEXT Capital Research

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