

Flash Note

Thursday, 02 August 2018

Commercial Banks

United Bank Limited (UBL)

Total Revenue improve, however Higher OPEX along with Provisioning Charge dragged bottom-line; EPS PKR 2.96 – down by 39%YoY / DPS PKR 3.0

- On unconsolidated basis, United Bank Limited (UBL) reported earnings of PKR 2.96/share or PKR 3.6bn for the 2QCY18, compared to PKR 4.89/share or PKR 5.98bn last year same quarter, posting a decline of 39%YoY. On a quarterly basis, earnings are up by 37%.
- The bank also announced a cash dividend of PKR 3.0/share for the 2QCY18, taking 1HCY18 total payout to PKR 6.0/share
- On revenue side, the bank reported higher revenue growth up by +4%, thanks to superior fee income growth of +21%YoY (+28%QoQ) and FX income of PKR 0.9bn (PKR 0.5bn last qtr).
- Operating expenses are up by +15%YoY (+20%QoQ), in our view due to higher base of pension related cost.
- On provisioning side, bank reported provisioning charge of PKR 2.2bn (PKR 1.7bn pertaining to NPLs were booked, PKR 1.9bn last qtr.)
- One-off charge of PKR 2.0bn in addition to PKR 6.4bn was further booked during the quarter pertaining to changes in minimum Pension Scheme.

Exhibit:

UBL Result Highlights

PKRmn (Period end=Dec)	2QCY18	2QCY17	YoY	1HCY18	1HCY17	YoY	1QCY18	QoQ
Interest Earned	26,018	25,795	1%	54,165	49,683	9%	28,147	-8%
Interest Expensed	11,817	11,492	3%	26,109	21,668	20%	14,292	-17%
Net Interest Income	14,201	14,303	-1%	28,056	28,015	0%	13,855	2%
Fee Income	3,781	3,121	21%	6,728	5,908	14%	2,947	28%
Capital Gain & Div. Income	2,064	2,241	-8%	5,701	5,128	11%	3,637	-43%
Non-Interest Income	6,977	6,070	15%	14,287	12,346	16%	7,309	-5%
Total Revenue	21,178	20,373	4%	42,342	40,361	5%	21,164	0%
Operating Expenses	10,436	9,110	15%	19,142	17,846	7%	8,706	20%
Provision (Rev.) / Charge	2,208	(553)	n.m.	4,193	(458)	n.m.	1,985	11%
Extraordinary Item	2,000	-	n.m.	8,405	-	n.m.	6,405	-69%
Taxation	2,909	5,827	-50%	4,331	9,728	-55%	1,423	1.04x
Profit After Tax	3,626	5,989	-39%	6,271	13,244	-53%	2,645	37%
EPS (PKR)	2.96	4.89		5.12	10.82		2.16	
DPS (PKR)	3.00	3.00		6.00	6.00		3.00	
BVPS (PKR) Est.	126.71	125.33						

Key Ratio

Cost-To-Income Ratio	49%	45%	45%	44%
Effective Tax Rate	45%	49%	41%	42%
Non-II / Total Income	33%	30%	34%	31%

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1224.18

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