

Flash Note

Wednesday, 16 October 2019

Commercial Banks

United Bank Limited (UBL)

Earnings slows on modest income growth; EPS up +39%y/y to PKR 3.97/share in 3q (PKR 11.77/share in 9m up by +47%/y/y) and payout improved to PKR 3.0/share (PKR 8.0/share in 9m 2019)

- On unconsolidated basis, UBL posted earnings of PKR 4.9bn (or PKR 3.97/share) up by +39% y/y for 3q, taking its 9m 2019, cumulative earnings to PKR 14.4bn (or PKR 11.77/share) an increase of +47% from last year same period. Keeping up with the custom, the bank announced increased cash dividend of PKR 3.0/share taking 9m 2019 combined payout to PKR 8.0/share (PKR 3.0/ 2.5/ 2.5 /share per qtr 2019). The result however came short of market consensus.
- Bank's total revenue increased by +9% y/y to PKR 20.7bn (down 8% q/q) led by a decent +12% y/y growth in net interest income and modest +3% y/y growth in non-funded income. Interest earned increased by a healthy +53% y/y compared to interest expense up by +89% y/y, during the qtr. Break-up of NFI shows fee income showing a meagre +6% growth. To recall, UBL Jan-19 voluntary closure of NY Branch resulted in bank booking nearly PKR 1.32bn income, accounting for ~75% of total PKR 1.7bn under other income head. With absence of this particular income, UBL other income dropped to PKR 137mn in 3q. Excluding NY Branch income of PKR 1.32bn NFI is down by nearly -17% y/y in 9m 2019. EPS impact of discontinued operations is about PKR 0.11/share during the quarter and PKR 1.2/share in 9m 2019.
- Nevertheless, operating expenses stayed contained, rising +4% y/y to take C/I ratio ~49% up from 47% in previous qtr. On pre-provisioning profits basis, bank reported a steady growth of +16% y/y during the quarter under review. Provisioning charge for the qtr came at PKR 2.2bn and PKR 6.7bn in 9m 2019, slight improvement from last year.

Exhibit: United Bank Limited (UBL) Financial highlights

Period end (Dec) - PKRbn	3Q'19	2Q'19	1Q'19	9m' 19	9m' 18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Income	15.4	15.3	14.7	45.3	41.9	56.2	14.4	13.8	14.2	13.9	56.4	14.2	14.2	14.3	13.7	57.0
NII Growth YoY	12%	7%	6%	8%	-1%	0%	1%	-2%	-1%	1%	-1%	1%	4%	-9%	1%	2%
Fee Income	3.5	3.5	3.6	10.6	10.0	13.9	3.9	3.3	3.8	2.9	12.6	3.9	2.9	3.1	2.8	12.3
Non-Interest Income	5.3	7.2	5.0	17.4	19.4	25.1	5.7	5.1	7.0	7.3	22.2	6.0	3.8	6.1	6.3	23.6
NFI Growth YoY	3%	3%	-32%	-10%	21%	13%	-7%	36%	15%	16%	-6%	16%	-16%	9%	-25%	7%
Total Revenue	20.7	22.4	19.6	62.8	61.3	81.3	20.0	19.0	21.2	21.2	78.6	20.3	17.9	20.4	20.0	80.7
Non-II / Total Revenue	25%	32%	25%	28%	32%	31%	28%	27%	33%	35%	28%	30%	21%	30%	31%	29%
Total Revenue Growth YoY	9%	6%	-7%	2%	5%	3%	-1%	6%	4%	6%	-3%	5%	-1%	-5%	-9%	4%
Admin	10.0	10.3	9.0	29.2	28.2	38.8	10.7	9.6	9.9	8.7	35.3	9.2	8.8	8.8	8.5	31.9
Operating Expenses	10.2	10.4	9.1	29.8	29.1	36.8	7.7	9.9	10.4	8.7	36.2	9.0	9.0	9.1	8.7	33.2
OPEX Growth YoY	3%	0%	5%	2%	8%	2%	-14%	10%	15%	0%	9%	6%	18%	12%	-2%	4%
Cost-To-Income Ratio	49%	47%	47%	47%	47%	45%	38%	52%	49%	41%	46%	44%	50%	45%	44%	41%
PPOP	10.5	12.0	10.5	33.0	32.2	44.5	12.3	9.0	10.7	12.5	42.4	11.3	8.9	11.3	11.3	47.5
PPOP Growth YoY	16%	12%	-16%	2%	2%	5%	9%	1%	-5%	11%	-11%	5%	-15%	-15%	-14%	4%
Provisioning Charge	2.2	3.2	1.3	6.7	7.0	12.9	5.9	2.8	2.2	2.0	2.4	2.6	0.5	(0.6)	0.1	1.5
EO/one-offs	-	-	-	-	8.4	6.7	(2.0)	0.3	2.0	6.4	-	-	-	-	-	-
Pre-Tax Profits	8.3	8.8	9.2	26.3	25.2	31.6	6.4	6.2	8.5	10.5	39.9	8.8	8.4	11.8	11.2	46.0
Taxation	3.4	3.5	5.0	11.9	6.8	9.7	3.0	2.4	2.9	1.4	14.7	2.5	2.6	5.8	3.9	18.3
Effective Tax Rate	41%	39%	55%	45%	27%	31%	47%	39%	34%	14%	37%	28%	30%	49%	35%	40%
Profit After Tax	4.9	5.4	4.2	14.4	9.8	15.2	5.5	3.5	3.6	2.6	25.2	6.3	5.9	6.0	7.3	27.7
PAT Growth YoY	39%	48%	57%	47%	-49%	-40%	-14%	-40%	-39%	-64%	-9%	-2%	-16%	-14%	-1%	8%
EPS	3.97	4.39	3.40	11.77	7.98	12.44	4.45	2.86	2.96	2.16	20.57	5.16	4.78	4.89	5.93	22.65
DPS	3.00	2.50	2.50	8.00	8.00	11.00	3.00	2.00	3.00	3.00	13.00	4.00	3.00	3.00	3.00	13.00
BVPS	133.8	132.3	126.7	133.8	123.9	123.6	123.6	122.7	123.9	126.7	130.1	130.1	124.5	125.3	125.9	124.0
Interest Earned	45.4	35.2	31.4	112.0	83.9	113.2	29.3	29.7	26.0	28.1	107.2	29.0	28.5	25.8	23.9	98.2
Interest Expense	30.0	19.9	16.7	66.6	42.0	57.0	15.0	15.9	11.8	14.3	50.8	14.8	14.3	11.5	10.2	41.2
Interest Earned growth	53%	35%	12%	34%	69%	6%	1%	4%	1%	18%	9%	17%	19%	-1%	2%	4%
Interest Expense growth	89%	68%	17%	59%	94%	12%	1%	11%	3%	40%	23%	37%	41%	11%	3%	7%

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