

Flash Note

Thursday, 19 October 2017

Commercial Banks

UBL: Capital loss coupled with depressed interest income and fee income drag down profitability

- United Bank Limited (UBL) reported unconsolidated earnings for the 3QCY17 of PKR 5.86bn (or PKR 4.78/share) down by 2%QoQ (or down by 16%YoY). This brings 9MCY17 total earnings to PKR 19.10bn (or PKR 15.60/share), down by 10.35%YoY.
- The bank announced a cash dividend of PKR 3.0/share, bringing 9MCY17 total cash dividend to PKR 9.0/share.
- During the quarter, capital loss realized (PKR 0.012bn versus PKR 1.5bn capital gain realized in 1QCY17), combined with the impact of fall witnessed in net interest income (interest income down by 1%QoQ) and falling fee income (down by 9%QoQ), dragged down quarterly profitability.
- However, lower tax provision in 3QCY17 (down 56%QoQ due to provision of super tax in 2QCY17) supported the bottom-line, limiting fall in profit after tax to 2%QoQ.

Exhibit:

UBL Result Highlights

PKRmn (Period end=Dec)	3QCY17	3QCY16	YoY	2QCY17	QoQ
Interest Earned	28,475	23,830	19%	25,795	10%
Interest Expensed	14,307	10,162	41%	11,492	24%
Net Interest Income	14,168	13,668	4%	14,303	-1%
Fee Income	2,855	2,759	4%	3,121	-9%
Capital Gain & Div. Income	240	1,149	-79%	2,241	-89%
Non-Interest Income	3,769	4,463	-16%	6,070	-38%
Total Revenue	17,936	18,131	-1%	20,373	-12%
Operating Expenses	9,020	7,624	18%	9,110	-1%
Pre-Provisioning Profits	8,916	10,507	-15%	11,263	-21%
NPL (Rev.) / Prov.	501	(302)	n.m	(553)	n.m
Pre-Tax Profits	8,415	10,809	-22%	11,816	-29%
Taxation	2,560	3,799	-33%	5,827	-56%
Profit After Tax	5,856	7,010	-16%	5,989	-2%
EPS (PKR)	4.78	5.73		4.89	
DPS (PKR)	3.00	3.00		3.00	
BVPS (PKR)	127.11	125.33		125.33	

KEY RATIOS

Cost-To-Income Ratio	50%	42%	45%
Effective Tax Rate	30%	35%	49%
Non-II / Total Income	21%	25%	30%

SOURCE: IGI Research, Company accounts, PSX notifications

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