

Flash Note

Wednesday, 18 April 2018



Commercial Banks

UBL: EPS clocks in at PKR 2.16 owing to pension cost provision

- United Bank Limited (UBL) reported unconsolidated earnings for the 1QCY18 of PKR 2.6bn (or PKR 2.16/share) down by 58%QoQ (or down by 64%YoY). The bank also announced a cash dividend of PKR 3.0/share along with the result.
- The decline in earnings was primarily due to provision of pension cost amounting to PKR 6.4bn. Moreover, the provision is higher than the estimated cost (PKR 3.4bn-5.9bn) that had already been stated in the annual report as one of the contingencies. We await analyst briefing to attain more details.
- Excluding the impact of aforesaid provision, the bank managed to earn PKR 7.4/share, up +43%QoQ, owing to hefty capital gains and dividend income, up 2.6x QoQ to PKR 3.6bn.
- Despite higher capital gains, the bank had sluggish total revenue growth (+4%QoQ) as net interest income declined by 3%QoQ and fee income fell 24%QoQ.
- Simultaneously, the bank decreased its operating expenses by 3%QoQ, reducing its cost to income ratio to 41% compared to 44% in 4QCY17.
- The bank also booked provision charge of PKR 2.0bn compared to PKR 2.6bn. We attribute this provision to UBL's international loan book as was the case in 4QCY17 according to the management. However, we await analyst briefing for further details.

Exhibit:

UBL Result Highlights

| PKRmn (Period end=Dec) | 1QCY18 | 1QCY17 | YoY | 4QCY17 | QoQ |
|-------------------------------------------|---------------|---------------|-------------|---------------|-------------|
| Interest Earned | 28,147 | 23,888 | 18% | 29,048 | -3% |
| Interest Expensed | 14,292 | 10,176 | 40% | 14,806 | -3% |
| Net Interest Income | 13,855 | 13,712 | 1% | 14,242 | -3% |
| Fee Income | 2,947 | 2,787 | 6% | 3,855 | -24% |
| Capital Gain & Div. Income | 3,637 | 2,887 | 26% | 1,394 | 1.60x |
| Non-Interest Income | 7,309 | 6,276 | 16% | 6,047 | 21% |
| Total Revenue | 21,164 | 19,988 | 6% | 20,290 | 4% |
| Operating Expenses | 8,706 | 8,736 | 0% | 8,962 | -3% |
| Pre-Provisioning Profits | 12,458 | 11,251 | 11% | 11,327 | 10% |
| Provision (Rev.) / Charge | 1,985 | 96 | 19.7x | 2,555 | -22% |
| Extraordinary/unusual item (pension cost) | 6,405 | - | - | - | - |
| Pre-Tax Profits | 4,068 | 11,156 | -64% | 8,773 | -54% |
| Taxation | 1,423 | 3,901 | -64% | 2,451 | -42% |
| Profit After Tax | 2,645 | 7,255 | -64% | 6,321 | -58% |
| EPS (PKR) | 2.16 | 5.93 | | 5.16 | |
| DPS (PKR) | 3.00 | 3.00 | | 4.00 | |
| BVPS (PKR) Est. | 128.29 | 125.93 | | 130.13 | |
| KEY RATIOS | | | | | |
| Cost-To-Income Ratio | 41% | 44% | | 44% | |
| Effective Tax Rate | 35% | 35% | | 28% | |
| Non-II / Total Income | 35% | 31% | | 30% | |

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1224.2

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