

# Flash Note

Wednesday, 20 February 2019

## Commercial Banks

### United Bank Limited (UBL)

#### Higher operating and provisioning expense dragged quarter profitability; CY18 EPS 12.44/share down by 40%YoY

- United Bank Limited (UBL) displayed disappointing result for 4QCY18 whereby earnings clocked in at PKR 4.49/share down by 10%YoY, taking CY18 total profitability to PKR 12.44/share (down by 40%). Additionally, the bank announced a PKR 3.0/share cash dividend, taking CY18 total payout to PKR 11.0/share (PKR 7.0/share in CY18)
- Total revenue of the bank inched up by +2%YoY to PKR 26.98bn despite witnessing a drop of 54%YoY in capital gains and dividend income during 4QCY18. Non-interest income of the bank grew by +13%YoY in CY18, thanks to decent growth of +10% in fee income. However, net interest income remained relatively flat at PKR 56.23bn for the whole year. Some major reversals arising from pension liability (PKR 2.09bn) were also booked during the 4QCY18.
- The combined effect of static net interest income and higher non-interest income resulted in a mere +3%YoY growth in total revenue during CY18. More pain for the bank came from +10%YoY growth in operating expenses during CY18 (cost-to-income ratio up by 300bps to 48%) and provision charge under non-performing debt, which rose to PKR 12.9bn compared to PKR 2.45bn last year same period.

Exhibit:

#### UBL Result Highlights

PKRmn (Period end=Dec)	4QCY18	4QCY17	YoY	CY18	CY17	YoY	3QCY18	QoQ
Interest Earned	29,313	29,048	1%	113,198	107,206	6%	29,720	-1%
Interest Expensed	14,963	14,805	1%	56,964	50,781	12%	15,892	-6%
<b>NII</b>	<b>14,351</b>	<b>14,242</b>	<b>1%</b>	<b>56,234</b>	<b>56,424</b>	<b>0%</b>	<b>13,828</b>	<b>4%</b>
Fee Income	3,941	3,855	2%	13,931	12,618	10%	3,263	21%
Capital Gain and Dividend Income	637	1,373	-54%	6,709	6,762	-1%	371	n.m.
<b>NFI</b>	<b>12,629</b>	<b>12,118</b>	<b>4%</b>	<b>25,072</b>	<b>22,162</b>	<b>13%</b>	<b>5,133</b>	<b>2.5x</b>
<b>Total Revenue</b>	<b>26,980</b>	<b>26,361</b>	<b>2%</b>	<b>81,306</b>	<b>78,587</b>	<b>3%</b>	<b>18,961</b>	<b>42%</b>
Operating Expenses	9,737	8,483	15%	38,827	35,350	10%	9,948	-2%
Pre-Provisioning Profits	19,302	17,009	13%	44,538	42,368	5%	9,013	114%
Provision (Rev.) / Charge	5,941	2,407	147%	12,914	2,450	5.3x	2,779	114%
Extraordinary Items - Pension liability	(2,089)	-	n.m.	6,657	-	n.m.	342	
Pre-Tax Profits	8,473	8,531	-1%	24,967	39,918	-37%	5,892	44%
Taxation	2,978	2,451	22%	9,741	14,739	-34%	2,431	23%
Profit After Tax	5,495	6,080	-10%	15,226	25,180	-40%	3,461	59%
<b>EPS (PKR)</b>	<b>4.49</b>	<b>4.97</b>		<b>12.44</b>	<b>20.57</b>		<b>2.83</b>	
<b>DPS (PKR)</b>	<b>3.00</b>	<b>1.75</b>		<b>11.00</b>	<b>7.00</b>		<b>2.00</b>	
Cost-To-Income Ratio	36%	32%		48%	45%		52%	
Effective Tax Rate	35%	29%		39%	37%		41%	
Non-II / Total Income	47%	46%		31%	28%		27%	

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1224.18

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