

Flash Note

Monday, 26 October 2020

Commercial Banks

United Bank Limited (UBL)

Higher provisioning charge continue to depress profitability; EPS down to PKR 3.8/share; Cash dividend –nil–

- On an unconsolidated basis, United Bank Limited (UBL) posted earnings of PKR 4.7bn or PKR 3.8/share down by 4% y/y for 3q 2020. On a quarterly basis profitability is down by 26%q/q. This takes 9m'20 cumulative earnings to PKR 16.1bn or PKR 13.1/share up by +12%y/y.
- Bank did not announce any cash dividend stating in compliance with SBP directives.
- For the Sep-20 ending quarter, bank's total revenue increased by a +12% y/y to PKR ~23bn led by drop of 22% and an increase of +24%y/y growth in non-interest income and interest income respectively. Fee income declined to PKR 2.7bn (down by 24%) and treasury income declined 22% to PKR 1.3bn. Bank's Interest earned decreased by 22%, whereas interest expense dropped by 48%. Nevertheless, bank's admin expenses also dropped albeit slightly by 1%y/y to PKR 9.9bn, which brings bank's C/I to ~44% (54% in 3q 2019). Bank's pre-provisioning profit increased to PKR 13.1bn compared to PKR 10.5bn last year (up by +25%y/y). On a 9m basis total PPOP is up by +25%. Net provisioning charge reduced to PKR 5.5bn from last qtr (PKR 5.7bn).

Exhibit: United Bank Limited (UBL) Financial highlights													
Period end (Dec) - PKRbn	3q/20	2q/20	1q/20	2019	4q/19	3q/19	2q/19	1q/19	2018	4q/18	3q/18	2q/18	1q/18
Interest Income	19.1	21.8	17.3	61.8	16.4	15.4	15.3	14.7	56.2	14.4	13.8	14.2	13.9
NII Growth YoY	24%	43%	18%	10%	14%	12%	7%	6%	0%	1%	-2%	-1%	1%
Fee Income	2.7	2.2	3.0	13.7	3.1	3.5	3.5	3.6	18.0	3.9	3.3	3.8	2.9
Treasury Income	1.3	1.7	1.5	6.1	1.2	1.6	2.1	1.2	10.1	1.3	1.6	3.0	4.2
-- Capital Gain	(0.0)	0.3	0.3	0.1	(0.6)	0.3	0.2	0.1	4.5	(0.1)	0.1	1.5	3.1
-- Fx Income	1.2	1.0	0.7	4.5	1.2	1.1	1.3	0.9	3.5	0.8	1.2	0.9	0.5
-- Dividend Income	0.1	0.4	0.4	1.5	0.6	0.1	0.5	0.2	2.1	0.7	0.2	0.6	0.6
Non-Interest Income	4.1	4.3	4.7	21.7	4.3	5.3	7.2	5.0	29.2	5.7	5.1	7.0	7.3
NFI Growth YoY	-22%	-41%	-6%	-26%	-25%	3%	3%	-32%	0%	-7%	36%	15%	16%
Total Revenue	23.2	26.0	22.0	83.5	20.7	20.7	22.4	19.6	85.4	20.0	19.0	21.2	21.2
Total Revenue Growth YoY	12%	16%	12%	-2%	3%	9%	6%	-7%	0%	-1%	6%	4%	6%
Admin	(9.9)	(9.7)	(9.5)	(40.2)	(11.0)	(10.0)	(10.3)	(9.0)	(38.8)	(10.7)	(9.6)	(9.9)	(8.7)
Operating Expenses	(10.1)	(9.9)	(9.9)	(41.0)	(11.2)	(10.2)	(10.4)	(9.1)	(36.8)	(7.7)	(9.9)	(10.4)	(8.7)
OPEX Growth YoY	-1%	-5%	8%	11%	46%	3%	0%	5%	2%	-14%	10%	15%	0%
Cost-To-Income Ratio	-44%	-38%	-45%	-49%	-54%	-49%	-47%	-47%	-43%	-38%	-52%	-49%	-41%
PPOP	13.1	16.1	12.1	42.5	9.5	10.5	12.0	10.5	48.6	12.3	9.0	10.7	12.5
PPOP Growth YoY	24.9%	34.2%	15.6%	-12.7%	-23.1%	16.4%	11.7%	-15.7%	-1.3%	8.8%	1.1%	-4.6%	10.7%
Provisioning Charge	(5.5)	(5.7)	(3.7)	(8.2)	(1.5)	(2.2)	(3.2)	(1.3)	(12.9)	(5.9)	(2.8)	(2.2)	(2.0)
EO/one-offs	-	-	-	-	-	-	-	-	(6.7)	2.0	(0.3)	(2.0)	(6.4)
Pre-Tax Profits	7.6	10.4	8.4	34.2	7.9	8.3	8.8	9.2	29.1	8.4	5.9	6.5	4.1
Taxation	(3.0)	(4.0)	(3.4)	(15.1)	(3.2)	(3.4)	(3.5)	(5.0)	(9.7)	(3.0)	(2.4)	(2.9)	(1.4)
Effective Tax Rate	-39%	-39%	-40%	-44%	-40%	-41%	-39%	-55%	-34%	-35%	-41%	-45%	-35%
Profit After Tax	4.7	6.3	5.1	19.1	4.7	4.9	5.4	4.2	19.3	5.5	3.5	3.6	2.6
PAT Growth YoY	-4%	18%	22%	-1%	-13%	39%	48%	57%	-40%	-14%	-40%	-39%	-64%
EPS	3.8	5.2	4.1	15.63	3.9	4.0	4.4	3.4	15.78	4.5	2.9	3.0	2.2
DPS	-	-	2.5	12.00	4.0	3.0	2.5	2.5	11.00	3.0	2.0	3.0	3.0
Interest Earned growth	-24%	22%	38%	36%	42%	53%	35%	12%	6%	1%	4%	1%	18%
Interest Expense growth	-48%	6%	56%	61%	69%	89%	68%	17%	12%	1%	11%	3%	40%

Source: PSX, IGI Research

No. of shares: 1224.2mn

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