

Earning Review

UBL: 4QCY21 EPS at Rs7.08, DPS Rs6.0

Event

- UBL Bank Limited (UBL PA) announced its 4QCY21 result with consolidated earnings of Rs8.7bn (EPS Rs7.08/sh), up by 69/28% YoY/QoQ. This translates into CY21 earnings of Rs30.4bn (EPS Rs24.84/sh), up by 46% YoY.
- The result is accompanied with a cash dividend of Rs6.0/sh taking total payout during CY21 to Rs18/sh.

Impact

- The bank posted a PAT of Rs8.7bn in 4QCY21 (up by 69/28% YoY/QoQ), mainly due to (1) higher Net interest income, (2) higher non-markup income and (3) provision reversals during the quarter. This cumulated profitability to Rs30.4bn, increasing by 46% in CY21.
- On sequential basis, the profitability was supported by profit from discontinued operations of Rs1.0bn as compared to loss of Rs1.2bn last quarter.
- Net interest income (NII) increased by 10% YoY, however on sequential basis NII marginally declined by 2% due to lag effect of asset repricing. However, on cumulative basis, NII declined by 3% due to increase in interest rate in latter half of CY21.
- Non-funded income increased by 49/19% YoY/QoQ. The increase in NFI was due to increase in Fee income and FX income inclining by 12/87% YoY (↑23/10% QoQ). The cumulated NFI for CY21 at Rs24.3bn increasing by 29% YoY, with gain on securities of Rs3.5bn (↑ 5.7x YoY) and Fee income (↑15% YoY).
- Operating expense increased by 15/16% YoY/QoQ to Rs13.8bn in 4QCY21. This translated into Cost/income of 54% (down/up by 1/6ppts YoY/QoQ).
- The bank recorded provision reversal of Rs583mn in 4QCY21 as compared to provisioning expense of Rs1.8bn in 4QCY20, and reversal of Rs708mn last quarter.
- Effective tax rate for 4QCY21 clocked in at 38% (↑/↓ 3/4% YoY/QoQ), translating into ETR of 41% for CY21.

Outlook

- We have Outperform stance on the stock with target price of Rs166.0 for Dec-22. The stock has a dividend yield of 11% and bank's sufficient CAR keeps dividend payout outlook intact. The stock is currently trading at an attractive P/B of 0.8.

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Table 01: Earnings Review UBL 4QCY21

	4QCY21	4QCY20	YoY	3QCY21	QoQ	CY21	CY20	YoY
Interest Earned	40,435	32,145	26%	42,522	-5%	152,761	156,079	-2%
Interest Expensed	21,422	14,797	45%	23,134	-7%	78,025	79,006	-1%
Net Interest Income (NII)	19,014	17,348	10%	19,388	-2%	74,736	77,073	-3%
Fee Income	4,183	3,580	17%	3,413	23%	14,717	12,830	15%
Dividend Income	612	364	68%	523	17%	1,571	872	80%
Foreign Exchange Income	1,511	806	87%	1,380	10%	4,152	3,858	8%
Gain on Securities	486	(371)	-231%	408	19%	3,478	610	470%
Other Income	111	247	-55%	97	14%	404	674	-40%
Total Non-Markup Income	6,904	4,625	49%	5,822	19%	24,321	18,844	29%
Share of Profit from Associates	95	330	-71%	23	320%	342	505	-32%
Total Income	26,012	22,303	17%	25,232	3%	99,057	95,918	3%
Non-Markup Expense	14,150	12,158	16%	12,176	16%	48,681	44,784	9%
Operating Expense	13,785	11,983	15%	11,870	16%	47,447	43,743	8%
WWF	253	168	51%	260	-3%	1,035	874	18%
Other Charges	113	7	1508%	46	143%	199	167	19%
Profit Before Provisions	11,862	10,145	17%	13,056	-9%	50,376	51,133	-1%
Provisions	(583)	1,802	-132%	(708)	-18%	(1,449)	17,256	-108%
Profit Before Taxation	12,445	8,343	49%	13,764	-10%	51,825	33,878	53%
Taxation	4,691	2,931	60%	5,764	-19%	21,474	13,577	58%
Profit After Taxation	7,754	5,411	43%	8,000	-3%	30,350	20,300	50%
PAT Attributable to Shareholders	8,665	5,122	69%	6,756	28%	30,409	20,789	46%
EPS	7.08	4.18		5.52		24.84	16.98	
DPS	6.00	9.50		4.00		18.00	12.00	
Cost/Income	54%	55%		48%		49%	47%	
Effective Tax rate	38%	35%		42%		41%	40%	

Source: Company Accounts, Foundation Research, February 2022

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If	
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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.