

## Earning Review

### UBL: 1QCY22 EPS at Rs7.60, DPS Rs5.0

#### Event

- United Bank Limited (UBL PA) announced its 1QCY22 result with consolidated earnings of Rs9.3bn (EPS Rs7.60/sh), up by 22/7% YoY/QoQ.
- The result was accompanied by cash dividend of Rs5/sh.

#### Impact

- The bank posted a PAT of Rs9.3bn in 1QCY22 (up by 22/7% YoY/QoQ), mainly due to higher Net interest. Similarly on sequential basis, the profitability inclined by 7%, mainly due to provisioning expense as compared to provisional reversal last quarter.
- To highlight, UBL also recorded profit from discontinued operation of Rs1.0bn in previous quarter, which was a non-recurring item.
- Net interest income (NII) increased by 28/18% YoY/QoQ. Bank's NII was supported by increase in interest earned of 50/22% YoY/QoQ, mainly because of increase in policy rate of 250bps during the quarter.
- Non-funded income increased/decreased by 8/2% YoY/QoQ mainly due to higher/lower FX earning (2.56x/11% YoY/QoQ), similarly dividend income also increased/decreased 2.1x/13% YoY/QoQ.
- Operating expense increased/decreased by 18/8% YoY/QoQ to Rs12.69bn in 1QCY22. This translated into Cost/income of 45% (down by 1/9ppts YoY/QoQ).
- The bank recorded provision expense of Rs334mn in 1QCY22, as compared to provision expense of Rs376mn in 1QCY21 (↓11% YoY) and sequentially provision reversal was recorded of Rs583mn last quarter.
- Effective tax rate for 1QCY22 clocked in at 40% (↑1/2% YoY/QoQ).

#### Outlook

- UBL low cost of deposits, because of its high CA, remains relatively immune to adverse changes in interest rate. Banks sufficient CAR keeps dividend payout outlook intact. 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 is currently trading at an attractive P/B of 0.8.

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Table 01: Earnings Review UBL 1QCY22

	1QCY22	1QCY21	YoY	4QCY21	QoQ
Interest Earned	49,332	32,931	50%	40,435	22%
Interest Expensed	26,968	15,426	75%	21,422	26%
<b>Net Interest Income (NII)</b>	<b>22,363</b>	<b>17,505</b>	<b>28%</b>	<b>19,014</b>	<b>18%</b>
Fee Income	4,217	3,469	22%	4,183	1%
Dividend Income	530	252	110%	612	-13%
Foreign Exchange Income	1,343	525	156%	1,511	-11%
Gain on Securities	446	1,874	-76%	486	-8%
Other Income	239	135	77%	111	115%
<b>Total Non-Markup Income</b>	<b>6,776</b>	<b>6,255</b>	<b>8%</b>	<b>6,904</b>	<b>-2%</b>
<b>Share of Profit from Associates</b>	<b>(47)</b>	<b>152</b>	<b>-131%</b>	<b>95</b>	<b>-150%</b>
<b>Total Income</b>	<b>29,092</b>	<b>23,912</b>	<b>22%</b>	<b>26,012</b>	<b>12%</b>
Operating Expense	12,687	10,785	18%	13,785	-8%
WWF	328	248	32%	253	30%
Other Charges	6	25	-77%	113	-95%
<b>Non-Markup Expense</b>	<b>13,021</b>	<b>11,058</b>	<b>18%</b>	<b>14,150</b>	<b>-8%</b>
<b>Profit Before Provisions</b>	<b>16,071</b>	<b>12,854</b>	<b>25%</b>	<b>11,862</b>	<b>35%</b>
Provisions	334	376	-11%	(583)	-157%
<b>Profit Before Taxation</b>	<b>15,737</b>	<b>12,478</b>	<b>26%</b>	<b>12,445</b>	<b>26%</b>
Taxation	6,365	4,892	30%	4,691	36%
<b>Profit After Taxation</b>	<b>9,373</b>	<b>7,586</b>	<b>24%</b>	<b>7,754</b>	<b>21%</b>
<b>PAT Attributable to Shareholders</b>	<b>9,304</b>	<b>7,599</b>	<b>22%</b>	<b>8,665</b>	<b>7%</b>
EPS	7.60	6.21		7.08	
DPS	5.00	4.00		6.00	
<b>Cost/Income</b>	<b>45%</b>	<b>46%</b>		<b>54%</b>	
<b>Effective Tax rate</b>	<b>40%</b>	<b>39%</b>		<b>38%</b>	

Source: Company Accounts, Foundation Research, April 2022

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