

Earning Review

UBL: 2QCY22 EPS at Rs2.17, DPS Rs4.0

Event

- United Bank Limited (UBL PA) announced its 2QCY22 result with consolidated earnings of Rs2.6bn (EPS Rs2.17), down by 64/71% YoY/QoQ. This cumulates into half year profitability of Rs12.0bn (EPS Rs9.77), down 20% YoY.
- The result was accompanied by cash dividend of Rs4/sh which cumulates into cash payout of Rs9/sh in 1HCY22.

Impact

- The bank posted a PAT of Rs2.6bn in 2QCY22 (down by 64/71% YoY/QoQ), mainly due to higher taxation charge on the back of imposition of higher super tax along with higher taxation rate on basis of ADR.
- Banks profit before tax grew by 40/20% YoY/QoQ due to higher Net interest income and Non-markup income.
- Net interest income (NII) increased by 31/10% YoY/QoQ in 2QCY22. Bank's NII was supported by increase in interest earned of 53/15% YoY/QoQ, mainly because of increase in policy rate of 400bps during the quarter.
- Non-funded income increased by 66/31% YoY/QoQ mainly due to foreign exchange earnings (up 5.6x/3.1x YoY/QoQ), whereas fee income also increased/decreased by 14%/1% YoY/QoQ.
- Operating expense increased by 21/5% YoY/QoQ to Rs13.3bn in 2QCY22. This translated into Cost/income of 41% (down by 6/4ppts YoY/QoQ).
- The bank recorded provision expense of Rs1.0bn in 2QCY22, as compared to provision reversal of Rs534mn in 2QCY21.
- Effective tax rate for 2QCY22 clocked in at 85% due to imposition of 10% super tax on taxation year 2023, increase in corporate tax rate to 39% and increase in tax rates on incremental investment in gov't securities on the basis of ADR.

Outlook

- UBLs low cost of deposits, because of its high CA, would make it 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 17.6% and is currently trading at an attractive P/B of 0.59.

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Table 01: Earnings Review UBL 2QCY22

	2QCY22	2QCY21	YoY	QoQ	1HCY22	1HCY21	YoY
Interest Earned	56,516	36,874	53%	15%	105,848	69,804	52%
Interest Expensed	31,889	18,044	77%	18%	58,857	33,470	76%
Net Interest Income (NII)	24,627	18,829	31%	10%	46,990	36,334	29%
Fee Income	4,155	3,652	14%	-1%	8,372	7,121	18%
Dividend Income	174	183	-5%	-67%	704	435	62%
Foreign Exchange Income	4,125	736	460%	207%	5,469	1,261	334%
Gain on Securities	202	710	-72%	-55%	648	2,584	-75%
Other Income	202	60	236%	-15%	441	195	126%
Total Non-Markup Income	8,859	5,341	66%	31%	15,634	11,596	35%
Share of Profit from Associates	99	73	36%	-309%	52	225	-77%
Total Income	33,585	24,243	39%	15%	62,625	47,930	31%
Operating Expense	13,304	11,008	21%	5%	25,991	21,793	19%
WWF	377	273	38%	15%	705	522	35%
Other Charges	10	15	-31%	84%	16	39	-60%
Non-Markup Expense	13,691	11,297	21%	5%	26,711	22,354	19%
Profit Before Provisions	19,894	12,946	54%	24%	35,914	25,576	40%
Provisions	1,034	(534)	NA	209%	1,368	(158)	NA
Profit Before Taxation	18,860	13,480	40%	20%	34,546	25,734	34%
Taxation	16,080	6,127	162%	153%	22,444	11,020	104%
Profit After Taxation	2,781	7,353	-62%	-70%	12,102	14,714	-18%
PAT Attributable to Shareholders	2,654	7,389	-64%	-71%	11,958	14,988	-20%
EPS	2.17	6.04			9.77	12.24	
DPS	4.00	4.00			9.00	8.00	
Cost/Income	41%	47%			43%	47%	
Effective Tax rate	85%	45%			65%	43%	

Source: Company Accounts, Foundation Research, August 2022

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