

## Earning Review

### UBL: 4QCY22 EPS at Rs10.69, DPS Rs9.0

#### Event

- United Bank Limited (UBL PA) announced its 4QCY22 result with consolidated earnings of Rs13.1bn (EPS Rs10.69), up by 51%/101% YoY/QoQ. This cumulates into CY22 profitability of Rs31.5bn (EPS Rs25.74), up 4% YoY.
- The result was accompanied by cash dividend of Rs9/sh which cumulates into cash payout of Rs22/sh in CY22.
- The result is above our expectation given higher than expected other income of Rs6.9bn and lower taxation charge in 4QCY22. However, provisioning charge is above our expectation.

#### Impact

- The bank posted a PAT of Rs13.1bn in 4QCY22 (up by 51%/2.0x YoY/QoQ), mainly due to higher Net Interest Income and Non-funded income along with lower taxation charge.
- Net interest income (NII) increased by 67/10% YoY/QoQ in 4QCY22. Bank's NII was supported by increase in interest earned of 89/2% YoY/QoQ in 4QCY22. On sequential basis, Interest expense decreased by 4%.
- Non-funded income increased by 84% YoY mainly due to higher Other Income of Rs6.9bn and fee income which increased by 10% YoY.
- Operating expense increased by 14/9% YoY/QoQ to Rs15.7bn in 4QCY22. This translated into Cost/income of 36% (down by 18.3%/4.4% YoY/QoQ).
- The bank recorded provision expense of Rs10.8bn in 4QCY22, as compared to provision reversal of Rs583mn in 4QCY21.
- Effective tax rate for 4QCY22 clocked in at 25% despite 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. Moreover, we wait for clarity on this front.

#### Outlook

- Bank's focus on digitalization to achieve low cost deposits with controlled cost would bode positively. Besides, we foresee provisioning expense to normalize given lack of one offs, improving economic condition in Middle East due to elevated oil prices and focused on quality lending. Moreover, Bank's current investment portfolio provide it opportunity to ride the interest rate cycles along with agility to shift if things improve. Aforementioned factors plus comfortable buffer over regulatory requirements would enhance our conviction for continuation of strong dividend payout and thus compels us to have an "Outperform" stance on the stock with Dec-23 TP of Rs143.5.

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Table 01: Earnings Review UBL 4QCY22

	4QCY22	4QCY21	YoY	3QCY22	QoQ	CY22	CY21	YoY
Interest Earned	76,579	40,435	89%	75,403	2%	257,830	152,761	69%
Interest Expensed	44,750	21,422	109%	46,480	-4%	150,086	78,025	92%
<b>Net Interest Income (NII)</b>	<b>31,829</b>	<b>19,014</b>	<b>67%</b>	<b>28,923</b>	<b>10%</b>	<b>107,743</b>	<b>74,736</b>	<b>44%</b>
Fee Income	4,585	4,183	10%	4,286	7%	17,243	14,717	17%
Dividend Income	618	612	1%	214	189%	1,537	1,571	-2%
Foreign Exchange Income	798	1,533	-48%	3,293	-76%	9,560	4,174	129%
Gain on Securities	(197)	486	na	109	-280%	561	3,478	-84%
Other Income	6,886	89	7597%	280	2361%	7,607	382	1891%
<b>Total Non Markup Income</b>	<b>12,691</b>	<b>6,904</b>	<b>84%</b>	<b>8,182</b>	<b>55%</b>	<b>36,507</b>	<b>24,321</b>	<b>50%</b>
<b>Share of Profit from Associates</b>	<b>(23)</b>	<b>95</b>	<b>na</b>	<b>(679)</b>	<b>-97%</b>	<b>(650)</b>	<b>342</b>	<b>na</b>
<b>Total Income</b>	<b>44,497</b>	<b>26,012</b>	<b>71%</b>	<b>36,426</b>	<b>22%</b>	<b>144,250</b>	<b>99,057</b>	<b>46%</b>
Operating Expense	15,737	13,785	14%	14,437	9%	56,165	47,447	18%
WWF	310	253	23%	338	-8%	1,353	1,035	31%
Other Charges	31	113	-72%	2	1601%	49	199	-75%
<b>Non-Markup Expense</b>	<b>16,078</b>	<b>14,150</b>	<b>14%</b>	<b>14,777</b>	<b>9%</b>	<b>57,566</b>	<b>48,681</b>	<b>18%</b>
<b>Profit Before Provisions</b>	<b>28,419</b>	<b>11,862</b>	<b>140%</b>	<b>21,650</b>	<b>31%</b>	<b>86,034</b>	<b>50,719</b>	<b>70%</b>
Provisions	10,770	(583)	na	5,461	97%	17,599	(1,449)	na
<b>Profit Before Taxation</b>	<b>17,649</b>	<b>12,445</b>	<b>42%</b>	<b>16,189</b>	<b>9%</b>	<b>68,435</b>	<b>52,167</b>	<b>31%</b>
Taxation	4,334	4,691	-8%	9,596	-55%	36,375	21,474	69%
<b>Profit After Taxation</b>	<b>13,315</b>	<b>7,754</b>	<b>72%</b>	<b>6,593</b>	<b>102%</b>	<b>32,061</b>	<b>30,693</b>	<b>4%</b>
<b>PAT Attributable to Shareholders</b>	<b>13,089</b>	<b>8,665</b>	<b>51%</b>	<b>6,513</b>	<b>101%</b>	<b>31,515</b>	<b>30,409</b>	<b>4%</b>
EPS	10.69	7.08		5.32		25.74	24.84	
DPS	9.00	6.00		4.00		22.00	18.00	
<b>Cost/Income</b>	<b>36%</b>	<b>54%</b>		<b>41%</b>		<b>40%</b>	<b>49%</b>	
<b>Effective Tax rate</b>	<b>25%</b>	<b>38%</b>		<b>59%</b>		<b>53%</b>	<b>41%</b>	

Source: Company Accounts, Foundation Research, February 2023

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#### Recommendations definitions

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