

United Bank (UBL)

1Q2018 Conference Call Notes

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Key Takeaways

- UBL declared earnings of Rs2.2/share in 1Q2018, down 63% YoY primarily due to one-off pension cost. Normalized earnings excluding outlier stood at Rs5.9/share.
- Cost to income ratio stood at 41% in 1Q2018, down from 43% in 1Q2017.
- Deposits of the bank grew by 10% to Rs1.4tn mainly on back of current account growth.
- CAR of the bank has improved to 16% in 1Q2018 vs. 15.5% in 1Q2017.
- The bank booked Rs1.9bn of net provisions charge in 1Q2018 to build up coverage against its international operations as a measure of prudence. This is net of Rs800mn recovered from domestic front.
- NPLs against international operations were also up 10% QoQ to Rs25bn in 1Q2018.
- Coverage of the bank against its international operations now stands at 68% and the bank plans to improve it further in coming quarters. So, additional provisions against international NPLs can not be ruled out however the quantum of the charge could be lower in coming quarters.
- The bank charged a net pension cost of Rs6bn representing actuarial estimate of the pension cost as per the Supreme Court's order to increase minimum pension to Rs8000/month. As per the management, this is the maximum that the bank will have to pay however the estimate may change based on the ongoing verification process.
- Management does not expect any major impact of Amnesty Scheme on banking sector deposits. Instead, M2 growth will remain the main driver of banking sector deposit going forward.

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