

United Bank (UBL)

1H2018 Conference Call Notes

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Key Takeaways

- United Bank Limited (UBL) reported earnings of Rs2.8/share in 2Q2018, down by 40% YoY mainly due to Rs2.0bn of additional pension cost.
- The additional pension charge in the quarter takes total pension charge for 1H2018 to Rs8.4bn. The unexpected pension charge this quarter is due to a revised higher estimate of eligible pensioners in light of the initial supreme court ruling. The Bank has filed a review petition to the Supreme Court and the charge may be revised further in coming quarters.
- International provisions of Rs2.4bn have been taken during the quarter and resultantly coverage ratio has reached 71%. The management stated that coverage could be improved further and hence going forward provision charge originating from international NPLs is possible. NPLs against international operations were also up 12.6% from Dec 17 level to US\$233mn in Jun 2018.
- The Bank still plans on issuing Tier-I capital. We recall that the Bank had informed that they plan on issuing Tier-I capital worth Rs10bn. CAR of the bank has improved to 16.34% in Jun 2018 vs. 15.45% in Dec 2017 while the Bank also commented that they plan to maintain the current level of dividend.
- Cost to income ratio stood at 47% in 2Q2018, up from 45% in 2Q2017.
- Management believes that effective tax rate for CY18 will be 39%, compared to 44.6% in 1HFY18. Hence, taxation is expected to normalize in the coming quarters.
- As of now, the management does not have an estimate of potential costs from wind down of NY operations.

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