

# United Bank Limited (UBL)

2Q2018 EPS of Rs2.8, -40% YoY (+22 QoQ); 1H2018 EPS Rs5.1, down 53% YoY  
Interim Cash dividend of Rs3/share  
Below expectations

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# Rs2.0bn additional pension expense drags down earnings

## UBL: Financial Highlights

Rsmn	2Q2018	2Q2017	YoY	QoQ	1H2018	1H2017	YoY
Markup interest earned	27,104	26,637	2%	-7%	56,157	51,306	9%
Markup interest expensed	12,346	11,914	4%	-16%	27,096	22,488	20%
Net Interest Income	14,758	14,723	0%	3%	29,062	28,818	1%
Total provisioning/reversal	2,397	-314	NM	19%	4,407	-191	NM
Non Interest Income	7,167	6,258	15%	-10%	15,163	13,194	15%
Non Interest Expense	11,329	9,849	15%	18%	20,892	19,385	8%
Share of income from Associates	115	133	-13%	-38%	300	370	-19%
Extraordinary item - Pension cost	2,000	-			8,405	-	
Profit before Tax	6,314	11,578	-45%	40%	10,821	23,188	-53%
Taxation	2,962	5,864	-49%	70%	4,710	9,897	-52%
Profit attributable to equity holder	3,409	5,714	-40%	22%	6,194	13,234	-53%
<b>EPS</b>	<b>2.8</b>	<b>4.7</b>			<b>5.1</b>	<b>10.8</b>	

Source: PSX, Topline Research

- United Bank Limited (UBL) reported earnings of Rs2.8/share in 2Q2018, significantly lower than market consensus. Profits were below expectations due to unanticipated pension charge of Rs2bn. This brings total pension charge for 1H2018 to Rs8.4bn, much higher than the estimated range of Rs3.4-5.9bn disclosed in UBL's 2017 annual filing.
- Net Interest Income (NII) of UBL was flat YoY in 2Q2018.
- During the quarter, total provision stood at Rs2.4bn, mainly as a result of Rs1.7bn provision for NPLs. We believe, majority of this provision to be on the international book.

# Rs2.0bn additional pension expense drags down earnings

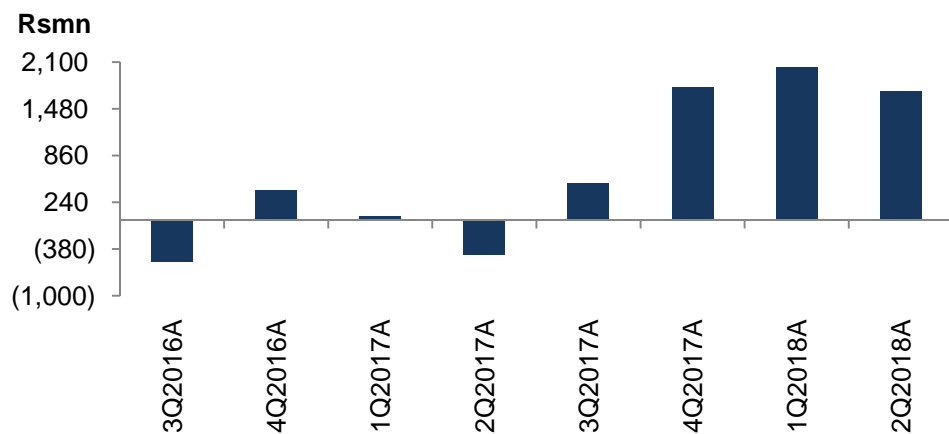
- Non-markup income grew by 15% YoY to ~Rs7.2bn primarily due to ~91% increase in income from dealing in foreign currencies and 15% increase in fee and commission income.
- Similarly, non-markup expense increased by 15% YoY as administrative expenses rose by 13% YoY and other provisions increased by ~Rs400mn.
- On quarterly basis, NII was up 3% while earnings were up 22%.
- For the 1H2018 cumulatively, EPS has clocked in at Rs5.1, down by 53% YoY primarily due to Rs8.4bn in total pension charge booked by the Bank during 1H2018.
- Key risks for UBL include: 1) NPL creation on international book 2) lower than expected advances growth, 3) delay in hike in interest rates, and 4) deterioration of Pakistan macros.

## UBL: Key Numbers

	2013A	2014A	2015A	2016A	2017A
EPS	15.8	19.3	21.4	22.7	21.4
Earnings Growth	8%	23%	11%	6%	-6%
PE at Rs173	11.0	9.0	8.1	7.6	8.1
Dividend Yield	6%	7%	7%	8%	8%
ROE	17%	17%	17%	17%	15%
PBV	1.9	1.5	1.4	1.3	1.2

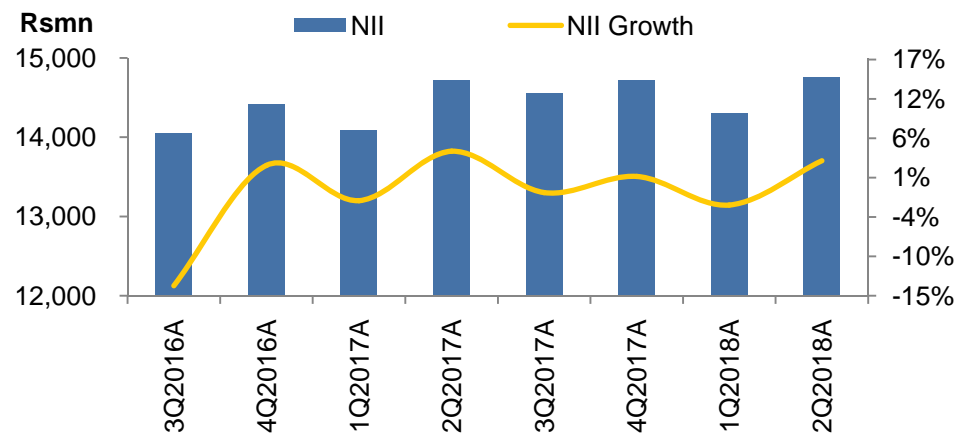
Source: Company Accounts, Topline Research

### UBL: Quarterly NPL provisioning / Reversal



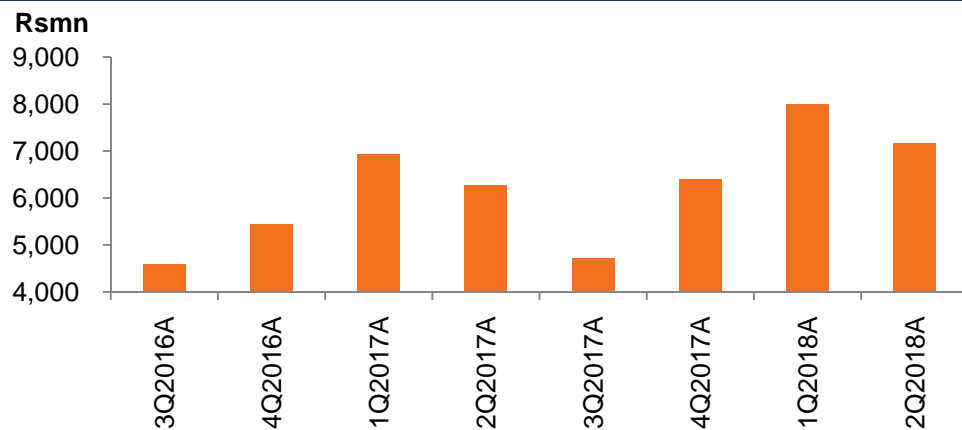
Source: Company Accounts, Topline Research

### UBL: Quarterly NII and NII Growth



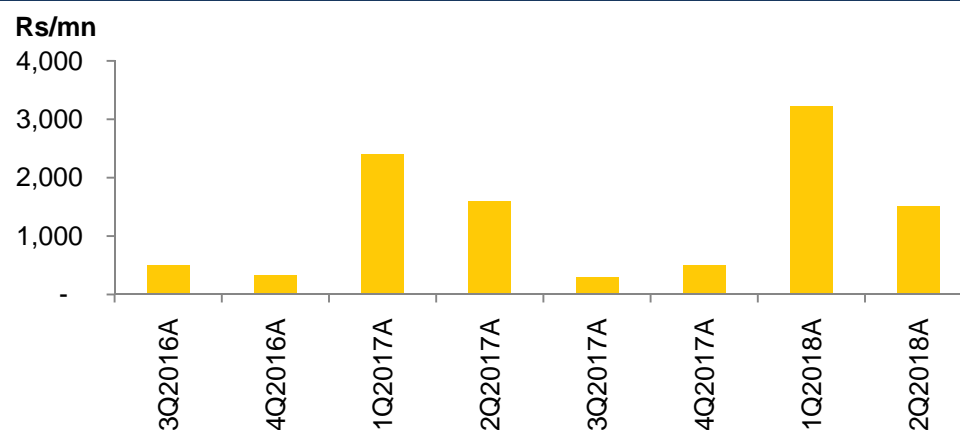
Source: Company Accounts, Topline Research

### UBL: Quarterly Non interest income



Source: Company Accounts, Topline Research

### UBL: Quarterly Capital gains



Source: Company Accounts, Topline Research

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