

<p></p>

<p>KARACHI: The after-tax profit of United Bank for the first half of 2013 declined 10.7% to Rs8.2 billion, according to an unconsolidated profit and loss statement sent to the Karachi Stock Exchange (KSE) on Friday.

Earnings per share (EPS) decreased from Rs7.56 in June 2012 to Rs6.75 in June 2013, showing a decline of 12% year-on-year.

Speaking to The Express Tribune, Global Securities Research Analyst Umair Naseer said the dip in the bank's bottom line is caused by a decline in its core income. Net interest income fell 7.1% to Rs17.8 billion in the first six months of 2013 as opposed to Rs19.2 billion in the first half of the preceding year.

Coupled with the 1% increase in the minimum deposit rate on average monthly balance, a significant drop in the bank's net interest income resulted in a dip in overall profitability, Naseer said.

With the central bank's continuous reduction in the discount rate, spreads across the banking sector have shrunk, affecting the profitability of large banks in particular.

A considerable increase was recorded in the bank's total provisions in the quarter ended June 30, as they increased to Rs705 million, up 31.3% from the corresponding three-month period in 2012.

According to Naseer, loans extended to individuals are 11% of UBL's total advances as per its latest available financial accounts. Of these loans, as much as 31% are non-performing, he said, adding UBL hasn't been able to stem the rise in NPLs unlike many other major banks in recent years. Operating expenses of the bank also surged 8% on a quarterly basis. UBL announced interim cash dividend of Rs2 per share in addition to the first interim dividend of Rs2 per share.

According to Naseer, his brokerage house currently sees little upside in the UBL stock, which closed at Rs125.9 per share at the end of trading on Friday after jumping Rs3 during the day.

It doesn't seem very attractive at the moment. But the situation may change for the better if the central bank increases the discount rate in the upcoming monetary policy announcement, he added.

According to Taurus Securities, a subsidiary of National Bank of Pakistan, UBL's earnings remained in line with its expectations, although some heads departed from their forecasts.

Non-funded income remained buoyant, contrary to the past trend where second quarter's income is usually lean due to the absence of major dividends, said Taurus Securities research analyst Hassan Raza, while pointing out that the higher non-mark-up income stemmed from higher gains on sale of investments and sizeable increase in income from associated companies.</p>