

Commercial Banks

UBL: Earnings up by +17%YoY to PKR 21/share, Maintain a 'Buy'

- United Bank Limited (UBL) reported CY15 earnings of PKR 25.7bn (EPS PKR 21.02) up by +17%YoY, slightly lower than our expectation of PKR 26bn.
- The bank announced a PKR 4.0/share dividend along with the result taking CY15 total payout to PKR 13.0/share.
- Bank's Interest income is up by +24%YoY to PKR 55.8bn led by +14%YoY interest earned and +2%YoY growth in Interest expense.
- Bank's fee income is up by +9%YoY, registering capital gain of PKR 3.2bn (+75%YoY) and Fx Income down by 25%YoY to PKR 2.3bn.
- Bank's operating cost is up by +7%YoY in CY15, with cost to income down to +41% in CY15 compared to +47% in CY14.

Recommendation

We recommend a Buy, offering +35% upside to our Dec-16 target price of PKR 206/share. UBL is currently trading at a forward CY16 P/E and P/B of 7.1x and 1.3x, along with 8.5% dividend yield.

Exhibit: Financial Highlights

PKRmn (Period end=Dec)	4QCY15	4QCY14	YoY	CY15	CY14	YoY
Interest Income	14,701	12,828	15%	55,842	44,967	24%
Non-Interest Income	4,844	4,766	2%	21,987	19,296	14%
Total Revenue	19,545	17,595	11%	77,829	64,263	21%
Operating expenses	8,703	8,308	5%	32,022	29,983	7%
Pre-provisioning Operating Profits	10,842	9,287	17%	45,807	34,280	34%
Provisioning Charge	952	33	2811%	3,632	882	312%
Pre-Tax Profits	9,889	9,254	7%	42,175	33,398	26%
Taxation	3,433	3,177	8%	16,448	11,469	43%
Profit After Tax	6,457	6,077	6%	25,727	21,930	17%
EPS	5.27	4.96		21.02	17.91	
DPS	4.00	4.00		13.00	11.50	

Source: IGI Research, Company Financials

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Analyst Certification

The analyst[^] hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

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IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- Justified Price-to-book
- Dividend Discount Model

Time Horizon

- Dec-16

Risk

- Changes in State Bank of Pakistan Policy Rate
- Change in Country (Pakistan) macro-economic environment
- Changes in Company(ies) operating structure

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