

Flash Note

Wednesday, 19 April 2017

Commercial Banks

UBL: Higher capital gains and lower provision charge lifts up quarterly earning

- United Bank Limited (UBL) reported unconsolidated earnings for the 1QCY17 of PKR 7.26bn (or PKR 5.93/share) up by +13%QoQ (or down by 1%YoY).
- The bank announced a cash dividend of PKR 3.0/share.
- During the quarter, higher capital gains realised (PKR 2.3bn versus PKR 0.2bn realised in 4QCY17) offset the impact of decline witnessed in net interest income (interest income declined by 2%QoQ). As a result overall non-funded income portion to total revenue base increase to 31% compared to 27% in 4QCY17.
- In addition to higher capital gain realization, lower provisioning charge against non-performing loans also eased up bottom-line impact.

Exhibit:

UBL Result Highlights

PKRmn (Period end=Dec)	1QCY17	1QCY16	YoY	4QCY16	QoQ
Interest Earned	23,888	23,423	2%	24,864	-4%
Interest Expensed	10,176	9,837	3%	10,820	-6%
Interest Income	13,712	13,587	1%	14,044	-2%
Fee Income	2,787	3,175	-12%	3,174	-12%
Capital Gain & Div. Income	2,887	4,266	-32%	1,446	100%
Non-Interest Income	6,276	8,360	-25%	5,191	21%
Total Revenue	19,988	21,947	-9%	19,235	4%
Operating Expenses	8,736	8,923	-2%	8,451	3%
Pre-Provisioning Profits	11,251	13,023	-14%	10,785	4%
NPL (Rev.) / Prov.	96	1,768	-95%	349	-73%
Pre-Tax Profits	11,156	11,256	-1%	10,435	7%
Taxation	3,901	3,956	-1%	4,010	-3%
Profit After Tax	7,255	7,300	-1%	6,426	13%

EPS (PKR)	5.93	5.96	5.25
DPS (PKR)	3.00	3.00	4.00
BVPS (PKR)	126.92	119.24	123.99

KEY RATIOS

Cost-To-Income Ratio	44%	41%	44%
Effective Tax Rate	35%	35%	38%
Non-Il / Total Income	31%	38%	27%

SOURCE: IGI Research, Company accounts, PSX notifications

Recommendation

With a forward P/B of 1.7x and dividend yield of 5.2%, we recommend "BUY" call with our Dec-17 target price of PKR 282/share, scrip offers +21% upside from its last closing of PKR 233/share.

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