

# Flash Note

Friday, 17 February 2017



Securities

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## Commercial Banks

### UBL: Multiple positives; CY16 earnings up by +8% to 22.65/share (4QCY16 EPS at PKR 5.25, down by 8%QoQ)

- United Bank Limited (UBL) reported earnings growth of +8% to PKR 27.73bn (EPS PKR 22.65) CY16 compared to PKR 25.73bn (EPS PKR 21.02) last year.
- The bank announced a PKR 4.0/share cash dividend, taking full year payout to PKR 13.0/share.
- On a quarterly basis, earnings dropped by 8%QoQ to PKR 6.4bn or PKR 5.25/share, led by higher provision charge of PKR 349mn during 4QCY16 out of which, provisioning against non-performing loans (NPL) stood at PKR 342mn, compared to 9MCY16 total reversal of PKR 1.1bn.
- Bank's interest income recorded a +3%QoQ increase to PKR 14.0bn. Interest earned increased by +4%QoQ, compared to +6%QoQ increase in interest expense.
- Non-interest income recorded an increase of +16%QoQ mainly on account of higher dividend income during the 4QCY16 to the tune of PKR 1.2bn compared to PKR 2.0bn in 9MCY16. Bank's fee income showed an impressive +15%QoQ growth.
- Bank's operating expense posted a +11%QoQ increase (or increase of +4%YoY).

Exhibit:

#### UBL Result Highlights

PKRmn (Period end=Dec)	CY16	CY15	YoY	4QCY16	QoQ
Interest Earned	98,219	94,353	4%	24,864	4%
Interest Expensed	41,177	38,511	7%	10,820	6%
Interest Income	57,043	55,842	2%	14,044	3%
Fee Income	12,319	12,203	1%	3,174	15%
Capital Gain & Div. Income	8,629	6,442	34%	1,446	26%
Non-Interest Income	23,609	21,987	7%	5,191	16%
Total Revenue	80,651	77,829	4%	19,235	6%
Operating Expenses	33,157	32,022	4%	8,451	11%
Pre-Provisioning Profits	47,494	45,807	4%	10,785	3%
NPL (Rev.) / Prov.	1,479	3,632	-59%	349	n.m
Pre-Tax Profits	46,016	42,175	9%	10,435	-3%
Taxation	18,285	16,448	11%	4,010	6%
Profit After Tax	27,730	25,727	8%	6,426	-8%
EPS (PKR)	22.65	21.02		5.25	
DPS (PKR)	13.00	13.00		4.00	
BVPS (PKR)	126.6	116.1		126.6	
<b>KEY RATIOS</b>					
Cost-To-Income Ratio	41%	41%		44%	
Effective Tax Rate	40%	39%		38%	
Nii / Total Income	29%	28%		27%	

Source: IGI Research, Company Financials

No. of shares 1,224.2

#### Recommendation

With a forward P/B of 1.9x and dividend yield of 6.7%, we recommend UBL a "BUY" call with our Dec-17 target price of PKR 252/share.

#### Analyst

Saad Khan

[saad.khan@igi.com.pk](mailto:saad.khan@igi.com.pk)

Tel: (+92-21) 111-234-234 Ext.: 810

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IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

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 سروسامانہ نگاری مسجد ہداری کے ساتھ  
<http://www.jamapunji.pk>

## Contact Details

### Research Team

Saad Khan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext.: 810	saad.khan@igi.com.pk
Abdullah Farhan	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 912	abdullah.farhan@igi.com.pk
Yawar Saeed	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 973	yawar.saeed@igi.com.pk
Anjali Kukreja	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 957	anjali.kukreja@igi.com.pk
Jawad Ameer Ali	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 816	jawad.ameer@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext.: 966	umesh.solanki@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Branch Manager (Islamabad)	Tel: (+92-51) 2604861-2	muhammad.naveed@igi.com.pk
Gul Hussain	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	gul.hussain@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-6	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (92-992) 408243-44	zeeshan.kayani@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of  
Pakistan Stock Exchange Limited |  
Corporate member of Pakistan Mercantile Exchange Limited

#### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780  
Website: [www.igisecurities.com.pk](http://www.igisecurities.com.pk)

#### Stock Exchange Office

Room # 719, 7th Floor, KSE Building, Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

#### Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,  
Gulberg II, Lahore  
Tel: (+92-42) 35777863-70, 35876075-76  
Fax: (+92-42) 35763542

#### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
Building, 2- Liaquat Road, Faisalabad  
Tel: (+92-41) 2540843-45  
Fax: (+92-41) 2540815

#### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road, Multan  
Phone: (92-992) 408243 - 44

#### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
Block- B, Jinnah Avenue, Blue Area, Islamabad  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

#### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road, Rahim Yar Khan  
Tel: (+92-68) 5871653-6, 5871652  
Fax: (+92-68) 5871651

#### Abbottabad Office

Ground Floor, Al Fatah ShoppingCenter, Opp. Radio  
Station, MansehraRoad, Abbottabad  
Phone: (+92-99) 2408243 - 44