

# United Bank Limited (UBL)

4Q2017 EPS Rs5.6, +9% YoY; 2017 EPS Rs21.4, -6% YoY; Cash dividend of Rs4/share  
In-line with expectations

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## PAT up 9%, PBT down 14% driven by higher provisions

### UBL: Financial Highlights

Rsmn	4Q2017	4Q2016	YoY	QoQ	2017A	2016A	YoY
Markup interest earned	29,958	25,850	16%	2%	110,580	101,755	9%
Markup interest expensed	15,243	11,437	33%	3%	52,488	42,934	22%
Net Interest Income	14,715	14,413	2%	1%	58,092	58,821	-1%
Total provisions	2,335	362	544%	269%	2,776	1,605	73%
Non Interest Income	6,386	5,449	17%	35%	24,296	25,134	-3%
Non Interest Expense	9,704	9,175	6%	-2%	38,941	36,253	7%
Profit before Tax	9,180	10,696	-14%	5%	41,131	47,154	-13%
Taxation	2,435	4,445	-45%	-6%	14,934	19,152	-22%
Profit after tax	6,846	6,253	9%	12%	26,190	27,783	-6%
<b>EPS</b>	<b>5.6</b>	<b>5.1</b>			<b>21.4</b>	<b>22.7</b>	

Source: PSX, Topline Research

- UBL declared earnings of Rs5.6/share in 4Q2017, up 9% YoY on the back of lower effective tax rate. PBT of the bank during 4Q2017 was down 14% as provisioning charges against NPLs and equity investment kept earnings of UBL in check.
- Net Interest Income (NII) of UBL was up 2% YoY in 4Q2017 which was slightly lower than our estimate of Rs2.2bn for the quarter.
- Provisions against NPLs climbed by 4x to Rs1.8bn during 4Q2017 whereas provisions against investments increased to Rs510mn vs. reversal of Rs60mn in same period last year. Total provisions stood at Rs2.3bn during 4Q2017. We await management clarity on rationale behind higher provisions against NPLs.

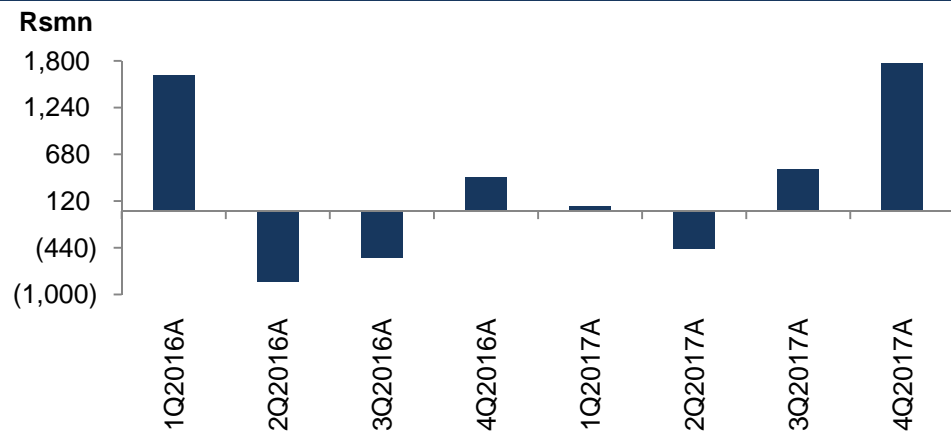
## PAT up 9%, PBT down 14% driven by higher provisions

- Non-markup income surged by 17% YoY to Rs5.6bn on account of strong growth in fee, commission & brokerage income. On the other hand, Non-interest expense stood at Rs9.7bn, up 6% YoY and in line with our estimate.
- UBL's 2017 earnings clocked in at Rs21.4/share, down 6% YoY primarily on account of higher provisions.
- Along with the result, UBL notified that the board of directors of UBL has resolved to issue Additional Tier 1 Capital of up to Rs10bn (inclusive of green shoe option) either through (i) private placement, (ii) private placement and subsequent listing in accordance with OTC regulation or (iii) through a public offer, subject to obtaining all regulatory approvals.
- We continue to rate UBL as 'Buy'. 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	2017E
EPS	15.8	19.3	21.4	22.7	21.4
Earnings Growth	8%	23%	14%	14%	-6%
PE at Rs203.6	12.9	10.5	9.5	9.5	9.5
Dividend Yield	5%	6%	6%	6%	6%
ROE	17%	17%	17%	17%	15%
PBV	2.2	1.8	1.6	1.5	1.4

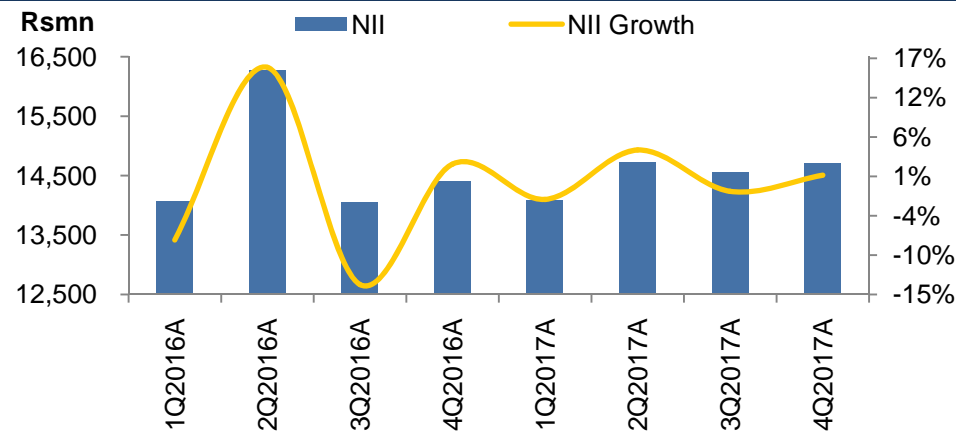
Source: Company Accounts, Topline Research

### UBL: Quarterly NPL provisioning / Reversal



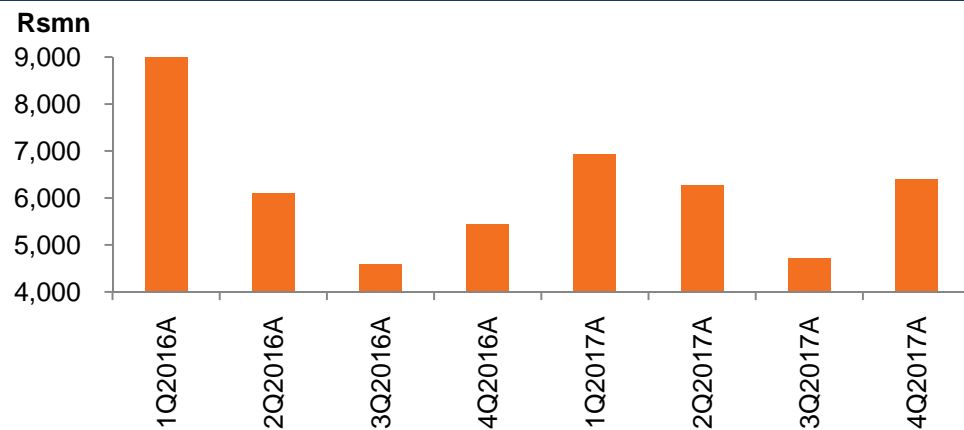
Source: Company Accounts, Topline Research

### UBL: Quarterly NII and NII Growth



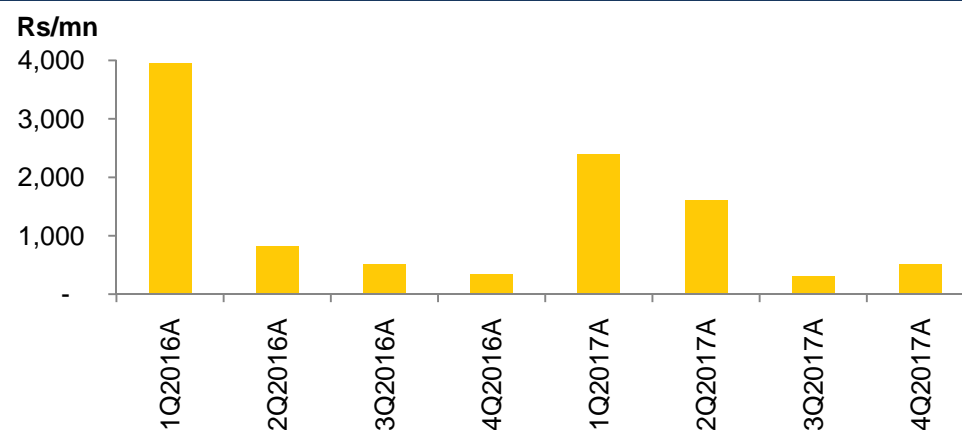
Source: Company Accounts, Topline Research

### UBL: Quarterly Non interest income



Source: Company Accounts, Topline Research

### UBL: Quarterly Capital gains



Source: Company Accounts, Topline Research

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