

July 28, 2010

**Pakistan Market****UBL: 1H2010 EPS likely at Rs4.5****MORNING BRIEFING**

KSE100 Index: Closing 10386.82 ↑ (+89.14)

The board of directors of United Bank Limited (UBL) is scheduled to meet on July 30, 2010 to announce bank's 1H2010 financial results. We expect UBL to post net profit of Rs5.5bn (EPS: Rs4.5) versus Rs4.3bn (EPS: Rs3.5) in 1H2009, up 28%YoY. We don't expect any payout with the result. As the stock is currently trading at 2010E PE and PBV of 6.8x and 1.0x, respectively we recommend 'Buy' on the stock.

**Provisions to decline by 31%**

Provisions for NPLs during 1H2010 are likely to fall significantly due to lower additions in fresh NPLs and slowdown in the ageing of the infected portfolio. Hence, for 1H2010, we foresee provisions for NPLs to stand around Rs4.4bn, down 31%YoY.

UBL's non interest income is also likely to witness a decline of 11%YoY owing to lower other income expected in 1H2010. Fee, commission and brokerage income however is expected to grow by 2-3% in 1H2010.

**Higher NII expected amid improved CASA**

We expect the bank's interest income to decline by 12%YoY amid the ongoing consolidation in its lending portfolio, Net Interest Income (NII) is still likely improve on the back of management's strategy of shedding expensive loans leading to improved share of CASA in bank's overall deposit base. This we believe would lead to a 26% fall in markup expenses for the period, resulting in 2%YoY growth in NII.

**Recommendation: 'Buy' maintained**

We remain confident that bank's strategy of focusing on low cost deposits and shedding expensive one's would continue to pay dividends in the coming quarters. Developments on Dubai World's debt resolution will also bode well for bank, where it has an exposure of US\$20mn, ~0.3% of its international loan book. On the local front, the management continues to focus on restructuring bad loans and creating possibility of future write backs. At current levels, we reiterate

our 'Buy' call on the stock which trades at a 2010E PBV and PE of 1.0x and 6.8x.

**Result Preview - UBL**

(Rs mn)	1H2010E	1H2009A	Δ%
Net interest income	16,107	15,833	2%
Provisions/write offs/reversal	(4,444)	(6,424)	-31%
	11,663	9,409	24%
Non interest income	5,121	5,781	-11%
Operating expenditures	(8,373)	(8,421)	-1%
Profit before tax	8,411	6,769	24%
Taxation	(2,917)	(2,481)	18%
Profit After Taxation	5,494	4,288	28%
Earning per share (EPS)	4.5	3.5	28%

Source: JS Research & Company accounts

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**Also in focus****ACPL opts not to acquire Al-Abbas Cement**

As per the notice issued at the exchange today, Attock Cement (ACPL) has scrapped its plans to acquire Al-Abbas Cement. The decision has been taken after the company carried out due diligence on the deal however, no reasons have been cited as to why the deal has been scrapped. To recall, ACPL intended to acquire 74% shareholding of AL-Abbas Cement, signing a Memorandum of Understanding (MOU) on March 30, 2010.

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