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UBL: 3QCY24 EPS to clock in at PKR 14.35, up 21% YoY, DPS PKR 11.00

United Bank Limited

PSX: UBL | Bloomberg: UBL PA | Reuters: UBL.PSX

- United Bank Limited (UBL) is scheduled to announce its 3QCY24 result today, wherein we expect the bank to post an unconsolidated EPS of PKR 14.35, up 21% YoY. Along with the results, we expect UBL to announce an interim cash dividend of PKR 11.00/sh.
- We expect the bank's net interest income to remain flat on a YoY basis at PKR 37.9bn in 3QCY24. Interest income is likely to increase by 89% YoY to PKR 277.9bn while the interest expense is expected to grow at a faster pace of 119% YoY to PKR 239.9bn.
- We expect 42x increase in non-interest income to PKR 39.2bn and expect it to be the highlight of the 3QCY24 result due to outsized capital gains on the back of (i) sale of UBL's shareholding in UNBL of PKR 27bn and (ii) gains on sale of government securities. We assessed the capital gain on UNBL using back testing with publicly available data, factoring in a 200bps increase in CAR to estimate the post-tax capital gain along with a reduction in credit risk-weighted assets.
- Provisioning expense is expected at PKR 1.4bn versus provisioning reversal of PKR 7.4bn in SPLY during 3QCY24. Operating expenses are likely to clock in at PKR 19.7bn, up 12% YoY, translating into a C/I ratio of 26% for 3QCY24 vs 46% in 3QCY23.
- We anticipate higher effective tax rate at 69% due to ADR based taxation on the back of sub 40% ADR levels and have partially accounted for the impact of unbooked ADR based taxation in 1HCY24.
- We have a 'Sell' stance on the stock with Dec-25 PT of PKR 231/share, providing a capital downside of 21% while the stock is offering a dividend yield of 11%.

Key Data

PSX Ticker	UBL
Target Price (PKR)	231
Current Price (PKR)	295
Upside/(Downside) (%)	-21%
Dividend Yield (%)	11%
Total Return (%)	-10%
12-month High (PKR)	300
12-month Low (PKR)	156
Outstanding Shares (mn)	1,224
Market Cap (PKR mn)	361,292

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	3QCY23	3QCY24E	YoY	9MCY23	9MCY24E	YoY
M/up Earned	147,350	277,850	89%	337,213	793,005	135%
M/up Expense	109,574	239,927	119%	230,576	701,444	204%
Net Interest Income	37,776	37,923	0%	106,637	91,561	-14%
Non-Interest Income	927	39,177	4125%	16,549	78,361	374%
Total Provisions	(7,370)	1,410	-119%	(4,409)	(957)	-78%
Admin Expenses	17,601	19,713	12%	48,545	56,738	17%
Profit Before Tax	28,472	55,977	97%	79,050	114,140	44%
Tax	13,926	38,405	176%	38,185	66,649	75%
Profit After Tax	14,546	17,572	21%	40,866	47,491	16%
EPS	11.88	14.35	-	33.38	38.79	-
DPS	11.00	11.00	-	33.00	33.00	-

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	25.2	26.2	40.6	42.5	39.82	37.33
EPS Growth	47.8%	3.8%	55.2%	4.5%	-6.3%	-6.2%
DPS	18.0	22.0	44.0	36.0	32.50	30.00
BVPS	167.2	170.7	206.3	201.4	213.58	222.82
PER	11.7	11.3	7.3	7.0	7.4	7.9
Dividend Yield	6.1%	7.4%	14.9%	12.2%	11.0%	10.2%
P/B	1.1	1.0	0.9	0.9	0.8	0.8
ROE	15.9%	15.5%	21.6%	20.8%	19.2%	17.1%

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for UBL has been computed on the dividend discounting method using Justified PBV for the calculation of terminal value. We have used sustainable ROE of 19% to arrive at the exit PBV, along with a risk free rate of 14%, a beta of 1.0, and a market risk premium of 6% translating in a cost of equity of 20%.

Investment Thesis

We have a 'Sell' recommendation on the stock based on our Dec-25 PT of PKR 231/share, resulting in a downside of 21% along with a dividend yield of 11%. Our investment case on UBL is based on strong balance sheet growth and cost rationalization initiatives by the bank, which keep a lid on OPEX.

Risks

Key risks to our investment thesis are: 1) lower-than-expected growth in advances and deposits and 2) higher-than-expected provisioning.

Company Description

Founded in 1959, United Bank Limited (UBL) provides commercial banking and related services in Pakistan, the United States, the Middle East, and Europe. The bank was founded in 1959 and is headquartered in Karachi, Pakistan. United Bank Limited is a subsidiary of Bestway (Holdings) Limited. As of December 31, 2023, UBL operated through 1,356 branches in Pakistan, including 209 branches of Islamic banking, two branches in Karachi Export Processing Zone, and eight branches internationally. The bank is headquartered in Karachi.

Financial Highlights - UBL

Income Statement (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest earned	147,974	250,679	521,374	1,045,290	899,521	747,082
Mark-up/interest expensed	76,216	147,469	378,490	915,382	756,715	608,760
Net interest income	71,759	103,209	142,884	129,908	142,807	138,322
Non-interest income	23,379	34,443	22,869	87,813	36,530	38,769
Provision charged	(955)	15,669	(5,618)	104	1,393	1,531
Operating expenses	43,966	53,673	66,677	80,039	82,346	85,933
Profit after tax	30,882	32,063	49,756	52,207	48,755	45,710

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	267,937	143,004	277,330	374,396	415,579	465,449
Investments	1,496,542	1,415,194	4,385,217	6,055,961	6,697,720	7,490,696
Advances	646,188	921,837	613,566	683,065	758,055	840,558
Operating Fixed Assets	70,769	73,223	76,044	83,124	91,223	100,112
Other Assets	136,729	205,495	222,842	235,760	261,693	414,059
Total Assets	2,618,166	2,758,753	5,574,998	7,432,306	8,224,271	9,310,873
Borrowings from Fls	563,285	564,519	2,815,471	3,800,885	4,218,983	4,725,261
Deposits	1,750,944	1,838,367	2,350,541	3,173,230	3,522,285	3,944,960
Other Liabilities	99,295	146,847	156,486	211,445	221,342	246,703
Total Liabilities	2,413,523	2,549,733	5,322,497	7,185,560	7,962,610	8,916,923
Equity	204,643	209,020	252,501	246,745	261,661	272,987
Total Liabilities & Equity	2,618,166	2,758,753	5,574,998	7,432,306	8,224,271	9,189,911

Source: Company Accounts, Akseer Research

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Hold	Between -5% and +15%
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