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UBL: 3QCY24 EPS clocks in at PKR 20.86, up 76% YoY, DPS PKR 11.00

United Bank Limited

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

- United Bank Limited (UBL) announced the 3QCY24 result today, wherein the bank reported an unconsolidated EPS PKR 20.86%, up 76% YoY. With the result, the bank announced an interim cash dividend of PKR 11.00/sh, taking the payout for 9MCY24 to PKR 33/sh.
- Net interest income recorded an unprecedented increase of 37% YoY to PKR 51.6bn despite interest expense accelerating at a much faster pace (+137% YoY) to PKR 259.1bn, than interest income (+111% YoY) to PKR 310.7bn.
- Non-interest income increased considerably to PKR 22.6bn (up 3.1x YoY) on the back of (i) sizable gains on securities of PKR 5.9bn (up by 42x YoY) and, (ii) other income of PKR 7.3bn (up by 30x YoY).
- The bank booked a provision expense of PKR 894mn for 3QCY24 against provision reversal of PKR 1.0 bn in SPLY.
- For 3QCY24, admin expenses clocked in at PKR 23.2bn, up 32% YoY. Subsequently, the cost-to-income ratio was recorded at 31% in 3QCY24 vs 39% in 3QCY23.
- Effective tax rate for 3QCY24 came in at 49%, much lower than our expectation of 69% which implies that UBL will likely fully book the ADR based tax in 4QCY24 on the back of sub 40% ADR levels.
- 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 Highlights (PKR mn)	3QCY23	3QCY24	YoY	9MCY23	9MCY24	YoY
M/up Earned	147,350	310,742	111%	337,213	825,897	145%
M/up Expense	109,574	259,148	137%	230,576	720,665	213%
Net Interest Income	37,776	51,593	37%	106,637	105,232	-1%
Non-Interest Income	7,291	22,581	210%	22,913	61,764	170%
Total Provisions	(1,006)	894	-189%	1,955	(1,473)	-175%
Admin Expenses	17,601	23,184	32%	48,545	60,210	24%
Profit Before Tax	28,472	50,097	76%	79,050	107,786	36%
Tax	13,926	24,556	76%	38,185	52,800	38%
Profit After Tax	14,546	25,540	76%	40,866	54,986	35%
EPS	11.88	20.86	-	33.38	44.92	-
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	41.1	39.82	37.33
EPS Growth	47.8%	3.8%	55.2%	16.0%	-6.3%	-6.2%
DPS	18.0	22.0	44.0	33.0	32.50	30.00
BVPS	167.2	170.7	206.3	200.0	213.6	222.8
PER	11.7	11.3	7.3	7.2	7.4	7.9
Dividend Yield	6.1%	7.4%	14.9%	11.2%	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%	20.2%	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	1,078,301	899,521	747,082
Mark-up/interest expensed	76,216	147,469	378,490	934,603	756,715	608,760
Net interest income	71,759	103,209	142,884	143,698	142,807	138,322
Non-interest income	23,379	34,443	22,869	71,217	36,530	38,769
Provision charged	(955)	15,669	(5,618)	(412)	1,393	1,531
Operating expenses	43,966	53,673	66,677	83,355	82,346	85,933
Profit after tax	30,882	32,063	49,756	50,349	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	6,054,103	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	7,430,447	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	244,887	261,661	272,987
Total Liabilities & Equity	2,618,166	2,758,753	5,574,998	7,430,447	8,224,271	9,189,911

Source: Company Accounts, Akseer Research

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Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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