

# United Bank Limited

KATS: UBL  
Bloomberg: UBL PA

Price: PKR 275  
Fair Value: PKR 265

NEUTRAL

## Higher OMO kept NII suppressed in 2QCY24

31 Jul 2024

- **2QCY24 EPS came at PKR 11.3/sh (down 11% Q/Q).** NII stayed largely flat at PKR 27.0 BN (+1.5% Q/Q & -24% Y/Y), against our expectations for higher improvement, likely due to a further ramp-up in OMO to about PKR 4 TRN. To highlight, investment yields stayed lower than cost of OMO in 2QCY24 as well. This would have further compressed NIM to ~2.0% from 2.3% last quarter. As expected, UBL compensated for depressed NII by booking PKR 9.2 BN in capital gains in 2QCY24 vs PKR 11.9 BN last quarter. Consequently, PAT declined to PKR 13.9 BN (down 11% Q/Q & up 12% Y/Y).
- **Payout maintained at PKR 11/sh.** UBL announced a DPS of PKR 11, as expected, taking 1HCY24 DPS to PKR 22, flat Y/Y.
- **Non Interest Income down 10% Q/Q.** Fee income came in at PKR 4.8 BN (down 9% Q/Q but up 8% Y/Y). Notably, fee income had jumped 18% Q/Q in 1QCY24. FX income also surged 38% Q/Q and 44% Y/Y to PKR 3.7 BN.
- **Provisions reversal continued.** UBL booked a 647 MN provisioning reversal as against PKR 1,720 MN reversal in the previous quarter.
- **Outlook.** UBL's NII is expected to improve, and earnings are anticipated to jump from 3QCY24 onwards as UBL is positioned to benefit from large OMO and an interest rate cut. We expect UBL to sustain its payout going forward. UBL is trading at a P/E of 4.6x and a P/B of 1.3 based on CY24 estimates and offers a 16.6% DY.

PKR	CY23	CY24E	CY25E	CY26E
EPS	43.4	57.8	62.5	51.4
DPS	44.0	44.0	44.0	44.0
BVPS	206.3	209.8	229.4	237.9
P/E (x)	6.1	4.6	4.2	5.2
P/B (x)	1.3	1.3	1.2	1.1
D/Y (%)	16.6%	16.6%	16.6%	16.6%

Source: Company Accounts, Optimus Research

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## Earnings Snapshot

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PKR MN (Unconsol.)	2QCY24E	2QCY24	1QCY24	4QCY23	3QCY23	2QCY23	Q/Q	Y/Y	1HCY24	1HCY23	Y/Y
Net Interest Income (NII)	34,429	27,024	26,614	36,247	37,776	35,606	2%	-24%	53,638	68,861	-22%
Mark up earned	260,123	276,527	238,627	184,161	147,350	100,026	16%	176%	515,154	189,863	171%
Mark up expensed	225,694	249,504	212,012	147,914	109,574	64,420	18%	287%	461,516	121,002	281%
Non Interest Income	16,306	18,314	20,397	9,743	927	3,417	-10%	436%	38,711	12,198	217%
Fee income	5,427	4,780	5,269	4,465	4,290	4,434	-9%	8%	10,049	8,772	15%
Dividends	568	450	473	504	220	516	-5%	-13%	923	991	-7%
FX Income	2,729	3,692	2,676	3,362	2,229	2,561	38%	44%	6,368	6,908	-8%
Gains on sale of securities	7,200	9,177	11,861	1,173	-6,221	-4,287	-23%	n.m	21,038	-4,927	n.m
Other income	382	176	182	261	241	354	-3%	-50%	358	594	-40%
<b>Total Income</b>	<b>50,736</b>	<b>45,338</b>	<b>47,011</b>	<b>45,990</b>	<b>38,703</b>	<b>39,023</b>	<b>-4%</b>	<b>16%</b>	<b>92,349</b>	<b>81,059</b>	<b>14%</b>
Non Markup Expenses	18,588	18,747	18,279	18,132	17,601	15,921	3%	18%	37,026	30,944	20%
Admin Expense	17,962	18,150	17,610	17,343	17,057	15,380	3%	18%	35,760	29,905	20%
Total Provisions	1,534	-647	-1,720	-1,209	-7,370	-3,078	-62%	-79%	-2,367	-463	411%
<b>Profit Before Tax</b>	<b>30,614</b>	<b>27,238</b>	<b>30,451</b>	<b>29,067</b>	<b>28,472</b>	<b>26,179</b>	<b>-11%</b>	<b>4%</b>	<b>57,690</b>	<b>50,578</b>	<b>14%</b>
Taxation	15,001	13,381	14,863	16,753	13,926	13,763	-10%	-3%	28,244	24,259	16%
<b>Profit After Tax</b>	<b>15,613</b>	<b>13,857</b>	<b>15,588</b>	<b>12,315</b>	<b>14,546</b>	<b>12,416</b>	<b>-11%</b>	<b>12%</b>	<b>29,446</b>	<b>26,319</b>	<b>12%</b>
<b>EPS</b>	<b>12.75</b>	<b>11.32</b>	<b>12.73</b>	<b>10.06</b>	<b>11.88</b>	<b>10.14</b>			<b>24.05</b>	<b>21.50</b>	
<b>DPS</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>			<b>22.00</b>	<b>22.00</b>	
Effective Tax Rate	49%	49%	49%	58%	49%	53%			49%	48%	
Cost to Income	37%	41%	39%	39%	45%	41%			40.1%	38.2%	
NII to Total Income	68%	60%	57%	79%	98%	91%			58%	85%	

Source: Company Accounts, Optimus Research

## Analyst Certification

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