

Equity Research | Commercial Banks | Thursday, 21 April, 2022

UBL has announced its 1QCY22 result where it posted a profit after tax of Rs9.528bn (EPS: Rs7.78) as compared to a profit after tax of Rs7.405bn (EPS: Rs6.05) in the same period last year, up by 28.7% YoY.

The company has posted a net interest income of Rs21.473bn against Rs16.858bn in SPLY, recording a growth of 27.4% YoY. We note that this increase is attributed to the increased interest earned.

Non-interest income has increased by 17.2% YoY to Rs6.780bn as compared to Rs5.783bn during SPLY, mainly due to the increase in fee and commission and dividend income which has grown by 28.9% YoY and 258% YoY respectively.

Furthermore, the operating cost to income ratio has decreased to 41.5% as compared to 43.5% during SPLY.

UBL is currently trading at CY22E PE of 3.67x. Furthermore, the scrip is trading at a CY22E P/B of 0.76x which offers a discount of 19% relative to its historical 3-year average of 0.94x. We recommend our investors to **BUY** the scrip with a Justified PB Dec-22 TP of Rs.180 which provides an upside potential of 27%. Furthermore, it also offers an attractive dividend yield of 16% which makes a total return of 43%.

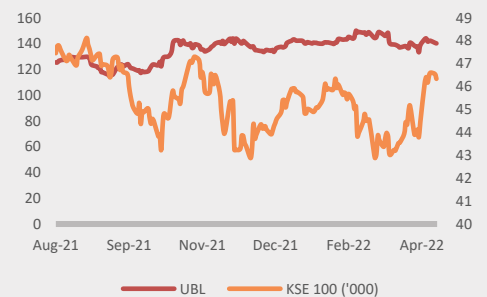
Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Interest earned	47,956	31,826	50.7% ▲	147,974	152,003	2.7% ▼
Interest expensed	-26,483	-14,968	76.9% ▲	-76,216	-77,044	1.1% ▼
Net Interest Income	21,473	16,858	27.4% ▲	71,759	74,959	4.3% ▼
Non-Interest Income	6,780	5,783	17.2% ▲	23,379	17,094	36.8% ▲
Operating expenses	-11,728	-9,853	19.0% ▲	-42,745	-40,061	6.7% ▲
Workers' Welfare Fund	-325	-245	32.8% ▲	-1,022	-865	18.1% ▲
Other charges	-6	-25	77.1% ▼	-199	-167	18.7% ▲
Profit Before Provisions	16,194	12,519	29.4% ▲	51,172	50,961	0.4% ▲
Provisions	-347	-354	1.9% ▼	955	-16,768	105.7% ▼
Profit Before Taxation	15,847	12,165	30.3% ▲	52,127	34,192	52.5% ▲
Taxation	-6,319	-4,760	32.8% ▲	-21,245	-13,294	59.8% ▲
Profit After Taxation	9,528	7,405	28.7% ▲	30,882	20,899	47.8% ▲
Closing Period: 05 May 2022 to 07 May 2022						
Earnings Per Share	7.78	6.05	28.7% ▲	25.23	17.07	47.8% ▲
Dividend	5.00	4.00	25.0% ▲	18.00	12.00	50.0% ▲
Bonus	0%	0%		0%	0%	
Operating Cost to Income	-41.5%	-43.5%	2.0% ▼	-44.9%	-43.5%	1.4% ▲
Effective Taxation	-39.9%	-39.1%	0.7% ▲	-40.8%	-38.9%	1.9% ▲

Source: ACPL Research, Company Financials

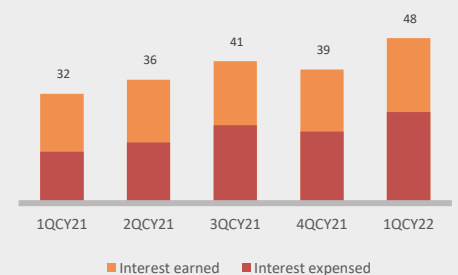
Key Statistics

Symbol	UBL
TP - Dec 22	180.00
LDCP	142.00
Upside	27%
Free Float (mn)	490
Market Cap. (Rs.mn)	173,833

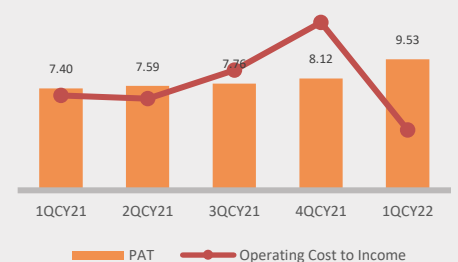
UBL vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	2019	2020	2021	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	153,676	152,003	147,974	221,213	242,845	258,289	272,773
Mark-up / Return / Interest expensed	-91,902	-77,044	-76,216	-113,539	-135,015	-146,687	-156,515
Net Mark-up / Interest Income	61,774	74,959	71,759	107,674	107,830	111,603	116,258
Fee and commission income	13,787	11,097	13,064	15,024	16,526	18,179	19,996
Dividend income	1,538	1,270	2,034	2,290	2,398	2,514	2,637
Foreign exchange income	4,526	3,685	3,992	4,471	5,007	5,608	6,281
(Loss) / gain on securities	2	411	3,758	2,070	2,215	2,370	2,535
Other income	1,758	644	511	613	643	675	709
Total non-markup / interest income	21,676	17,094	23,379	24,467	26,789	29,345	32,158
Non mark-up / interest expenses							
Operating expenses	-40,209	-40,061	-42,745	-47,571	-48,463	-50,741	-53,430
Workers' Welfare Fund	-740	-865	-1,022	-1,650	-1,681	-1,760	-1,853
Other charges	-40	-167	-199	-297	-326	-347	-366
Profit Before Provisions	42,462	50,961	51,172	82,624	84,150	88,101	92,767
Provisions / (reversal of provisions)	-8,220	-16,768	955	-2,591	-3,544	-3,645	-3,744
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	34,242	34,192	52,127	80,033	80,606	84,455	89,024
Income tax expense	-15,108	-13,294	-21,245	-32,618	-32,852	-34,421	-36,283
Profit for the year	19,134	20,899	30,882	47,414	47,754	50,034	52,741
EPS	15.63	17.07	25.23	38.73	39.01	40.87	43.08

Horizontal Analysis

Horizontal Analysis	2019	2020	2021	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	35.8%	-1.1%	-2.7%	49.5%	9.8%	6.4%	5.6%
Mark-up / Return / Interest expensed	61.3%	-16.2%	-1.1%	49.0%	18.9%	8.6%	6.7%
Net Mark-up / Interest Income	9.9%	21.3%	-4.3%	50.1%	0.1%	3.5%	4.2%
Fee and commission income	-1.0%	-19.5%	17.7%	15.0%	10.0%	10.0%	10.0%
Dividend income	-26.3%	-17.5%	60.2%	12.6%	4.7%	4.8%	4.9%
Foreign exchange income	30.6%	-18.6%	8.3%	12.0%	12.0%	12.0%	12.0%
(Loss) / gain on securities	-100.0%	18610.3%	813.3%	-44.9%	7.0%	7.0%	7.0%
Other income	66.8%	-63.4%	-20.8%	20.0%	5.0%	5.0%	5.0%
Total non-markup / interest income	-13.5%	-21.1%	36.8%	4.7%	9.5%	9.5%	9.6%
Non mark-up / interest expenses							
Operating expenses	3.6%	-0.4%	6.7%	11.3%	1.9%	4.7%	5.3%
Workers' Welfare Fund	-134.1%	16.8%	18.1%	61.4%	1.9%	4.7%	5.3%
Other charges	-65.1%	317.8%	18.7%	49.5%	9.8%	6.4%	5.6%
Profit Before Provisions	-4.7%	20.0%	0.4%	61.5%	1.8%	4.7%	5.3%
Provisions / (reversal of provisions)	-36.4%	104.0%	-105.7%	-371.2%	36.8%	2.9%	2.7%
Profit before income tax	37.2%	-0.1%	52.5%	53.5%	0.7%	4.8%	5.4%
Income tax expense	55.1%	-12.0%	59.8%	53.5%	0.7%	4.8%	5.4%
Profit for the year	25.7%	9.2%	47.8%	53.5%	0.7%	4.8%	5.4%
EPS	25.7%	9.2%	47.8%	53.5%	0.7%	4.8%	5.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Yield on Earning Assets	%	8.84	7.89	5.98	8.11	8.44	8.50	8.39
Interest Cost	%	5.55	4.26	3.24	4.53	5.04	5.13	5.13
Net Interest Margin	%	3.29	3.63	2.73	3.59	3.40	3.37	3.26
Operating Cost to Income	%	49.12	44.64	46.21	37.47	37.49	37.49	37.49
Return on Equity	%	11.32	11.35	15.09	20.86	19.12	18.38	17.79
Return on Assets	%	1.01	1.02	1.18	1.65	1.57	1.56	1.54
Balance Sheet Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Deposits Growth	%	7.39	11.80	6.75	6.75	6.75	6.75	6.75
CASA to Deposits	%	71.02	74.70	78.95	78.95	78.95	78.95	78.95
Advances to Deposits	%	43.34	32.33	36.91	43.87	43.74	43.62	43.49
Investments to Deposits	%	57.28	68.81	85.47	85.75	84.12	82.60	81.17
PIBs to Investments	%	49.91	51.94	49.85	49.85	49.85	49.85	49.85
T Bills to Investments	%	31.21	31.25	35.79	35.79	35.79	35.79	35.79
Gross Infection Ratio	%	10.95	13.72	11.81	12.00	11.70	11.40	11.10
Provisioning Coverage	%	82.63	85.81	86.85	86.85	86.85	86.85	86.85
Net Infection Ratio	%	2.10	2.24	1.75	1.42	1.38	1.35	1.32
Capital Adequacy Ratio	%	18.94	24.43	21.54	21.80	22.59	23.20	23.60
Leverage Ratio	%	5.25	5.57	4.02	4.07	4.25	4.39	4.53
Operational Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Market Share - Deposits	%	10.03	9.18	8.35	7.76	7.21	6.71	6.23
Market Share - Advances	%	8.62	7.17	7.18	6.31	5.87	5.46	5.07
Market Share - Investments	%	9.64	9.81	10.68	9.98	9.10	8.31	7.59
No. of Branches		1362	1356	1349	1349	1349	1349	1349
Investment Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Dividend Per Share		12.00	12.00	18.00	23.00	23.00	25.00	26.00
Dividend Yield	%	8.45	8.45	12.68	16.20	16.20	17.61	18.31
Dividend Cover	x	1.30	1.42	1.40	1.68	1.70	1.63	1.66
Retention Ratio	%	44.15	34.84	34.68	40.00	40.00	40.00	40.00
Payout Ratio	%	55.85	65.16	65.32	60.00	60.00	60.00	60.00
No. of Shares	('m)	1224	1224	1224	1224	1224	1224	1224
Earnings Per Share		15.63	17.07	25.23	38.73	39.01	40.87	43.08
Book Value Per Share		138.11	150.36	167.17	185.64	204.01	222.41	242.19
Price to Earnings	x	9.09	8.32	5.63	3.67	3.64	3.47	3.30
Price to Book Value	x	1.03	0.94	0.85	0.76	0.70	0.64	0.59

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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