

Equity Research | Commercial Banks | Tuesday, 2 May, 2023

UBL has announced its 1QCY23 result where it posted a profit after tax of Rs13.90bn (EPS: Rs11.36) as compared to a profit after tax of Rs9.53bn (EPS: Rs7.78) in the same period last year, up by 45.9% YoY amid a surge in FX and net interest income.

The company has posted a net interest income of Rs88.84bn against Rs47.96bn in SPLY, recording a growth of 89.3% YoY. We note that this increase is attributed to the increased interest earned.

Non-interest income has increased by 29.5% YoY to Rs8.78bn as compared to Rs6.78bn during SPLY, mainly due to the increase in foreign exchange income which has grown by 2.39x YoY to Rs4.35bn.

Furthermore, the operating cost to income ratio has decreased to 34.6% as compared to 41.5% during SPLY. Moreover, the effective taxation has jumped to 43% as compared to 39.9% in SPLY.

UBL is currently trading at CY23E PE of 2.94x. Furthermore, the scrip is trading at a CY23E P/B of 0.66x which offers a discount of 13% relative to its historical 3-year average of 0.76x. We recommend our investors to **BUY** the scrip with a Justified PB Dec-23 TP of Rs155 which provides an upside potential of 26%. Furthermore, it also offers an attractive dividend yield of 23% which makes a total return of 49%.

Rupees' millions	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Interest earned	89,837	47,956	87.3% ▲	250,679	147,974	69.4% ▲
Interest expensed	-56,582	-26,483	113.7% ▲	-147,469	-76,216	93.5% ▲
Net Interest Income	33,255	21,473	54.9% ▲	103,209	71,759	43.8% ▲
Fee and commission income	4,338	3,919	10.7% ▲	15,871	13,064	21.5% ▲
Dividend income	475	904	47.4% ▼	2,093	2,034	2.9% ▲
Foreign exchange income	4,347	1,283	238.9% ▲	8,414	3,992	110.8% ▲
(Loss) / gain on securities	-640	428	249.4% ▼	466	3,758	87.6% ▼
Other income	240	284	15.5% ▼	7,549	511	1378.7% ▲
Non-Interest Income	8,781	6,780	29.5% ▲	34,443	23,379	47.3% ▲
Operating expenses	-14,525	-11,728	23.9% ▲	-52,284	-42,745	22.3% ▲
Workers' Welfare Fund	-496	-325	52.6% ▲	-1,339	-1,022	31.1% ▲
Other charges	-2	-6	73.0% ▼	-49	-199	75.4% ▼
Profit Before Provisions	27,014	16,194	66.8% ▲	83,979	51,172	64.1% ▲
Provisions	-2,615	-347	852.9% ▼	-15,669	955	1540.1% ▲
Profit Before Taxation	24,399	15,847	54.0% ▲	68,310	52,127	31.0% ▲
Taxation	-10,496	-6,319	66.1% ▲	-36,247	-21,245	70.6% ▲
Profit After Taxation	13,903	9,528	45.9% ▲	32,063	30,882	3.8% ▲
Closing Period: 12 May, 2023 to 16 May, 2023						
Earnings Per Share	11.36	7.78	45.9% ▲	26.19	25.23	3.8% ▲
Dividend	11.00	5.00	120.0% ▲	22.00	18.00	22.2% ▲
Bonus	0%	0%		0.00	0.00	
Operating Cost to Income	-34.6%	-41.5%	7.0% ▼	-38.0%	-44.9%	6.9% ▼
Effective Taxation	-43.0%	-39.9%	3.1% ▲	-53.1%	-40.8%	12.3% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	UBL
TP - Dec 23	155
LDCP	122.72
Upside	26%
Free Float (mn)	490
Market Cap. (Rs.mn)	150,231

UBL vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116
Email: salman@abbasiandcompany.com

Financial Projections

Rupees' millions	2020	2021	2022	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	152,003	147,974	250,679	362,642	396,821	429,133	469,415
Mark-up / Return / Interest expensed	-77,044	-76,216	-147,469	-232,284	-259,694	-271,134	-285,127
Net Mark-up / Interest Income	74,959	71,759	103,209	130,358	137,127	157,999	184,288
Fee and commission income	11,097	13,064	15,871	17,350	18,967	20,735	22,668
Dividend income	1,270	2,034	2,093	1,901	1,838	1,923	2,016
Foreign exchange income	3,685	3,992	8,414	7,573	8,330	9,163	10,080
(Loss) / gain on securities	411	3,758	466	-2,130	181	200	222
Other income	644	511	7,549	962	1,011	1,061	1,114
Total non-markup / interest income	17,094	23,379	34,443	25,657	30,327	33,083	36,099
Non mark-up / interest expenses							
Operating expenses	-40,061	-42,745	-52,284	-53,909	-57,862	-72,621	-83,758
Workers' Welfare Fund	-865	-1,022	-1,339	-1,841	-1,976	-2,136	-2,464
Other charges	-167	-199	-49	-6	-7	-7	-8
Profit Before Provisions	50,961	51,172	83,979	100,258	107,610	116,318	134,157
Provisions / (reversal of provisions)	-16,768	955	-15,669	-10,467	-5,315	-5,489	-5,658
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	34,192	52,127	68,310	89,791	102,294	110,829	128,499
Income tax expense	-13,294	-21,245	-36,247	-38,628	-46,032	-49,873	-57,825
Profit for the year	20,899	30,882	32,063	51,163	56,262	60,956	70,675
EPS	17.07	25.23	26.19	41.79	45.96	49.79	57.73

Horizontal Analysis

Horizontal Analysis	2020	2021	2022	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	-1.1%	-2.7%	69.4%	44.7%	9.4%	8.1%	9.4%
Mark-up / Return / Interest expensed	-16.2%	-1.1%	93.5%	57.5%	11.8%	4.4%	5.2%
Net Mark-up / Interest Income	21.3%	-4.3%	43.8%	26.3%	5.2%	15.2%	16.6%
Fee and commission income	-19.5%	17.7%	21.5%	9.3%	9.3%	9.3%	9.3%
Dividend income	-17.5%	60.2%	2.9%	-9.2%	-3.3%	4.7%	4.8%
Foreign exchange income	-18.6%	8.3%	110.8%	-10.0%	10.0%	10.0%	10.0%
(Loss) / gain on securities	18610.3%	813.3%	-87.6%	-556.7%	-108.5%	10.9%	10.6%
Other income	-63.4%	-20.8%	1378.7%	-87.3%	5.0%	5.0%	5.0%
Total non-markup / interest income	-21.1%	36.8%	47.3%	-25.5%	18.2%	9.1%	9.1%
Non mark-up / interest expenses							
Operating expenses	-0.4%	6.7%	22.3%	3.1%	7.3%	25.5%	15.3%
Workers' Welfare Fund	16.8%	18.1%	31.1%	37.5%	7.3%	8.1%	15.3%
Other charges	317.8%	18.7%	-75.4%	-87.4%	9.4%	8.1%	9.4%
Profit Before Provisions	20.0%	0.4%	64.1%	19.4%	7.3%	8.1%	15.3%
Provisions / (reversal of provisions)	104.0%	-105.7%	-1740.1%	-33.2%	-49.2%	3.3%	3.1%
Profit before income tax	-0.1%	52.5%	31.0%	31.4%	13.9%	8.3%	15.9%
Income tax expense	-12.0%	59.8%	70.6%	6.6%	19.2%	8.3%	15.9%
Profit for the year	9.2%	47.8%	3.8%	59.6%	10.0%	8.3%	15.9%
EPS	9.2%	47.8%	3.8%	59.6%	10.0%	8.3%	15.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2020	2021	2022	2023E	2024E	2025E	2026E
Yield on Earning Assets	%	7.89	5.98	9.56	12.56	12.97	13.05	13.29
Interest Cost	%	4.26	3.24	6.02	8.80	9.12	8.83	8.61
Net Interest Margin	%	3.63	2.73	3.54	3.77	3.85	4.21	4.68
Operating Cost to Income	%	44.64	46.21	38.99	35.74	35.74	39.13	39.13
Return on Equity	%	11.35	15.09	15.34	22.43	22.61	22.51	25.57
Return on Assets	%	1.02	1.18	1.16	1.68	1.75	1.76	1.90
Balance Sheet Analysis		2020	2021	2022	2023E	2024E	2025E	2026E
Deposits Growth	%	11.80	6.75	4.99	7.85	7.85	7.85	7.85
CASA to Deposits	%	74.70	78.95	80.77	80.77	80.77	80.77	80.77
Advances to Deposits	%	32.33	36.91	50.14	60.25	60.07	59.89	59.71
Investments to Deposits	%	68.81	85.47	76.98	74.82	72.52	70.38	68.39
PIBs to Investments	%	51.94	49.85	70.16	70.16	70.16	70.16	70.16
T Bills to Investments	%	31.25	35.97	10.39	10.39	10.39	10.39	10.39
Gross Infection Ratio	%	13.72	11.81	9.21	9.51	9.21	8.91	8.61
Provisioning Coverage	%	85.81	86.85	87.62	87.62	87.62	87.62	87.62
Net Infection Ratio	%	2.24	1.75	1.25	1.08	1.05	1.02	0.98
Capital Adequacy Ratio	%	24.43	21.54	19.17	19.01	19.38	19.52	18.67
Leverage Ratio	%	5.57	4.02	4.39	4.28	4.37	4.44	4.21
Operational Analysis		2020	2021	2022	2023E	2024E	2025E	2026E
Market Share - Deposits	%	9.18	8.35	8.18	8.03	7.88	7.74	7.60
Market Share - Advances	%	7.17	7.18	8.51	8.35	8.20	8.05	7.90
Market Share - Investments	%	9.81	10.68	8.26	7.84	7.46	7.11	6.78
No. of Branches		1356	1341	1335	1329	1323	1317	1311
Investment Ratios		2020	2021	2022	2023E	2024E	2025E	2026E
Dividend Per Share		12.00	18.00	22.00	28.00	31.00	34.00	39.00
Dividend Yield	%	9.78	14.67	17.93	22.82	25.26	27.71	31.78
Dividend Cover	x	1.42	1.40	1.19	1.49	1.48	1.46	1.48
Retention Ratio	%	34.84	34.68	15.00	32.17	32.17	32.17	32.17
Payout Ratio	%	65.16	65.32	85.00	67.83	67.83	67.83	67.83
No. of Shares	('m)	1224	1224	1224	1224	1224	1224	1224
Earnings Per Share		17.07	25.23	26.19	41.79	45.96	49.79	57.73
Book Value Per Share		150.36	167.17	170.74	186.35	203.26	221.16	225.78
Price to Earnings	x	7.19	4.86	4.69	2.94	2.67	2.46	2.13
Price to Book Value	x	0.82	0.73	0.72	0.66	0.60	0.55	0.54

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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RESEARCH DEPARTMENT

6 - Shadman, Lahore
 Phone: (+92) 42 38302028; Ext 116, 117
 Email: research@abbasiandcompany.com
 web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore
 Phone: (+92) 42 38302028
 Email: info@abbasiandcompany.com
 web: www.abbasiandcompany.com