

Foundation Alert

UBL to initiate due diligence of Samba Bank for acquisition

Event

- State Bank of Pakistan has granted in-principle approval to UBL to commence due diligence of Samba Bank Limited (SBL) in respect of acquisition of 84.51% of SBL, currently held by Saudi National Bank.

Impact

- SBL currently has 43 branches inside Pakistan in 14 cities.
- The bank has Total Assets of Rs203bn and Deposits of Rs87bn with bifurcation of 24/25% CA/SA, as of 3QCY21.
- Bank's ADR/IDR stands at 95/108%. Advances/Investment book clocked in at Rs79/94bn as per 3QCY21, with Rs87bn in Borrowing (of which repurchase agreement borrowing/Bai muajjal are Rs34/40bn).
- Infection book remains relatively clean at 5%, of which 94% has been accounted for. Provision from performing loan book is at 0.3%, which is relatively on the lower side as compared to peers.
- ROE of the bank is 3%, with 5Y average of 5%.
- SBL has book value of Rs16.0/sh.
- Currently (LDPC), SBL is trading at 0.8 P/B. This is in line with the current relative multiples of banking industry.

Outlook

- UBL remains strong on profitability outlook, with an 'outperform' stance. We haven't incorporated the acquisition in our valuation as we await further progress on this front.

Analyst

Foundation Research
+92 21 3561 2290-94

research@fs.com.pk
Ext: 313

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Recommendation's definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.