



AKD Securities Limited

TREC Holder & Registered Broker

Pakistan Stock Exchange

Equity Research / Pakistan



REP-108  
www.jamapunji.pk

## Today's Daily

### ■ Pakistan Banks: 1QCY18 Result Previews

Commencing this week, the AKD Banking Universe is scheduled to declare its 1QCY18F results; first up being UBL (Apr 18'18). We expect the B-6 banks to post combined NPAT of Pkr21.2bn, down 12%YoY. Significant decline in NFI is likely to be a key factor leading to earnings decline where lower capital gains utilization during the quarter (expected to go down by 67%YoY) is the key culprit. Asset quality pressures (particularly for MCB and UBL) further inhibited growth with provisions during the quarter rising to Pkr3.0bn vs. reversal of Pkr832mn in 1QCY17. On the positive side however, we see expenses to come down by 2%YoY/3%QoQ, coming off from high base. That said, earnings deviation could come through should the banks choose to book the revised pension related obligation this quarter. With 1QCY18F earnings expectations remaining unexciting, we feel May'18 MPS will be an important checkpoint for the sector, determining the course of future rate hikes.

#### KSE100 - Index

Current 46,071.86  
Previous 46,331.71  
Chg. -0.56%

#### Mkt Cap. (PkrBn/US\$bn)

Current 9,443 / 81.68  
Previous 9,481 / 82.01  
Chg. -0.40%

#### Daily Turnover (mn)

Current 197.39  
Previous 332.91  
Chg. -40.7%

#### Value Traded (PkrRmn/US\$mn)

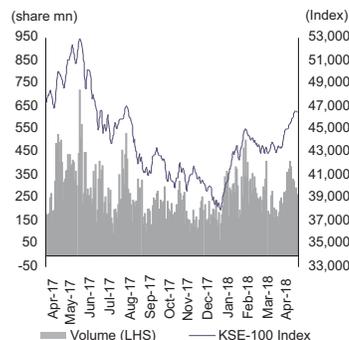
Current 8,763 / 75.80  
Previous 10,216 / 88.37  
Chg. -14.2%

AKD Daily

Monday, Apr 16, 2018

### News and Views

- The Chief Justice of Supreme Court, Mian Saqib Nisar ordered the anti-terrorism court (ATC) to hear the 2014 Model Town incident cases on a daily basis and asked the Lahore High Court to wind up all pending cases regarding the incident within two weeks.
- The gov't has directed all the ministry to speed up budgetary work, as it is all set to present FY19 budget on Apr 27'18. In this regard, the Annual Planning Coordination Committee (APCC) will meet today, where macroeconomic framework would be approved. As per news reports, the gov't targets 6.2%YoY economic growth rate and 6% inflation for FY19.
- In its latest report 'South Asia Economic Focus Spring 2018', the World Bank (WB) has projected GDP growth for Pakistan to reach 5.8% in FY18, but warned that macroeconomic imbalances are widening as macroeconomic and political risks have increased.



Zoya Ahmed

zoya.ahmed@akdsecurities.net

111-253-111 Ext:603

**Important disclosures**, including investment banking relationships and analyst certification at end of this report. AKD Securities does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.

Find AKD research on Bloomberg (AKDS<GO>), firstcall.com and Reuters Knowledge UAN: 111-253-111

Copyright©2018 AKD Securities Limited. All rights reserved. The information provided on this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKD Securities or its affiliates to any registration requirement within such jurisdiction or country. Neither the information, nor any opinion contained in this document constitutes a solicitation or offer by AKD Securities or its affiliates to buy or sell any securities or provide any investment advice or service. AKD Securities does not warrant the accuracy of the information provided herein.



## Pakistan Banks: 1QCY18 Result Previews

Commencing this week, the AKD Banking Universe is scheduled to declare its 1QCY18F results; first up being UBL (Apr 18'18). We expect the B-6 banks to post combined NPAT of PkR21.2bn, down 12%YoY. Significant decline in NFI is likely to be a key factor leading to earnings decline where lower capital gains utilization during the quarter (expected to go down by 67%YoY) is the key culprit. Asset quality pressures (particularly for MCB and UBL) further inhibited growth with provisions during the quarter rising to PkR3.0bn vs. reversal of PkR832mn in 1QCY17. On the positive side however, we see expenses to come down by 2%YoY/3%QoQ, coming off from high base. That said, earnings deviation could come through should the banks choose to book the revised pension related obligation this quarter. With 1QCY18F earnings expectations remaining unexciting, we feel May'18 MPS will be an important checkpoint for the sector, determining the course of future rate hikes.

**1QCY18F Earnings Preview:** As a group, we expect the Big-6 banks to post combined NPAT of PkR21.2bn in 1QCY18F as compared to PkR24.1bn in 1QCY17- earnings deceleration of 12%YoY. Significant decline in NFI is likely to be a key factor leading to earnings decline where lower capital gains utilization (expected to go down by 67%YoY) is to be a key factor. Asset quality deterioration (higher provisioning charge) is to further restrict growth despite NII expected to end 9%YoY higher.

### 1QCY18F: B-6 Earnings Snapshot

(PkR/sh)	EPS			DPS	Key result assumptions
	1QCY18F	YoY	QoQ		
UBL	5.27	-14.3%	-2.7%	3.00	Growth in topline to be countered by 79%YoY lower gains utilization and higher provisions during the quarter.
MCB	3.61	-27.3%	38.1%	4.00	Higher admin costs and provisions to continue as a consequence of NIB acquisition. Additionally, lower capital gains resulted in earnings deceleration of 16.5%YoY
HBL	5.14	-16.5%	13.7%	1.00	Lower fee income due to NYDFS fine and share of profit from associates to result in 27%YoY lower fee income and earnings consequently
BAFL	1.34	-23.2%	50.1%	-	Anticipated growth in fee income and lower expenses to restrict earnings decline.
NBP	2.10	6.3%	-47.5%	-	Earnings to grow on account of higher NII effectively countering the decline in NFI. Expenses are also expected to remain lower YoY.
ABL	2.84	-11.4%	7.8%	1.75	Flattish NII alongwith 10%YoY decline in non-funded income to dampen earnings.

Source: Company Report & AKD Research

**Investment Perspective:** The AKD Banking Universe has gained 14.1% CYTD. Overlooking the pension case judgment, we feel investors are now focusing towards further rate hikes in CY18. 1QCY18F results provide attractive entry points where removal of super tax in budget FY19 (proposal submitted by PBC) alongwith rate hike expectations in May'18 MPS can further bullish sentiments.

### Pension case impact

	PkR1.5bn	PkR3.0bn	PkR4.5bn
UBL	0.80	1.59	2.39
HBL	0.66	1.33	1.99
ABL	0.85	1.70	2.55

Source: Co. Report & AKD Research



## Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

### Stock Ratings

Different securities firms use a variety of rating terms as well as different rating systems to describe their recommendations. A rating system which uses similar terms such as Buy, Accumulate, Neutral, Reduce and Sell is not equivalent to our rating system. Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances (such as the investors existing holdings or investment objectives) and other considerations. Please see our table below for ratings definitions which are based on price returns.

#### *Rating Definitions*

Buy	≥ 20% upside potential
Accumulate	> 5% to < 20% upside potential
Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



### **Analyst Certification of Independence**

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

### **Disclosure of Interest Area**

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

### **Regional Disclosures (Outside Pakistan)**

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.