



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

Equity Research / Pakistan

REP-108  
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### Today's Daily

#### ■ ABL: Continuing to play safe

ABL's CY16 earnings were dismal with continued pressure on core income (down 8%YoY) clearly evident. This is despite earning assets growing by 8%YoY in CY16 where we blame the asset concentration mix that remained clearly in favor of investments (+8%YoY, IDR at 73%) as opposed to advances (+3%YoY, ADR at 41%). While NIMS suffer, the bank's watchfulness in this regard has worked wonders for the exceptional credit quality (coverage at 92%, NPLs down 7%YoY) and a healthy CAR of 20.8%. Streamlining estimates post release of the detailed accounts, we revise down our CY17F/CY18F earnings to PkR13.16/PkR13.92 per share (down 7%/8%). Consequently our Dec'17 TP now stands at PkR106.6/sh (previously at PkR120.1/sh). Remaining a laggard, ABL lost 16% since Jan'17. While multiples have retracted sharply with forward PE/PB at 7.5x / 1.03x (12%/27% discount to B-6) presenting room for price performance, we feel earnings growth visibility will be necessary for any such performance to sustain.

#### KSE100 - Index

Current 48,539.06  
Previous 48,655.72  
Chg. -0.24%

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

Current 9,573 / 91.30  
Previous 9,594 / 91.50  
Chg. -0.21%

#### Daily Turnover (mn)

Current 195.13  
Previous 133.04  
Chg. 46.7%

#### Value Traded (PkRmn/US\$m)

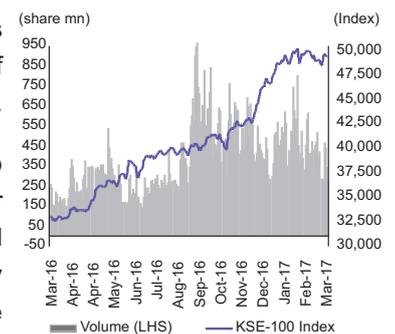
Current 11,984 / 114.30  
Previous 7,219 / 68.86  
Chg. 66.0%

AKD Daily

Wednesday, Mar 15, 2017

### News and Views

- First phase of the 6th National Population Census initiated from today from sixteen districts of Punjab, eight districts of Sindh, fourteen districts of Khyber Pakhtunkhwa, fifteen districts of Balochistan, five districts of Azad Jammu and Kashmir and five districts of Gilgit Baltistan.
- News report in an English language daily asserts that The Abraaj group will not be able to conclude the handover of its offshore entity KES Power (which holds a 66.4% stake in KEL) to Chinese buyers within the stipulated timeframe (March'17). Delays in settling financial disputes, particularly with GoP entities is holding up the issuance of National Security Clearance to Shanghai Electric.
- Latest round of talks between PPIB (IPP authority) and IPPs are to take place today, and may lead to some headway on clearing overdue debts.



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## ABL: Continuing to play safe

ABL's CY16 earnings were dismal with continued pressure on core income (down 8%YoY) clearly evident. This is despite earning assets growing by 8%YoY in CY16 where we blame the asset concentration mix that remained clearly in favor of investments (+8%YoY, IDR at 73%) as opposed to advances (+3%YoY, ADR at 41%). While NIMs suffer, the bank's watchfulness in this regard has worked wonders for the exceptional credit quality (coverage at 92%, NPLs down 7%YoY) and a healthy CAR of 20.8%. Streamlining estimates post release of the detailed accounts, we revise down our CY17F/CY18F earnings to PkR13.16/PkR13.92 per share (down 7%/8%). Consequently our Dec'17 TP now stands at PkR106.6/sh (previously at PkR120.1/sh). Remaining a laggard, ABL lost 16% since Jan'17. While multiples have retracted sharply with forward PE/PB at 7.5x / 1.03x (12%/27% discount to B-6) presenting room for price performance, we feel earnings growth visibility will be necessary for any such performance to sustain.

**Core income to remain weak...** ABL posted consolidated NPAT of PkR14.7bn (EPS: PkR12.84) in CY16, down 4%YoY. The decline was primarily on account of lower net interest income where amongst our coverage cluster, ABL remained the only bank after MCB to have posted a decline in core income. To mention, this is despite earning assets growing by 8%YoY in CY16 where we blame the asset concentration mix that remained clearly in favor of investments (+8%YoY, IDR at 73%) as opposed to advances (+3%YoY, ADR at 41%). Keeping this in mind, we have revised our loan growth assumptions for CY17F/CY18F, prompting a downwards revision in earnings (down 7%/8%)

**...as ABL continues to play risk averse:** We expect CY17 to be a slow growth period for the bank particularly in the backdrop of lower NIMs - expected to average under 4%. Investment into government securities is to continue, however, a visible shift into MTBs is likely to be seen with portfolio domination of 50%+ in CY17F. While loan growth is expected to pick pace on account of uptick in CPEC led business activity, we feel it is still going to lag behind the rest (10%YoY growth expected in CY17F vs.13% average for the B-6). On the deposit front, the bank is likely to keep its focus on building current accounts with CASA expected to reach 74% in CY17F. In this regard, addition of 100 new branches in CY16 is to come in handy. While this remains a positive for NIMs, slower loan growth in the backdrop of lower interest rates will continue to cap margins.

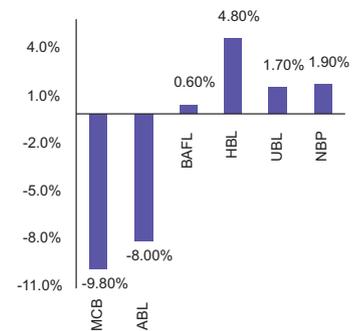
**Investment Perspective:** Having lost 16% since Jan'17, ABL's PE/PB multiples have retracted to 7.5x / 1.03x. While appearing cheap on multiples (12%/27% discount to B-6), we believe the room for ABL's price performance will remain limited until earnings depict a solid growth momentum.

ABL: Earnings and TP revision

(PkR/sh)	CY17F	CY18F	TP
New	13.2	13.9	106.6
Old	14.2	15.1	120.1
Change	-7%	-8%	-11%

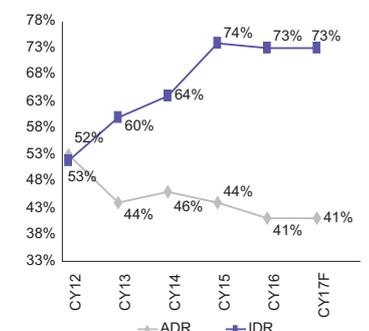
Source: Co. Report & AKD Research

CY16: Deceleration in NII



Source: Co. Reports & AKD Research

Asset mix favoring investment s



Source: Co. Reports & AKD Research



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



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