

COMMERCIAL BANKS

Equity Research | Wednesday, 23 October, 2019

Key Ratios

Upside Potential		AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
Dec-20 Target Price	Rs.	24.0	55.0	93.0	13.0	105.0	151.0	223.0	160.0
LDCP	Rs.	17.6	42.2	68.2	9.2	87.0	127.0	165.8	139.0
Upside	%	36.5	30.3	36.5	41.5	20.7	18.9	34.5	15.1

Deposits Analysis 2018		AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
Government	%	32.7	6.5	2.4	56.3	19.1	7.2	4.9	4.0
Others	%	67.3	93.5	97.6	43.7	80.9	92.8	95.1	96.0

Profitability Ratios 2018		AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
Yield on Earning Assets	%	6.6	6.4	6.2	7.0	5.9	5.9	6.1	6.5
Interest Cost	%	3.8	3.2	3.1	4.1	3.4	3.1	2.9	3.4
Net Interest Margin	%	2.8	3.3	3.1	2.9	2.6	2.7	3.1	3.1
Operating Cost to Income	%	65.6	58.3	61.8	53.4	53.7	73.5	52.0	45.2
Return on Equity	%	13.2	13.4	17.0	20.1	12.0	6.6	14.3	10.1
Return on Assets	%	0.6	1.0	0.8	1.1	1.0	0.4	1.4	0.8

Balance Sheet Analysis 2018		AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
Deposits Growth	%	9.1	9.0	15.1	7.1	11.4	6.3	8.3	7.3
CASA to Deposits	%	83.5	70.6	75.0	63.4	74.4	81.5	86.0	71.8
Advances to Deposits	%	59.8	71.4	60.0	64.1	44.5	50.3	48.0	52.4
Investments to Deposits	%	45.4	39.5	52.0	35.3	68.2	66.4	71.4	57.6
PIBs to Investments	%	40.0	19.9	19.9	0.1	10.1	31.3	17.7	52.5
T Bills to Investments	%	47.3	59.3	72.5	93.5	84.9	57.8	79.7	31.1
Gross Infection Ratio	%	7.2	3.6	1.1	11.6	3.5	6.6	9.0	8.8
Provisioning Coverage	%	94.2	84.4	83.1	88.1	96.7	88.3	85.7	81.5
Net Infection Ratio	%	0.4	0.6	0.2	1.5	0.1	0.8	1.4	1.8
Capital Adequacy Ratio	%	12.5	15.0	13.4	13.2	22.2	16.2	17.0	17.7
Leverage Ratio	%	3.0	5.6	4.1	3.4	4.6	3.8	6.5	4.9

Operational Analysis 2018		AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
Market Share - Deposits	%	4.3	5.3	6.0	4.5	7.4	15.1	7.9	10.2
Market Share - Advances	%	4.7	6.6	6.2	5.4	5.8	13.7	6.9	9.8
Market Share - Investments	%	3.6	3.7	5.5	2.8	8.8	17.9	10.0	10.6
No. of Branches		516	649	721	576	1,343	1,743	1,387	1,379

Investment Ratios 2019E		AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
Dividend Per Share		1.6	3.7	4.3	0.8	8.8	7.0	16.0	11.7
Dividend Yield	%	9.0	9.3	6.1	7.7	10.1	6.5	9.4	9.1
Dividend Cover	x	3.3	2.5	2.5	5.1	1.4	1.7	1.5	1.8
Retention Ratio	%	70.0	60.0	60.0	80.4	30.0	40.0	31.7	44.2
Payout Ratio	%	30.0	40.0	40.0	19.6	70.0	60.0	68.3	55.8
No. of Shares	(m)	1,260	1,777	1,111	2,644	1,145	1,467	1,185	1,224
Earnings Per Share		5.4	9.3	10.7	3.8	12.6	11.7	23.4	21.0
Book Value Per Share		36.4	49.8	55.3	17.5	99.5	127.8	134.3	135.8
Price to Earnings	x	3.3	4.5	6.3	2.4	6.9	10.8	7.1	6.6
Price to Book Value	x	0.5	0.8	1.2	0.5	0.9	1.0	1.2	1.0

Final Ranking	BAHL	BAFL	MCB	BOP	ABL	AKBL	UBL	HBL
	5.31	5.19	4.97	4.89	4.56	4.29	3.75	3.04

Source: ACPL Research, Company Financials

Scoring

Weight	AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
5%	7	4	6	8	3	2	5	1

Weight	AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
12%	2	5	8	1	3	4	6	7
0%	2	5	8	1	3	4	6	7

Weight	AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
0%	7	5	4	8	2	1	3	6
0%	2	5	6	1	4	7	8	3
5%	3	8	6	4	1	2	7	5
5%	2	4	3	6	5	1	7	8
10%	4	5	7	8	3	1	6	2
0%	2	6	3	7	5	1	8	4

Weight	AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
5%	6	5	8	2	7	1	4	3
5%	7	2	5	1	4	6	8	3
10%	5	8	6	7	1	3	2	4
0%	3	2	4	1	7	6	8	5
0%	2	4	5	8	7	3	6	1
10%	2	4	5	8	7	3	6	1
5%	4	6	8	1	7	5	2	3
7%	7	3	2	5	8	6	4	1
0%	6	5	7	2	8	4	3	1
3%	1	4	3	2	8	5	6	7
3%	1	7	4	2	5	3	8	6

Weight	AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
0%	1	3	4	2	5	8	6	7
0%	1	5	4	2	3	8	6	7
0%	2	3	4	1	5	8	6	7
0%	1	3	4	2	5	8	7	6

Weight	AKBL	BAFL	BAHL	BOP	ABL	HBL	MCB	UBL
0%	2	3	4	1	6	5	8	7
5%	4	6	1	3	8	2	7	5
0%	7	6	5	8	1	3	2	4
0%	2	3	4	1	8	6	7	5
0%	2	3	4	1	8	6	7	5
0%	5	7	1	8	2	6	3	4
0%	2	3	4	1	6	5	8	7
0%	2	3	4	1	5	6	7	8
5%	7	6	5	8	3	1	2	4
5%	8	6	2	7	5	4	1	3

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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

VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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Stock Rating	Expected Total Return
BUY	Greater than 15%
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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