Tuesday September 07, 2010

Banking Sector Update

IGI Securities

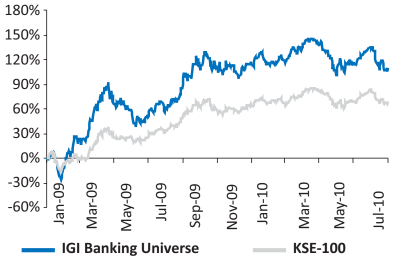
2Q CY10 earnings rebound on lower credit costs

IGI Universe Banks

	CY09A	CY10E	CY11E
Div Yield (%)	7.0%	7.4%	8.1%
Earnings Growth (%)	25%	7%	14%
P/E (x)	6.6	6.1	5.4
P/B (x)	1.2	1.1	1.0
ROE (%)	20%	18%	19%
ROA (%)	2.2%	2.1%	2.1%
NIM	6.7%	6.1%	5.8%

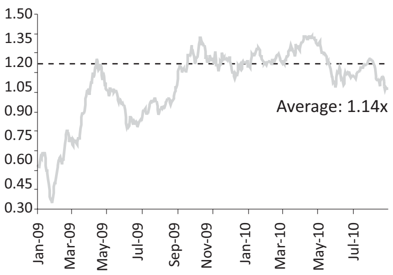
Source: Company Reports, IGI Research

Sector Price Performance



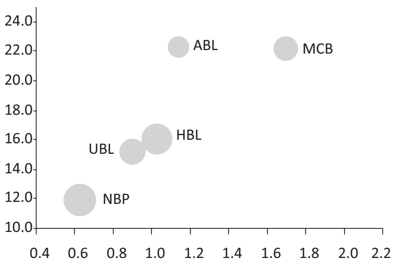
Source: Bloomberg, IGI Research

IGI Universe: PB Band



Source: Bloomberg, IGI Research

ROE-PB Comparison



Source: Company Reports, IGI Research

Pakistan banks reported in-line or above consensus 2Q CY10 earnings. For banks in our coverage universe, in 2Q CY10 the overall profitability rebounded sharply by 29% YoY underpinned by i) sharp drop in credit provisions (45% YoY) 2) positive surprise in NIMs in the quarter under review 3) trading gains from strong capital markets and 4) opex growth under control. Consequently, the average ROE and ROA improved 240bps and 29bps to 18.9% and 2.0% respectively. Within our coverage banks, ABL led the pack with the highest ROE at 24% followed by MCB at 21%.

Spreads firm at 7.39% in 7mo CY10

Banking sector spreads have remained relatively stable in the wake of declining asset yields and floor rate on saving deposits. The banking system's average spread during 7mo CY10 was down 18bps YoY to 7.39% as compared to 7.56% in the corresponding period last year. During YTD CY10, the average cost of deposits declined 68bps to 6.0% while, backed by lower KIBOR, the average lending rate was down by 85bps to 13.38% - resulting in net spread compression. However, MoM analysis reveals a reversal in declining trend as spreads for Jun-Jul'10 rebounded by 20-25bps to 7.6% level on the back of higher asset yields as State Bank of Pakistan decided to increase the policy rate by 50 basis points to 13%.

Slowdown in NPL accretion may be short-lived

Recently, SBP released the quarterly NPLs data for the banking sector till Jun'10. The data reveals significant slowdown in incremental QoQ NPL accretion at PKR 1.49bn to PKR 431.3bn. Consequently, the Net NPL ratio improved 43bps to 3.62% in Jun'10 from 4.05% previously. However, the recovery based on stabilizing macro fundamentals is likely to be short-lived as the devastation caused by the recent floods will result in another spike in banking sector NPLs. In the prevailing scenario, the most vulnerable sectors would be Agricultural, SME, Microfinance and Consumer to some extent.

Moodys changed rating outlook on 5 banks to negative

According to a press release dated Sep 02, 2010, Moody's rating agency has downgraded the outlook of five Pakistani banks from stable to negative on long-term local currency deposit ratings. The banks include ABL (D-/Ba3), HBL (D-/Ba3), MCB (D/Ba2), NBP (D/Ba2) and UBL (D-/Ba3). The downgrade is prompted by the economy-wide shocks in the wake of heavy floods which has damaged around one-fifth of country's land mass. The impact of the disaster on Agri and SME sectors is negative with Major Crops output likely to decline by 15%. Larger scale ramifications include destruction to transport and power infrastructure and needs for housing and rehabilitation expense which could rise over USD 10bn in FY11.

Outlook

At current levels, the banking sector is trading at 6.1x CY10E EPS and 1.1x adjusted book value. The cost of disasters, both in terms of negative impact on GDP as well as spending on relief and rehabilitation, is significant. A spike in NPLs is likely from current levels of PKR 431.5bn for commercial banks as direct impact is expected on agricultural, microfinance sector and SME financing. We recommend a stock selective approach in the banking sector with our top picks being ABL and UBL.

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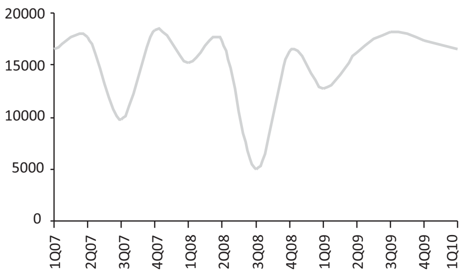
Quarterly Earnings Trend

	2Q CY10	2Q C Y09	Change
Net Interest Income	44,911	41,326	9%
Provisions	8,135	14,964	-46%
Non-Interest Income	12,553	13,424	-6%
Operating Expense	24,362	20,531	19%
Profit Before Tax	24,967	19,255	30%
Profit After Tax	16,103	12,230	32%

Source: Company Reports, IGI Research

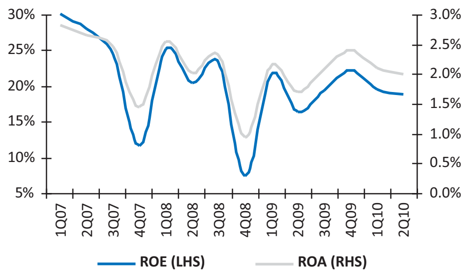
For our coverage banks, during 2Q CY10 the overall profitability rebounded sharply by 29% YoY; whereas, the aggregate earnings during the 1H CY10 were up 17% YoY. The recent earnings improvement resulted mainly from i) sharp drop in credit provisions 2) positive surprise in NIMs in the quarter under review 3) trading gains from strong capital markets and 4) containment of cost/income ratios. Consequently, the average ROE and ROA improved 240bps and 29bps to 18.9% and 2.0% respectively. Within our coverage banks, ABL led the pack with the highest ROE at 24% followed by MCB at 21%. Line by line analysis reveals that key variables driving valuation outperformance e.g. NIMs and asset quality depicted material sequential improvement. For analysis purpose, we have used our coverage banks (NBP, HBL, UBL, MCB, and ABL) as the proxy for the sector.

Quarterly Earnings Trend



Source: Company Reports, IGI Research

IGI Unvierse - ROE and ROA

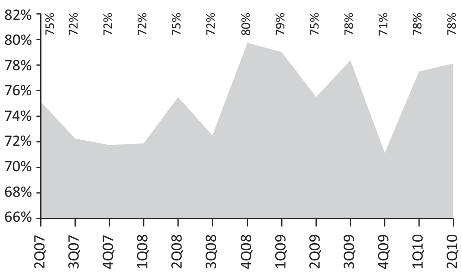


Source: Company Reports, IGI Research

NII registers double digit growth; but run rate slows

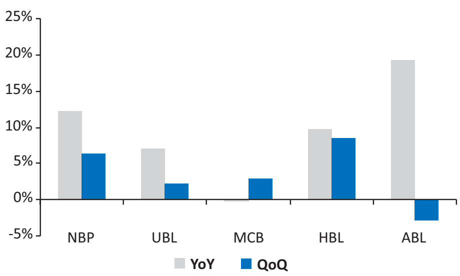
On a year-on-year basis, net interest income (NII) for IGI Universe banks increased by 10% YoY to PKR 48.3bn as against 43.9bn last year underpinned by 8% growth in interest earning assets and stable NIMs (6.6%). However, as illustrated in the graph below, on a sequential basis, YoY growth in NII is slowing on the back of strong base effect, declining yields and slow loan growth. Meanwhile, on a QoQ basis, 5% growth in NII resulted from funding costs declining faster than asset yields. During the quarter, rate of asset yield contraction slowed as KIBOR inched up and stabilized at 12.5% level while funding costs came down on downward re-pricing of term deposits and shifting of deposit mix in favor of low cost CASA deposits.

NII / Total Income



Source: Company Reports, IGI Research

Net Interest Income Growth

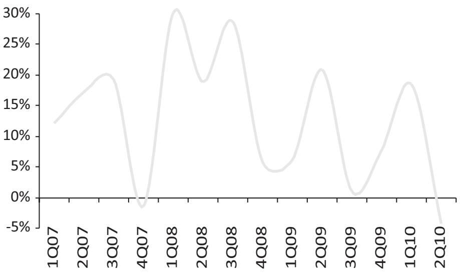


Source: Company Reports, IGI Research

Non-Interest Income – a drag on operating earnings

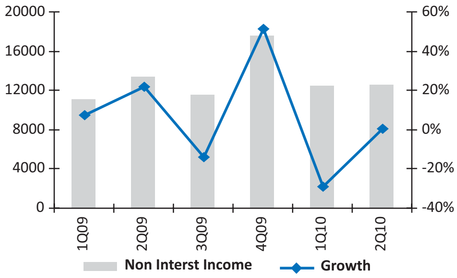
Total non-interest income declined 6% YoY to PKR 12.5bn in 2Q CY10 as compared to 13.4bn last year. Sluggish non-fund income resulted in its share in gross income decline to 22% in Jun’10 as against 25% and 29% in Jun09 & Dec09 respectively. The key swing factor which has led to decline in non-fund income is the lower Fee and FX dealing income in 2Q CY10. Fee income remained under pressure on account of slowdown in loan growth and lower trade volumes. For our coverage banks, total fee income declined 4% YoY to PKR 7.2bn. However, healthy growth in other incomes, mainly trading gains and strong growth in dividend income limited decline in overall share.

Fee Income Growth



Source: Company Reports, IGI Research

Non Interest Income

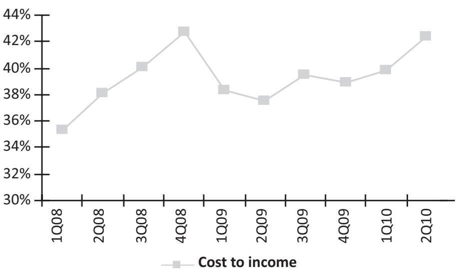


Source: Company Reports, IGI Research

Cost efficiency

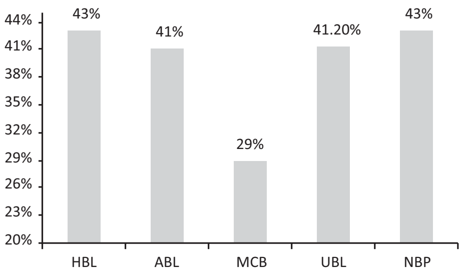
In the past 2 years banks have faced increased macro and P&L headwinds alongside slowing core business activity. Key challenges included passive credit growth, high NPL formation and credit costs and inflation driven operating costs. Hence, amid limited avenues for growth banks are being forced to implement strong opex controls by limiting increase in number of branches and staff costs. On a consolidated footing, banks in our coverage fared well in controlling admin expenses both on YoY and QoQ basis, which has led to stable cost/income ratio at 40% for our coverage banks. Within our cluster, cost/income ratio containment is clearly visible in UBL and ABL while NBP and HBL have relatively lagged behind in this front.

IGI Universe - Cost Trends



Source: Company Reports, IGI Research

Cost/Income Ratio - 2Q CY10

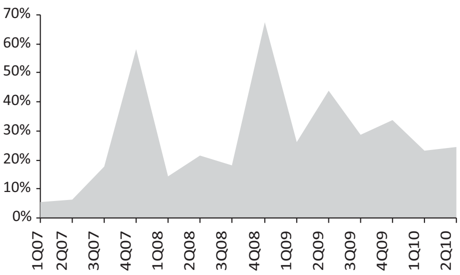


Source: Company Reports, IGI Research

Credit costs lower in the range of 35-53%

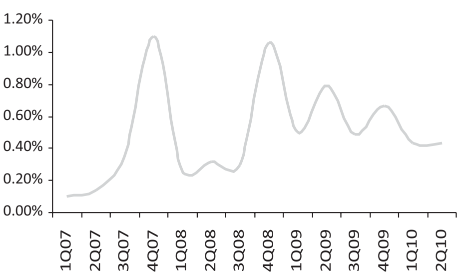
In 2008 and 2009 earnings were hit mainly by sharp rise in credit costs and impairment losses on equity investments. The burden on both counts has fallen substantially in CY10 as total provisions for our coverage banks declined by average 46% YoY while Provisions/Gross Advances ratio eased considerably by 35bps to 0.43%. Impact of FSV benefit became more important as banks reported better results for Mar'10 and Jun'10 as the banks booked lower loan loss provisions despite significant increase in NPLs in loss category. Accordingly, the provision as percentage of net interest income saw a substantial decline. Finally, decline in additional impairment losses on AFS securities further lowered provisioning requirement.

Provisions/Operating Profits



Source: Company Reports, IGI Research

LLP/Gross Loans



Source: Company Reports, IGI Research

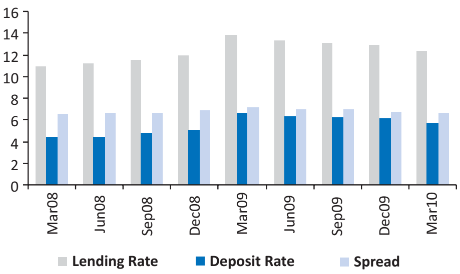
Banking Sector Spreads

Spreads firm at 7.39% in 7mo CY10

Banking sector spreads have remained relatively stable in the wake of declining asset yields and floor rate on saving deposits. The banking system average spread during 7mo CY10 was down 18bps YoY to 7.39% as compared to 7.56% in the corresponding period last year. During YTD CY10, the average cost of deposits declined 68bps to 6.0% while, backed by lower KIBOR, the average lending rate was down by 85bps to 13.38% - resulting in net spread compression.

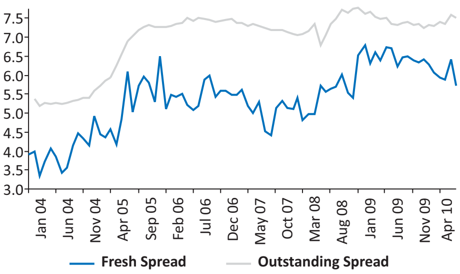
The spread continued to shrink till Mar'10 due to greater decrease in average lending rate as compared to the average deposit rates. The average lending rate decreased by 56 bps as 3 months and 6 months KIBOR declined over the quarter. Meanwhile, the average deposit rate also took a dip of 44 bps as banks, particularly large banks; shed their high cost deposits in a pursuit of low cost, stable funding structure. Consequently, the spreads contracted only by 13 bps. However, the MoM analysis reveals a reversal in declining trend as spreads for Jun-Jul'10 rebounded by 20-25bps to 7.6% level on the back of lower funding costs and stable asset yields as State Bank of Pakistan decided to increase the policy rate by 50 basis points to 13%.

Interest Rate Spreads (%)



Source: SBP, IGI Research

Banks Spreads (%)



Source: SBP, IGI Research

Tighter policy stance to support spread expansion

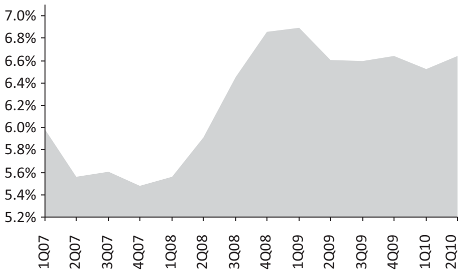
The interest spread in Jun'10 jumped to 7.6% which is a 15-month high; however, the major impetus came from the liability side where cost of deposits went down sharply by 26bps MoM to 5.8% on improving funding mix. Meanwhile, in an unexpected move in Jul'10, the SBP raised the policy rate by 50bps to 13%, taking a u-turn on its easing monetary policy which began only a year ago. Citing rising aggregate demand pressures, fiscal indiscipline and a dismally low tax-GDP ratio of just 9%, monetary policy makers took the decision to counter macro headwinds expected in FY11. The immediate reaction to the rate hike is higher KIBOR climbing up by 30 bps to 12.7% level, which going forward will result in upward revision in T-bill rates and loan yields.

Fresh lending spread slide continues

The data pertaining to spreads on fresh lending vs. deposits posted a one-off decline of 71bps MoM to 5.71%. However, this sharp decline is an anomaly as the fresh spread in Jun'10 was unusually high at 6.42% given lower deposit costs in Jun'10. A more meaningful comparison is Jul'10 with May'10 data which posted a decline of 17bps to 5.71%. The yield on fresh loans increased 11bps to 13.36%; whereas cost of fresh deposits surged 28bps to 7.65%. Since Jan'10, the spread on fresh lending has declined 71bps largely due to higher cost of fresh deposit mobilization. However, in the coming quarters with upward re-pricing in asset yields on higher KIBOR we expect spread on fresh lending to stabilize above 6% level.

Net interest margins for our coverage banks stabilized during Apr-Jun10 at 6.64%; a marginal improvement of 11bps QoQ. The NIM stabilization mainly resulted from two factors. Firstly, the asset yields adjustment inline with lower market rates slowed as the KIBOR reversed its downtrend and stabilized around 12.5% level. Secondly, the major impetus came from the liability side as cost of funds declined during the period. Banks managed to lower their deposit costs by increasing the proportion of low cost CASA deposits and downward re-pricing term deposits inline with market rates. Assets yields are re-priced fairly quickly inline with market rates while deposit re-pricing takes place with a lag. Apart from relatively stable funding costs, lower NPL growth further aided NIM stabilization. Within our coverage banks, ABL and HBL posted the highest improvement in CASA mix at 6% and 2.5% respectively while MCB registered a decline of 3% in CASA deposits.

Quarterly NIM Trend



Source: Company Reports, IGI Research

Improving CASA

	NBP	HBL	UBL
Dec-09	**73%**	**69%**	67%
Jun-10	**75%**	**75%**	68%
Change	**2.0%**	**6.0%**	1.0%

	MCB	ABL
Dec-09	**83%**	**70%**
Jun-10	**80%**	**72.5%**
Change	**-3.0%**	**2.5%**

Source: Company Reports, IGI Research

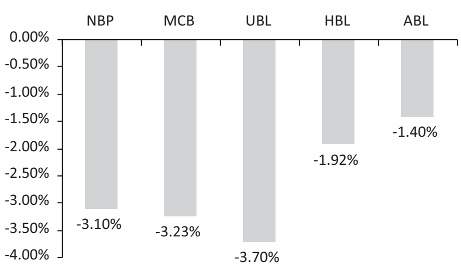
Lending and Deposit Growth

Loan growth continues to slow

After witnessing robust loan growth at 5yr CAGR of 22% in CY03-08, a slowdown in credit growth is being witnessed since the start of CY09. The divergence from long-term growth trend was inline with expectations and ensued from both demand-side and supply-side factors. Credit demand across all sectors dwindled during 1H CY10 on the back of weak economic conditions including (i) higher interest rates (ii) slowdown in domestic economic activity (iii) Subdued capex cycle by corporates (iv) Lower working capital requirements due to unraveling in global commodity prices and (v) lower trade related loans amid global recession. Secondly, the high risk consumer finance which constitutes around 10.5% of loan book witnessed further consolidation declining by 8% and 20% respectively from Dec08 and Dec07 levels. Meanwhile, on the supply side, constraining factors include (i) banks adopting extremely cautious lending stance given mounting default risk (ii) increased government borrowing tending to crowd out private credit, while some re-classification of circular debt related loans into investment category also contributed to the decline in advances.

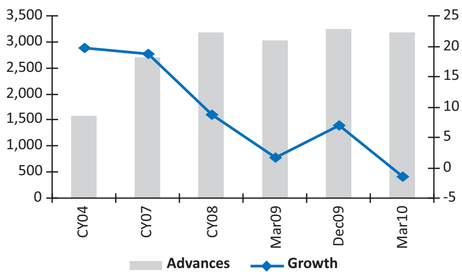
Consequently, overall credit growth came to a standstill in 1H CY10 with banking sector's gross advances almost flat YTD at PKR 3,357bn as of Jun10. Moreover, private sector loans which have posted average 25% growth in FY03-FY08 remained sluggish YoY at PKR 2,695bn in FY10. However, share of public sector loans increased to 15% of total advances as the energy chain restored to short term financing to overcome the circular debt liquidity crunch. As a result, all banks in our coverage registered negative advances growth in 1H CY10. Going forward, owing to the recent floods, government borrowing pressure is likely to rise further resulting in slow growth in loans portfolio and encourage investment in govt. securities.

1H CY10 - IGI Universe Advances Growth



Source: Company Reports, IGI Research

Advances Growth



Source: Company Reports, IGI Research

Deposit growth outpaces credit expansion

During 1H CY10, deposit growth outperformed the muted loan growth with fresh mobilization growing by 8.2% or PKR 357bn to PKR 4,758bn. Although deposit expansion remained flat in the 1Q CY09 at 0.22%; it picked up during the second quarter to an impressive 8% on the back of improvement in NFA position and lower NSS rates post FY09. The pressure from NSS savings pacified somewhat during the quarter helping banks to attract deposits in to the banking system. Secondly, contraction in NFA of the banking system gradually eased as well due to relatively improved balance of payment position, persistent remittances momentum and fresh foreign portfolio inflows. These factors helped regain the growth momentum in line with historical trends at 7-8%. Of the banks in our coverage, NBP and MCB depicted strongest deposit growth of around 12% while UBL saw its deposits decrease by 1% during the period.

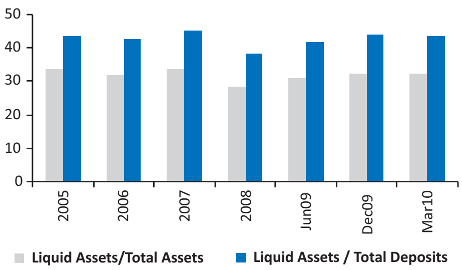
Liquidity and Capitalization

Improved liquidity – slowdown in lending to give respite

The positive implication of stalled lending growth was in the form of improved liquidity in the system. In stark contrast to the severe liquidity risk of 4Q CY08 where excess liquidity over required reserve dipped to less than 2%, indicators have significantly improved. Banking sector has seen considerable easing as the advances-to-deposits ratio (ADR) declined significantly by 910bps to 66.4% in Jun10 as compared to 75.5% in Dec08.

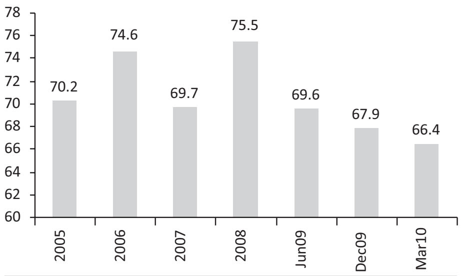
Consequently, the Liquid assets/ Total assets (L/A) and Liquid Assets / Total Deposits (L/D) ratios improved 380bps and 550bps to 32.4% and 43.7% respectively in Jun10. The historical averages for L/A & L/D are 34.2% and 43.7% respectively. Although, liquidity position is below past levels but recent position gives a clear signal of rapidly improving liquidity maintained by banks compared to 4Q CY08 crisis. Better liquidity position will assist lending growth when the operating environment improves and the lending appetite rebounds.

Liquidity Ratios



Source: SBP, IGI Research

Advances / Deposits Ratio



Source: SBP, IGI Research

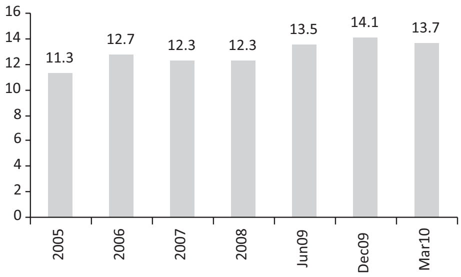
Investments jump by 10% in 1H CY10

With ample liquidity in the system, high NPL risk restricting lending, and declining interest rate scenario pushed banks to park excess funds in the investments portfolio. As a result, the investments surged 31% to PKR 1,809bn in Jun10 with major contribution into government papers TFCs of power companies. The fast paced growth in the investments has resulted in Investments/Deposit ratio (IDR) jumping 138bps to 38% as compared to 36.6% in Dec09. Going forward, with lackluster demand for private sector credit and sustained borrowing needs of the government, investments share in the asset mix is likely to remain high.

Capital adequacy ratio improved to 13.7%

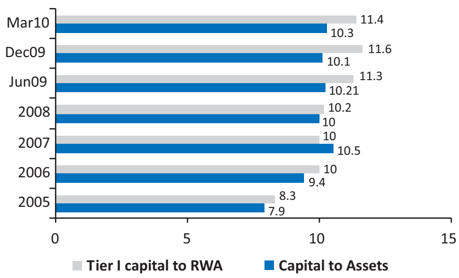
The solvency profile of Pakistan banks has generally remained strong backed by SBP's desire to keep financial sector strong to absorb shocks. During the 1H CY10, the key solvency indicators of all banks improved due to decline in the risk weighted assets on the back of shifting asset mix towards government securities away from risky lending portfolio. The CAR improved to 13.7% as compared to 12.7% in Dec08 while Tier I capital / RWA ratio comfortably placed at 11.4% in Jun10.

Capital Adequacy Ratio



Source: SBP, IGI Research

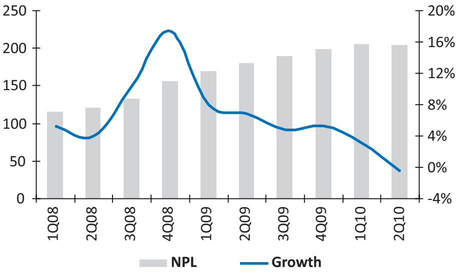
Capital to Assets



Source: SBP, IGI Research

Asset Quality Trends

IGI Universe - NPL Growth



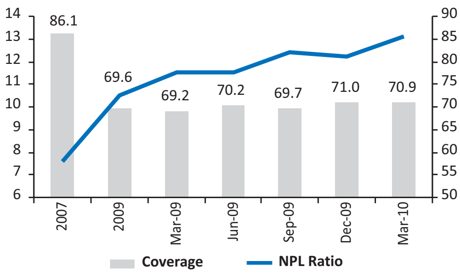
Source: SBP, IGI Research

Incremental NPL formation slows down but outlook negative

According to SBP data, the QoQ NPL formation slowed down significantly in Jun'10 to PKR 1.5bn to PKR 431.4bn. This has resulted in improvement in NPL ratios which has been continuously deteriorating over the past two years. The ratio moved from 6.7% in CY07 to 12.5% in CY10. There was rapid deterioration in credit quality across all sectors and despite record high provisions the Net NPL ratio has jumped from 0.7% in CY07 to 3.7% in CY09. However, the trend in the past 2 quarters has been positive as rate of incremental NPL growth slowed significantly to 4% QoQ as compared to five quarters average of 12%. This comes on the back of i) high base effect ii) lower KIBOR from peak levels iii) significant consolidation in high risk consumer and SME segments iv) de-risking by shift in asset mix from corporates to low-risk public sector.

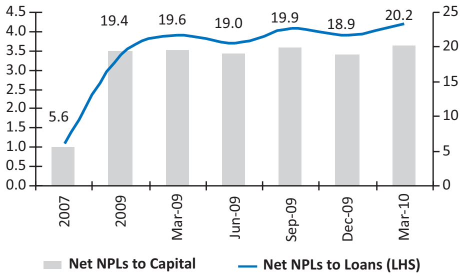
However, in the after-math of the devastating floods the outlook has turned negative with direct implications for the agri and SME sector. The economic growth is likely to slowdown sharply with a spike in inflationary pressures on account of infrastructure bottlenecks and higher input prices. These factors are likely to hinder corporate sector's repayment capacity and result in negative pressure on banking sector in the form of higher NPLs. Pakistan's export-oriented textile sector is likely to be the worst affected (14% of loan book) given a 20-25% destruction in the cotton crop.

NPLs and Coverage



Source: SBP, IGI Research

Net NPL Ratios



Source: SBP, IGI Research

Moodys changed rating outlook on 5 banks to negative

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Given the IMF has imposed a ceiling on the stock of Government Borrowing from the SBP, Banks are likely to face immense Government Borrowing pressure in FY11. The yield curve is likely to steepen further and in tandem the cost of borrowing, straining overall lending and borrower capacity. Inflation and Internal imbalances (Fiscal and Balance of Payments) are likely to breach initial GoP targets to reach 15%, 8% of GDP and USD 2bn External Deficit respectively. This is after incorporating nearly USD 4bn in pledged assistance and USD 450mn in emergency funds expected from the IMF. The domestic currency is therefore likely to face consistent pressure and may breach our depreciation estimate of 6% YoY, particularly in the face of higher import demand for essential food and energy products which is likely to present a Current Account deficit in excess of 4% of GDP. Consequently the banking sector is likely to witness negative pressure due to spike in NPLs, higher provisioning requirements and decline in profitability.

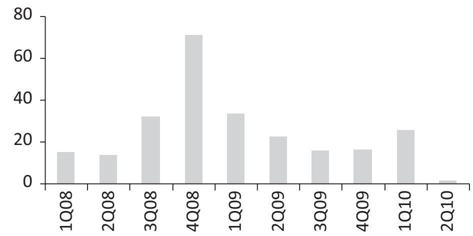
Recent Floods - Impact on the banking sector

According to news reports, the State Bank of Pakistan (SBP) estimates an incremental hit of PKR 48bn in terms of Non-Performing Loans (NPLs) in the flood-hit areas. However, the quantum of NPLs could be significantly higher than the initial estimates. SBP has constituted several committees to assess the situation and to come up with proposals including i) SBP refinancing schemes at concessional rates for agriculture and SMEs in flood affected areas ii) Grant relaxations in provisioning requirements for NPLs and iii) Credit guarantee schemes to share losses with banks in order to encourage fresh loans in these areas. However, the initiatives will be announced once the modalities have been finalized with all the stake holders.

Slowdown in NPL accretion may be short-lived

Recently, SBP released the quarterly NPLs data for the banking sector till Jun'10. The data reveals significant slowdown in incremental QoQ NPL accretion at PKR 1.49bn to PKR 431.3bn. Consequently, the Net NPL ratio improved 43bps to 3.62% in Jun'10 from 4.05% previously. However, the recovery based on stabilizing macro fundamentals is likely to be short-lived as the devastation caused by the recent floods will result in another spike in banking sector NPLs. In the prevailing scenario, the most vulnerable sectors would be Agricultural, SME, Microfinance and Consumer to some extent.

Quarterly NPL Addition (PKR bn)



Source: IGI Research

Sectoral Impact - Agriculture

According to SBP data, as of May'10 the total quantum of private sector agri-loans amounted to PKR 167bn or 6% of loans to the private sector. Out of the total disbursement, majority of loans were given to the Crops sector which amounted to 70% or PKR 116bn of agri-loans while borrowing for livestock amounted to 20% or PKR 23.3bn. Meanwhile, the non-performing loans of the agri-sector amounted to PKR 33.9bn or 19% of outstanding loans.

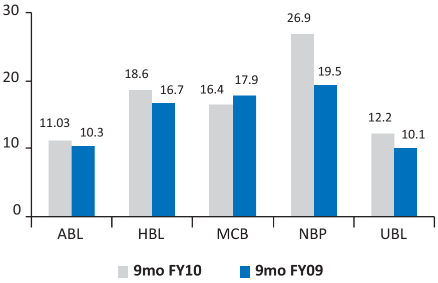
Agricultural Lending

	Dec-06	Jun-07	Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	May-10
Agri-lending (% of Private Sector Loans)	9%	9%	8%	8%	7%	8%	6%	6%
Agri-Lending PKR (bn) (Private Sector)	145	147	159	159	170	163	169	167
Growing of Crops	70%	70%	72%	70%	73%	72%	72%	70%
Livestock	15%	17%	17%	21%	20%	19%	18%	20%
Others	15%	13%	11%	8%	8%	8%	10%	10%

Source: Company Reports & IGI Research

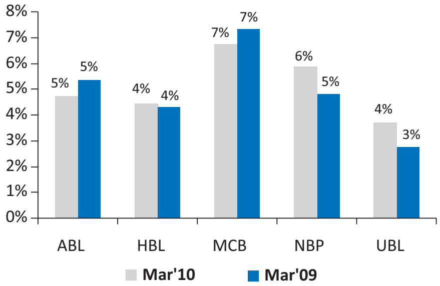
Bank-wise details of agri-credit disbursement reveal that up to Mar'10 the top-5 commercial banks had disbursed PKR 85bn out of which NBP and HBL were major lenders with PKR 26.9bn and PKR 18.6bn respectively. Meanwhile, the least impact of agri sector delinquencies is expected to be on ABL and UBL respectively.

Agricultural Credit Disbursement (PKR bn)



Source: IGI Research

Agricultural Disbursement % of Total Loans



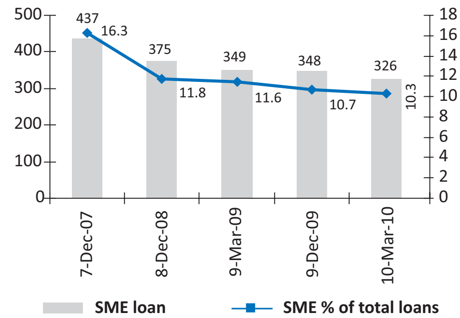
Source: IGI Research

SME Sector

As of Mar'10, the total exposure to the SME sector stood at PKR 326bn or 10% of advances as compared to PKR 349bn in the corresponding period last year. The exposure to SME sector is on the decline due to concerns regarding rising NPLs. Hence, the share of SMEs in total industry's credit has shrunk by 43.5% during the period March'06 to March '10.

Total NPLs of SME sector stood at PKR 82.7bn with an NPL ratio of 25% for the sector. In terms of bank-wise exposures, HBL takes the lead with PKR 48.2bn, followed by NBP at PKR 26bn at the end of Mar'10.

SME Loans (PKR bn)



Source: IGI Research

MicroFinance

Total advances of Microfinance Banks (MFBs) recorded an impressive growth of 10% over the quarter under review reaching to PKR 9.38bn. Meanwhile, during 1Q CY10 NPLs increased from 1.62% to 2.30% of total advances. However, due to specialized nature of microfinance lending this would not have any impact on the listed commercial banks in our coverage.

Outlook

At current levels, the banking sector is trading at 6.5x CY10E EPS and 1.1x adjusted book value. The cost of disasters, both in terms of negative impact on GDP as well as spending on relief and rehabilitation, is significant. A spike in NPLs is likely from current levels of PKR 431.5bn for commercial banks as direct impact is expected on agricultural, microfinance sector and SME financing. We recommend a stock selective approach in the banking sector with our top picks being ABL and UBL.

Regional Comparison – Attractive on P/E and P/B multiples

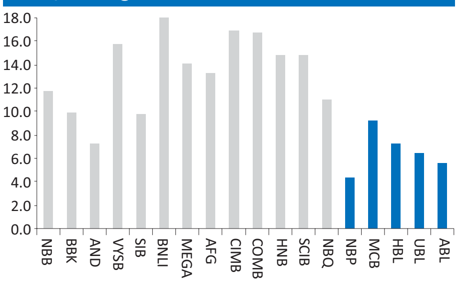
Pakistan banks trade at attractive multiples compared to regional peers. On a P/E and P/B basis, our coverage banks trade at a discount of 35% and 48% respectively. While, average ROE for our banks is significantly higher by 373bps at 20.4% as compared to region average of 16.6%, making local banks cheap on a risk-reward profile. Using ROE/PB as a yardstick for comparison, Pakistan banks trade at attractive ROE/PB of 17.7x as compared to regional average of 9.5x.

Regional Comparsion

Ticker	Beta	P/B(x)	P/E(x)	ROE(%)	ROE/PB	Market Cap (USD mn)
Bahrain						
NBB BI Equity	0.6	2.0	11.7	17.7	9.0	1,258
BBK BI Equity	0.4	1.6	9.9	16.8	10.3	957
India						
IDBI IN Equity	1.2	0.9	9.1	10.3	11.3	1,998
YES IN Equity	1.2	3.5	20.3	20.3	5.8	2,330
ANDB IN Equity	1.0	1.7	7.2	26.0	15.2	1,622
VYSB IN Equity	0.9	1.8	15.7	12.0	6.9	879
SIB IN Equity	0.9	1.5	9.7	16.8	10.9	488
Indonesia						
BNLI IJ Equity	1.0	2.4	18.0	12.0	5.1	1,375
MEGA IJ Equity	0.3	2.5	14.1	19.0	7.7	1,051
BTPN IJ Equity	1.0	4.0	15.4	30.2	7.5	1,069
Malaysia						
AHB MK Equity	1.1	0.9	10.6	9.1	9.9	1,483
AFG MK Equity	1.1	1.5	13.2	12.3	8.0	1,551
CIMB MK Equity	1.2	2.7	16.9	16.7	6.3	18,353
BIMB MK Equity	1.2	1.0	9.9	10.2	10.6	430
Sri Lanka						
COMB SL Equity	1.0	2.3	16.8	15.3	6.7	588
HNB SL Equity	1.0	2.5	14.8	18.2	7.1	496
Thailand						
SCIB TB Equity	0.6	1.5	14.8	10.7	7.1	2,187
TISCO TB Equity	1.0	1.9	9.9	22.2	11.7	800
United Arab Emirates						
NBQ UH Equity	0.6	1.2	11.1	11.0	9.3	982
RAKBANK UH Equity	0.6	1.5	5.6	30.4	20.4	1,292
BOS UH Equity	1.0	1.0	8.0	12.4	12.8	1,058
Average	**0.9**	**1.9**	**12.5**	**16.6**	**9.5**	**2,012**
Pakistan						
NBP PA Equity	1.2	0.7	4.3	17.2	24.0	992
MCB PA Equity	1.3	1.9	9.2	22.8	11.8	1,684
HBL PA Equity	1.1	1.2	7.2	18.0	15.5	1,131
UBL PA Equity	1.1	1.0	6.4	16.4	16.6	781
ABL PA Equity	1.0	1.3	5.5	27.4	20.7	464

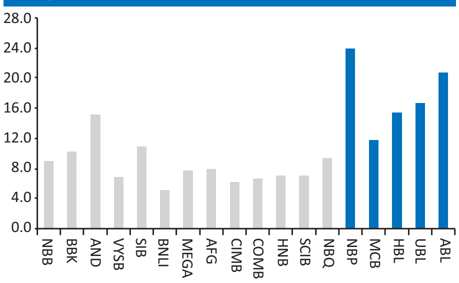
Source: Bloomberg & IGI Research

Price/Earnings



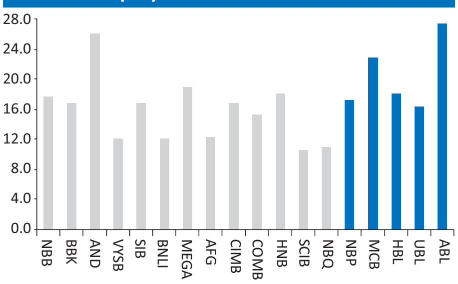
Source: Bloomberg, IGI Research

ROE/PB



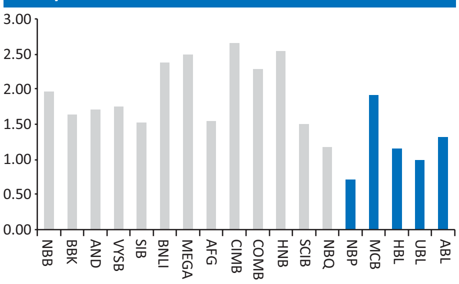
Source: Bloomberg, IGI Research

Return on Equity



Source: Bloomberg, IGI Research

Price/Book



Source: Bloomberg, IGI Research

Stock Summary

Tuesday September 07, 2010

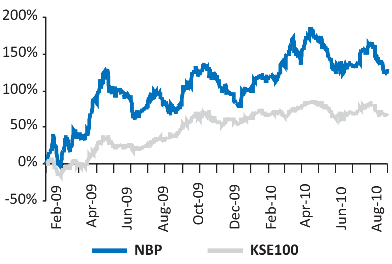
National Bank of Pakistan

IGI Securities

Recommendation: **NEUTRAL**
Target Price Dec10: **PKR 67**

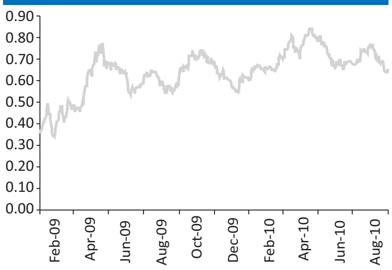
KSE Ticker	NBP
Bloomberg code	NBP PA
Current Price	62.2
52week Avrg. Price (PKR per share)	63.6
52week Avrg. Daily Volume (mn shares)	5.0
52week Avrg. Daily Turnover (PKR mn)	320.3
52week Avrg. Daily Turnover (USD mn)	3.7
Market Capitalization (PKR mn)	83,943
Paid-up Capital (PKR mn)	13,455
Shares Outstanding (mn)	1,345
Index Weightage	3.4%
Beta	1.3
Free Float (%)	26%

Price Performance NBP vs KSE100



Source: Bloomberg, IGI Research

NBP - PB Band



Source: Bloomberg, IGI Research

Financial Highlights

	CY09A	CY10E	CY11E
EPS (PKR)	13.45	11.58	13.43
Earnings Growth (%)	15.5%	-13.9%	15.9%
Div Yield (%)	0.10	0.10	0.11
BVPS (PKR)	90.05	98.56	107.35
P/E (x)	4.60	5.35	4.61
P/B (x)	0.69	0.63	0.58
ROE (%)	16.0%	12.3%	13.0%
ROA (%)	2.0%	1.6%	1.7%
NIM (%)	5.6%	5.3%	5.1%

Source: Company Reports & IGI Research

Research Department
Karachi, Pakistan

Weak ROE translates into low P/B

NBP's earnings rebounded sharply on both YoY and sequential basis in 2Q CY10 given strong operating performance including i) slowing NPL accretion and sharp reduction in credit costs and ii) margins improvement due to strong interest rates and low cost of funds. During the 2Q CY10, NBP's Net Profit increased 74% YoY to PKR 3.60bn (EPS: PKR 2.68) while aggregate earnings for 1H CY10 jumped 25% YoY to PKR 7.82bn (EPS: PKR 5.81) as compared to PKR 6.28bn (EPS: PKR 4.67) in the corresponding period last year. However, the result was below market consensus which resulted in negative share price performance and the scrip has shed 9% following the result announcement.

Strong operating revenue growth in 2Q

Net interest income for the second quarter grew 12% YoY; 6% QoQ, to PKR 10.69bn. The strong growth is due to earning asset expansion (12% YoY) and the low cost of funds. The CASA ratio of the bank improved to 75%, from 69% in 1Q CY10 and from 73% in 4Q CY09. Meanwhile, non-interest income rose 30% YoY to PKR 4.3bn versus PKR 3.31bn in the first quarter of 2009. This increase is primarily due to the gains from the capital market activities, which includes a gain of PKR 921mn in 2Q CY10 as compared to a loss of PKR 197mn last year. As a result, the total gross revenues for the period increased by 17% YoY to PKR 14.99bn as against 12.82bn last year.

Deposits growth outpacing advances

NBP recorded a handsome 18% YoY growth in deposits at PKR 816.5bn, translating into a 12% sequential growth in the first half of CY10. However, this momentum in advances has decelerated considerably to 2% YoY at PKR 460.3bn resulting in sharp fall in Advances/Deposits ratio (ADR) by 900bps to 64%. Meanwhile, excess liquidity is being parked into low-yielding govt. securities which have resulted in 17% growth in investments while the Investment/Deposit ratio (IDR) has stabilized at 30% level at Jun'10.

Sharp spike in operating costs

Non-interest expenses for the quarter ended Jun'10 were PKR 7.1bn, compared to PKR 5.56bn in the corresponding period last year; an increase of 28% YoY. The increase in administrative expenses was mainly because of an increase in salaries & allowances which jumped due to change in pension factor and higher charge for defined benefit plans. Excluding the non-recurring pension charge administrative expenses were up 17% YoY. Owing to the growth in operating costs outpacing revenue growth resulted in cost/income ratio to surge 500bps to 48%.

NPL accumulation & credit costs lower in CY10

NBP's non-performing loans (NPLs) declined by PKR 1.2bn or 1.7% compared to Dec'09 whereas NPLs have reduced by PKR 2.6bn from Mar'10 levels to PKR 69.71bn. Owing to the sequential improvement in asset quality, credit provisions declined 73% YoY to PKR 936mn. However, total provisions were higher at PKR 2.52bn due to PKR 1.6bn provisions charge against investments on account of impairment loss on shares. As of Jun10, NBP's NPL ratio stood at 13.4% while 84% of the NPLs were provisioned.

Outlook – Valuations justified on risk-reward

At current market price, the stock is trading at 5.3x CY10E EPS and 0.63x adjusted book value. We believe the recent stock sell-off is overdone following the below expectation quarterly result announcement. Presently, NBP is trading near justified multiples and we maintain a NEUTRAL stance with a Dec-10 target price of PKR 67 per share.

Tuesday September 07, 2010

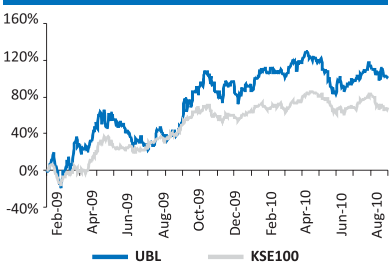
United Bank Limited

IGI Securities

Recommendation: **BUY**
Target Price Dec10: **PKR 67**

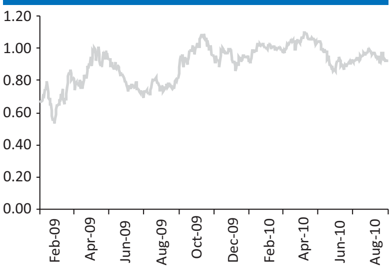
KSE Ticker	UBL
Bloomberg code	UBL PA
Current Price	54.2
52week Avrg. Price (PKR per share)	54.2
52week Avrg. Daily Volume (mn shares)	1.8
52week Avrg. Daily Turnover (PKR mn)	97.3
52week Avrg. Daily Turnover (USD mn)	1.1
Market Capitalization (PKR mn)	65,506
Paid-up Capital (PKR mn)	12,242
Shares Outstanding (mn)	1,224
Index Weightage	2.6%
Beta	1.2
Free Float (%)	25%

Price Performance UBL vs KSE100



Source: Bloomberg, IGI Research

UBL - PB Band



Source: Bloomberg, IGI Research

Financial Highlights

	CY09A	CY10E	CY11E
EPS (PKR)	7.78	9.09	10.48
Earnings Growth (%)	14%	17%	15%
Div Yield (%)	4.2%	5.6%	6.5%
BVPS (PKR)	55	61	67
P/E (x)	6.9	5.9	5.1
P/B (x)	1.0	0.9	0.8
ROE (%)	16%	16%	17%
ROA (%)	1.5%	1.7%	1.7%
NIM (%)	6.2%	5.8%	5.5%

Source: Company Reports & IGI Research

Research Department
Karachi, Pakistan

Earnings recover on lower provisioning

United Bank Limited (UBL) posted a Profit After Tax (PAT) of PKR 5.2bn (EPS: PKR 4.25) in 1H CY10 as compared to a net profit of PKR 4.3bn (EPS: PKR 3.50), an increase of 21% YoY. Meanwhile, during the 2Q CY10 bank posted an EPS of PKR 1.97 as compared to PKR 1.43, an uptick of 38% YoY. The key reason behind the robust performance is lower credit costs despite a significant decline in non-interest income.

Revenue growth under pressure

During 1H CY10, net interest income (NII) grew marginally by 4% YoY to PKR 16.52bn as against PKR 15.83bn; on the back of higher NIM (+50bps) to 7.1% and slight contraction in interest earnings assets (-3%) from Jun09 levels. On the asset side, UBL's interest yields declined by 80bps to 11.8% due to downward re-pricing inline with lower KIBOR. Meanwhile, on the liability side, the bank managed to reduce funding costs by 140bps to 4.7% resulting in net NIM expansion by 50bps to 7.1%. The non-interest income posted a decline of 18% YoY to PKR 4.73bn due to the absence of PKR 1.4bn non-recurring derivative gain booked in 2Q last year. Consequently, UBL's total revenues during the period declined by 2% YoY to PKR 21.2bn.

Provisioning charges decline by 36% YoY

NPLs are seen as the single largest risk for UBL due to extensive exposure to consumer and risky Middle East operations. However, during the 2Q CY10 NPL accretion slowed down to 2% or PKR 0.7bn as compared to past 6 quarter average of 9% or PKR 2.7bn. As a result, provision charges declined by 36% YoY to PKR 4bn. Provisions booked in the 2Q CY10 are lower than the provisions taken in each of the last six quarters at PKR 2bn. The Provisions/Gross Loans ratio improved by 90bps to 2.1% in Jun'10 as compared to CY09 average of 3.0%. As of Jun'10, the Gross and Net NPL ratio stood at 11.1% and 3.1% respectively while 75% of the NPLs were covered.

Advances growth decline; CASA mix up 6% YoY

UBL's advances declined marginally by 3% to PKR 352bn, reflecting slowdown in systemic credit off-take and risk-averse stance in the prevailing environment. The bank parked excess liquidity in government securities inline with sectoral trends. Meanwhile, owing to strong focus on improving deposit mix average core deposits increased by 6% YoY while overall deposit mix was up 2% to PKR 515bn. Moreover, the CASA profile of the bank improved by 6% to 68% reinforcing UBL's captive deposit franchise and easing pressure on deposit cost front.

Easing pressure on operating cost front

During 1H CY10, UBL's total operating expenses increased by 2% YoY to PKR 8.58bn as compared to PKR 8.42bn last year. UBL is putting stringent cost control efforts in a bid to partially offset revenue decline by utilizing employee rationalization and limiting expansion/renovations. Meanwhile, as per Basel norms UBL maintained a capital adequacy ratio (CAR) of 13.7%, with a Tier I capital of 9.4% at the end of 2Q CY10.

Valuation - Improving Asset-quality to boost profit growth

At current price of PKR 54.2 per share, the stock quotes at attractive valuations with CY10E PE and PB of 5.9x and 0.9x respectively. We have revised our earnings estimates and target price in view of the recent result and increase in risk-free rate by 50bps. At current levels, we maintain a BUY stance on the scrip with a target price of PKR 67 per share.

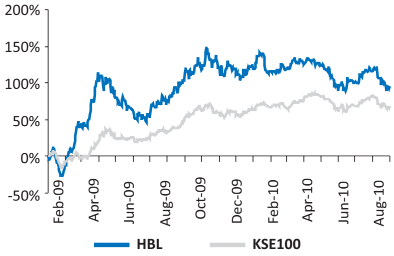
Tuesday September 07, 2010

Habib Bank Limited

Recommendation:	NEUTRAL
Target Price Dec10:	PKR 86

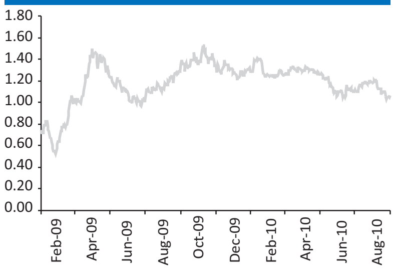
KSE Ticker	HBL
Bloomberg code	HBL PA
Current Price	95.1
52week Avrg. Price (PKR per share)	105.7
52week Avrg. Daily Volume (mn shares)	0.5
52week Avrg. Daily Turnover (PKR mn)	49.5
52week Avrg. Daily Turnover (USD mn)	0.6
Market Capitalization (PKR mn)	96,281
Paid-up Capital (PKR mn)	10,019
Shares Outstanding (mn)	1,002
Index Weightage	3.9%
Beta	1.4
Free Float (%)	10%

Price Performance HBL vs KSE100



Source: Bloomberg, IGI Research

HBL - PB Band



Source: Bloomberg, IGI Research

Financial Highlights

	2009A	2010E	2011E
EPS (PKR)	13.37	14.93	17.06
Earnings Growth (%)	24.3%	11.7%	14.2%
Div Yield (%)	0.06	0.06	0.07
BVPS (PKR)	83.07	93.43	104.02
P/E (x)	7.18	6.43	5.63
P/B (x)	1.16	1.03	0.92
ROE (%)	17.2%	16.9%	17.4%
ROA (%)	1.7%	1.6%	1.7%
NIM (%)	6.3%	5.8%	5.4%

Source: Company Reports & IGI Research

Research Department
Karachi, Pakistan

Upbeat result in 1H CY10

HBL reported strong financial performance in 2Q CY10 with an earnings growth of 26% YoY at PKR 4.0bn as compared to PKR 3.2bn last year. The key driving force behind the upbeat earnings were lower provisions charge, higher Net Interest Income led by strong NIMs and strong support from non-fund based income.

Strong operating performance in 2Q CY10

During the second quarter, HBL's net interest income (NII) grew by 10% to PKR 11.7bn as compared to PKR 10.7bn earlier. The growth in NII came on the back of 10% volumetric growth in earning assets and 55bps uptick in average NIM to 6.6% (CY09: 6.3%). Meanwhile, non-funded income grew 13% YoY at PKR 3.2bn compared to re-stated CY09 accounts on the back of higher FX gains and share of profit from JV.

Impressive deposits growth; advances flat

HBL's deposits grew by 8% in 1H CY10 to PKR 699.6bn while gross advances remained relatively flat at PKR 84bn. This resulted in ADR to decline by 7% to 69%. Meanwhile, the excess liquidity was parked in investments which increased by 60% YoY to PKR 239.3bn, while the Investments/deposits jumped 9% to 32%.

NPL buildup slows down in 2Q CY10

In 1H CY10, HBL's NPL s declined by 1% QoQ or PKR 302mn to PKR 51.4bn level. Following the positive surprise the NPL ratio improved 36bps to 10.6% level while the coverage improved 353bps to 75% level. The positive surprise on the asset quality front resulted in easing pressure on provisions which declined 38% YoY to PKR 1.8bn level.

Operating expenses rise sharply

HBL's administrative expenses increased by 23% YoY to PKR 6.73bn as compared to PKR 5.5bn in the corresponding period last year. As a result, the cost/income ratio surged 6% to 45% alongside a 30bps hike in cost/asset ratio to 3.1%.

Valuation

At current valuations, HBL is trading at a 10% premium to our target price of PKR 86 per share and the stock appears to have already priced in the valuation positives. Presently, HBL trades at CY10E P/E of 6.4x and a CY10E P/B of 1.0x. Our key assumptions include Normalized ROE of 19%, risk premium of 6% and normal growth adjustment factor of 11%.

Tuesday September 07, 2010

MCB Bank Limited

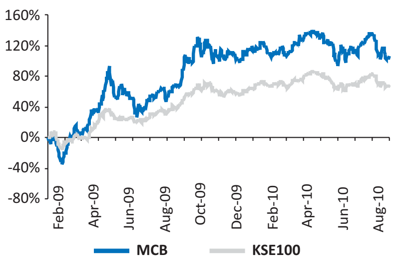
IGI Securities

Recent market correction, good time to buy

Recommendation: **BUY**
Target Price Dec10: **PKR 210**

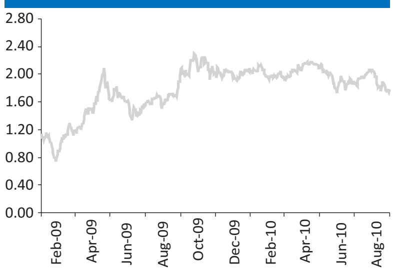
KSE Ticker	MCB
Bloomberg code	MCB PA
Current Price	182.5
52week Avrg. Price (PKR per share)	195.6
52week Avrg. Daily Volume (mn shares)	1.9
52week Avrg. Daily Turnover (PKR mn)	364.4
52week Avrg. Daily Turnover (USD mn)	4.3
Market Capitalization (PKR mn)	140,944
Paid-up Capital (PKR mn)	7,602
Shares Outstanding (mn)	760
Index Weightage	5.7%
Beta	1.4
Free Float (%)	45%

Price Performance MCB vs KSE100



Source: Bloomberg, IGI Research

MCB - PB Band



Source: Bloomberg, IGI Research

Financial Highlights

	CY09E	CY10E	CY11E
EPS (PKR)	20.61	23.54	26.67
Earnings Growth (%)	2.2%	14.2%	13.3%
Div Yield (%)	0.05	0.06	0.06
BVPS (PKR)	95.12	109.69	125.27
P/E (x)	9.03	7.91	6.98
P/B (x)	1.96	1.70	1.49
ROE (%)	23.7%	23.0%	22.7%
ROA (%)	3.3%	3.3%	3.4%
NIM (%)	8.9%	8.0%	7.7%

Source: Company Reports & IGI Research

MCB Bank Limited unveiled a slight negative surprise in its financial performance for 1H CY10 with a net profit of PKR 7.94bn (EPS: PKR 10.45) as compared to PKR 7.76bn (EPS: PKR 10.21); up 2% YoY and 5% below our expectations. During 2Q CY10, MCB posted an after-tax profit of PKR 3.80bn (EPS: 5.00); up 5% YoY but a decline of 10% on QoQ basis. Moreover, the results were accompanied by an interim dividend of PKR 3 per share taking the total payout for 1H CY10 to PKR 5.5 per share. Despite the result being somewhat below expectation earnings witnessed a sequential positive earnings momentum on the back of stable margins (NIM) which held up due to firm KIBOR while credit costs declined amid slowing NPL accretion.

Net-Interest Income remained flat YoY

During 2Q CY10, MCB's net interest income (NII) increased nominally by 3% QoQ to PKR 8.97bn, however remained flat on YoY basis. During the quarter, we estimate NIM to have improved by 10bps to 8.1% level on the back of stable asset yields and decline in cost of funding. Recently, SBP increased the policy rate by 50bps to 13% which in-turn resulted in 40-50bps uptick in interbank rates. MCB bank is likely to benefit the most in the coming quarters due to asset yield re-pricing faster than peers while 80% CASA deposits keeping funding cost downward sticky. Meanwhile, the non-interest income posted impressive 14% QoQ growth at PKR 1.59bn due to higher fee income and FX dealing gains.

NPL accumulation & credit costs lower in CY10

The NPL accumulation which sustained at an alarming pace from Jun08 to Jun09, averaging PKR 1.9bn per quarter, subsided as incremental NPL formation declined to PKR 0.9bn. Owing to the sequential improvement in asset quality, credit provisions declined 51% YoY to PKR 1.05bn. As of Jun10, MCB's NPL ratio stood at 9.2% while 73% of the NPLs were provisioned.

Focus on de-risking of balance sheet

In the high credit risk scenario, MCB's gross advances declined 8% to PKR 263bn mark while the deposit base grew by 16% to PKR 419bn. As a result, the loans/deposits ratio plunged by a massive 16% to 63% while the bank parked excess liquidity into risk-free govt. securities resulting in 55% growth in investments to PKR 180bn. Significant de-risking in the lending book is being witnessed, as blue-chip corporate loans rose by 14% to 63% of the loan book while risky consumer and commercial segments declined 16% and 26% respectively to 10% and 20% of total advances. Additionally, lower risk stance also reflected from increased proportion of govt. backed public sector loans up 33% to PKR 80bn, taking private-public mix to 70-30 from 80-20 earlier.

Valuation – Positives priced in

We value MCB at 1.8x 2010E book value using the Gordon Growth model adjusted for P/B. The normalized ROE estimate in our valuation is 25% while COE is maintained at 20% using a risk-free rate of 13%, a market premium of 6% and beta of 1.2. We maintain a BUY stance with a target price of PKR 210 per share. At current price the stock is attractively valued on risk-reward at CY10E P/E of 7.91x and P/B of 1.70x.

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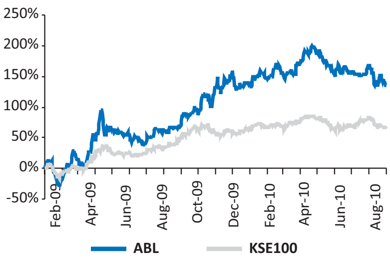
Tuesday September 07, 2010

Allied Bank Limited

Recommendation:	**BUY**
Target Price Dec10:	**PKR 69**

KSE Ticker	ABL
Bloomberg code	ABL PA
Current Price	50.5
52week Avrg. Price (PKR per share)	52.9
52week Avrg. Daily Volume (mn shares)	0.4
52week Avrg. Daily Turnover (PKR mn)	20.1
52week Avrg. Daily Turnover (USD mn)	0.2
Market Capitalization (PKR mn)	39,887
Paid-up Capital (PKR mn)	7,821
Shares Outstanding (mn)	782
Index Weightage	1.6%
Beta	1.3
Free Float (%)	3%

Price Performance ABL vs KSE100



Source: Bloomberg, IGI Research

ABL - PB Band

Source: Bloomberg, IGI Research

Financial Highlights

	CY09A	CY10E	CY11E
EPS (PKR)	9.11	9.85	11.02
Earnings Growth (%)	71.4%	8.2%	11.9%
Div Yield (%)	0.07	0.08	0.09
BVPS (PKR)	38.24	44.09	50.86
P/E (x)	5.51	5.10	4.55
P/B (x)	1.31	1.14	0.99
ROE (%)	27.3%	23.9%	23.2%
ROA (%)	1.8%	1.8%	1.8%
NIM (%)	5.8%	5.3%	5.2%

Source: Company Reports & IGI Research

Attractive on risk-reward basis

Allied Bank Limited (ABL) recently announced its 2Q CY10 result with earnings of PKR 1.84bn (EPS: PKR 2.36), up 14% YoY alongside an interim dividend of PKR 2 per share. We have fined-tuned CY10-CY11 forecasts in view of the detailed accounts and key changes include i) lower credit cost estimates ii) adjustment in NIM forecasts given higher KIBOR and decline in funding costs iii) lowered admin expense estimates.

NII registers double digit growth

During 2Q CY10, on YoY basis, ABL's net interest income (NII) increased by an impressive 19% to PKR 5.2bn as compared to PKR 4.37bn in the corresponding period last year. This growth comes on the back of 22bps expansion in NIMs to 5.91% and 15% volumetric growth in earning assets. NIM expansion was mainly a result of higher asset yields and downward shift in funding costs. The drop in funding costs was mainly due to i) downward re-pricing of term deposits and ii) shifting mix towards CASA deposits. ABL posted highest improvement in CASA mix at 200bps YoY to 72% of total deposits by Jun'10.

Asset Quality – Stress seems to be easing off

ABL's non-performing loans increased by 11% YoY to PKR 17.25bn with NPL ratio at 6.9%, LLP/Gross advances down 50% YoY to 0.3%, and coverage ratio at 83%. ABL booked total provisions of PKR 0.9bn in 2Q CY10 as compared to PKR 1.52bn last year. However, quarterly data reveals sequential easing in NPL accumulation as growth receded to 2% range and exposure to sensitive sectors is on a decline. As a proportion of total loan book, exposure to textile declined by 200bps to 18%, share of sugar was down 63bps to 1.33% and retail exposure remained flat at 2.5%.

Balance sheet grows strongly in CY10

ABL's total assets for the quarter surged 12% YoY to PKR 432.67bn. On the lending side, gross advances increased by 11% to PKR 248.2bn while deposit growth was equally strong, rising by 13% YoY to PKR 352.62bn; leaving the Advances-to-Deposits ratio (ADR) intact at 70%. Meanwhile, high NPL risk restricting lending coupled with declining interest rates, pushed banks to park excess liquidity in the investments portfolio. As a result, ABL's investments jumped 28% YoY to PKR 110.3bn with major contribution into govt. papers.

Risk-based CAR improves to 13.5%

Over the years, with the high loan growth rates, ABL has been exposed to having a low capital adequacy ratio (CAR) among Tier-I banks. In CY08, ABL's CAR at 10.9% was lower than industry average and slightly above regulatory requirement. Consequently, high gearing ratio at 16x exposed the bank to weak risk-assets generation potential relative to the sector. However in CY09, amid emphasis on govt. papers and issuance of PKR 3bn subordinated TFC, the CAR has improved to 13.5%, improving prospects for future balance sheet growth.

Valuation

With recent earnings and balance sheet numbers coming inline with our expectations, we maintain our BUY recommendation with a target price of PKR 69 per share. We believe at current price the stock offers positive risk-reward and trades at attractive forward multiples at CY10E P/E of 5.1x and P/B of 1.14x.

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Analyst Certification

I, Ahmed Raza Khan, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject, securities and issuers. I also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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