

# Flash Note

Wednesday, 21 October 2020

## Commercial Banks

### Allied Bank Limited (ABL)

#### Lower interest expenses pushed quarterly EPS to PKR 3.5/share (up by +20%/y/y); Cash dividend –nil–

- On an unconsolidated basis, Allied Bank Limited (ABL) posted earnings of PKR 4.0bn or PKR 3.5/share up by a +20% y/y for 3q 2020. On a quarterly basis profitability is down by 9%q/q. This takes 9m'20 cumulative earnings to PKR 25.2bn or PKR 10.83/share up by +32%/y/y.
- In compliance with State Bank of Pakistan (SBP) directives of suspension of dividends, the bank did not announce any cash dividend.
- For the Sep-20 ending quarter, bank's total revenue increased by a +17% y/y to PKR ~14.6bn led by +21% y/y growth in net interest income. Bank's interest expense declined by 50% compared to a 29% decline in interest earned. Bank's non-interest income declined by 2%y/y to PKR 2.4bn, amid +10% increase in fee income while treasury income dropped by 7%/y/y. Admin expenses increased by +7%/y/y to PKR 7.4bn, which brings bank's C/I to ~52% (57% in 3q 2019). Bank's pre-provisioning profit increased to PKR 7.0bn compared to PKR 5.4bn last year (up by +30%/y/y). On a 9m basis total PPOP is up by +47%. Net provisioning charge reduced by PKR 0.2bn from last qtr to PKR 1.5bn.

Exhibit: Allied Bank Limited (ABL) Financial highlights													
Period end (Dec) - PKRbn	3q/20	2q/20	1q/20	2019	4q/19	3q/19	2q/19	1q/19	2018	4q/18	3q/18	2q/18	1q/18
<b>Interest Income</b>	<b>12.2</b>	<b>13.4</b>	<b>11.6</b>	<b>41.5</b>	<b>12.7</b>	<b>10.0</b>	<b>9.1</b>	<b>9.6</b>	<b>32.1</b>	<b>8.5</b>	<b>7.8</b>	<b>7.8</b>	<b>8.0</b>
NII Growth YoY	21%	46%	21%	29%	50%	29%	17%	20%	2%	6%	7%	-6%	0%
Fee Income	1.3	1.2	1.5	5.1	1.4	1.1	1.1	1.4	4.4	1.2	0.9	1.1	1.2
Treasury Income	1.2	2.5	1.3	5.4	1.6	1.2	1.5	1.1	6.7	1.4	1.1	2.1	2.2
-- Capital Gain	0.4	1.3	1.1	1.6	0.7	0.5	0.4	(0.0)	2.4	0.2	0.0	0.8	1.3
-- Fx Income	0.6	0.9	(0.2)	2.0	0.4	0.4	0.6	0.6	1.5	0.5	0.4	0.4	0.3
-- Dividend Income	0.1	0.3	0.4	1.8	0.5	0.4	0.5	0.4	2.8	0.7	0.6	0.9	0.5
<b>Non-Interest Income</b>	<b>2.4</b>	<b>3.8</b>	<b>2.8</b>	<b>10.9</b>	<b>3.1</b>	<b>2.5</b>	<b>2.8</b>	<b>2.5</b>	<b>11.3</b>	<b>2.5</b>	<b>2.2</b>	<b>3.3</b>	<b>3.2</b>
NFI Growth YoY	-2%	38%	12%	-4%	21%	14%	-17%	-21%	27%	-1%	15%	43%	55%
<b>Total Revenue</b>	<b>14.6</b>	<b>17.2</b>	<b>14.5</b>	<b>52.4</b>	<b>15.8</b>	<b>12.5</b>	<b>11.9</b>	<b>12.1</b>	<b>43.4</b>	<b>11.0</b>	<b>10.0</b>	<b>11.1</b>	<b>11.2</b>
Total Revenue Growth YoY	17%	44%	19%	21%	43%	25%	7%	8%	7%	5%	9%	5%	11%
Admin	(7.4)	(7.4)	(7.0)	(28.2)	(8.2)	(6.9)	(7.1)	(5.9)	(24.5)	(7.7)	(5.6)	(5.7)	(5.5)
<b>Operating Expenses</b>	<b>(7.6)</b>	<b>(7.6)</b>	<b>(7.2)</b>	<b>(27.6)</b>	<b>(7.2)</b>	<b>(7.2)</b>	<b>(7.2)</b>	<b>(6.1)</b>	<b>(23.5)</b>	<b>(6.2)</b>	<b>(5.7)</b>	<b>(5.8)</b>	<b>(5.8)</b>
OPEX Growth YoY	7%	6%	19%	18%	16%	26%	24%	5%	9%	-7%	21%	11%	18%
Cost-To-Income Ratio	-52%	-44%	-50%	-53%	-46%	-57%	-60%	-50%	-54%	-56%	-57%	-52%	-52%
<b>PPOP</b>	<b>7.0</b>	<b>9.6</b>	<b>7.3</b>	<b>24.8</b>	<b>8.6</b>	<b>5.4</b>	<b>4.8</b>	<b>6.0</b>	<b>19.9</b>	<b>4.8</b>	<b>4.3</b>	<b>5.3</b>	<b>5.4</b>
PPOP Growth YoY	29.5%	101.7%	20.1%	24.4%	77.7%	25.2%	-10.9%	11.1%	5.3%	24.6%	-3.8%	-1.1%	5.5%
Provisioning Charge	(0.2)	(1.5)	(0.7)	(0.5)	(0.9)	0.1	0.1	0.2	1.1	(0.0)	0.3	0.4	0.4
EO/one-offs	-	-	-	-	-	-	-	-	(6.7)	-	-	-	-
<b>Pre-Tax Profits</b>	<b>6.8</b>	<b>8.1</b>	<b>6.6</b>	<b>24.2</b>	<b>7.7</b>	<b>5.5</b>	<b>4.8</b>	<b>6.2</b>	<b>21.0</b>	<b>4.8</b>	<b>4.6</b>	<b>5.7</b>	<b>5.9</b>
Taxation	(2.8)	(3.7)	(2.6)	(10.1)	(3.0)	(2.1)	(1.7)	(3.3)	(8.1)	(1.7)	(1.8)	(2.4)	(2.3)
Effective Tax Rate	-41%	-46%	-39%	-42%	-39%	-39%	-36%	-52%	-39%	-35%	-39%	-41%	-39%
<b>Profit After Tax</b>	<b>4.0</b>	<b>4.4</b>	<b>4.0</b>	<b>14.1</b>	<b>4.7</b>	<b>3.3</b>	<b>3.1</b>	<b>3.0</b>	<b>12.9</b>	<b>3.1</b>	<b>2.8</b>	<b>3.4</b>	<b>3.6</b>
PAT Growth YoY	20%	42%	35%	10%	52%	18%	-8%	-17%	1%	4%	-13%	17%	-1%
<b>EPS</b>	<b>3.49</b>	<b>3.84</b>	<b>3.51</b>	<b>12.32</b>	<b>4.11</b>	<b>2.90</b>	<b>2.71</b>	<b>2.61</b>	<b>11.25</b>	<b>2.70</b>	<b>2.47</b>	<b>2.95</b>	<b>3.13</b>
<b>DPS</b>	<b>-</b>	<b>-</b>	<b>2.00</b>	<b>8.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>8.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>
Interest Earned growth	-29%	8%	32%	67%	78%	76%	57%	55%	12%	15%	26%	6%	0%
Interest Expense growth	-50%	-11%	39%	97%	98%	106%	88%	93%	21%	22%	41%	18%	-1%

Source: PSX, IGI Research

No. of shares: 1145.1mn

#### Analyst

Saad Khan

[Saad.khan@igi.com.pk](mailto:Saad.khan@igi.com.pk)

Tel: (+92-21) 111-234-234 Ext.: 810

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IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

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**Jama Punji**  
 سرمایہ کاری سمجھداری کے ساتھ  
<http://www.jamapunji.pk>

## Contact Details

### Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

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Pakistan Stock Exchange Limited |  
Corporate member of Pakistan Mercantile Exchange Limited

### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780  
Website: www.igisecurities.com.pk

### Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2  
Fax: (+92-21) 32429607

<b>Lahore Office</b> Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559	<b>Islamabad Office</b> Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861
<b>Faisalabad Office</b> Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815	<b>Rahim Yar Khan Office</b> Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651
<b>Multan Office</b> Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183	

IGI Finex Securities Limited

### Research Analyst(s)

Research Identity Number: BRP009

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