

Flash Note

Thursday, 17 August 2017

Commercial Banks

ABL: Interest income growth and higher dividend income leads to rise in quarterly pre-tax profits

- Allied Bank Limited (ABL) reported unconsolidated earnings for 2QCY17 of PKR 2.9bn (or PKR 2.51/share) down by 20%QoQ (or down by 25%YoY) bringing 1HCY17 total unconsolidated earnings to PKR 6.5bn (or PKR 5.66/share), down by 25%YoY.
- The bank announced a cash dividend of PKR 1.75/share, bringing 1HCY17 total cash dividend to PKR 3.5/share.
- During the quarter, higher dividend income received (PKR 1.1bn vs PKR 0.4bn in 1QCY17) and higher interest income (up 4%QoQ) supported the bottom-line.
- Yet, one-time provision of super-tax dented profitability, wherein, tax dragged down profit after-tax by 20%QoQ compared to a rise of 3%QoQ in Pre-tax income.

Exhibit:

ABL Result Highlights

PKRmn (Period end=Dec)	2QCY17	2QCY16	YoY	1QCY17	QoQ	1HFY17	YoY
Interest Earned	16,616	17,494	-5%	15,746	6%	32,362	-6%
Interest Expensed	8,321	8,287	0%	7,747	7%	16,068	-5%
Net Interest Income	8,295	9,207	-10%	7,999	4%	16,294	-8%
Fee Income	955	1,006	-5%	1,137	-16%	2,091	-2%
Capital Gain & Div. Income	1,097	2,033	-46%	720	52%	1,817	-59%
Non-Interest Income	2,334	3,181	-27%	2,070	13%	4,404	-37%
Total Revenue	10,629	12,388	-14%	10,069	6%	20,698	-16%
Operating Expenses	5,221	5,091	3%	4,911	6%	10,132	4%
Pre-Provisioning Profits	5,408	7,297	-26%	5,158	5%	10,565	-29%
NPL (Rev.) / Prov.	(310)	(33)	n.m.	(394)	n.m.	(704)	n.m.
Pre-Tax Profits	5,718	7,330	-22%	5,551	3%	11,269	-23%
Taxation	2,846	3,517	-19%	1,943	46%	4,789	-22%
Profit After Tax	2,872	3,814	-25%	3,608	-20%	6,481	-25%
EPS (PKR)	2.51	3.33		3.15		5.66	
DPS (PKR)	1.75	1.75		1.75		3.50	
BVPS (PKR)	89.40	85.65		88.65		89.40	

KEY RATIOS

Cost-To-Income Ratio	49%	41%		49%		49%	
Effective Tax Rate	50%	48%		35%		42%	
Non-Il / Total Income	22%	26%		21%		21%	

SOURCE: IGI Research, Company accounts, PSX notifications

Recommendation

With a forward CY17/CY18 P/B of 0.9x/0.9x and dividend yield of 6.9%/8.0%, we recommend "BUY" call with our Dec-17 target price of PKR 126/share, offering +46% upside from its last closing.

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