

Flash Note

Thursday, 09 February 2017

Commercial Banks

ABL: All round weakness; CY16 earnings down 5% to PKR 12.6/share (down by ~40%QoQ to PKR 1.92/share)

- Allied Bank Limited (ABL) reported earnings decline of 5% to PKR 14.43bn (EPS PKR 12.6) in CY16 compared to PKR 15.12bn (EPS PKR 13.2) in the same period last year.
- The company announced a cash dividend of PKR 1.75/share along with the result, taking full year payout to PKR 7.0/share
- On a quarterly basis, earnings dropped by a massive 39% to PKR 2.2bn or PKR 1.9/share, led by dismissal performance of interest income (down by 11%QoQ). Bank reported reversals of PKR 32mn during 4QCY16. Reversals against non-performing loans (NPL) stood at PKR 44mn during the 4QCY16, compared to 9M CY16 total reversal of PKR 97mn.
- Bank's interest expense recorded an 11%QoQ decline to PKR 7.3bn. Interest earned declined by 5%QoQ, owing to maturing government investment bond and lower interest earned on performing advances.
- Non-interest income printed a +29%QoQ growth, led by heavy dividend income of PKR 1.27bn (PKR 2.51bn in 9M CY16). Moreover, Bank's fee income continues to show healthy growth trend registering +12%QoQ during 4QCY16.
- Bank's operating expense grew in-line with inflation and aggressive re-hauling of branches along with new branch additions, showed a +27%QoQ growth or +11%YoY growth.

Exhibit:

ABL Result Highlights

PKRmn (Period end=Dec)	CY16	CY15	YoY	4QCY16	QoQ
Interest Earned	64,606	72,116	-10%	14,615	-5%
Interest Expensed	31,345	35,977	-13%	7,300	2%
Interest Income	33,261	36,139	-8%	7,315	-11%
Fee Income	4,014	3,570	12%	991	12%
Capital Gain & Div. Income	6,449	4,361	48%	1,248	61%
Non-Interest Income	11,210	9,755	15%	2,386	29%
Total Revenue	44,471	45,895	-3%	9,701	-4%
Operating Expenses	20,900	18,867	11%	6,245	27%
Pre-Provisioning Profits	23,571	27,028	-13%	3,456	-33%
NPL (Rev.) / Prov.	(260)	1,524	n.m	(32)	-93%
Pre-Tax Profits	23,831	25,503	-7%	3,487	-38%
Taxation	9,404	10,383	-9%	1,288	-36%
Profit After Tax	14,427	15,120	-5%	2,200	-39%

EPS (PKR)	12.60	13.20	1.92
DPS (PKR)	7.00	7.00	1.75
BVPS (PKR)	86.7	77.9	86.7

KEY RATIOS

Cost-To-Income Ratio	47%	41%	64%
Effective Tax Rate	39%	41%	37%
Nii / Total Income	25%	21%	25%

Source: IGI Research, Company Financials

No. of shares 1,145.1

Recommendation

With a forward P/B of 1.2x and decent dividend yield of 6%, we recommend a "BUY" call on ABL with our revised target price of PKR 123/share.

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