

Flash Note

Tuesday, 26 April 2016

Commercial Banks

ABL: Profitability up by +47%QoQ despite drop in Interest Income

- Allied Bank Limited (ABL) reported its 1QCY16 earnings of PKR 4.8bn (EPS PKR 4.18) up by +14%YoY. On quarterly basis, bank's 1QCY16 profitability is up by +47%. Along with result, bank announced a PKR 1.75/share cash dividend.
- ABL non-interest income is up by +94QoQ (+24%YoY), led by higher dividend income of PKR 1.4bn, fee income of PKR 1.1bn and higher capital gains of PKR 0.97bn.
- In addition, bank booked in provision charge of PKR 276mn against advances compared to reversal booked in previous 3 quarters. With absence of provisions against investments during the 1QCY16 (note: ABL booked in PKR 1.8bn provisioning against investments in 4QCY15) overall provisioning charge dropped by 74%QoQ.

Recommendation

The scrip is currently trading at FY16E P/B of 1.1x and P/E of 6.2x with our Dec-16 TP of PKR 127/share, the stock offers upside of +42% and we maintain our 'Buy' call on the scrip.

Exhibit: Financial Highlights

PKRmn	1QCY16	1QCY15	YoY	4QCY15	QoQ
Interest Income	8,498	8,477	0%	9,364	-9%
Non-Interest Income	3,789	3,054	24%	1,949	94%
Total Revenue	12,287	11,532	7%	11,312	9%
Operating expenses	4,636	4,331	7%	5,272	-12%
Pre-provisioning Operating Profits	7,651	7,201	6%	6,040	27%
Provisioning Charge	276	728	-62%	1,050	-74%
Pre-Tax Profits	7,375	6,473	14%	4,990	48%
Taxation	2,587	2,262	14%	1,731	49%
Profit After Tax	4,788	4,210	14%	3,259	47%
EPS	4.18	3.68		2.85	
DPS	1.75	1.75		1.75	
BVPS	80.4	74.3	8%	77.9	3%

Source: IGI Research, Company Financials

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Analyst Certification

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Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- Justified Price to book

Time Horizon

- Dec-16

Risk

- Changes in State Bank of Pakistan Policy Rate

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