

# Flash Note

Wednesday, 25 April 2018

## Commercial Banks

### ABL: PKR 1.9bn capital gains lift 1QCY18 earnings up by +4%YoY

- Allied Bank Limited (ABL) reported unconsolidated earnings of PKR 3.29/share or PKR 3.8bn for the 1QCY18, compared to PKR 3.15/share or PKR 3.6bn in same period last year, rising by +4%YoY. On a quarterly basis, profits are up by +26%.
- For 1QCY18, net interest income remained flat, but +13%YoY revenue growth was primarily driven by 2.63x higher capital gains and dividend income (PKR 1.9bn). Although fee income remained flat on a yearly basis, but it must be highlighted that on quarterly basis fee income has gone up by +35%YoY. We await analyst briefing for further information on the source of this income.
- Opex grew by +13%YoY taking cost-to-income ratio to 49%, same as last year but 1400bpsQoQ lower. We attribute this increase to the rapidly increasing branch network (branches up by 102 in CY17).
- The bank continued its provision reversal streak, wherein, it booked a provision reversal for the 8<sup>th</sup> consecutive quarter with a reversal of PKR 506mn in 1QCY18.

Exhibit:

#### ABL Result Highlights

PKRmn (Period end=Dec)	1QCY18	1QCY17	YoY	4QCY17	QoQ
Interest Earned	15,674	15,746	0%	17,504	-10%
Interest Expensed	7,662	7,747	-1%	9,506	-19%
<b>Net Interest Income</b>	<b>8,012</b>	<b>7,999</b>	<b>0%</b>	<b>7,998</b>	<b>0%</b>
Fee Income	1,156	1,137	2%	854	35%
Capital Gain & Div. Income	1,893	720	1.63x	1,423	33%
<b>Non-Interest Income</b>	<b>3,360</b>	<b>2,070</b>	<b>62%</b>	<b>2,565</b>	<b>31%</b>
Total Revenue	11,372	10,069	13%	10,562	8%
Operating Expenses	5,537	4,911	13%	6,683	-17%
Pre-Provisioning Profits	5,835	5,158	13%	3,879	50%
Provision (Rev.) / Charge	(506)	(394)	28%	(722)	-30%
Pre-Tax Profits	6,075	5,551	9%	4,602	32%
Taxation	2,305	1,943	19%	1,610	43%
<b>Profit After Tax</b>	<b>3,771</b>	<b>3,608</b>	<b>4%</b>	<b>2,992</b>	<b>26%</b>
EPS (PKR)	3.29	3.15		2.61	
DPS (PKR)	2.00	1.75		1.75	
BVPS (PKR) Est.	94.74	88.65		93.20	

#### KEY RATIOS

Cost-To-Income Ratio	49%	49%	63%
Effective Tax Rate	38%	35%	35%
Non-II / Total Income	30%	21%	24%

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1145.1

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