

Flash Note

Tuesday, 20 August 2019

Commercial Banks

Allied Bank Limited (ABL)

Weak net interest income growth and higher opex dented bottom-line; EPS down by 8%/y/y to PKR 3.1/share; DPS PKR 2.0

- On unconsolidated basis, ABL posted earnings of PKR 3.1bn (or PKR 2.7/share) down by 8% y/y for 2q 2019, taking its 1h cumulative earnings to PKR 6.1bn (or PKR 5.3/share) a decline of 18% y/y compared to last year.
- Keeping up with the payout trend, the bank announced a cash dividend of PKR 2.0/share, bringing 1h total payout to PKR 4.0/share compared to PKR 4.0/share last year same period.
- Bank's interest income printed a growth of +17% y/y to PKR 18.7bn during 1h compared to a decline of 3% y/y last year. On a quarterly basis, NII is up by +17%/y/y to PKR 9.1bn.
- Under Non-Funded Income (NFI), Fee, FX and Dividend income cumulatively showed an increase of +7% y/y to PKR 4.7bn during 1h versus PKR 4.4bn last year, which helped to lift overall revenue growth by +7% to PKR 24.1bn. Bank's administration cost further deteriorated during the 2q 2019 to PKR 7.1bn (up by +24%/y/y) taking C/I to 60% (1h 2019 C/I of 55% versus 50% last year).

Exhibit: Allied Bank Limited (ABL) Financial highlights

Period end (Dec) - PKRbn	2Q'19	1Q'19	2H'19	2H'18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Earned	27.7	24.3	52.0	33.3	73.3	20.1	19.9	17.6	15.7	65.7	17.5	15.8	16.6	15.7	64.6
Interest Expense	18.5	14.8	33.3	17.5	41.2	11.6	12.1	9.8	7.7	34.1	9.5	8.6	8.3	7.7	31.3
Interest Income	9.1	9.6	18.7	15.8	32.1	8.5	7.8	7.8	8.0	31.6	8.0	7.3	8.3	8.0	33.3
NII Growth YoY	17%	20%	18%	-3%	2%	6%	7%	-6%	0%	-5%	9%	-12%	-10%	-6%	-8%
Fee Income	1.1	1.4	2.5	2.2	4.4	1.2	0.9	1.1	1.2	3.9	0.9	1.0	1.0	1.1	4.0
Non-Interest Income	2.8	2.5	5.3	6.7	11.3	2.4	2.2	3.3	3.4	8.9	2.6	1.9	2.3	2.1	11.2
NFI Growth YoY	-17%	-24%	-21%	52%	27%	-7%	15%	43%	62%	-21%	7%	3%	-27%	-45%	15%
Total Revenue	11.9	12.1	24.1	22.5	43.4	10.9	10.0	11.1	11.4	40.5	10.6	9.2	10.6	10.1	44.5
Non-II / Total Revenue	23%	21%	22%	30%	26%	22%	22%	30%	30%	22%	0.2	0.2	0.2	0.2	25%
Total Revenue Growth YoY	7%	7%	7%	9%	7%	3%	9%	5%	13%	-9%	9%	-9%	-14%	-18%	-3%
Admin	7.1	5.9	13.0	11.0	24.3	7.8	5.6	5.7	5.2	21.4	6.6	5.1	5.1	4.7	20.3
Operating Expenses	7.2	6.1	13.3	11.3	23.3	6.3	5.7	5.8	5.5	21.5	6.7	4.7	5.2	4.9	20.9
OPEX Growth YoY	24%	10%	17%	12%	8%	-6%	20%	11%	13%	3%	7%	-4%	3%	6%	11%
Cost-To-Income Ratio	60%	50%	55%	50%	54%	58%	57%	52%	49%	53%	63%	51%	49%	49%	47%
PPOP	4.8	6.0	10.8	11.2	20.1	4.6	4.3	5.3	5.8	18.9	3.9	4.5	5.4	5.2	23.6
PPOP Growth YoY	-11%	4%	-3%	6%	6%	18%	-3%	-1%	13%	-20%	12%	-13%	-26%	-33%	-13%
Provisioning Charge	(0.1)	(0.2)	(0.3)	(0.9)	(1.1)	0.1	(0.3)	(0.4)	(0.5)	(2.0)	(0.7)	(0.5)	(0.3)	(0.4)	(0.3)
EO/one-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Profits	4.8	6.2	11.1	12.1	21.2	4.5	4.6	5.7	6.3	20.9	4.6	5.0	5.7	5.6	23.8
Taxation	1.7	3.3	5.0	4.7	8.1	1.7	1.8	2.4	2.3	8.1	1.6	1.7	2.8	1.9	9.4
Effective Tax Rate	36%	52%	45%	39%	38%	37%	39%	41%	36%	39%	35%	35%	50%	35%	39%
Profit After Tax	3.1	3.0	6.1	7.4	13.1	2.8	2.8	3.4	4.0	12.7	3.0	3.3	2.9	3.6	14.4
PAT Growth YoY	-8%	-26%	-18%	14%	3%	-6%	-13%	17%	12%	-12%	36%	-10%	-25%	-25%	-5%

EPS	2.7	2.6	5.3	6.5	11.4	2.5	2.5	2.9	3.5	11.1	2.6	2.8	2.5	3.2	12.6
DPS	2.0	2.0	4.0	4.0	8.0	2.0	2.0	2.0	2.0	7.0	1.8	1.8	1.8	1.8	7.0
BVPS		93.9		94.1	93.7	93.7	94.2	94.1	97.1	93.2	93.2	87.8	87.4	88.6	87.9
Interest Earned	27.7	24.3	52.0	33.3	73.3	20.1	19.9	17.6	15.7	65.7	17.5	15.8	16.6	15.7	64.6
Interest Expense	18.5	14.8	33.3	17.5	41.2	11.6	12.1	9.8	7.7	34.1	9.5	8.6	8.3	7.7	31.3
Interest Earned growth	57%	55%	56%	3%	12%	15%	26%	6%	0%	2%	20%	3%	-5%	-8%	-10%
Interest Expense growth	88%	93%	90%	9%	21%	22%	41%	18%	-1%	9%	30%	20%	0%	-10%	-13%

Analyst

Saad Khan

Saad.khan@igi.com.pk

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