

Earnings Review

BAFL: 3QCY21 EPS clocked in at Rs2.09, up 29% YoY

Event

- Bank Alfalah (BAFL PA) announced its 3QCY21 result with consolidated earnings of Rs3.72bn (EPS: 2.09/sh), up by 29/4% YoY/QoQ. This takes cumulative earnings during 9MCY21 to Rs6.03/sh (↑24% YoY).

Impact

- The bank posted a PAT of Rs3.72bn in 3QCY21 (up by 29/4% YoY/QoQ). On YoY basis, the uptick in profitability was mainly because of higher Net interest income (↑7% YoY) & higher foreign exchange income (↑43% YoY). On QoQ basis, increase in profitability was mainly driven by higher NII (↑2% QoQ) and lower provision expense (↓71% QoQ).
- During 3QCY21, interest income/expense increased by 18/30% YoY, while it registered a growth of 5/8% QoQ. This resulted in NII clocking at Rs11.9bn for the quarter recording an increase of 7/2% YoY/QoQ.
- Non markup income increased by 14% YoY, clocking in at Rs2.1bn. The increase was mainly from foreign exchange income increasing by 43% YoY. On sequential basis, non-markup income decreased by 12% QoQ, because of lower gain on securities by ↓53% QoQ in 3QCY21. To highlight fee income also increased/decreased by 10/3% YoY/QoQ in this quarter to clock in at Rs2.1bn in 3QCY21.
- Operating expense increased by 17/3% YoY/QoQ to clock in at Rs9.25bn for 3QCY21. Consequently, cost to income clocked in at 58% (↑4/2ppt YoY/QoQ).
- Bank also booked a provision expense of Rs269mn, decreasing by 82% YoY. However, on subsequential basis, provision expense declined by 71%.

Outlook

- We have an 'Outperform' rating on the stock with the Jun-22 TP of Rs48/sh.
- Going forward, we expect NII to recover due to uptick in banking spreads in the medium term. Whereas recovery in economic activity may keep the provisioning expense on the lower side.

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Table 01: Earnings Review BAFL 3QCY21

	3QCY21	3QCY20	YoY	2QCY21	QoQ	9MCY21	9MCY20	YoY
Interest Earned	25,753	21,789	18%	24,528	5%	71,670	71,741	0%
Interest Expensed	13,848	10,685	30%	12,871	8%	37,783	37,281	1%
Net Interest Income (NII)	11,905	11,104	7%	11,656	2%	33,887	34,461	-2%
Fee Income	2,100	1,906	10%	2,166	-3%	6,209	4,948	25%
Dividend Income	95	57	66%	140	-32%	368	209	76%
Foreign Exchange Income	1,075	754	43%	1,064	1%	2,796	2,762	1%
Gain on Securities	363	453	-20%	768	-53%	2,225	405	449%
Other Income	51	47	8%	40	26%	178	1,812	-90%
Total Non-Markup Income	3,683	3,217	14%	4,178	-12%	11,777	10,137	16%
Share of Profit from Associates	278	183	52%	215	29%	531	527	1%
Total Income	15,866	14,504	9%	16,050	-1%	46,195	45,125	2%
Non-Markup Expense	9,383	8,071	16%	9,115	3%	27,123	24,003	13%
Operating Expense	9,254	7,895	17%	8,983	3%	26,746	23,509	14%
WWF	124	130	-5%	120	4%	353	406	-13%
Other Charges	5	45	-89%	12	-60%	24	88	-73%
Profit Before Provisions	6,483	6,434	1%	6,935	-7%	19,072	21,122	-10%
Provisions	269	1,490	-82%	934	-71%	1,419	6,279	-77%
Profit Before Taxation	6,215	4,943	26%	6,000	4%	17,652	14,843	19%
Taxation	2,487	2,059	21%	2,405	3%	6,906	6,180	12%
Profit After Taxation	3,728	2,884	29%	3,596	4%	10,746	8,663	24%
PAT Attributable to Shareholders	3,724	2,877	29%	3,583	4%	10,719	8,656	24%
EPS	2.09	1.62		2.02		6.03	4.87	
DPS				-		-	-	
Cost/Income	58%	54%		56%		58%	52%	
ETR	40%	42%		40%		39%	42%	

Source: Company Accounts, Foundation Research, October2021

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.