

## Earnings Review

### BAFL: 4QCY21 EPS clocked in at Rs2.09; DPS Rs2.00

#### Event

- Bank Alfalah Limited (BAFL PA) announced its 4QCY21 result with consolidated earnings of Rs3.7bn (EPS Rs2.09), up by 70/0% YoY/QoQ. This takes cumulative earnings during CY21 to Rs14.4bn (EPS Rs8.12), up by 33% YoY.
- The result is in line with our estimate.

#### Impact

- The bank posted a PAT of Rs3.7bn in 4QCY21 (up by 70/0% YoY/QoQ). On YoY basis, increase in profitability was a result of (1) Higher Net Interest Income (NII), (2) higher fee and FX income and lower provision expense.
- However, QoQ basis, profitability growth remained muted as NII increased marginally by 2%, which was off-set by increase in provisioning (3.3x) and higher operating expenses by 6%.
- This cumulated into net profitability of Rs14.4bn (EPS 8.12), up by 33% YoY for CY21. On cumulative basis, earnings increased due to higher non-markup income (↑23% YoY) and lower provisioning by 70% YoY.
- During 4QCY21, interest income/expense increased by 37/54% YoY whereas growth on QoQ clocked in at 11/18%. This has translated into a 19/2% YoY/QoQ increase in NII clocked in at Rs12.2bn for 4QCY21.
- Non-markup income (excl. profit from associates) clocked in at Rs4.9bn (up by 42/33% over YoY/QoQ). On YoY basis, Fee income increased by 26% which was accompanied by FX gains increasing by 2.09x. Similarly on sequential basis, the increase was attributed to higher FX income ↑24%, and gain on securities of Rs1.3bn, compared to Rs27mn in last quarter.
- Operating expense remained upbeat as it registered a growth of 21/6% YoY/QoQ to clock in at Rs9.8bn, which translated to cost/income decreasing by 5/1ppt YoY/QoQ to stand at 58% for 4QCY21.
- The bank reported a provisioning expense of Rs893mn (↓/↑ 32/232% YoY/QoQ). This cumulated into provisioning for CY21 of Rs2.3bn compared to Rs7.6bn, down by 70% YoY.
- Effective tax rate for the bank clocked in at 41%, up by 2/1% YoY/QoQ. The additional taxation was due to low ADR, in our view.

#### Outlook

- Going forward, we expect NII to increase as asset book repricing takes place to counteract with higher deposit rate. Higher deposit growth coupled with diluting infection would keep profitability upbeat.
- We have an 'Outperform' rating on the stock with the Dec-22 TP of Rs46/sh.

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Table 01: Earnings Review BAFL 4QCY21

	4QCY21	4QCY20	YoY	QoQ	CY21	CY20	YoY
Interest Earned	28,522	20,882	37%	11%	100,192	92,623	8%
Interest Expensed	16,365	10,648	54%	18%	54,148	47,929	13%
<b>Net Interest Income (NII)</b>	<b>12,157</b>	<b>10,234</b>	<b>19%</b>	<b>2%</b>	<b>46,044</b>	<b>44,694</b>	<b>3%</b>
Fee Income	2,314	1,839	26%	10%	8,523	6,787	26%
Dividend Income	124	104	19%	31%	492	314	57%
Foreign Exchange Income	1,332	636	109%	24%	4,128	3,398	21%
Gain on Securities	1,255	1,880	-33%	4628%	3,144	2,285	38%
Other Income	(138)	(1,028)	-87%	-136%	377	783	-52%
<b>Total Non-Markup Income</b>	<b>4,887</b>	<b>3,430</b>	<b>42%</b>	<b>33%</b>	<b>16,664</b>	<b>13,567</b>	<b>23%</b>
<b>Share of Profit from Associates</b>	<b>42</b>	<b>(548)</b>	<b>-108%</b>	<b>-85%</b>	<b>573</b>	<b>(21)</b>	<b>Na</b>
<b>Total Income</b>	<b>17,086</b>	<b>13,116</b>	<b>30%</b>	<b>8%</b>	<b>63,281</b>	<b>58,240</b>	<b>9%</b>
<b>Non-Markup Expense</b>	<b>9,939</b>	<b>8,205</b>	<b>21%</b>	<b>6%</b>	<b>37,063</b>	<b>32,208</b>	<b>15%</b>
Operating Expense	9,793	8,109	21%	6%	36,539	31,619	16%
WWF	145	88	64%	17%	498	494	1%
Other Charges	1	7	-79%	-70%	26	95	-73%
<b>Profit Before Provisions</b>	<b>7,147</b>	<b>4,911</b>	<b>46%</b>	<b>10%</b>	<b>26,219</b>	<b>26,032</b>	<b>1%</b>
Provisions	893	1,310	-32%	232%	2,312	7,589	-70%
<b>Profit Before Taxation</b>	<b>6,254</b>	<b>3,600</b>	<b>74%</b>	<b>1%</b>	<b>23,907</b>	<b>18,443</b>	<b>30%</b>
Taxation	2,540	1,420	79%	2%	9,446	7,600	24%
<b>Profit After Taxation</b>	<b>3,714</b>	<b>2,181</b>	<b>70%</b>	<b>0%</b>	<b>14,460</b>	<b>10,843</b>	<b>33%</b>
<b>PAT Attributable to Shareholders</b>	<b>3,718</b>	<b>2,187</b>	<b>70%</b>	<b>0%</b>	<b>14,437</b>	<b>10,843</b>	<b>33%</b>
EPS	2.09	1.23			8.12	6.10	
DPS	2.00	2.00			4.00	4.00	
<b>Cost/Income</b>	<b>58%</b>	<b>63%</b>			<b>59%</b>	<b>55%</b>	
<b>ETR</b>	<b>41%</b>	<b>39%</b>			<b>40%</b>	<b>41%</b>	

Source: PSX, Foundation Research February 2022

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