

Earnings Review

BAFL: 3QCY22 EPS clocked in at Rs3.11, up 48% YoY

Event

- Bank Alfalah Limited (BAFL PA) announced its 3QCY22 result with consolidated earnings of Rs5.5bn (EPS Rs3.11), up by 48/48% YoY/QoQ. This takes cumulative earnings during 9MCY22 to Rs14.3bn (EPS Rs8.03), up by 33% YoY against profitability of Rs10.7bn (EPS Rs6.03) in 9MCY21.

Impact

- The bank posted a PAT of Rs5.5bn in 3QCY22 (up by 48/48% YoY/QoQ). We attribute increase in profitability to (1) higher Net Interest Income (NII) and (2) higher fee and FX income despite higher provision expense.
- During 3QCY22, interest income/expense increased by 139/187% YoY whereas growth on QoQ clocked in at 32/38%. This has translated into a 84/22% YoY/QoQ increase in NII which clocked in at Rs21.8bn for 3QCY22.
- Non-markup income (excl. profit from associates) clocked in at Rs6.7bn (up by 81/1% over YoY/QoQ). On YoY basis, Fee income increased by 38% which was accompanied by FX gains increasing by 3.3x. Similarly on sequential basis, the increase was attributed to higher Fee income and FX income both up 4%.
- Operating expense remained upbeat as it registered a growth of 45/16% YoY/QoQ to clock in at Rs13.4bn, which translated to cost/income decreasing by 11.7/0.2ppt YoY/QoQ to stand at 47% for 3QCY22.
- The bank reported a provisioning expense of Rs4.1bn (↑ 15.2x/12% YoY/QoQ). This cumulated into provisioning for 9MCY22 of Rs8.1bn compared to Rs1.4bn, up by 5.7x YoY.
- Effective tax rate for the bank clocked in at 50%, up 10ppts YoY. The additional taxation was due to imposition of super tax at the rate of 10%, in our view.

Outlook

- We have an 'Outperform' rating on the stock as it is trading at P/B of ~0.5x.

Analyst

Foundation Research
+92 21 3561 2290-94

research@fs.com.pk
Ext: 312

Table 01: Earnings Review BAFL 3QCY22

	3QCY22	3QCY21	YoY	QoQ	9MCY22	9MCY21	YoY
Interest Earned	61,600	25,753	139%	32%	144,254	71,670	101%
Interest Expensed	39,753	13,848	187%	38%	90,287	37,783	139%
Net Interest Income (NII)	21,847	11,905	84%	22%	53,967	33,887	59%
Fee Income	2,904	2,100	38%	4%	8,229	6,209	33%
Dividend Income	171	95	80%	-57%	763	368	107%
Foreign Exchange Income	3,592	1,075	234%	4%	8,464	2,796	203%
Gain on Securities	(44)	27	-265%	-54%	(129)	1,889	-107%
Other Income	47	387	-88%	8%	332	514	-36%
Total Non Markup Income	6,670	3,683	81%	1%	17,659	11,777	50%
Share of Profit from Associates	231	278	-17%	-30%	620	531	17%
Total Income	28,748	15,866	81%	16%	72,246	46,195	56%
Operating Expense	13,392	9,254	45%	16%	35,246	26,746	32%
WWF	240	124	93%	-9%	663	353	88%
Other Charges	7	5	41%	32%	14	24	-41%
Non-Markup Expense	13,639	9,383	45%	16%	35,924	27,123	32%
Profit Before Provisions	15,109	6,483	133%	17%	36,322	19,072	90%
Provisions	4,095	269	1424%	12%	8,135	1,419	473%
Profit Before Taxation	11,014	6,215	77%	18%	28,186	17,652	60%
Taxation	5,494	2,487	121%	-2%	13,911	6,906	101%
Profit After Taxation	5,520	3,728	48%	48%	14,276	10,746	33%
PAT Attributable to Shareholders	5,520	3,724	48%	48%	14,279	10,719	33%
EPS	3.11	2.10			8.03	6.03	
DPS	-	-			2.50	2.00	
Cost/Income	47%	59%			50%	59%	
ETR	50%	40%			49%	39%	

Source: Company Accounts, Foundation Research, October 2022

Important disclosures:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

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