

Earnings Review

BAFL: 4QCY22 EPS clocked in at Rs2.3, DPS Rs2.5

Event

- Bank Alfalah Limited (BAFL PA) announced its 4QCY22 result with consolidated earnings of Rs4.1bn (EPS Rs2.3), up/down by 11/25% YoY/QoQ. This takes cumulative earnings during CY22 to Rs18.4bn (EPS Rs10.4), up by 27% YoY against profitability of Rs14.4bn (EPS Rs8.1) in CY21.
- Result is accompanied with cash payout of Rs2.5/sh that cumulates into payout of Rs5.0/sh in CY22.

Impact

- The bank posted a PAT of Rs4.1bn in 4QCY22 (up/down by 11/25% YoY/QoQ). We attribute increase in profitability to (1) higher Net Interest Income (NII) and (2) higher fee income despite higher provision expense.
- During 4QCY22, interest income/expense increased by 144/183% YoY whereas growth on QoQ clocked in at 13/17%. This has translated into a 92/7% YoY/QoQ increase in NII which clocked in at Rs23.3bn for 4QCY22.
- Non-markup income (excl. profit from associates) clocked in at Rs4.4bn (down by 10/34% over YoY/QoQ) due to lower foreign exchange income, down by 18%/70% YoY/QoQ in 4QCY22.
- On YoY basis, Fee income increased by 30%.
- Operating expense surged by 50/9% YoY/QoQ to clock in at Rs14.6bn, which translated into cost/income of 54% for 4QCY22, decreasing by 4.4ppts YoY due to increase in NII.
- The bank reported a provisioning expense of Rs4.3bn (↑ 4.9x/6% YoY/QoQ). This cumulated into provisioning for CY22 of Rs12.5bn compared to Rs2.3bn in CY21, up by 5.4x YoY. The Bank, in light of uncertain economic conditions, has taken a general provision against the high-risk and flood impacted credit portfolio, which is economically vulnerable.
- Effective tax rate for the bank clocked in at 51%, 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.

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Table 01: Earnings Review BAFL 4QCY22

	4QCY22	4QCY21	YoY	QoQ	CY22	CY21	YoY
Interest Earned	69,696	28,522	144%	13%	213,950	100,192	114%
Interest Expensed	46,393	16,365	183%	17%	136,679	54,148	152%
Net Interest Income (NII)	23,303	12,157	92%	7%	77,271	46,044	68%
Fee Income	3,002	2,314	30%	3%	11,232	8,523	32%
Dividend Income	329	124	165%	92%	1,091	492	122%
Foreign Exchange Income	1,086	1,332	-18%	-70%	9,550	4,128	131%
Gain on Securities	(34)	1,255	na	-23%	(163)	3,144	na
Other Income	(6)	(138)	na	-112%	326	377	-13%
Total Non Markup Income	4,378	4,887	-10%	-34%	22,037	16,664	32%
Share of Profit from Associates	50	42	19%	-78%	670	573	17%
Total Income	27,731	17,086	62%	-4%	99,977	63,281	58%
Non-Markup Expense	14,909	9,939	50%	9%	50,833	37,063	37%
Operating Expense	14,652	9,793	50%	9%	49,898	36,539	37%
WWF	244	145	68%	2%	907	498	82%
Other Charges	13	1	762%	81%	27	26	6%
Profit Before Provisions	12,823	7,147	79%	-15%	49,145	26,219	87%
Provisions	4,332	893	385%	6%	12,467	2,312	439%
Profit Before Taxation	8,491	6,254	36%	-23%	36,677	23,907	53%
Taxation	4,369	2,540	72%	-20%	18,280	9,446	94%
Profit After Taxation	4,122	3,714	11%	-25%	18,397	14,460	27%
PAT Attributable to Shareholders	4,115	3,718	11%	-25%	18,395	14,437	27%
EPS	2.32	2.09			10.35	8.12	
DPS	2.50	2.00			5.00	4.00	
Cost/Income	54%	58%			51%	59%	
ETR	51%	41%			50%	40%	

Source: Company Accounts, Foundation Research, February 2023

Important disclosures:

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