

Earnings Review

BAFL: 1QCY23 EPS clocked in at Rs6.06, up 2.1x YoY

Event

- Bank Alfalah Limited (BAFL PA) announced its 4QCY22 result with consolidated earnings of Rs10.8bn (EPS Rs6.06), up by 114/162% YoY/QoQ.
- Result is above market consensus given higher than expected foreign exchange income.

Impact

- The bank posted a PAT of Rs10.8bn in 1QCY23 (up by 114/162% YoY/QoQ). We attribute increase in profitability to (1) higher Net Interest Income (NII) and (2) higher Non-markup Income.
- During 1QCY23, interest income/expense increased by 110/120% YoY whereas growth on QoQ clocked in at 8/3%. This has translated into a 95/20% YoY/QoQ increase in NII which clocked in at Rs27.9bn for 1QCY23.
- Non-markup income (excl. profit from associates) clocked in at Rs6.6bn (up by 50/51% over YoY/QoQ) due to (1) significant increase in foreign exchange income, up by 132%/276% YoY/QoQ and (2) higher fee income, up by 35%/14% YoY/QoQ.
- Operating expense surged by 42/0% YoY/QoQ to clock in at Rs14.7bn, which translated into cost/income of 44% for 1QCY23, decreasing by 12.4/10.2ppts YoY/QoQ.
- The bank reported a provisioning expense of Rs522mn (↑/↓ 35%/88% YoY/QoQ).
- Effective tax rate for the bank clocked in at 43%, up 7.3ppts YoY. The additional taxation was due to imposition of super tax at the rate of 4% and increased taxation for banking sector, in our view.

Outlook

- We have an 'Outperform' rating on the stock as it is trading at P/B of ~0.46x.

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Table 01: Earnings Review BAFL 1QCY23

| | 1QCY23 | 1QCY22 | YoY | 4QCY22 | QoQ |
|---|---------------|---------------|-------------|---------------|-------------|
| Interest Earned | 75,601 | 35,952 | 110% | 69,696 | 8% |
| Interest Expensed | 47,687 | 21,673 | 120% | 46,393 | 3% |
| Net Interest Income (NII) | 27,914 | 14,279 | 95% | 23,303 | 20% |
| Fee Income | 3,425 | 2,537 | 35% | 3,002 | 14% |
| Dividend Income | 208 | 195 | 7% | 329 | -37% |
| Foreign Exchange Income | 3,325 | 1,431 | 132% | 885 | 276% |
| Gain on Securities | (312) | 11 | -2923% | (34) | 822% |
| Other Income | (37) | 241 | -115% | 195 | -119% |
| Total Non-Markup Income | 6,609 | 4,415 | 50% | 4,378 | 51% |
| Share of Profit from Associates | 123 | 61 | 101% | 50 | 145% |
| Total Income | 34,646 | 18,755 | 85% | 27,731 | 25% |
| Non-Markup Expense | 15,095 | 10,503 | 44% | 14,909 | 1% |
| Operating Expense | 14,687 | 10,341 | 42% | 14,652 | 0% |
| WWF | 398 | 160 | 148% | 244 | 63% |
| Other Charges | 11 | 2 | 509% | 13 | -15% |
| Profit Before Provisions | 19,551 | 8,252 | 137% | 12,823 | 52% |
| Provisions | 522 | 386 | 35% | 4,332 | -88% |
| Profit Before Taxation | 19,029 | 7,866 | 142% | 8,491 | 124% |
| Taxation | 8,258 | 2,836 | 191% | 4,369 | 89% |
| Profit After Taxation | 10,771 | 5,030 | 114% | 4,122 | 161% |
| PAT Attributable to Shareholders | 10,772 | 5,033 | 114% | 4,115 | 162% |
| EPS | 6.06 | 2.83 | | 2.32 | |
| DPS | - | - | | 2.50 | |
| Cost/Income | 44% | 56% | | 54% | |
| ETR | 43% | 36% | | 51% | |

Source: Company Accounts, Foundation Research, April 2023

Important disclosures:

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Recommendations definitions

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