

Flash Note

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Securities

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Commercial Banks

BAFL: Quarterly earnings up by +71%QoQ to PKR 1.75/share, led by higher interest income and capital gains

- Bank Al-Falah Limited (BAFL) reported unconsolidated earnings for the 1QCY17 of PKR 2.79bn (or PKR 1.75/share) up by +71%QoQ (or +13%YoY).
- During the quarter, bank interest income earned remained flat, whereas interest expense declined by 2%QoQ, leading to a +2% increase in net interest income.
- Bank's operating expense declined by 3%QoQ to PKR 5.61bn which, along with provisioning reversals booked during the quarter, increased bank's bottom-line.

Exhibit:

BAFL Result Highlights

PKRmn (Period end=Dec)	1QCY17	1QCY16	YoY	4QCY16	QoQ
Interest Earned	13,862	14,944	-7%	13,803	0%
Interest Expensed	6,600	7,850	-16%	6,713	-2%
Interest Income	7,262	7,095	2%	7,089	2%
Fee Income	1,216	978	24%	1,302	-7%
Capital Gain & Div. Income	814	920	-11%	158	n.m.
Non-Interest Income	2,553	2,362	8%	1,935	32%
Total Revenue	9,815	9,456	4%	9,025	9%
Operating Expenses	5,607	5,422	3%	5,774	-3%
Pre-Provisioning Profits	4,208	4,034	4%	3,250	29%
NPL (Rev.) / Prov.	(82)	240	n.m	848	n.m
Pre-Tax Profits	4,290	3,794	13%	2,402	79%
Taxation	1,502	1,327	13%	768	95%
Profit After Tax	2,788	2,467	13.0%	1,634	71%

EPS (PKR)	1.75	1.55	1.02
DPS (PKR)	-	-	-
BVPS (PKR)	39.44	34.51	37.69

KEY RATIOS

Cost-To-Income Ratio	57%	57%	64%
Effective Tax Rate	35%	35%	32%
Non-Il / Total Income	26%	25%	21%

SOURCE: IGI Research, Company accounts, PSX notifications

Recommendation

With our Dec-17 based target price of PKR 46/share, the scrip offers a decent +14% upside from its last closing. On CY17 forward, bank's P/B and P/E comes at 1.0x and 8.2x. We recommend "BUY" call on BAFL.

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