

Flash Note

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Securities

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Commercial Banks

BAFL: Fee income growth and higher provision reversal boosts 3QCY17 profitability up by +20%YoY

- Bank Alfalah Limited (BAFL) reported unconsolidated earnings for 3QCY17 of PKR 2.3bn (Basic EPS PKR 1.43), up by +20%YoY (up by +10%QoQ). This brings 9MCY17 total earnings to PKR 7.2bn (Basic EPS PKR 4.46), up by +15%YoY.
- The bank did not announce any cash dividend for 3QCY17.
- During the quarter, total revenue increased by +4%YoY due to growth in fee income (up by +42%YoY), despite lower net interest income (down by 2%YoY) and 14%YoY fall in capital gains.
- At the same time, restricted expense growth (up +1%YoY) and 4.4x higher provision reversal supported the bottom-line.
- Resultantly, profit after tax rose by +20%YoY despite +23%YoY uptick in taxation.
- Moreover, reported diluted EPS of PKR 1.42 reflects dilution owing to vesting period of employee stock options.

Exhibit:

BAFL Result Highlights

PKRmn (Period end=Dec)	3QCY17	YoY	QoQ	9MCY17	9MCY16	YoY
Interest Earned	14,033	2%	-1%	42,082	43,442	-3%
Interest Expensed	7,168	7%	8%	20,397	21,761	-6%
Net Interest Income	6,864	-2%	-9%	21,684	21,681	0%
Fee Income	1,412	42%	-11%	4,221	3,366	25%
Capital Gain & Div. Income	385	-19%	-55%	2,050	2,108	-3%
Non-Interest Income	2,484	29%	-15%	7,966	6,933	15%
Total Revenue	9,348	4%	-11%	29,651	28,614	4%
Operating Expenses	6,080	1%	-4%	18,050	17,658	2%
Pre-Provisioning Profits	3,268	11%	-21%	11,601	10,956	6%
NPL (Rev.) / Prov.	(400)	4.43x	6.45x	(536)	335	n.m
Pre-Tax Profits	3,668	21%	-12%	12,137	10,621	14%
Taxation	1,373	23%	-34%	4,962	4,355	14%
Profit After Tax	2,294	20%	10%	7,175	6,266	15%
EPS (PKR)	1.43			4.46	3.90	
Diluted EPS (PKR)	1.42			4.45	3.90	
DPS (PKR)	-			-	-	
BVPS (PKR) Est.	41.19					

KEY RATIOS

Cost-To-Income Ratio	65%		61%	62%
Effective Tax Rate	37%		41%	41%
Non-Il / Total Income	27%		27%	24%

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1,607.6

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