

Flash Note

Friday, 26 October 2018

Commercial Banks

Bank Alfalah Limited (BAFL)

Strong 3QCY18 earning display put BAFL amongst the best performers; diluted EPS up by +13%YoY to PKR 1.47/share

- On unconsolidated basis, Bank Alfalah Limited (BAFL) posted earnings of PKR 1.46/share (diluted, ex-bonus) up by +13%YoY (down by 7% on a quarterly basis). This takes 9MCY18 cumulative earnings of the bank to PKR 4.86/share compared to PKR 4.04/share same period last year, a growth of +20%YoY.
- During 9MCY18, bank's interest income increased by +7% thanks to a 4%YoY decline in bank's interest expense. Moreover, fee income also depicted a robust growth of +11%YoY while capital gain and dividends depicted a 16% decline, leading to a mere +2%YoY increase in non-interest income. Bank's Opex also declined by 2% (flattish during the quarter) improving cost-to-income ratio by 430bps to 57%. The combined of stable total revenue and lower opex led to a +18% increase in bank's PPOP, which puts BAFL as the best so far in 9MCY18 the other being AKBL. Overall provision charge improved by +16%, largely due to PKR 0.55bn reversals against NPLs, however 3Q NPLs reversals slowdown to PKR 0.05bn.

Exhibit:

BAFL Result Highlights

PKRmn (Period end=Dec)	3QCY18	3QCY17	YoY	9MCY18	9MCY17	YoY	2QCY18	QoQ
Interest Earned	14,812	14,033	6%	42,904	42,082	2%	13,823	7%
Interest Expensed	6,926	7,168	-3%	19,662	20,397	-4%	6,021	15%
Net Interest Income	7,886	6,864	15%	23,242	21,684	7%	7,802	1%
Fee Income	1,526	1,412	8%	4,679	4,221	11%	1,637	-7%
Capital Gain & Div. Income	259	385	-33%	1,713	2,050	-16%	616	-58%
Non-Interest Income	2,395	2,484	-4%	8,160	7,966	2%	2,900	-17%
Total Revenue	10,281	9,348	10%	31,401	29,651	6%	10,702	-4%
Operating Expenses	6,072	6,080	0%	17,763	18,050	-2%	6,060	0%
Pre-Provisioning Profits	4,209	3,268	29%	13,638	11,601	18%	4,641	-9%
Provision (Rev.) / Charge	(45)	(400)	-89%	(623)	(536)	16%	(291)	-85%
Pre-Tax Profits	4,254	3,668	16%	14,261	12,137	17%	4,932	-14%
Extraordinary Item/Assoc.	-	-	16%	-	-	16%	-	n.m
Taxation	1,664	1,373	21%	5,632	4,962	14%	2,157	-23%
Profit After Tax	2,590	2,294	13%	8,629	7,175	20%	2,775	-7%
EPS (PKR)	1.46	1.29		4.86	4.04		1.56	
DPS (PKR)	-	-		1.0	-		1.0	
BVPS (PKR) Est.	39.2	36.4					38.8	
Key Ratio								
Cost-To-Income Ratio	59%	65%		57%	61%		57%	
Effective Tax Rate	39%	37%		39%	41%		44%	
Non-II / Total Income	23%	27%		26%	27%		27%	

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1774.36

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