

# Flash Note

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## Commercial Banks

### Bank Al-Falah Limited (BAFL)

#### Held back by higher provisioning charge and Opex; EPS shows a timid recovery up by +3% to PKR 3.5/share; DPS PKR 2.0

- On unconsolidated basis, BAFL posted earnings of PKR 3.1bn (or PKR 1.7/share) up by +11% y/y for 2q 2019, taking its 1h cumulative earnings to PKR 6.2bn (or PKR 3.5/share) an increase of +3% y/y from last year same period.
- Keeping up with the payout trend, the bank announced a cash dividend of PKR 2.0/share, bringing 1h total payout to PKR 2.0/share compared to PKR 1.0/share last year same period.
- For a second quarter in a row bank's interest income continues to show impressive growth of +41% y/y to PKR 21.7bn during 1h compared to +4% y/y last year. Capital losses during the quarter restricted NFI to PKR 2.7bn and PKR 5.0bn in 1h (PKR 5.8bn during 1h 2018). However, on a positive note, fee income continues to trend up. Nevertheless, bank's opex staying stubborn, up +22% YoY to PKR 14.3bn in 1h (C/I ~<50%) and provisioning charge of PKR 1.0bn were weak points.

#### Exhibit: Bank Al-Falah Limited (BAFL) Financial highlights

Period end (Dec) - PKRbn	2Q'19	1Q'19	2H'19	2H'18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Earned	20.9	20.8	41.6	28.1	59.3	16.4	14.8	13.8	14.3	56.2	14.8	14.0	14.2	13.9	57.2
Interest Expense	10.4	9.6	20.0	12.7	27.7	8.1	6.9	6.0	6.7	27.2	7.2	7.2	6.6	6.6	28.5
Interest Income	10.5	11.2	21.7	15.4	31.6	8.3	7.9	7.8	7.6	29.0	7.6	6.9	7.6	7.3	28.8
NII Growth YoY	34%	48%	41%	4%	9%	10%	15%	3%	4%	1%	7%	-2%	0%	2%	0%
Fee Income	1.8	1.7	3.5	3.2	6.3	1.6	1.5	1.6	1.5	6.0	1.9	1.4	1.6	1.2	4.7
Non-Interest Income	2.7	2.3	5.0	5.8	10.2	2.0	2.4	2.9	2.9	9.1	1.9	2.5	2.9	2.6	8.9
NFI Growth YoY	-7%	-20%	-13%	5%	12%	6%	-4%	-1%	12%	2%	0%	29%	11%	8%	0%
Total Revenue	13.2	13.4	26.6	21.1	41.8	10.4	10.3	10.7	10.4	38.1	9.5	9.3	10.5	9.8	37.6
Non-II / Total Revenue	21%	17%	19%	27%	24%	20%	23%	27%	27%	24%	0.2	0.3	0.3	0.3	24%
Total Revenue Growth YoY	23%	29%	26%	4%	10%	9%	10%	2%	6%	1%	6%	4%	3%	4%	0%
Operating Expenses	7.4	6.9	14.3	11.7	24.4	6.6	6.1	6.1	5.6	25.0	7.3	6.1	6.4	5.6	23.4
OPEX Growth YoY	22%	22%	22%	-2%	-2%	-10%	0%	-5%	0%	7%	27%	1%	2%	3%	4%
Cost-To-Income Ratio	56%	51%	53%	55%	58%	64%	59%	57%	54%	66%	77%	65%	61%	57%	62%
PPOP	5.8	6.6	12.4	9.4	17.4	3.8	4.2	4.6	4.8	13.1	2.2	3.3	4.1	4.2	14.2
PPOP Growth YoY	25%	37%	31%	13%	33%	73%	29%	12%	14%	-8%	-33%	11%	4%	4%	-5%
Provisioning Charge	0.5	0.4	1.0	(0.6)	0.6	1.2	(0.0)	(0.3)	(0.3)	(0.6)	0.3	(0.4)	(0.1)	(0.1)	1.2
EO/one-offs	-	-	-	-	(0.5)	-	-	-	-	(0.2)	-	-	-	-	-
Pre-Tax Profits	5.3	6.1	11.4	10.0	16.8	2.6	4.3	4.9	5.1	13.7	1.9	3.7	4.2	4.3	13.0
Taxation	2.2	3.0	5.2	4.0	6.7	1.1	1.7	2.2	1.8	5.5	0.7	1.4	2.1	1.5	5.1
Effective Tax Rate	42%	49%	46%	40%	40%	41%	39%	44%	36%	40%	38%	37%	50%	35%	39%
Profit After Tax	3.1	3.1	6.2	6.0	10.6	1.5	2.6	2.8	3.3	8.4	1.2	2.3	2.1	2.8	7.9
PAT Growth YoY	11%	-4%	3%	24%	27%	28%	13%	33%	17%	6%	-27%	20%	11%	13%	5%

EPS	1.7	1.8	3.5	3.4	6.0	0.9	1.5	1.6	1.8	4.7	0.7	1.3	1.2	1.6	4.5
DPS	2.0	-	2.0	1.0	2.5	1.5	-	1.0	-	1.0	1.5	-	-	-	-
BVPS	-	43.4	-	38.8	42.6	42.6	39.2	38.8	37.6	37.1	37.1	36.4	36.0	35.1	33.9
Interest Earned growth	51%	45%	48%	0%	6%	11%	6%	-3%	3%	-2%	7%	2%	-4%	-7%	-7%
Interest Expense growth	72%	43%	57%	-4%	2%	11%	-3%	-9%	2%	-4%	8%	7%	-8%	-16%	-13%

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