

# Bank Alfalah (BAFL)

1Q2018 EPS Rs2.0, 13% YoY (175% QoQ)

Above expectations

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## Contained non-markup expense & provision reversals drive earnings

### BAFL: Financial Highlights

Rsmn	1Q2018	1Q2017	4Q2017	YoY	QoQ
Markup interest earned	14,269	13,862	14,847	3%	-4%
Markup interest expensed	6,716	6,603	7,237	2%	-7%
Net Interest Income	7,553	7,259	7,611	4%	-1%
Total provisioning	(287)	(82)	276	NM	NM
Non Interest Income	3,016	2,793	2,122	8%	42%
Non Interest Expense	5,726	5,685	7,458	1%	-23%
Profit before Tax	5,131	4,449	1,999	15%	157%
Taxation	1,837	1,550	750	18%	145%
Profit after Tax	3,269	2,881	1,189	13%	175%
<b>EPS</b>	<b>2.0</b>	<b>1.8</b>	<b>0.7</b>		

Source: PSX, Topline Research

- BAFL declared earnings of Rs3.3bn (EPS Rs2) in 1Q2018, up 13% YoY helped by higher provisions reversals and low admin expense growth. The earnings remained slightly higher than expectations.
- Net Interest Income (NII) of the bank improved by 4% to Rs7.6bn led by deposit growth and higher interest rates, we believe. This is also in line with other banks that have announced results so far registering NII growth during 1Q2018 on YoY basis.
- The bank booked provisions reversals of Rs287mn in 1Q2018 vs. reversal of Rs82mn in 1Q2017. On the eve of the improving macros, the bank continued to post recoveries during the quarter.

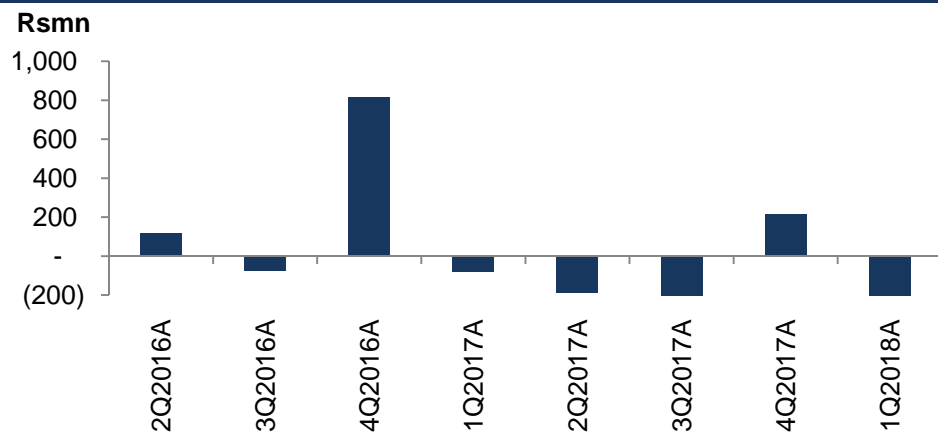
## Contained non-markup expense & provision reversals drive earnings

- Non-interest income rate of the bank improved by 8% to Rs3bn mainly led by higher fee & commission income (+12% YoY) and income from dealing in foreign currency dealing (+75% YoY).
- On the other hand, non-markup expense remained flat as admin expense grew by 6% and the bank posted reversal of provisions against other assets to the tune of Rs415mn.
- On QoQ basis, earnings were up 175% driven by 1) NPL recoveries, 2) capital gains and 3) normalization of admin cost in 1Q2018.
- Key risks for the company include 1) lower than expected hike in interest rate, 2) lower than expected advances and deposit growth, and 3) deterioration in Pakistan macros.

BAFL: Key Numbers					
	2013A	2014A	2015A	2016A	2017A
EPS	2.9	3.5	4.7	4.8	5.2
Earnings Growth	3%	21%	33%	2%	9%
PE at Rs53.7	18.5	15.3	11.5	11.2	10.3
Dividend Yield	3%	3%	4%	0%	3%
ROE	15%	13%	14%	13%	12%
PBV	2.7	1.9	1.6	1.4	1.2

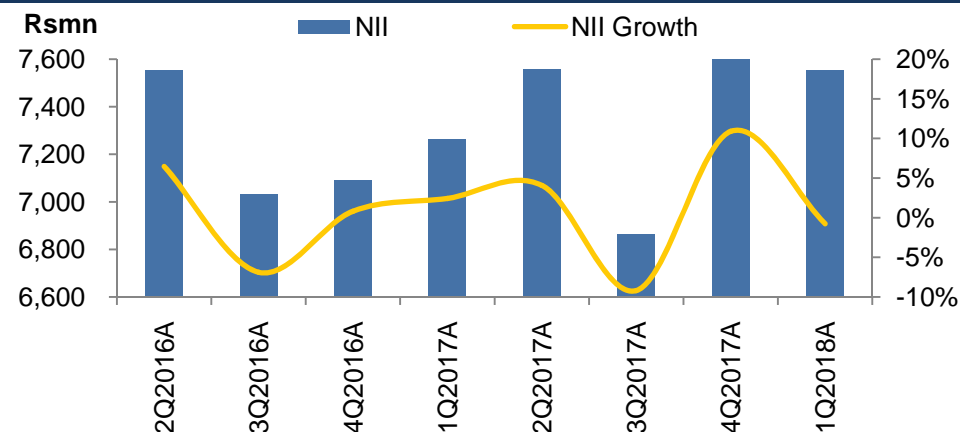
Source: Company Accounts, Topline Research

### BAFL: Quarterly NPL provisioning / Reversal



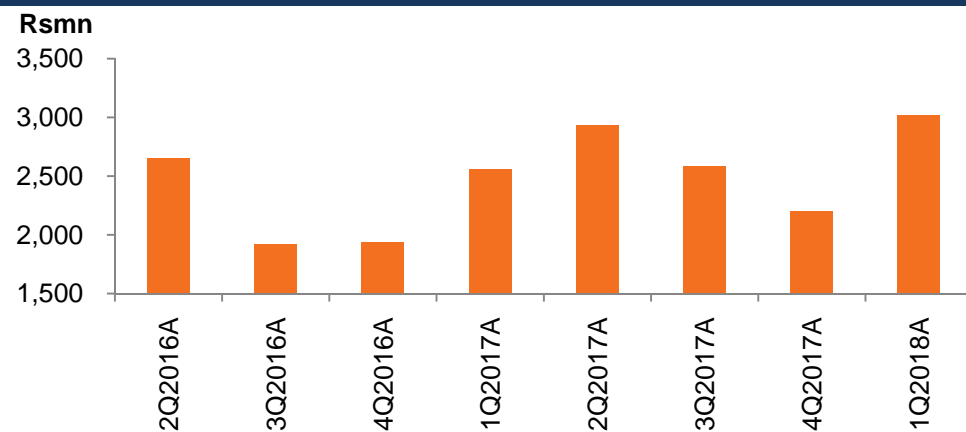
Source: Company Accounts, Topline Research

### BAFL: Quarterly NII and NII Growth



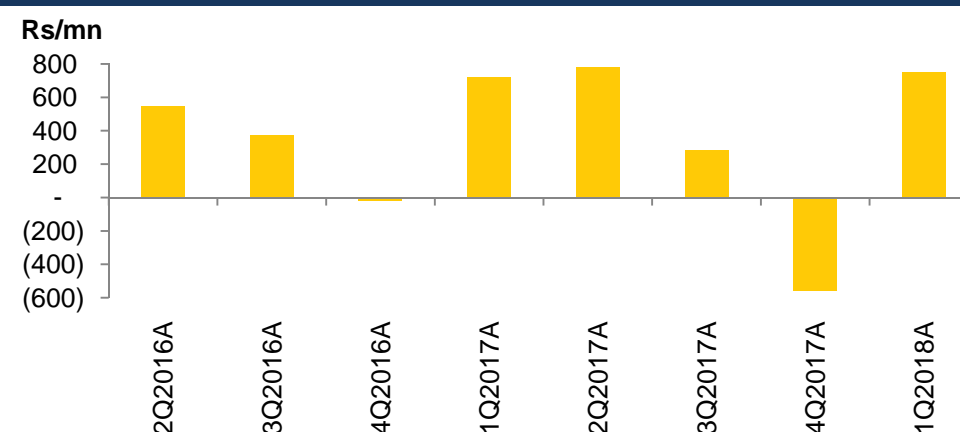
Source: Company Accounts, Topline Research

### BAFL: Quarterly Non interest income



Source: Company Accounts, Topline Research

### BAFL: Quarterly Capital gains



Source: Company Accounts, Topline Research

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