

Bank Alfalah – 1QCY16 earnings update | Stability

BAFL registered profit after tax of Rs. 2.5bn for 1QCY16 which is 24.5% higher than 1QCY15. This performance is translated into EPS of Rs1.55 as against Rs1.25 reported in the correspondence last year.

Net interest income.....Net interest income reached Rs.7.1bn which is 4.3% increase from corresponding last year. As SBP has introduced target rates in interest rate corridor (IRC) for controlling volatility in repo rates, pressure on banking sector spread increased. Increase in Net-interest earning indicates that BAFL has increased its repurchase agreement with SBP. We see close proximity with borrowing and net interest earned.

Non-Interest Income....Non-interest income increased by 8% and reached to Rs.2.36bn. Fees and commissions are up by 12.7% over 1Q15, reaching Rs.978mn.

Selling stakes....In recent BoD meeting it was decided that bank will sell 30% of its holding in one Alfalah Securities share. We expect per share impact on EPS up to Re0.30/sh given 7.5mn shares at price of Rs.10.3/sh.

Valuation....BAFL yields forward PE of 4.4x which is indeed low from Pakistan PE multiple of 10x.

Income Statement (Rs. in mn.)	1QCY15	1QCY16	% change
Interest earned	15,900	14,944	-6.0%
Interest expensed	9,098	7,850	-13.7%
Interest income	6,802	7,095	4.3%
interest income after prov	6,105	6,854	12.3%
Total non interest income	2,187	2,362	8.0%
Net Income	8,292	9,216	11.1%
Total non interest expenses	5,253	5,422	3.2%
PBT	3,039	3,794	24.8%
Tax	1,057	1,327	25.5%
PAT	1,982	2,467	24.5%
EPS	1.25	1.55	24.5%

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Valuations

BAFL Price **Rs 25.3**

Avg Vol (12 M)	928,683
52 Week Low	24
52 Week High	31
Market Cap	39.65 B
Face Value	10
*Total No. Shares	1,589.81 M

Noticeable underperformance could turn into outperformance



Analyst

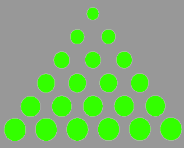
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