

# PAKISTAN BANKS

# MARKET VISTA

REP-019

## BAFL, HMB & BOP: 1QCY21 Result Previews

**BAFL 1QCY21 EPS likely to stand at Pkr1.34:** Bank Alfalah Limited (BAFL) is set to report its 1QCY21 results today where we expect the bank to post an NPAT of Pkr2.4bn (EPS: Pkr1.34) compared to Pkr2.9bn (EPS: Pkr1.63) in the same period last year. On a sequential basis, earnings are expected to be +9.4% largely driven by, i) potential uptick in non funded income through sustaining fee income (+20.0%) and capital gains (unrealized surplus on investments stands at Pkr6.6bn as of Dec'20), and ii) cost of provisioning to decline to 0.20% in 1QCY21 vs. 0.34% in the previous quarter with the bank having already build adequate loss buffer (Pkr4.2bn or 0.7% of gross advances as of Dec'20). Core income is to remain flat QoQ with attrition in NIMs (1QCY21: 3.34% compared to 3.62% in the previous quarter) compensated by volumetric growth in balance sheet. We have a buy stance on the stock with Dec'21TP of Pkr51.9/sh.

### BAFL: EPS Estimate

(Pkrmn)	1QCY21E	1QCY20	YoY (%)	4QCY20	QoQ (%)
NII	9,988	11,780	-15.2	10,234	-2.4
NPAT	2,387	2,893	-17.5	2,181	9.4
EPS (Pkr)	1.34	1.63	-	1.22	-
DPS (Pkr)	-	-	-	2.00	-

Source: Company Report &amp; AKD Research

**HMB earnings to clock in at Pkr3.10/sh in 1QCY21:** Habib Metropolitan Bank (HMB) is scheduled to hold its BoD meeting today to announce 1QCY21 results. In this regard, we expect the bank to record earnings of Pkr3.10/sh, +2.0xYoY/down 12.3%QoQ. Sequential downtick in earnings is attributable to attrition in net interest income (down 5.8%QoQ) on account of possible repricing of investment book (1QCY21 NIMs: 3.6% compared to 4.3% in the previous quarter) while non funded income is to register contraction of 17.5% due to normalization in FX income though contribution from FX would still remain healthy given recent rupee appreciation and exporters squaring-off their forward positions. We expect provisioning expense to diminish to 0.3% of advances in the current quarter vs. 0.5% in 4QCY20. We have a buy stance on the stock with Dec'21TP of Pkr46.1/sh.

### HMB: EPS Estimate

(Pkrmn)	1QCY21E	1QCY20	YoY (%)	4QCY20	QoQ (%)
NII	8,844	4,482	97.3	9,384	-5.8
NPAT	3,341	1,638	103.9	3,808	-12.3
EPS (Pkr)	3.10	1.48	-	3.56	-
DPS (Pkr)	-	-	-	2.50	-

Source: Company Report &amp; AKD Research

**BOP to post earnings of Pkr0.5/sh in 1QCY21:** Previewing 1QCY21 results for The Bank of Punjab (BOP), we expect it to post an NPAT of Pkr1.4bn (EPS: Pkr0.51) vis-à-vis Pkr1.5bn (EPS: Pkr0.56) in the same period last year. On a sequential basis, earnings are likely to jump 23.0% QoQ through impetus from lower provisioning expense (1QCY21 cost of provisioning estimated at 0.2% vs. 0.3% in the previous quarter) and possible capital gains (unrealized gain on investments stood at Pkr4.5bn as of Dec'20) pushing up non funded income by 42.4%QoQ (NFI contribution in total income to stand at 27.8% in 1QCY21 vs. 19.1% in the previous quarter). Net interest income is expected to be down 12.4%QoQ on account of potential normalization in spreads pulling down NIMs to 2.3% in 1QCY21 compared to 2.7% in the previous quarter.

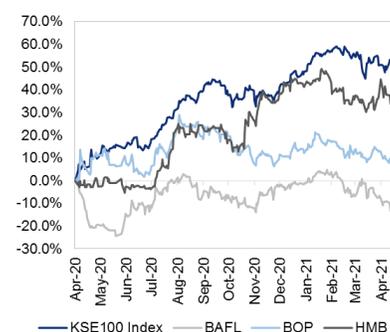
### BOP: EPS Estimate

(Pkrmn)	1QCY21E	1QCY20	YoY (%)	4QCY20	QoQ (%)
NII	5,527	5,892	-6.2	6,307	-12.4
NPAT	1,365	1,491	-8.4	1,111	23.0
EPS (Pkr)	0.51	0.56	-	0.41	-
DPS (Pkr)	-	-	-	1.00	-

Source: Company Report &amp; AKD Research

Hamza Kamal  
hamza.kamal@akdsecurities.net  
111-253-111 Ext: 634

### KSE100 vs. BAFL/BOP/HMB



Source: PSX &amp; AKD Research



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- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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Buy	> 14.5% expected total return (Rf: 8.5% + Rp: 6%)
Neutral	> 8.5% to < 14.5% expected total return
Sell	< 8.5% expected total return (Rf: 8.5%)



**AKD Securities Limited**  
602, Continental Trade Centre,  
Clifton Block 8, Karachi, Pakistan.  
research@akdsecurities.net