

AHL Brief Note: Commercial Banks

Bank Alfalah Limited

Corporate Briefing Takeaways

Management Conference Call

BAFL senior management held an analyst briefing today to discuss financial performance of CY24 and the future outlook.

Brief Takeaways

- To recall, BAFL announced earnings (PAT) for 4QCY24 at PKR 4.6bn (EPS: PKR 2.94), depicting a decline of 49% YoY | 65% QoQ (4QCY23 EPS: PKR 5.74). This decline in overall earnings was mainly on the back of subdued NII and higher OPEX. Along with the result, BAFL announced a final cash dividend of PKR 2.5/share (CY24: PKR 8.5/share).
- The investment portfolio remains heavily tilted towards government securities, which account for 87% of total investments. Fixed PIBs & Sukuks constitute 35% of the total investment mix, with a current yield of ~14.5%. The weighted average maturity of fixed PIBs stands at 2.5 years. Moreover, PKR 75bn worth of fixed PIBs are set to mature in CY25, currently yielding 16.5%. Around PKR 75bn worth of Fixed PIBs will mature in CY25, carrying a yield of 16.5%.
- Net advances surged by 51% YoY, reaching PKR 1.1trn, as BAFL prioritized lending to meet its Advance-to-Deposit Ratio (ADR) targets. The ADR is expected to remain above 50% going forward.
- Deposit growth remained subdued at 2% YoY in CY24, with deposits standing at PKR 2.1trn. This aligns with the bank's strategic shift toward lending growth rather than aggressively expanding deposits. Management expects deposit growth to improve to 10-15% in CY25.
- Bank borrowings increased by 26% YoY, as BAFL optimized its position in anticipation of a declining interest rate environment. Borrowings are expected to remain within the PKR 500bn – PKR 1trn range.
- Bank's coverage ratio stands comfortable at 110.7% while infection is around 4.6%.
- Bank's CAR stands at 17.96% ,comfortably above regulatory requirement.
- The cost-to-income ratio, has been recorded at 49.3% however it, is expected to normalize to around 55-56%, as retail banks across the globe has CIR of above 50%, therefore management doesn't see it as a concerning thing.
- BAFL currently operates 1,153 branches, representing 6% of the market share. The bank plans to open 40-50 new branches in CY25.
- Operating costs are projected to rise by over 15% in CY25.
- The bank anticipates that there will be no rate change in the upcoming policy meeting in Mar'25.

Bank Alfalah Limited
Corporate Briefing Takeaways

Disclaimer: This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.