

Commercial Banks: Bank Alfalah Limited

Corporate Briefing Takeaways

Management Conference Call

REP-300

BAFL senior management held an analyst briefing today to discuss financial performance of 1HCY25, CY24 and the future outlook.

Brief Takeaways

- BAFL, during 2QCY25, posted a quarterly profit of PKR 7.9bn (EPS: PKR 5.1), marking a decline of 33% YoY, but an increase of 13% QoQ. For 1HCY25, total earnings amounted to PKR 15.1bn, marking a 31% YoY contraction. Alongside the result, the bank announced a dividend of PKR 2.5/share, taking the total payout for 1HCY25 to PKR 5.0/share.
- On the balance sheet front, BAFL's deposits reached an all-time high of PKR 2.3trn as of Jun'25, recording 9% YoY growth. This growth was led by a strategic focus on improving the cost of deposits and increasing the current account (CA) ratio. CA deposits surged by 19% YoY to PKR 950bn. Management guides for full-year deposit growth of 15% in CY25.
- Investments declined by 20% YoY due to realization of capital gains amid favorable interest rate movements. Consequently, borrowings fell 33% YoY to PKR 556bn, as the bank prioritized capital gains over positive carry, given the view that rates have bottomed out. Future borrowing will be opportunistic, contingent on interest rate developments.
- The investment book remains largely skewed toward government securities, with fixed-rate PIBs and Sukuks comprising 36% of the total domestic investment mix. Yields on these instruments currently stand at ~13.5% and >14%, respectively, with a duration of 2.3–2.4 years on PIBs. A significant portion of floater repricing is expected in 2HCY25.
- Net advances rose 37% YoY to PKR 1.0trn, supported by strong growth in low-risk corporate lending, consumer finance, and SME & agri segments.
- BAFL faced a relatively higher impact from changes in the remittance rebate structure, where it ranked second in market share. With a shift to a flat rebate rate and rising remittances, the drag is expected to ease amid efforts to formalize inflows.
- The bank operated 1,184 branches as of Jun'25 (6% market share), adding 30 branches in 1HCY25. However, for 2HCY25, BAFL plans to optimize its network through selective closures and relocations, likely ending the year with the current number of branches.

Valuation & Outlook

- We maintain our BUY stance on BAFL with a target price of PKR 98.8/share by Jun'26, offering a total return of 20.7%. The stock is currently trading at a CY25e and CY26f PB of 0.7x and 0.6x, respectively. It offers a compelling dividend yield of 11.1% in CY25e and 13.3% in CY26f.

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