

AHL Brief Note: Commercial Banks

Bank Alfalah Limited

Corporate Briefing Takeaways

Management Conference Call

BAFL's senior management held an analyst briefing today to discuss financial performance of 2QCY24 and the future outlook.

Brief Takeaways

- BAFL announced earnings (PAT) for 2QCY24 at PKR 11.9bn (EPS: PKR 7.59), depicting an increase of 53% YoY | 20% QoQ (2QCY23 EPS: PKR 4.97). The earnings were enhanced during 2QCY24 due to gain on securities. Alongside the result, BAFL announced a DPS of PKR 2.0/share.
- Net Interest Income (NII) increased slightly by 4% YoY in 1HCY24, despite a decrease in the spread. This rise was partially mitigated by growth in volume.
- BAFL's deposits increased by 18.3% YoY, and the bank's current Advances to Deposits Ratio (ADR) is 39%. The management has indicated that they will aim to slow down the growth of deposits and focus on boosting the growth of advances to achieve their ADR target of 50%.
- Management plans to moderate deposit growth and will focus on improving the deposit mix.
- The bank's PIB portfolio comprises 20% fixed-rate bonds, with the rest in floating-rate bonds. The fixed-rate bonds have an average duration of around 2 years and yield approximately 15%.
- Net advances grew by 2% YoY, with a prudent credit origination strategy.
- The NPL ratio has edged up to 4.9%. The increase in NPLs is attributed to recent IFRS 9-related clarifications from the SBP, which now mandate classification at the individual customer level. Bank's Coverage ratio stands comfortable at 118.5%.
- Bank's CAR stands at 17.1% , comfortably above regulatory requirement .
- Management expects the SBP to cut interest rates by 3%-3.5%, expecting the policy rate to reach 16% by Dec'24. However, they also cautioned that significant policy rate cuts could impact the currency. If there is a pressure on the exchange rate, further rate cuts may be decisively curtailed.
- The bank plans to open 150 branches in CY24, with 100 of these designated as Islamic branches.

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