

Bank Alfalah Limited

Analyst Briefing Takeaways

The management of Bank Alfalah Limited (BAFL) held an analyst briefing session on 31st Oct'25 to discuss the 9MCY25 financial result and future outlook.

REP-300

Brief Takeaways

- To recall, BAFL announced its 3QCY25 earnings, posting a quarterly profit of PKR 6.3bn (EPS: PKR 4.01), marking a decline of 52% YoY, and 21% QoQ. For 9MCY25, total earnings amounted to PKR 21.5bn, marking a 39% YoY contraction. Alongside the result, the bank announced a dividend of PKR 2.5/share, taking the total payout for 9MCY25 to PKR 7.5/share.
- Management noted that remittance commission fell sharply from PKR 2.1bn to PKR 351mn due to SBP's earlier incentive structure favoring new entrants. Following the July revision that flattened rates, the market is stabilizing, and earnings from this segment are expected to normalize in the coming quarters.
- The cost-to-income ratio (CIR) stood at ~67% YTD CY25. Management targets ~65% for FY25 and 60–65% for FY26. Higher costs stem from branch expansion, technology upgrades, and investment in people and digital platforms, all integral to the bank's long-term franchise building.
- The mix of fixed-rate PIBs is ~40% of the total PIB portfolio. Floating-rate PIB yields are currently around 12–12.5%, while fixed-rate PIB yields are around 13.5–14%. The average duration of fixed-rate PIBs is 2 to 2.5 years.
- NII grew modestly by 4–5% in 9MCY25 due to declining rates earlier in the year. With rates now bottomed out, management expects better NII growth in 2026 on the back of stable rates and volumetric expansion.
- Management expects at least 15% loan growth in 2026. The bank's CY24 advance base was inflated by temporary ADR-driven positions, which have since normalized. Management noted that consumer loan demand has recovered, while corporate credit demand remains soft but improving with industrial recovery (LSM rebound).
- At September-end, Bank's deposits stood at PKR 2.16trn, reflecting subdued YoY growth and a QoQ decline due to the bank's focus on core granular deposits and overall market slowdown in 3Q. Advances grew by 25% YoY and 2% QoQ, indicating continued momentum in lending. The CASA ratio improved to 43.4%, up from 41% in June, supported by a strategic shift toward low-cost deposits.
- Fee income from card acquiring declined 42% YoY in 9MCY25, while debit and credit card fees fell 4% YoY. The drop was attributed to pricing competition, change in spending mix (local vs international), and accounting differences (some banks report gross fees, while Alfalah nets out scheme charges).
- Bank Alfalah's market share remained robust at 7.5% in advances, 6% in deposits, 14.9% in remittances (3QCY25), and 9.4% in trade volumes.
- Bank Alfalah plans to open 35–40 new branches in 2026. The bank opened 115 branches in CY25, which contributed to mix improvement (current account ratio improved from 38% to 43%).
- Management stated that the bank's digital throughput reached PKR 13.2trn, up 67% YoY, with 4.9trn via the Alfa app and 1.3mn active Alfa users in 9MCY25.

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