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BAFL: 3QCY24 EPS clocks in at PKR 8.26, up 51% YoY; DPS PKR 2.00

Bank Alfalah Limited

PSX: BAFL | Bloomberg: BAFL PA | Reuters: BAFL.PSX

- Bank Alfalah Limited (BAFL) announced the 3QCY24 result yesterday (Thursday), wherein the bank recorded an EPS of PKR 8.26, up 51% YoY. Along with the result announcement, the bank declared a cash dividend of PKR 2.0/sh, taking the payout for 9MCY24 to PKR 6.0/sh.
- Net interest income arrived at PKR 33.8bn (+6% YoY), higher than our expectation due to a significant decline in the yield on borrowings. As expected, interest expense grew at a faster pace (+25% YoY) to PKR 97.6bn, versus interest income which was recorded at PKR 131.3bn (+20% YoY).
- Non-interest income increased notably by 133% YoY to PKR 12.9bn on the back of sizable capital gains of PKR 6.2bn in 3QCY24.
- BAFL booked a lower provisioning expense of PKR 439mn, compared to PKR 4.1bn in SPLY (-89% YoY).
- Admin expenses for 3QCY24 accelerated to PKR 20.6bn (up by 26% YoY), emanating from higher compensation and utility costs. This translated to a cost-to-income ratio of 44%, similar to that of 3QCY23.
- We have a 'Hold' rating on the scrip with Dec-25 PT of PKR 69/share, providing an upside of 3%, along with a dividend yield of 12%.

Key Data

PSX Ticker	BAFL
Target Price (PKR)	69
Current Price (PKR)	67
Upside/(Downside) (%)	+3%
Dividend Yield (%)	12%
Total Return (%)	15%
12-month High (PKR)	71
12-month Low (PKR)	38
Outstanding Shares (mn)	1,577
Market Cap (PKR mn)	106,049

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	3QCY23	3QCY24	YoY	9MCY23	9MCY24	YoY
M/up Earned	109,776	131,340	20%	286,233	387,133	35%
M/up Expense	77,982	97,566	25%	195,247	292,001	50%
Net Interest Income	31,794	33,774	6%	90,985	95,132	5%
Non-Interest Income	5,531	12,907	133%	18,573	32,761	76%
Total Provisions	4,162	439	-89%	9,164	1,746	-81%
Admin Expenses	16,274	20,579	26%	47,642	59,665	25%
Profit before Tax	16,888	25,663	52%	52,753	66,482	26%
Tax	8,256	12,630	53%	25,501	32,840	29%
Profit after Tax	8,632	13,033	51%	27,252	33,642	23%
EPS	5.47	8.26	-	17.28	21.33	-
DPS	0.00	2.00	-	3.00	6.00	-

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	8.0	10.2	22.7	26.5	23.4	21.1
EPS Growth	35.7%	28.1%	121.1%	17.0%	-6.1%	-2.8%
DPS	4.0	5.0	8.0	8.0	9.3	9.5
BVPS	56.3	56.3	87.4	109.5	120.4	133.2
PER	8.4	6.6	3.0	2.5	2.9	3.2
Dividend Yield	5.9%	7.4%	11.9%	11.9%	13.6%	14.0%
P/B	1.2	1.2	0.8	0.6	0.6	0.5
ROE	14.9%	18.2%	30.6%	26.3%	21.0%	16.7%

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for BAFL has been computed using the dividend discounting method, with a justified P/B ratio applied to calculate the terminal value. We have used a sustainable ROE of 20% to calculate the exit P/B ratio, along with a risk-free rate of 14%, a beta of 1.0, and a market risk premium of 6% to arrive at a cost of equity of 20%.

Investment Thesis

We have a 'Hold' recommendation on the stock based on Dec-25 PT of PKR 69/share, which results in an upside of 2% along with a dividend yield of 12%. Our investment case on BAFL is based on (1) strong deposit growth, (2) banks focused on reducing the cost-to-income ratio in the medium term, and (3) prudent exposure management of its loan book.

Risks

Key risks to our investment thesis are: 1) higher-than-anticipated growth in NPLs, especially from consumer portfolio, 2) lower-than-expected growth in advances and deposits 3) a higher-than-anticipated increase in the cost-to-income ratio.

Company Description

Bank Alfalah Limited commenced its banking operations in November 1992 and was listed on the Pakistan Stock Exchange (PSX) in 2004. The bank provides a range of banking services, with a key focus on consumer financing, and operates a network of 1,009 branches — including 348 Islamic branches — across the country, as well as 10 overseas branches and one offshore banking unit.

Financial Highlights - BAFL

Income Statement (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest Earned	100,182	213,897	411,948	505,726	394,731	331,383
Mark-up/interest Expensed	54,134	136,558	285,877	382,097	269,579	218,533
Net interest Income	46,048	77,340	126,070	123,629	125,151	112,850
Non-interest Income	16,474	21,786	28,063	43,311	46,835	63,611
Provision Charged	2312	12468	9,462	2,280	9,623	8,369
Operating Expenses	36,840	50,497	66,497	81,673	90,058	98,532
Profit after Tax	14,217	18,206	36,456	41,807	36,876	35,476

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	105,606	140,613	202,692	214,854	236,339	259,973
Investments	809,214	1,114,407	2,067,263	1,898,997	2,046,803	2,187,747
Advances	673,881	732,375	735,052	1,080,515	1,237,680	1,423,510
Operating Fixed Assets	40,615	49,721	63,138	80,151	91,663	104,829
Other Assets	105,005	216,081	277,773	288,070	316,877	348,565
Total Assets	1,734,321	2,253,197	3,345,917	3,562,588	3,929,363	4,324,624
Borrowings from FIs	383,809	491,180	909,543	964,116	1,060,528	1,166,580
Deposits	1,139,045	1,486,845	2,084,997	2,210,097	2,431,107	2,674,217
Other Liabilities	111,465	175,157	213,453	215,661	247,841	272,329
Total Liabilities	1,634,319	2,153,182	3,207,994	3,389,874	3,739,475	4,113,127
Equity	100,003	100,015	137,923	172,714	189,888	211,497
Total Liabilities & Equity	1,734,321	2,253,197	3,345,917	3,562,588	3,929,363	4,324,624

Source: Company Accounts, Akseer Research

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Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

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