

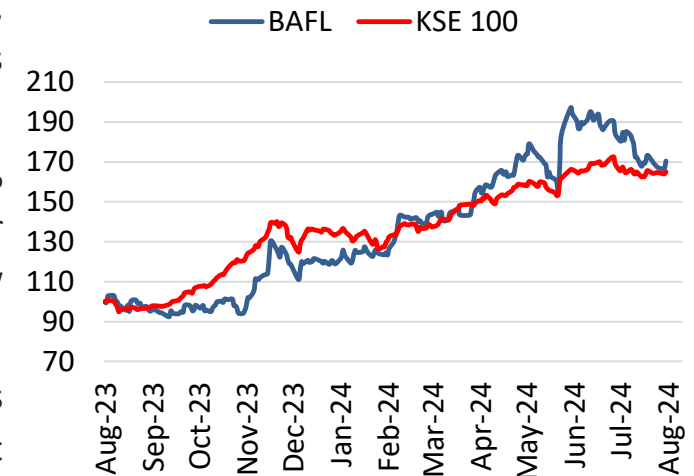
# Bank Alfalah Limited

## Corporate Briefing Session 2QCY24 – Key Takeaways

22 August 2024

- **2QCY24 Result.** EPS: PKR 6.78 (+36% Y/Y) | DPS: PKR 2.0 (PKR 3.0 in 2QCY23)
- **Covered from ADR taxation.** The management seemed confident that they can easily ramp up advances, as the cut-off date for ADR taxation applicability is the year end. Therefore they didn't take any provisions in 1HCY24.
- **Branch expansions strategy intact.** BAFL now focuses on improving deposit mix, possibly targeting 44-45% CA mix by the year end. The deposit growth is likely to be subdued mainly because of ADR taxation. Their branch opening strategy, however, remain unchanged at 150 branches this year. This will help acquire new and sticky deposits/customers.
- **Policy rate downward trajectory to continue.** The management expects the policy rate to continue its downward trajectory going forward, inline with declining inflation. They expect 100-150 bps cut in next MPC and 16% policy rate by year end.
- **Investment book mix.** Out of total PIBs, about 20% are fixed PIBs having yield of slightly less than 15%, whereas rest 80% are floaters. Fixed PIB duration is little higher than 2 years.
- **Samba bank acquisition.** As per management, it is currently in final stages of due diligence and still too early to make any comments.
- **Bangladesh operations.** The due diligence by the prospective buyer is delayed due to political turmoil in Bangladesh. The bank reiterated that Bangladesh franchise is making decent return, however, they will continue to look for better optimization of funds.

### Total Return Comparison



Source: Zakheera, Optimus Research

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## Earnings Snapshot

PKR MN (unconsol.)	2QCY24	1QCY24	4QCY23	3QCY23	2QCY23	Q/Q	Y/Y	1HCY24	1HCY23	Y/Y
Mark up earned	127,214	128,579	125,715	109,776	100,868	-1%	26%	255,793	176,456	45%
Mark up expensed	96,572	97,863	90,630	77,982	69,614	-1%	39%	194,435	117,265	66%
<b>Net Interest Income</b>	<b>30,641</b>	<b>30,717</b>	<b>35,085</b>	<b>31,794</b>	<b>31,254</b>	<b>0%</b>	<b>-2%</b>	<b>61,358</b>	<b>59,191</b>	<b>4%</b>
Non Interest Income	12,080	7,774	9,545	5,531	6,437	55%	88%	19,854	12,988	53%
Fee income	5,104	4,402	4,251	3,804	3,453	16%	48%	9,505	6,758	41%
Dividends	757	403	464	234	349	88%	117%	1,160	623	86%
FX Income	3,032	2,304	2,037	2,413	1,781	32%	70%	5,335	5,106	4%
Gain on sale of securities	2,253	68	2,084	(1,484)	(5)	3229%	n.m	2,320	(320)	n.m
<b>Total Revenue</b>	<b>42,721</b>	<b>38,491</b>	<b>44,630</b>	<b>37,325</b>	<b>37,691</b>	<b>11%</b>	<b>13%</b>	<b>81,211</b>	<b>72,180</b>	<b>13%</b>
Total Provisions	1,514	(112)	298	4,162	4,480	n.m	-66%	1,401	5,002	-72%
Non Interest Exp.	20,098	18,988	18,910	16,274	16,320	6%	23%	39,086	31,313	25%
Admin expense	19,603	18,354	18,245	15,895	15,778	7%	24%	37,957	30,363	25%
<b>Profit Before Tax</b>	<b>21,109</b>	<b>19,615</b>	<b>25,422</b>	<b>16,888</b>	<b>16,891</b>	<b>8%</b>	<b>25%</b>	<b>40,724</b>	<b>35,865</b>	<b>14%</b>
Tax	10,412	9,798	16,218	8,256	9,013	6%	16%	20,210	17,245	17%
<b>Profit After Tax</b>	<b>10,697</b>	<b>9,817</b>	<b>9,205</b>	<b>8,632</b>	<b>7,877</b>	<b>9%</b>	<b>36%</b>	<b>20,514</b>	<b>18,620</b>	<b>10%</b>
<b>EPS</b>	<b>6.78</b>	<b>6.22</b>	<b>5.84</b>	<b>5.47</b>	<b>4.99</b>			<b>13.01</b>	<b>11.81</b>	
<b>DPS</b>	<b>2.00</b>	<b>2.00</b>	<b>5.00</b>	<b>-</b>	<b>3.00</b>			<b>4.00</b>	<b>3.00</b>	
Effective Tax Rate	49%	50%	64%	49%	53%			50%	48%	
Payout	29%	32%	86%	0%	60%			31%	25%	
Cost to Income	47%	49%	42%	44%	43%			48%	43%	

Source: Company Financials, Optimus Research

## Analyst Certification

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