

Bank Alfalah Limited

KATS: BAFL
Bloomberg: BAFL PA

Price: PKR 65
Fair Value: PKR 80

OUTPERFORM

EPS grew to record PKR 6.8 in 2QCY24

01 August 2024

- **2QCY24 earnings clocked in at PKR 6.78/sh.** 2QCY24 standalone earnings came in at PKR 6.78/sh. The strong earnings were supported by a robust 55% Q/Q rise in non-interest income as fee income and FX income jumped 16% and 32% Q/Q, respectively. The gain on the sale of securities of PKR 2.2 BN further supported the growth. The net interest income (NII) remained flat Q/Q at PKR 30.6 (down 2% Y/Y) due to 1) increased OMO (up 78% Q/Q) and 2) higher conventional deposit costs (up 1 ppts Q/Q). This took 2QCY24 EPS to PKR 6.78 (up 9% Q/Q and 36% Y/Y).
- **DPS announced at PKR 2.0.** The result was accompanied by a PKR 2.0/sh dividend (29% payout), in line with expectations. This took 1HCY24 DPS to PKR 4.0 against PKR 3.0 last year.
- **Deposit cost up despite improved CA mix Q/Q.** BAFL's conventional interest bearing deposit cost jumped to a record 19.2% vs. 18.2% in 1QCY24. This is despite a 3.5 ppts improvement in the conventional CA mix to 41.1%. Overall, the CA mix improved to 41.4%. However, we await for clarity.
- **Admin expense up 7% Q/Q in 2QCY24.** Admin costs increased to PKR 19.6 BN, up 24% Y/Y. The growth in expenses seems to be in line with high inflation and expansion plans.
- **Outlook.** BAFL remains our top pick due to its attractive valuation metrics and low multiples (PBV/PE of 0.6x/2.5x based on CY24 estimates). The bank offers a ~14.0% dividend yield with a low payout of 35%. BAFL deposit growth has slowed down and remained flat CYTD, however, BAFL achieved over 20% CAGR deposit growth in the past three years, reaching 40% Y/Y in CY23. Further, the bank is positioning for rate cuts by increasing OMO, and non interest income continues to grow at a healthy pace.

Y/E: Dec	CY23	CY24E	CY25E	CY26E
EPS	23.1	25.7	26.2	21.4
DPS	8.0	9.0	10.0	10.0
BVPS	87.4	102.2	118.9	130.8
P/E	2.79	2.51	2.46	3.01
D/Y	12.4%	14.0%	15.5%	15.5%
P/B	0.74	0.63	0.54	0.49

Source: Company Accounts, Optimus Research

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Earnings Snapshot

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PKR MN (unconsol.)	2QCY24E	2QCY24	1QCY24	4QCY23	3QCY23	2QCY23	Q/Q	Y/Y	1HCY24	1HCY23	Y/Y
Net Interest Income	33,621	30,641	30,717	35,085	31,794	31,254	0%	-2%	61,358	59,191	4%
Non Interest Income	7,770	12,080	7,774	9,545	5,531	6,437	55%	88%	19,854	12,988	53%
Fee income	4,490	5,104	4,402	4,251	3,804	3,453	16%	48%	9,505	6,758	41%
Dividends	367	757	403	464	234	349	88%	117%	1,160	623	86%
FX Income	2,188	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
Total Revenue	41,391	42,721	38,491	44,630	37,325	37,691	11%	13%	81,211	72,180	13%
Total Provisions	1,720	1,514	(112)	298	4,162	4,480	n.m	-66%	1,401	5,002	-72%
Non Interest Exp.	19,831	20,098	18,988	18,910	16,274	16,320	6%	23%	39,086	31,313	25%
Admin expense	18,996	19,603	18,354	18,245	15,895	15,778	7%	24%	37,957	30,363	25%
Profit Before Tax	19,840	21,109	19,615	25,422	16,888	16,891	8%	25%	40,724	35,865	14%
Tax	9,722	10,412	9,798	16,218	8,256	9,013	6%	16%	20,210	17,245	17%
Profit After Tax	10,118	10,697	9,817	9,205	8,632	7,877	9%	36%	20,514	18,620	10%
EPS	6.42	6.78	6.22	5.84	5.47	4.99			13.01	11.81	
DPS	2.00	2.00	2.00	5.00	-	3.00			4.00	3.00	
Effective Tax Rate	49%	49%	50%	64%	49%	53%			50%	48%	
Payout	31%	29%	32%	86%	0%	60%			31%	25%	
Cost to Income	48%	47%	49%	42%	44%	43%			48%	43%	

Source: Company Financials, Optimus Research

Analyst Certification

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