

Commercial Banks

BAFL: 3QCY26 Management Call Takeaways

- Bank Alfalah Limited (BAFL) held an investor briefing session to discuss the 3QCY26 financial results and provide key insights on the future outlook for the Bank.
- To recall, the Bank reported 3QCY26 earnings of PKR 9.3bn (EPS PKR 2.95), compared to earnings of PKR 6.2bn (EPS PKR 1.96) in the similar period last year. On quarterly basis, the bank's earnings declined by -8%q/q. The bank also announced a dividend of PKR 1.5/share along with the result.
- The management highlighted that the Bank's domestic deposits witnessed a growth of 22% outpacing the industry average of 17%. The bank's deposits market share stood at ~6.1% with over 10mn customer base and 1200+ branches. For CY26, the management is expecting deposit growth to remain between 15-18%.
- Regarding the interest rate outlook, management highlighted that future monetary policy decisions will largely depend on global oil prices and geopolitical developments. The management does not expect an immediate rate increase but believes further monetary tightening is possible if oil prices remain elevated at level above USD 100/bbl.

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Key highlights from management conference call

- The management highlighted that the Bank's domestic deposits witnessed a growth of 22% outpacing the industry average of 17%. The bank's deposits market share stood at ~6.1% with over 10mn customer base and 1200+ branches. The bank's CASA ratio stood at 70.9% by the end of 3QCY26 vs. 69.5% at year-end 2025 while the CA proportion stood at 42%. Moreover the bank's cost of deposits stood at 5.4% for 3QCY26. For CY26, the management is expecting deposit growth to remain between 15-18%.

Analyst

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- The Bank's investments portfolio increased by 6% standing at PKR 1.7tn. 30-32% of the total portfolio is held in fixed rate instruments while 24-25% is held in floating rate instruments and the rest is held in T-Bills. The management informed that fixed rate PIBs has a WAM of 1-1.5 years and ~88-90bps spread over T-Bills. The yield on T-Bills are slightly below 12%. The management also indicated that there can be a rise in the bank's OMO borrowings if positive carry opportunities emerge from investing borrowed funds.
- The bank's CAR declined to 14.8% compared to 17.4% till Jun-26, due to increase in credit and market risk-weighted assets which was a result of changes in asset mix and regulatory requirements.
- Gross Advances have grown by 11%/y/y while market share has remained stable at 7.5% whereas the bank's market share in SME and Agriculture increased to 8.2% and 4.9%.
- The bank's asset quality continued to improve with infection ratio declining to 3.5% from 3.9% in the previous quarter. The bank's coverage ratio also improved to ~107% from 105% in the previous quarter.
- Operating expenses are expected to continue growing at a moderate pace due to inflationary pressures and the annualized impact of business expansion undertaken in CY26. The management expects the cost-to-income ratio (CIR) to remain in the range of 60-65%.
- With regards to branch expansion, the bank indicated that going forward branch expansion will remain selective.
- Regarding the interest rate outlook, management highlighted that future monetary policy decisions will largely depend on global oil prices and geopolitical developments. The management does not expect an immediate rate increase but believes further monetary tightening is possible if oil prices remain elevated at level above USD 100/bbl.

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