

Bank Alfalah Limited

Analyst Briefing

2020 – First Quarter Performance Review & Outlook

April 2020



Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group (50%); IFC (15%)
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	698 (including 162 Islamic Branches)
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 4 countries
Market Share	5.0% of deposits
Assets	PKR 1,081bn / USD 6.5bn
Deposits	PKR 755bn / USD 4.5bn
Net Advances	PKR 500bn / USD 3.0bn
Capital Adequacy Ratio	17.3%
Staff Strength	10,439

Note - Data as of March 31, 2020

Financial Results – 1Q20

Financial Results – 1Q20

Profit & Loss Snapshot



Amount PKR mn	1Q19	4Q19	1Q20	YoY	QoQ
Interest Income	20,757	26,046	25,906	25%	-1%
Interest Expenses	9,595	14,500	14,125	47%	-3%
Net Int. Income	11,162	11,546	11,781	6%	2%
Non Int. Income	2,288	3,290	2,709	18%	-18%
Total Income	13,450	14,836	14,490	8%	-2%
Admin expenses	6,737	7,709	8,054	20%	4%
Other charges	132	225	151	14%	-33%
Non int. expense	6,870	7,934	8,206	19%	3%
Profit before prov	6,580	6,902	6,284	-4%	-9%
Provisions	446	1,016	1,528	242%	50%
Profit before tax	6,134	5,885	4,757	-22%	-19%
Taxation	3,012	2,432	1,936	-36%	-20%
Profit after tax	3,122	3,453	2,821	-10%	-18%
Diluted EPS (PKR)	1.76	1.95	1.59	-10%	-18%
DPS (Rupees)*	-	2.0	-	NM	NM

- Net interest income posted 6% YoY growth. Adjusted for one-offs in 1Q19 (mark up reversals), growth was 10% YoY.
- 18% YoY increase in Non interest income driven by 2.2x jump in FX income. Excluding loss on equities (due to 28% decline in PSX), non interest income is up 36% YoY.
- Opex up 20% YoY and 4% QoQ. New initiatives, branch roll out and staff cost led the YoY increase.
- Prudent provisioning on both loans (subjective downgrades) and equities (100% impairment booked despite SBP relaxation) led to the 242% YoY increase.
- Normalization of super tax vis-à-vis 1Q19 led to 36% decline in taxation.
- Above factors drove 1Q20 PAT down 10% YoY.

Financial Results – 1Q20

Balance Sheet Snapshot



Amount PKR mn	Mar-19	Dec-19	Mar-20	YoY	QoQ
Cash	69,881	100,732	78,802	13%	-22%
Bal with banks	7,230	4,710	8,524	18%	81%
Lending to FI	182,426	71,435	50,404	-72%	-29%
Advances (net)	465,418	511,236	500,865	8%	-2%
Investments (net)	142,265	299,098	366,830	158%	23%
Fixed & Others	62,138	78,100	76,378	23%	-2%
Total Assets	929,358	1,065,311	1,081,803	16%	2%
Deposits	687,915	782,284	755,135	10%	-3%
Sub Loans/ADT1	11,988	11,987	11,986	0%	0%
Borrowings	75,885	102,842	146,893	94%	43%
Other Liabilities	76,622	80,170	79,700	4%	-1%
Total Liabilities	852,410	977,284	993,714	17%	2%
Paid up Capital	17,744	17,772	17,772	0%	0%
Reserves	51,177	58,889	59,702	17%	1%
Reval. Surplus	8,028	11,367	10,615	32%	-7%
Total Equity	76,948	88,028	88,089	14%	0%
Book Value per Share	43.37	49.53	49.57	14%	0%

- Loan book reported growth of 8% YoY, while it was marginally down QoQ.
- Decrease in cash balance on QoQ basis due to seasonal and one-off increase in 4Q19.
- Investment book grew 158% YoY with the PIB holdings up ~2.4x YoY.
- Deposits have grown 10% YoY in 1Q20 with CASA clocking at 79%, up both YoY and QoQ.
- 3% YTD decline in deposits is a cyclical phenomenon.
- Borrowings increased 94% YoY on account of increased REPO from SBP.
- Book value/sh stands at PKR49.57 as of 1Q20.

Financial Results – 1Q20

Key Ratios



	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Yield on Advances	8.9%	11.1%	10.9%	12.6%	12.7%	12.5%
Yield on Investments	7.1%	7.8%	8.8%	10.6%	10.6%	10.6%
Cost of Deposits	3.6%	4.4%	4.6%	5.1%	5.9%	5.8%
Cost of Funds	4.1%	4.8%	5.2%	6.4%	6.9%	6.6%
NIM	3.9%	5.5%	5.2%	5.5%	5.3%	5.3%
ROA	0.8%	1.4%	1.4%	1.2%	1.4%	1.1%
ROE exc. Surplus	12.6%	18.2%	17.3%	16.3%	18.3%	14.7%
Admin Cost : income	60.9%	50.1%	54.2%	54.2%	52.0%	55.6%
Gross ADR	73.8%	70.1%	69.0%	69.0%	67.7%	68.9%
CASA	78.0%	77.7%	82.5%	78.9%	75.9%	79.3%
CA	44.0%	44.5%	49.6%	45.1%	43.4%	44.2%
Net Loans (YoY)	25.2%	12.7%	3.0%	0.0%	1.9%	7.6%
Deposits (YoY)	9.0%	6.7%	9.0%	4.6%	8.2%	9.8%
NPL ratio	3.6%	3.9%	3.5%	4.2%	4.2%	4.5%
Coverage	84.4%	86.7%	89.2%	80.6%	79.1%	79.3%
CAR	15.0%	16.2%	16.8%	16.9%	16.9%	17.3%

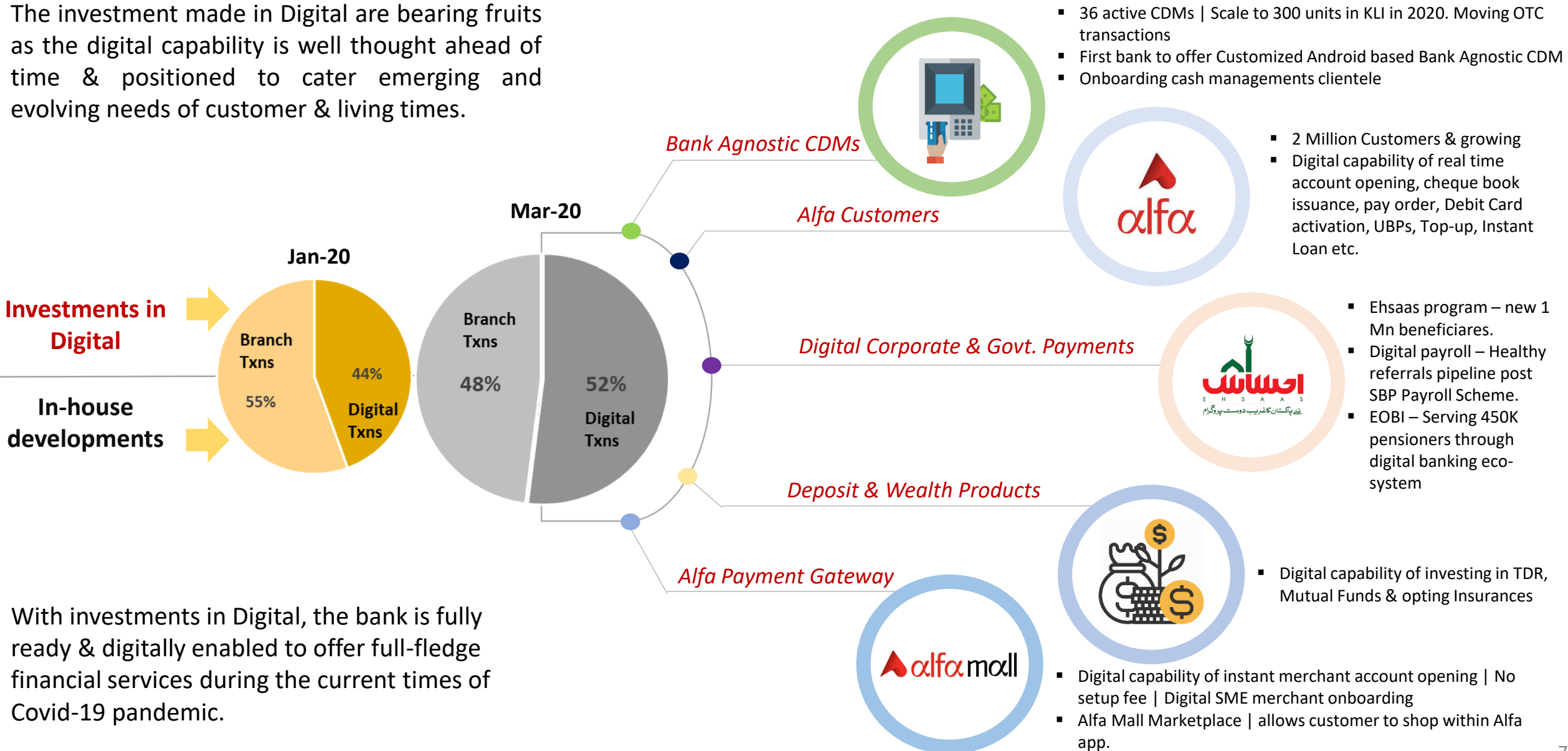
- YoY decline in NIMs due to one off mark up reversals inflating 1Q19 NIMs. 1Q20 numbers also impacted by higher REPO volumes.
- Drag on profitability due to prudent provisioning also reflected in ROA and ROE metrics.
- Cost to Income Ratio clocked in at 55.6%. Adjusted for one-offs, Cost-to-income ratio would be 200bp lower than reported.
- Increase in NPLs due to classification of one government backed name.
- Lower coverage requirements on OAEM & govt backed loans, led to coverage at 79.3% (down YoY but higher QoQ)
- Despite a higher dividend payout during 2019, CAR increased to 17.3%.

Digital Banking

Timely investment positioning BAFL favorably



The investment made in Digital are bearing fruits as the digital capability is well thought ahead of time & positioned to cater emerging and evolving needs of customer & living times.



Appendix

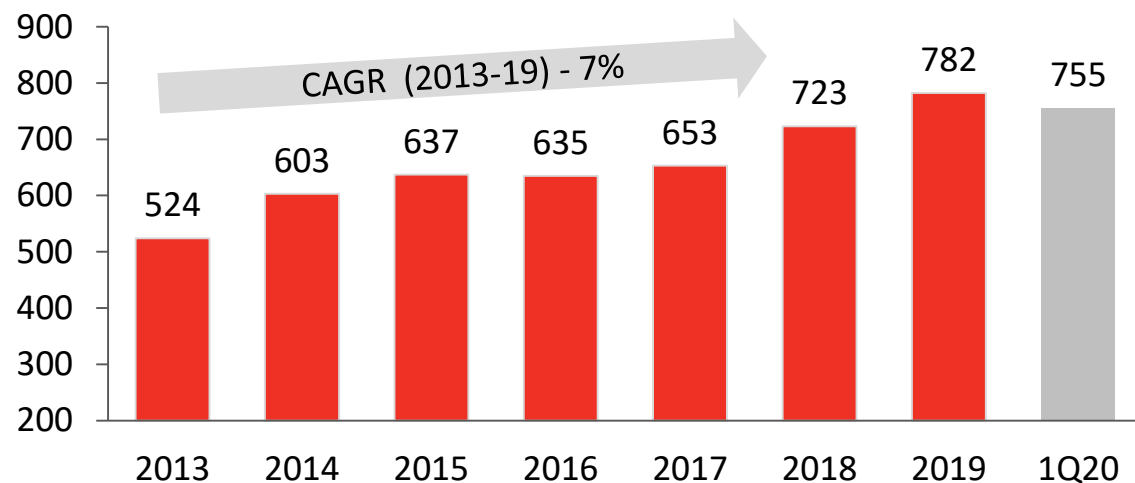
The background of the slide features a series of overlapping, semi-transparent geometric shapes, primarily triangles and polygons, in various shades of red, orange, and terracotta. These shapes are arranged in a way that creates a sense of depth and movement, with some shapes appearing to be layered on top of others. The overall effect is a modern, abstract design that complements the clean, minimalist text.

Appendix

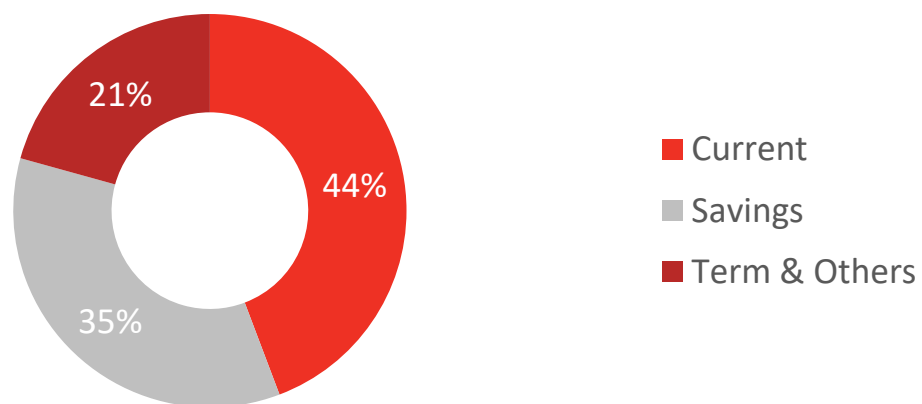
Quarterly Deposit Mix



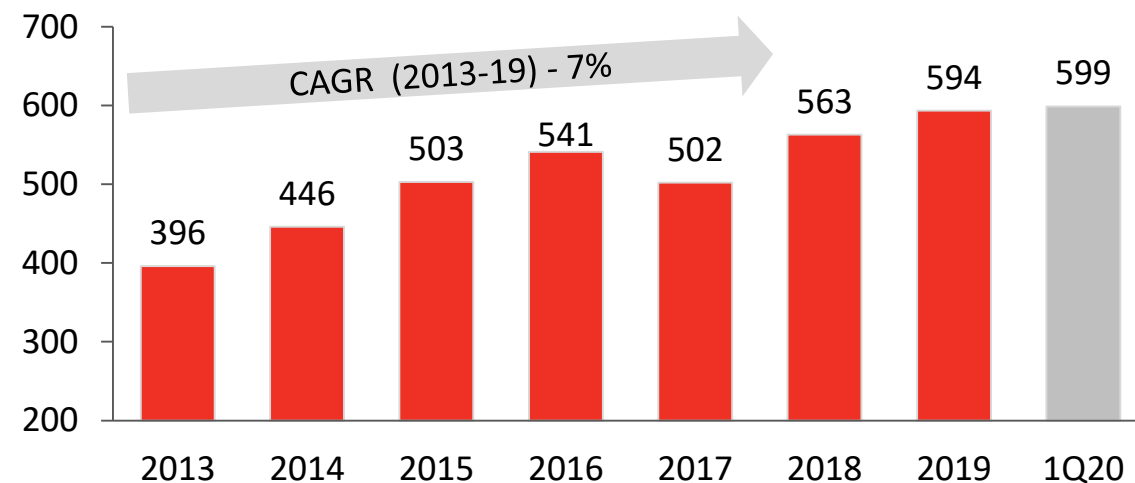
Deposit Growth Trend* (PKR bn)



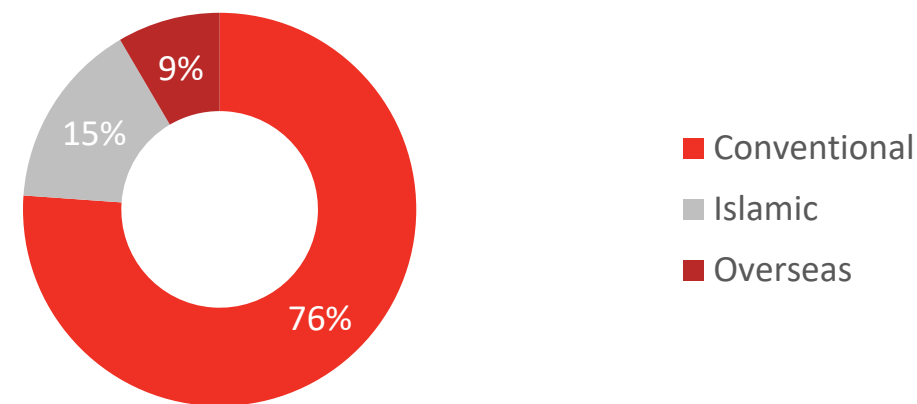
Deposit Mix



CASA Continues to Remain Strong* (PKR bn)



Deposits Composition



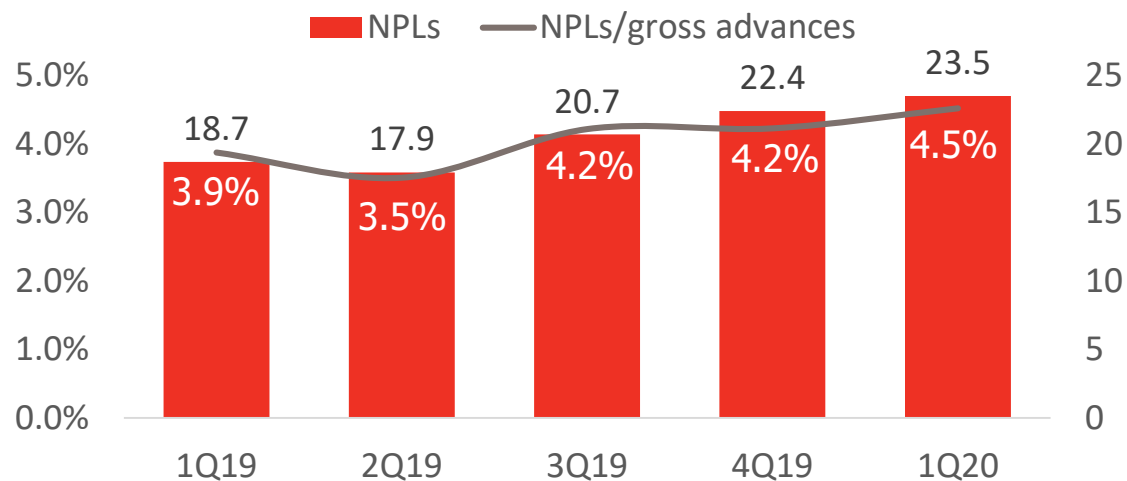
*Afghanistan Operations added back on line-by-line basis for ease of comparison

Appendix

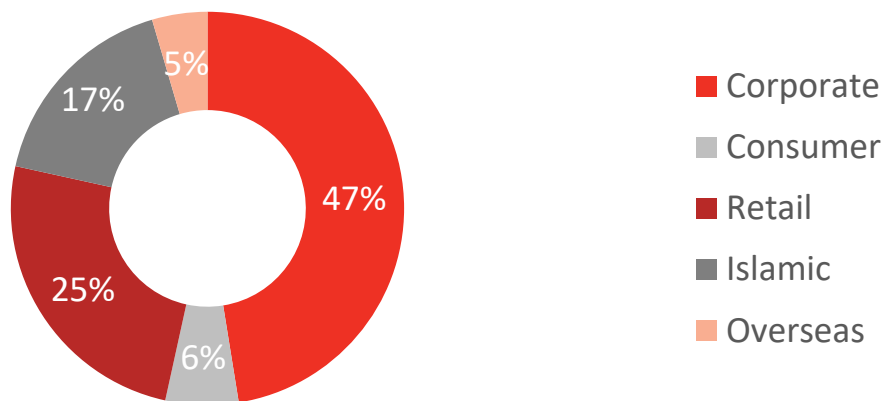
Quarterly Advances & Asset quality trends



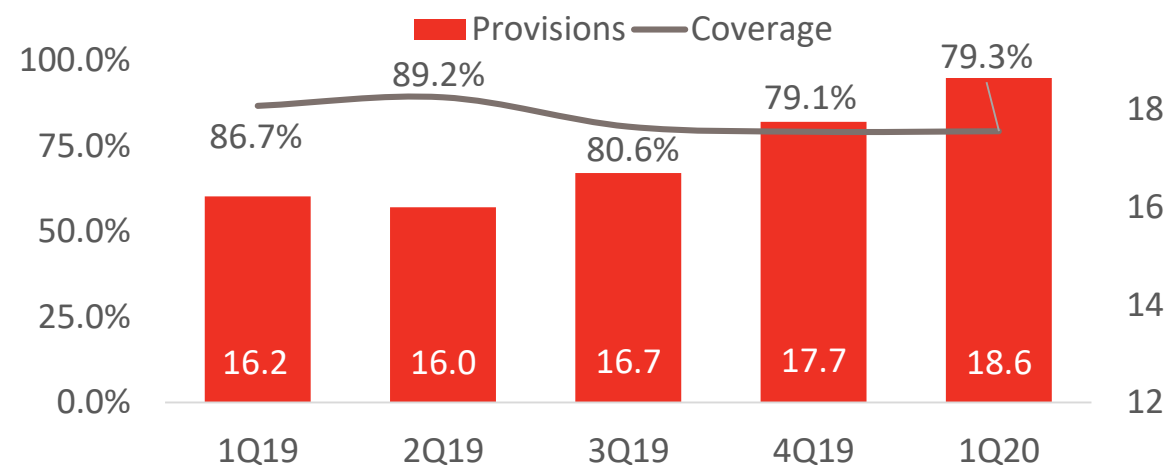
1Q20 NPL accretion - classification of one govt backed name



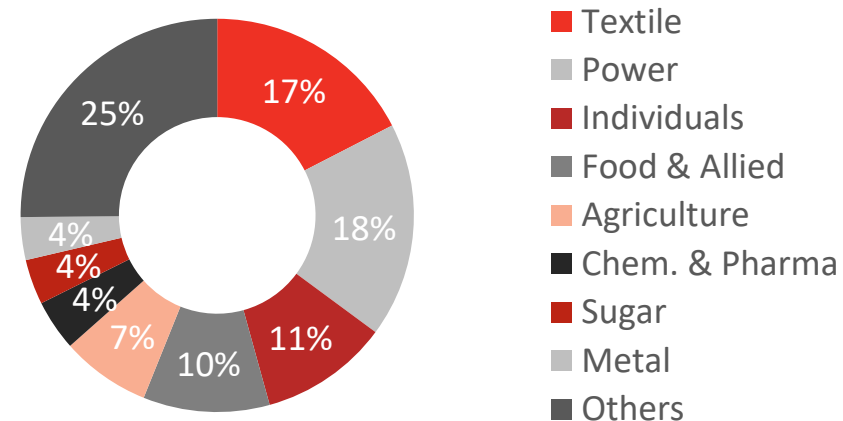
Performing Advances composition



OAEM & Govt NPLs - requiring no provision kept coverage ~80%



Advances concentration (Dec 2019)



Appendix

Balance Sheet



Amounts in PKR mn	2014	2015	2016	2017	2018	2019	5yr CAGR
Cash & Bal. With Treasury Bank	50,516	62,369	74,071	70,381	82,408	100,732	15%
Balances With Other Banks	12,332	16,552	9,373	3,754	3,875	4,710	-18%
Lending to FIs	18,313	27,626	30,149	48,896	62,172	71,435	31%
Advances (Net)	290,597	334,159	378,720	400,733	501,636	511,236	12%
Investments (Net)	324,319	423,100	389,093	400,655	277,660	299,098	-2%
Fixed & Other Assets	59,825	54,598	48,239	74,408	78,466	77,461	5%
Total Assets	755,902	918,404	929,645	998,828	1,006,218	1,064,672	7%
Deposits	603,440	636,863	634,740	644,985	702,895	782,284	5%
Subordinated Loans	9,987	9,983	8,318	4,991	11,989	11,987	4%
Borrowings	55,233	172,393	178,311	207,194	123,738	102,842	13%
Bills Payable & Other Liabilities	42,423	45,812	48,151	75,859	91,948	79,531	13%
Total Liabilities	711,083	865,051	869,520	933,028	930,571	976,645	7%
Paid - up Capital	15,872	15,898	15,952	16,076	17,744	17,772	2%
Reserves & Retained Profit	21,951	26,527	33,203	42,439	50,520	58,889	22%
Revaluation Surplus	6,995	10,928	10,970	7,285	7,383	11,367	10%
Total Equity	44,818	53,353	60,125	65,800	75,647	88,028	14%

Note: Afghanistan operations are classified as Held for Sale under Other Assets / Liabilities for 2017 & 2018

Appendix

Profit & Loss



Amounts in PKR mn	2014	2015	2016	2017	2018	2019	5yr CAGR
Interest Income	55,378	61,439	57,144	56,920	59,672	92,481	11%
Interest Expense	33,505	32,811	28,153	27,354	27,746	47,623	7%
Net Interest Income	21,873	28,628	28,991	29,566	31,926	44,857	15%
NPL & Other Provisions	1,928	2,599	1,073	-523	27	3,029	9%
Post Provisions Interest Income	19,945	26,029	27,918	30,089	31,899	41,829	16%
Non - Interest Income	8,876	8,860	8,907	9,381	10,431	10,396	3%
Operating Expenses	20,308	22,286	23,802	25,425	24,713	29,843	8%
Profit Before Taxation	8,513	12,603	13,024	14,045	17,618	22,382	21%
Taxation	2,873	5,081	5,123	5,678	6,993	9,686	28%
PAT	5,640	7,522	7,900	8,367	10,625	12,696	18%
Profit for the Year	5,640	7,522	7,900	8,367	10,625	12,696	18%
EPS (PKR)	3.18	4.24	4.45	4.72	5.99	7.15	18%
Stock Dividend	-	-	-	-	10.00%	-	-
Dividend (% of Paid - up)*	20.00%	10.00%	0.00%	15.00%	25.00%	40.00%	15%

*Percentage of paid up capital at time of declaration

Appendix

Key Ratios



	2014	2015	2016	2017	2018	2019
Capital Adequacy Ratio (Tier - I)	9.6%	9.7%	9.9%	10.9%	12.2%	13.3%
Capital Adequacy Ratio Total	12.8%	13.4%	13.2%	13.4%	15.0%	16.9%
Net Interest Margins	3.8%	4.0%	3.6%	3.6%	4.0%	5.3%
Admin Cost to Income Ratio	67.3%	60.3%	62.5%	64.8%	57.3%	52.6%
Non - Interest Income as % of Total	28.9%	23.6%	23.6%	25.3%	24.4%	18.8%
Advance to Deposit Ratio (ADR)	48.2%	52.5%	59.7%	62.1%	71.4%	67.7%
YoY Deposit Growth	15.1%	5.5%	-0.3%	1.6%	9.0%	8.2%
YoY Advances Growth	11.4%	15.0%	13.3%	5.8%	25.2%	1.9%
YoY Investments Growth	47.6%	30.5%	-8.0%	3.0%	-30.7%	6.0%
Current Deposits Ratio	35.7%	38.0%	45.3%	40.1%	40.9%	43.4%
CASA Ratio	73.6%	78.5%	85.3%	76.9%	75.4%	75.9%
NPL Ratio	6.4%	5.4%	4.8%	4.2%	3.6%	4.2%
Coverage Ratio	70.1%	83.7%	86.1%	89.2%	84.4%	79.1%
ROA	0.9%	1.0%	0.9%	0.9%	1.2%	1.3%
ROE Excluding Reval. Surplus	18.9%	19.1%	17.4%	15.5%	16.9%	17.6%
ROE Including Reval. Surplus	16.4%	15.4%	13.9%	13.2%	15.3%	15.4%
Diluted BVPS (Incl. Reval.)	25.3	30.1	33.9	37.1	42.6	49.5

Note: Afghanistan operations are classified as Held for Sale under Other Assets / Liabilities for 2017 & 2018

Appendix

Stock Market Related Data



Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1,777.1
Market Capitalization (PKR bn)	53,048
Market Capitalization (USD mn)*	332.3
Average Daily Turnover (mn shares)	1.3
Average Daily Turnover (USD mn)*	0.3
Current Stock Price** (PKR)	29.85
Adjusted 12M High / Low** (PKR)	29.00/54.05

*Using PKR / USD parity of PKR 159.65

**Stock Price as of May 5, 2020

Appendix

Awards & Accolades



Best Debit & Credit Cards 2017

For winning the Customer Choice Award in Best Debt & Credit Cards for the fourth year in a row



Best Innovative Card 2017

For innovation in providing customers a new solution through Alfalah Ultra Cashback Card



Diversity & Inclusion Award 2017

For proactive and progressive organization that recognizes the value of diversity



Best Website of the Year 2017

For Innovation and distinction in the digital community



Bank Alfalah Islamic PAS Award 2017

For the "All you need is Faith" Islamic Banking Campaign in Best in Banking and Financial Services



Best Loyalty & Rewards Program

For Innovation of Alfalah Orbit Rewards Program



Best Investor Relations PSX Listed Companies

For the 6th Year Running



Best Corporate Reports of 2018 Awards

Best Corporate Report - Banks (3rd Position)



Pakistan Banking Awards 2017 Best Bank

For demonstrating the most significant contribution to national development & for the most effective management of its resources, including its employees, clients, franchises, community and financials



Pakistan Banking Awards 2017 Best Customer Franchise

For the most efficient service delivery and attention to customer requirements for the fourth consecutive year (2016-19)



Pakistan Banking Awards 2018 Best SME Bank

For providing financial support to SME's and helping them develop a sustainable growth strategy



Pakistan Banking Awards 2019 Best Bank

For demonstrating the most significant contribution to national development & for the most effective management of its resources, including its employees, clients, franchises, community and financials



This presentation contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Bank Alfalah Limited.

Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement



For any queries:

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