

# Bank Alfalah Limited

## Analyst Briefing

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### **2020 – Half Year Performance Review & Outlook**

*September 2020*

# Bank Alfalah Limited

## Introductory Snapshot



Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group (50%); IFC (15%)
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	700 (including 164 Islamic Branches)
ATMs/ CDMs	792/66
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 1,221bn / USD 7.3bn
Deposits	PKR 808bn / USD 4.8bn
Net Advances	PKR 514bn / USD 3.1bn
Capital Adequacy Ratio	17.67%
Staff Strength	10,588

**Note** - Data as of June 30, 2020

# **Financial Results – 1H20**



# Financial Results – 1H20

## Profit & Loss Snapshot



Amount PKR mn	1H19	1H20	YoY	2Q19	1Q20	2Q20	YoY	QoQ
Interest Income	41,646	49,948	20%	20,885	25,906	24,043	15%	-7%
Interest Expenses	19,977	26,587	33%	10,382	14,125	12,462	20%	-12%
<b>Net Int. Income</b>	<b>21,669</b>	<b>23,361</b>	<b>8%</b>	<b>10,504</b>	<b>11,781</b>	<b>11,580</b>	<b>10%</b>	<b>-2%</b>
<b>Non Int. Income</b>	<b>4,979</b>	<b>6,882</b>	<b>38%</b>	<b>2,689</b>	<b>2,709</b>	<b>4,173</b>	<b>55%</b>	<b>54%</b>
<b>Total Income</b>	<b>26,647</b>	<b>30,243</b>	<b>13%</b>	<b>13,192</b>	<b>14,490</b>	<b>15,753</b>	<b>19%</b>	<b>9%</b>
Admin expenses	13,888	15,539	12%	7,145	8,054	7,485	5%	-7%
Other charges	365	318	-13%	232	151	167	-28%	11%
<b>Non int. expense</b>	<b>14,253</b>	<b>15,857</b>	<b>11%</b>	<b>7,378</b>	<b>8,206</b>	<b>7,652</b>	<b>4%</b>	<b>-7%</b>
<b>Profit before prov</b>	<b>12,395</b>	<b>14,386</b>	<b>16%</b>	<b>5,815</b>	<b>6,284</b>	<b>8,101</b>	<b>39%</b>	<b>29%</b>
Provisions	980	4,788	389%	534	1,528	3,261	511%	113%
<b>Profit before tax</b>	<b>11,415</b>	<b>9,597</b>	<b>-16%</b>	<b>5,281</b>	<b>4,757</b>	<b>4,840</b>	<b>-8%</b>	<b>2%</b>
Taxation	5,206	4,013	-23%	2,194	1,936	2,077	-5%	7%
<b>Profit after tax</b>	<b>6,209</b>	<b>5,584</b>	<b>-10%</b>	<b>3,086</b>	<b>2,821</b>	<b>2,763</b>	<b>-10%</b>	<b>-2%</b>
Diluted EPS (PKR)	<b>3.50</b>	<b>3.14</b>	<b>-10%</b>	1.74	1.59	1.55	<b>-11%</b>	<b>-3%</b>
DPS (Rupees)*	<b>2.0</b>	-	<b>NM</b>	<b>2.0</b>	-	-	<b>NM</b>	<b>NM</b>

- NII for 2Q20 up 10% YoY; consolidating higher NII base achieved in 2019.
- Marginal sequential decline in NII driven by:
  - Markup deferrals in Bangladesh - Covid relief.
  - Monetary easing & early re-pricing of SME & consumer loans.
  - Markup suspension on subjective classifications.
- Non Int Income up 55% YoY; Gains on FX & bonds offset drag from fees and equities.
- 2Q20 provisions include reversal of equities impairment of PKR0.3bn, subjective loan provisions of PKR1.4bn and general provisions of PKR2.0bn.
- While operating profit was up 39% YoY (29% QoQ); prudent provisions drove 2Q20 EPS down 11% YoY and flat sequentially.

\*As part of the overall Covid plan of SBP, all banks have been asked to restrict dividends for two quarters. For BAFL it corresponds to 1Q20 and 2Q20.

# Financial Results – 1H20

## Balance Sheet Snapshot



Amount PKR mn	Jun-19	Dec-19	Mar-20	Jun-20	YoY	YTD
Cash	108,307	100,732	78,802	94,048	-13%	-7%
Bal with banks	9,159	4,710	8,524	8,225	-10%	75%
Lending to FI	48,088	71,435	50,404	31,906	-34%	-55%
Advances (net)	494,132	511,236	500,865	514,452	4%	1%
Investments (net)	250,430	299,098	366,830	492,528	97%	65%
Fixed & Others	79,056	78,100	76,378	79,886	1%	2%
<b>Total Assets</b>	<b>989,173</b>	<b>1,065,311</b>	<b>1,081,803</b>	<b>1,221,046</b>	<b>23%</b>	<b>15%</b>
Deposits	740,576	782,284	755,135	808,090	9%	3%
Sub Loans/ADT1	11,988	11,987	11,986	7,000	-42%	-42%
Borrowings	76,280	102,842	146,893	224,316	194%	118%
Other Liabilities	78,138	80,170	79,700	89,137	14%	11%
<b>Total Liabilities</b>	<b>906,982</b>	<b>977,284</b>	<b>993,714</b>	<b>1,128,543</b>	<b>24%</b>	<b>15%</b>
Paid up Capital	17,772	17,772	17,772	17,772	0%	0%
Reserves	56,546	58,889	59,702	62,556	11%	6%
Reval. Surplus	7,873	11,367	10,615	12,176	55%	7%
<b>Total Equity</b>	<b>82,191</b>	<b>88,028</b>	<b>88,089</b>	<b>92,503</b>	<b>13%</b>	<b>5%</b>
<b>Book Value per Share</b>	<b>46.25</b>	<b>49.53</b>	<b>49.57</b>	<b>52.05</b>	<b>13%</b>	<b>5%</b>

- Growth in loan book continues to remain measured at 4% YoY and flat YTD.
- Investment book up 2x YoY, with 126% jump in PIBs and 87% jump in T-Bills holding driving the same.
- Deposits have grown 9% YoY in 2Q20 with CASA reported at 80%.
- Decline in Sub Loans reflects exercise of Call Option on outstanding TFC during 2Q20.
- Increase in borrowing reflects repo and refinancing facilities.
- Reval surplus increased by 55% YoY, driven by gains on investment book.
- Book value/sh stands at PKR52.1; up 13% YoY.

# Financial Results – 1H20

## Key Ratios



	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Yield on Advances	11.1%	10.9%	12.6%	12.7%	12.5%	9.7%
Yield on Investments	7.8%	8.8%	10.6%	10.6%	10.6%	9.6%
Cost of Deposits	4.4%	4.6%	5.1%	5.9%	5.8%	4.2%
Cost of Funds	4.8%	5.2%	6.4%	6.9%	6.6%	5.1%
NIM	5.5%	5.2%	5.5%	5.3%	5.3%	4.6%
ROA	1.4%	1.4%	1.2%	1.4%	1.1%	1.0%
ROE exc. Surplus	18.2%	17.3%	16.3%	18.3%	14.7%	14.1%
Admin Cost : income	50.1%	54.2%	54.2%	52.0%	55.6%	47.5%
Gross ADR	70.1%	69.0%	69.0%	67.7%	68.9%	66.5%
CASA	77.7%	82.5%	78.9%	75.9%	79.3%	79.9%
CA	44.5%	49.6%	45.1%	43.4%	44.2%	46.3%
Net Loans (YoY )	12.7%	3.0%	0.0%	1.9%	7.6%	4.1%
Deposits (YoY)	6.7%	9.0%	4.6%	8.2%	9.8%	9.1%
NPL ratio	3.9%	3.5%	4.2%	4.2%	4.5%	4.7%
Coverage	86.7%	89.2%	80.6%	79.1%	79.3%	80.5%
Coverage (incl. Gen Provision)	91.2%	94.6%	85.0%	83.6%	83.3%	92.1%
CAR	16.2%	16.8%	16.9%	16.9%	17.3%	17.67%

- NIM ratio for 2Q20 saw pressure of monetary easing further exaggerated by one offs mentioned earlier and higher REPO volumes.
- Prudent provisions dragged ROA & ROE metrics.
- Controlled costs & higher non interest income helped restrict Cost/Income at 48%
- Increase in NPLs due to subjective classification mentioned earlier.
- Zero coverage requirement on govt. loans and partial coverage of subjectively classified loans, led to specific coverage at 80.5%.
- Including general provision however, coverage stands at 92%.
- CAR for the quarter clocked in at 17.7%.

# Appendix

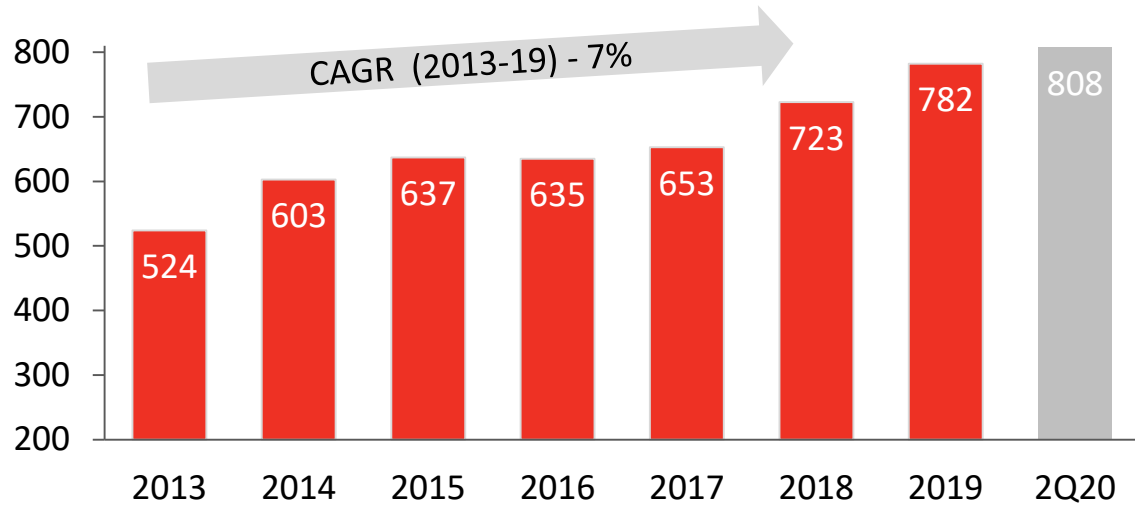


# Appendix

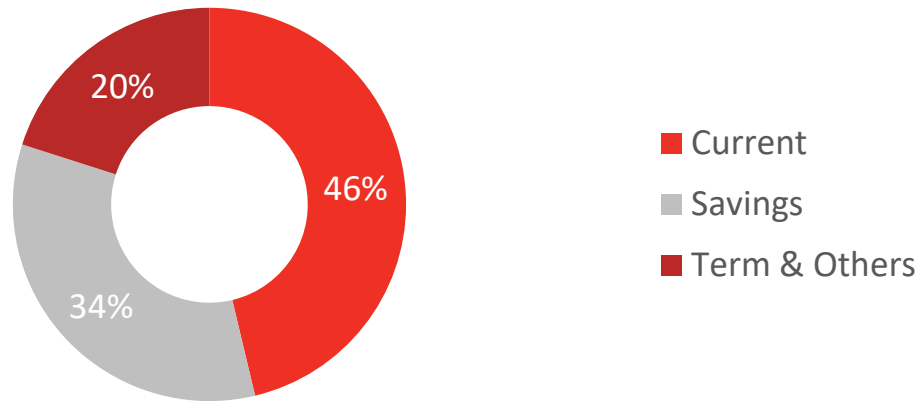
## Quarterly Deposit Mix



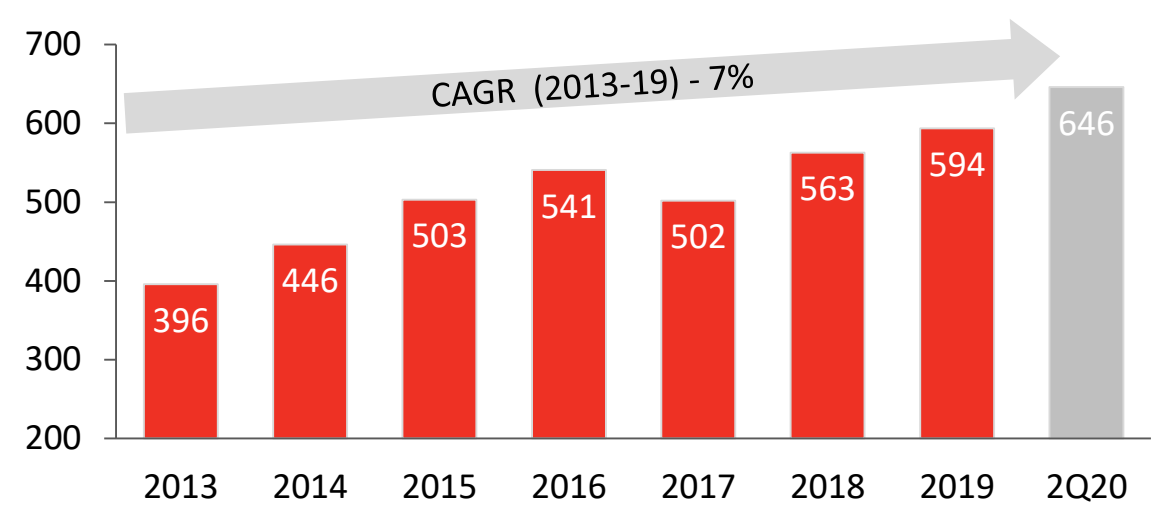
Deposit Growth Trend\* (PKR bn)



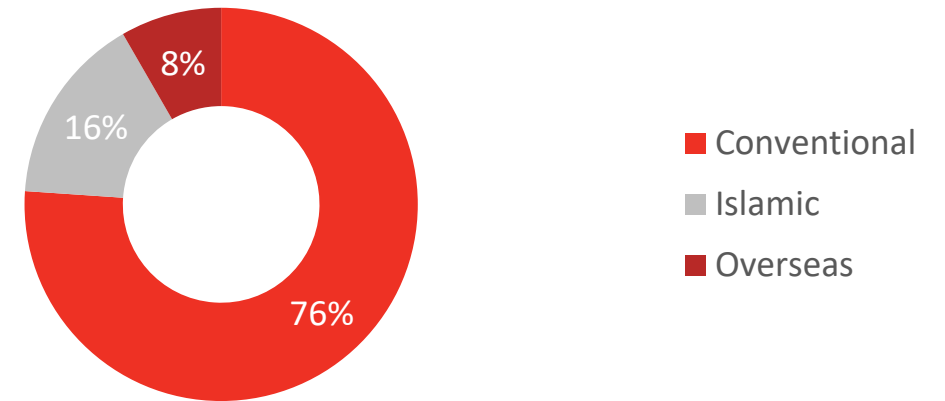
Deposit Mix



CASA Continues to Remain Strong\* (PKR bn)



Deposits Composition



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

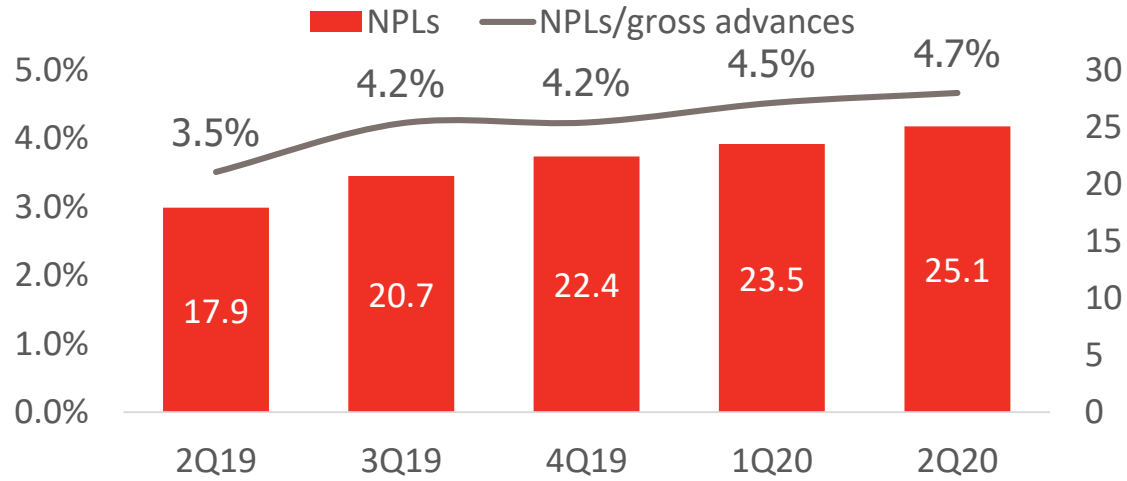


# Appendix

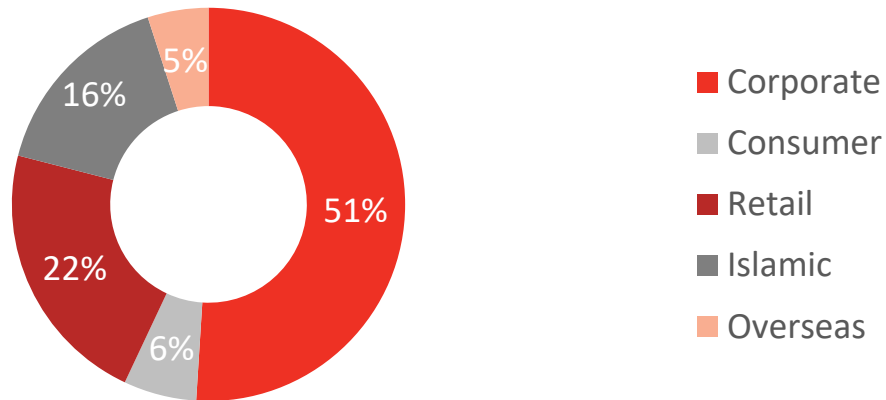
## Quarterly Advances & Asset quality trends



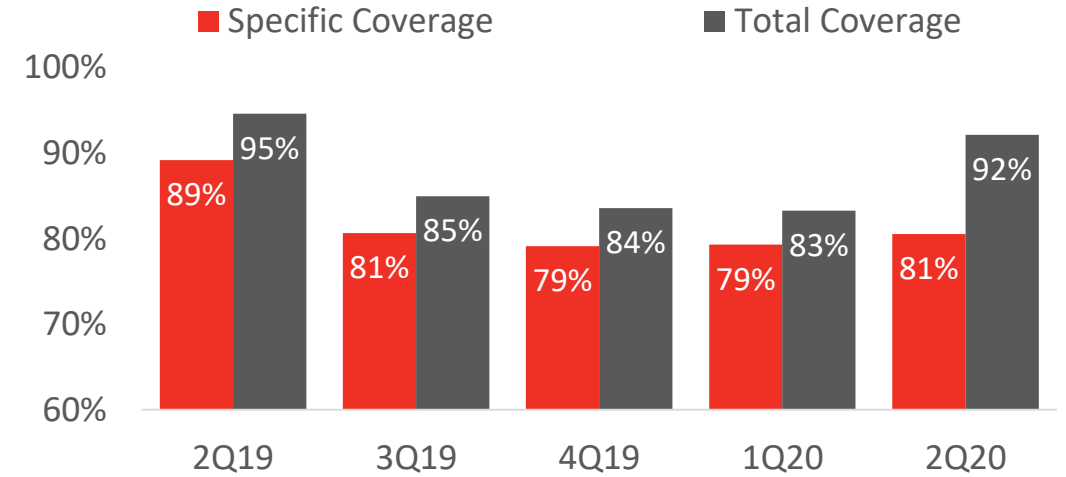
### NPLs – Subjective Classifications inched up NPL Ratio



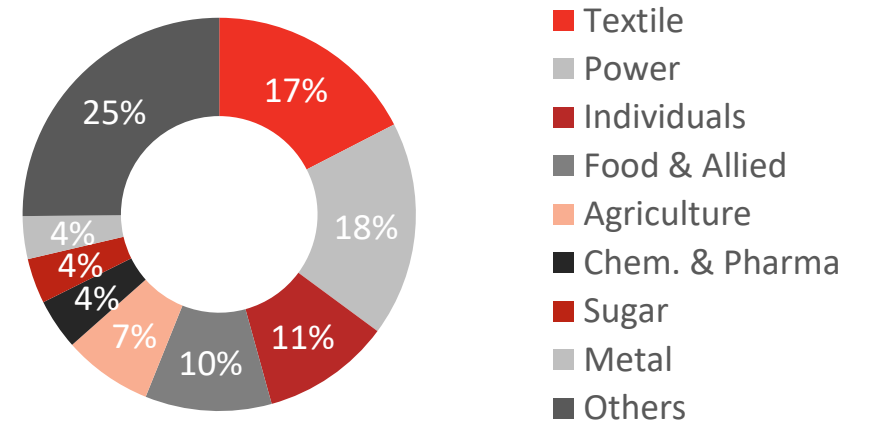
### Performing Advances composition



### Specific coverage at 81% (GoP NPL factor); Total coverage at 92%



### 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	78,100	5%
<b>Total Assets</b>	<b>755,902</b>	<b>918,404</b>	<b>929,645</b>	<b>998,828</b>	<b>1,006,218</b>	<b>1,065,311</b>	<b>7%</b>
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	80,170	13%
<b>Total Liabilities</b>	<b>711,083</b>	<b>865,051</b>	<b>869,520</b>	<b>933,028</b>	<b>930,571</b>	<b>977,283</b>	<b>7%</b>
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%
<b>Total Equity</b>	<b>44,818</b>	<b>53,353</b>	<b>60,125</b>	<b>65,800</b>	<b>75,647</b>	<b>88,028</b>	<b>14%</b>

**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%
<b>Profit for the Year</b>	<b>5,640</b>	<b>7,522</b>	<b>7,900</b>	<b>8,367</b>	<b>10,625</b>	<b>12,696</b>	<b>18%</b>
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)	62,270
Market Capitalization (USD mn)*	375.1
Average Daily Turnover (mn shares)	2.7
Average Daily Turnover (USD mn)*	0.6
Current Stock Price** (PKR)	35.04
12M High / Low** (PKR)	28.26/54.05

\*Using PKR / USD parity of PKR 166.0

\*\*Stock Price as of Aug 31, 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 6<sup>th</sup> Year Running



**Best Corporate Reports of 2018 Awards**

Best Corporate Report - Banks (3<sup>rd</sup> 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 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

# Appendix

## Disclaimer



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



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