

Bank Alfalah Limited

Analyst Briefing

2019 - Annual Performance Review & Outlook

March 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	698 (including 162 Islamic Branches)
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 4 countries
Market Share	5.3% of deposits
Assets	PKR 1,065bn / USD 6.9bn
Deposits	PKR 782bn / USD 5.1bn
Net Advances	PKR 511bn / USD 3.3bn
Capital Adequacy Ratio	16.9%
Staff Strength	10,234

Note - Data as of December 31, 2019

Financial Results – 2019

Financial Results - FY 2019

Important Note on Afghanistan Operations & IFRS 16



During 2018, the Bank had signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations. Accordingly, the aforesaid business was classified as 'Asset held for sale'. However, during the current period, the DAB (Da Afghanistan Bank) declined the application for approval and consequently Afghanistan operations are now classified as continuing.

Resultantly, all assets and liabilities of the Bank's Afghanistan operations have been presented as part of the actual balance sheet line items, rather than presented separately as 'Assets held for sale' while the balances at December end 2018 are still under 'held for sale' category as per the prospective treatment required under IFRS.

However, all the income and expenses for the Bank's Afghanistan operations previously presented as a separate line item 'profit after taxation from discontinuing operations' have been reclassified and presented as part of the actual profit and loss line items for all prior periods presented.

For ease of reference and to facilitate a like-for-like comparison, 2018 Balance Sheets has been restated on Slide 6 and 7 by showing all assets and liabilities as part of actual balance sheet line items. Rest of the data and ratios in the presentation continues to reflect the IFRS driven prospective treatment.

IFRS16

The Bank has adopted IFRS 16 with effect from January 01, 2019. Had this standard not been applied, assets and liabilities would have been lower by PKR9,187 million and PKR9,367 million respectively. Rent expense would have been higher by PKR2,243 million and depreciation charge and mark-up expense would have been lower by PKR1,787 million and PKR1,227 million respectively.

Financial Results - 2019

Profit & Loss Snapshot



Amount PKR mn	2018	2019	YoY	3Q19	4Q19	QoQ
Interest Income	59,672	92,481	55%	24,806	26,046	5%
Interest Expenses	27,746	47,623	72%	13,146	14,500	10%
Net Int. Income	31,926	44,857	41%	11,660	11,546	-1%
Non Int. Income	10,431	10,396	0%	2,110	3,290	56%
Total Income	42,357	55,253	30%	13,770	14,836	8%
Admin expenses	24,313	29,066	20%	7,469	7,709	3%
Other charges	400	777	94%	187	225	21%
Non int. expense	24,713	29,843	21%	7,656	7,934	4%
Profit before prov	17,645	25,410	44%	6,114	6,902	13%
Provisions	27	3,029	11283%	1,033	1,016	-2%
Profit before tax	17,618	22,382	27%	5,082	5,885	16%
Taxation	6,993	9,686	39%	2,048	2,432	19%
Profit after tax	10,625	12,696	19%	3,033	3,453	14%
Diluted EPS (PKR)	5.98	7.15	19%	1.71	1.94	14%
DPS (Rupees)*	2.5	4.0	60%	-	2.0	-
Bonus	10%	0%	NM	-	-	-

- NII increased 41% YoY in 2019 due to higher NIMs. Marginal QoQ dip in NII reflects higher cost of deposit in 4Q19.
- Non interest income for 2019 was flat YoY, mainly due to decline in dividend income and absence of capital gains.
- Forex income was up 30% YoY, while core fees and commission was up 9%.
- Opex up 20% YoY and 3% QoQ. New initiatives and staff cost are key drivers of YoY growth.
- 4Q provisions includes subjective provision against loans. 2019 provisions include impairment on equities of ~PKR1bn.
- 2019 PAT up 19% YoY; accompanied by PKR 2/sh final dividend, taking full year payout to PKR4/sh.

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

Financial Results - 2019

Balance Sheet Snapshot



Amount PKR mn	Dec-18*	Sep-19	Dec-19	YoY	QoQ
Cash	87,173	74,457	100,732	16%	35%
Bal with banks	7,307	5,284	4,710	-36%	-11%
Lending to FI	72,643	76,269	71,435	-2%	-6%
Advances (net)	501,861	473,077	511,236	2%	8%
Investments (net)	282,257	350,065	299,098	6%	-15%
Fixed & Others	54,978	69,581	77,461	41%	11%
Total Assets	1,006,218	1,048,732	1,064,672	6%	2%
Deposits	723,183	711,262	782,284	8%	10%
Sub Loans/ADT1	11,989	11,987	11,987	0%	0%
Borrowings	123,738	173,108	102,842	-17%	-41%
Other Liabilities	71,661	69,709	79,531	11%	14%
Total Liabilities	930,571	966,065	976,645	5%	1%
Paid up Capital	17,744	17,772	17,772	0%	0%
Reserves	50,520	55,693	58,889	17%	6%
Reval. Surplus	7,383	9,203	11,367	54%	24%
Total Equity	75,647	82,667	88,028	16%	6%
Book Value per Share	42.57	46.51	49.53	16%	6%

- Following 25% increase in advances in 2018, loan book reported a muted growth of 2% YoY in 2019.
- Increase in cash balance at the end of the year is seasonal and one-off in nature.
- Investment book grew 6% YoY but PIB holdings were up ~2.5x vs 2018.
- Deposits have grown 8% YoY in 2019 with CASA clocking at 76%.
- Adoption of IFRS-16 resulted in an increase in both Fixed Assets and Other Liabilities.
- Unrealized gains on investment book has seen revaluation surplus increase 54% YoY.
- Book value / share stands at PKR49.5 at year end.

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

Financial Results - 2019

Key Ratios



	4Q18*	1Q19*	2Q19	3Q19	4Q19	2019
Yield on Advances	8.9%	11.1%	10.9%	12.6%	12.7%	11.8%
Yield on Investments	7.1%	7.8%	8.8%	10.6%	10.6%	9.7%
Cost of Deposits	3.6%	4.4%	4.6%	5.1%	5.9%	5.0%
NIM	3.9%	5.5%	5.2%	5.5%	5.3%	5.3%
ROA	0.8%	1.4%	1.4%	1.2%	1.4%	1.3%
ROE exc. Surplus	12.6%	18.2%	17.3%	16.3%	18.3%	17.6%
Admin Cost : income	60.9%	50.1%	54.2%	54.2%	52.0%	52.6%
Gross ADR	73.8%	70.1%	69.0%	69.0%	67.7%	67.7%
CASA*	78.0%	77.7%	82.5%	78.9%	75.9%	75.9%
CA*	44.0%	44.5%	49.6%	45.1%	43.4%	43.4%
Net Loans (YoY)	25.2%	12.7%	3.0%	0.0%	1.9%	1.9%
Deposits (YoY)	9.0%	6.7%	9.0%	4.6%	8.2%	8.2%
NPL ratio	3.6%	3.9%	3.5%	4.2%	4.2%	4.2%
Coverage	84.4%	86.7%	89.2%	80.6%	79.1%	79.1%
CAR	15.0%	16.2%	16.8%	16.9%	16.9%	16.9%

- NIMs increased 130bp for 2019 but were down marginally in 4Q19 due to higher cost of deposits, in line with market conditions.
- Increase in yield on advances and investments reflecting impact of monetary tightening earlier in the year.
- Despite focus on staff cost and new initiatives, the Cost to Income Ratio clocked in at 52.6%, down more than 800bp YoY.
- Uptick in NPLs with muted loan growth, nudged Gross NPL Ratio to 4.2%.
- 40% of NPL accretion was in OAEM category (requiring no provision) which meant coverage ratio dipped to 79%.
- Despite a higher dividend payout during 2019, CAR increased to 16.9%.

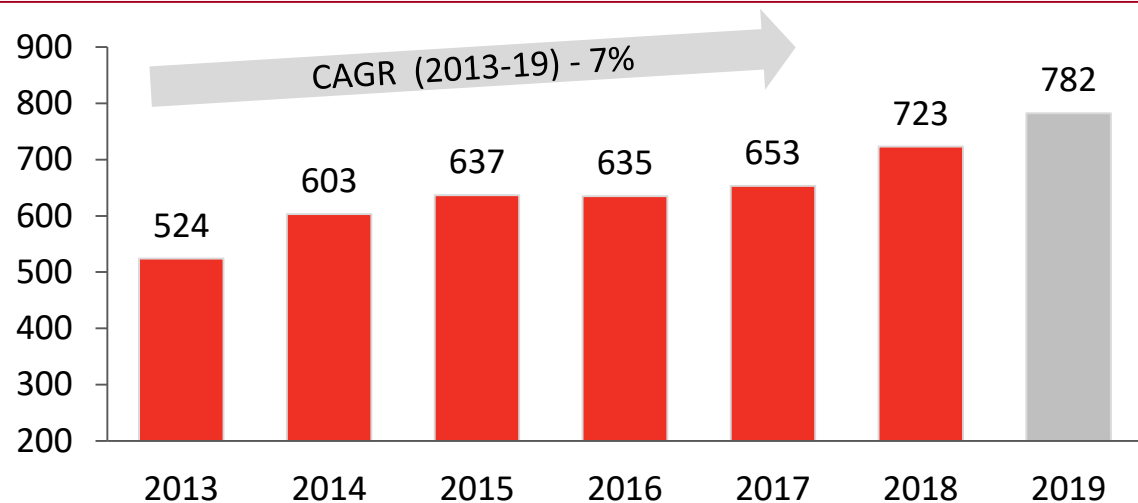
*Afghanistan Operations added back on line-by-line basis for ease of comparison

Financial Results - 2019

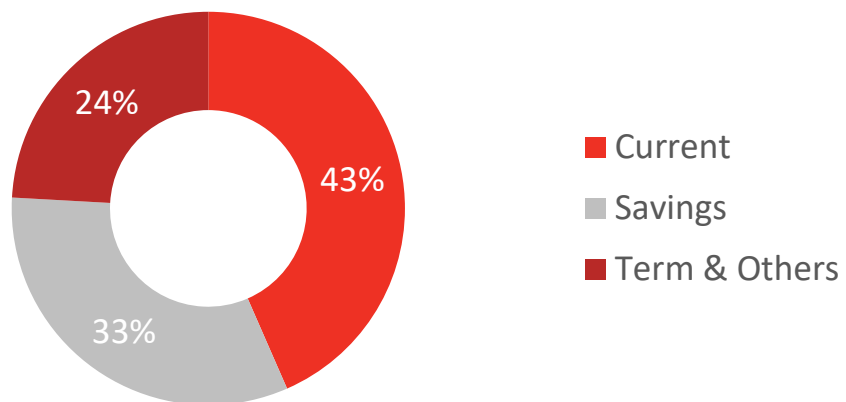
Deposit & Mix Cost



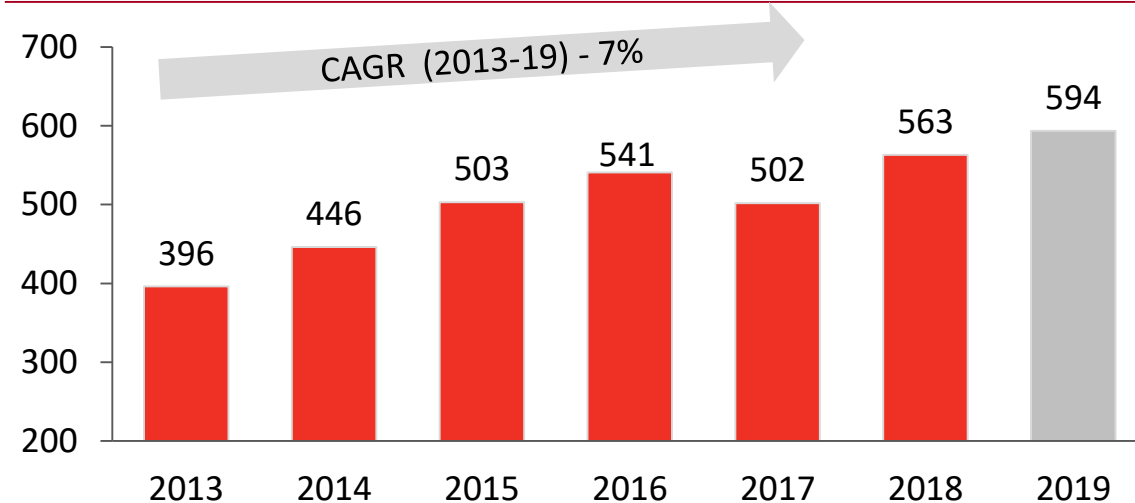
Deposit Growth Trend* (PKR bn)



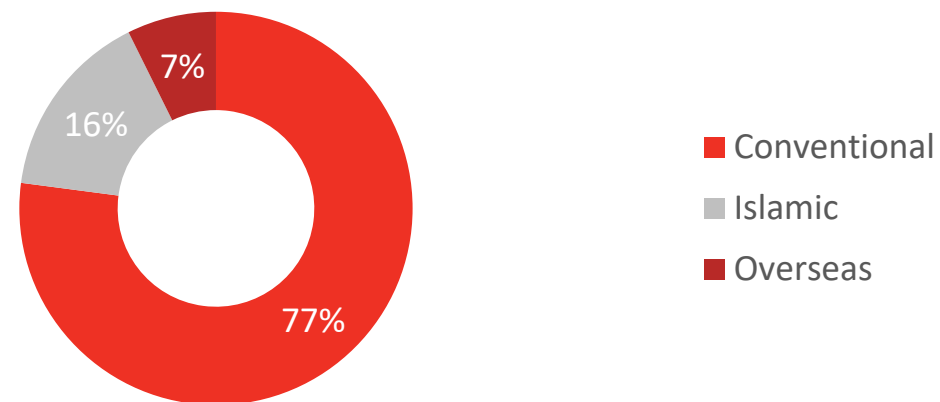
Deposit Mix



CASA Continues to Remain Strong* (PKR bn)



Deposits Composition



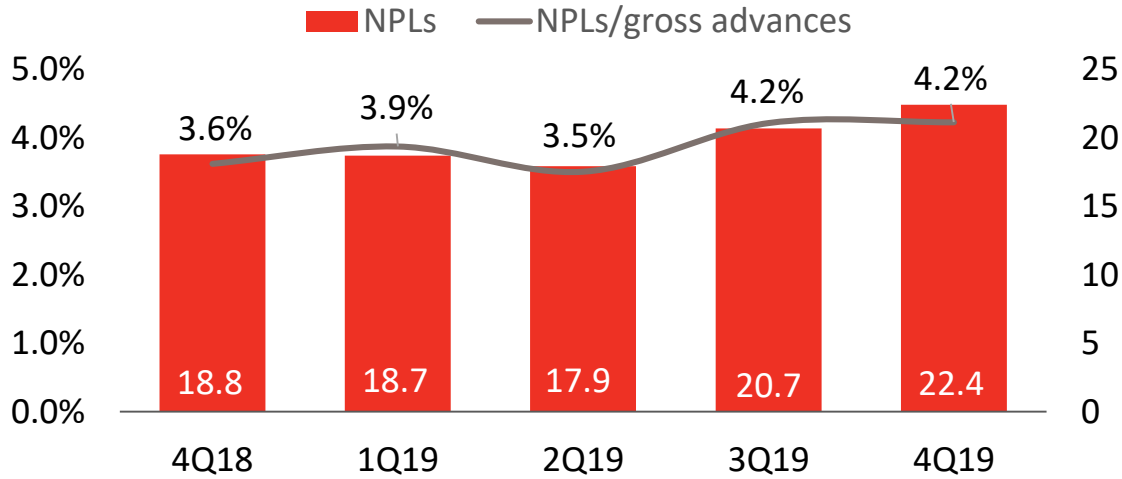
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Financial Results - 2019

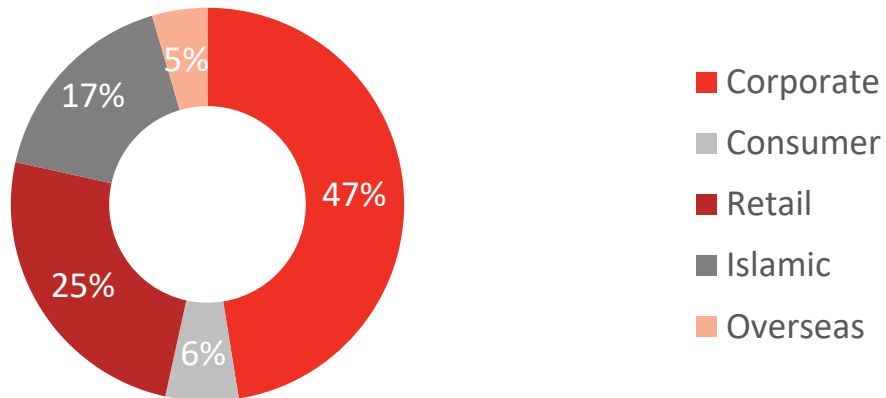
Advances & Asset quality trends



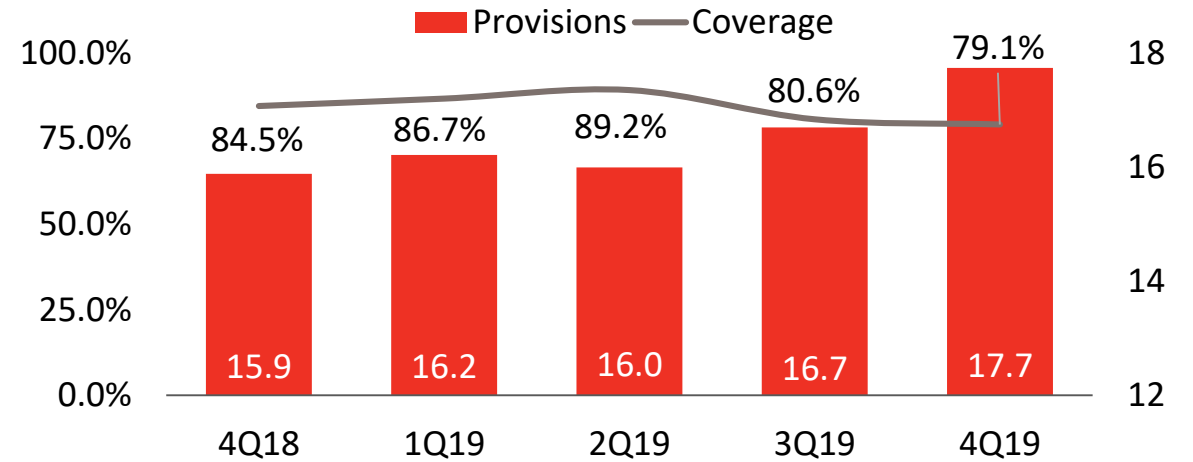
40% of 2019 NPL accretion in OAEM (requiring no provision) ...



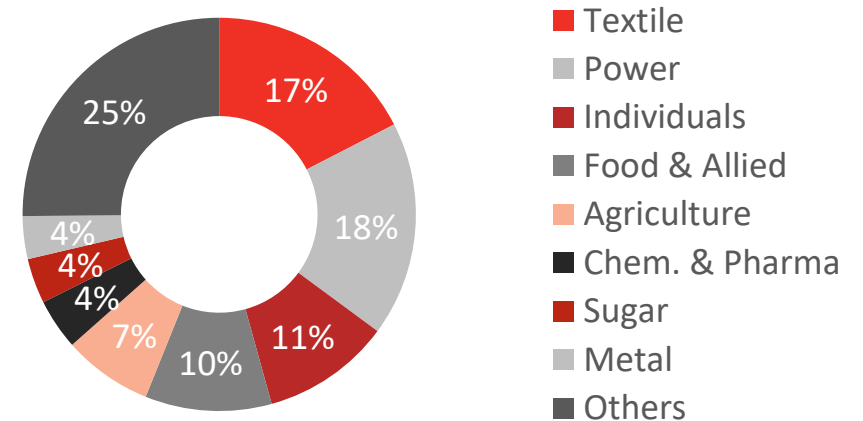
Performing Advances composition



... meant coverage ratio dipped to 79%



Advances concentration



Appendix



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)	85,123
Market Capitalization (USD mn)*	552.0
Average Daily Turnover (mn shares)	1.0
Average Daily Turnover (USD mn)*	0.3
Current Stock Price** (PKR)	47.90
Adjusted 12M High / Low** (PKR)	36.5/50.7

*Using PKR / USD parity of PKR 154.21

**Stock Price as of March 4, 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 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

Appendix

Contact Details



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