

Bank Alfalah Limited

Analyst Briefing

1Q 2024 – Performance Review & Outlook

30 April 2024

CORPORATE BRANCH
I.I. CHUNDRIGAR ROAD KARACHI



Major Sponsor

Dhabi Group (56.1%)



Credit Rating

Rated **AA+ (Long Term)** and
A1+ (Short Term)



Domestic Coverage

Presence in over **225 cities**
across Pakistan



Global Presence

10 International Branches and **1**
offshore banking unit
in **4 countries**



Our Customers

Serving around
~6.8 million customers



Profits

Profitability remains robust,
benefitting from volumetric
growth



Market Share

Deposits **(6.7%)**, Advances **(5.9%)**,
Trade **(8.3%)**,
Remittances **(15.9%)**



Branches

1,037 Branches including:
350+ Islamic and
1 Digital Lifestyle Branch



Touchpoints

87K+ touchpoints in
addition to Alfa/IB



Capital Adequacy Ratio

CAR stands at **17.00%**
as at 31 Mar 2024



Staff Strength

Staff strength of **14,500+**
as at 31 Mar 2024

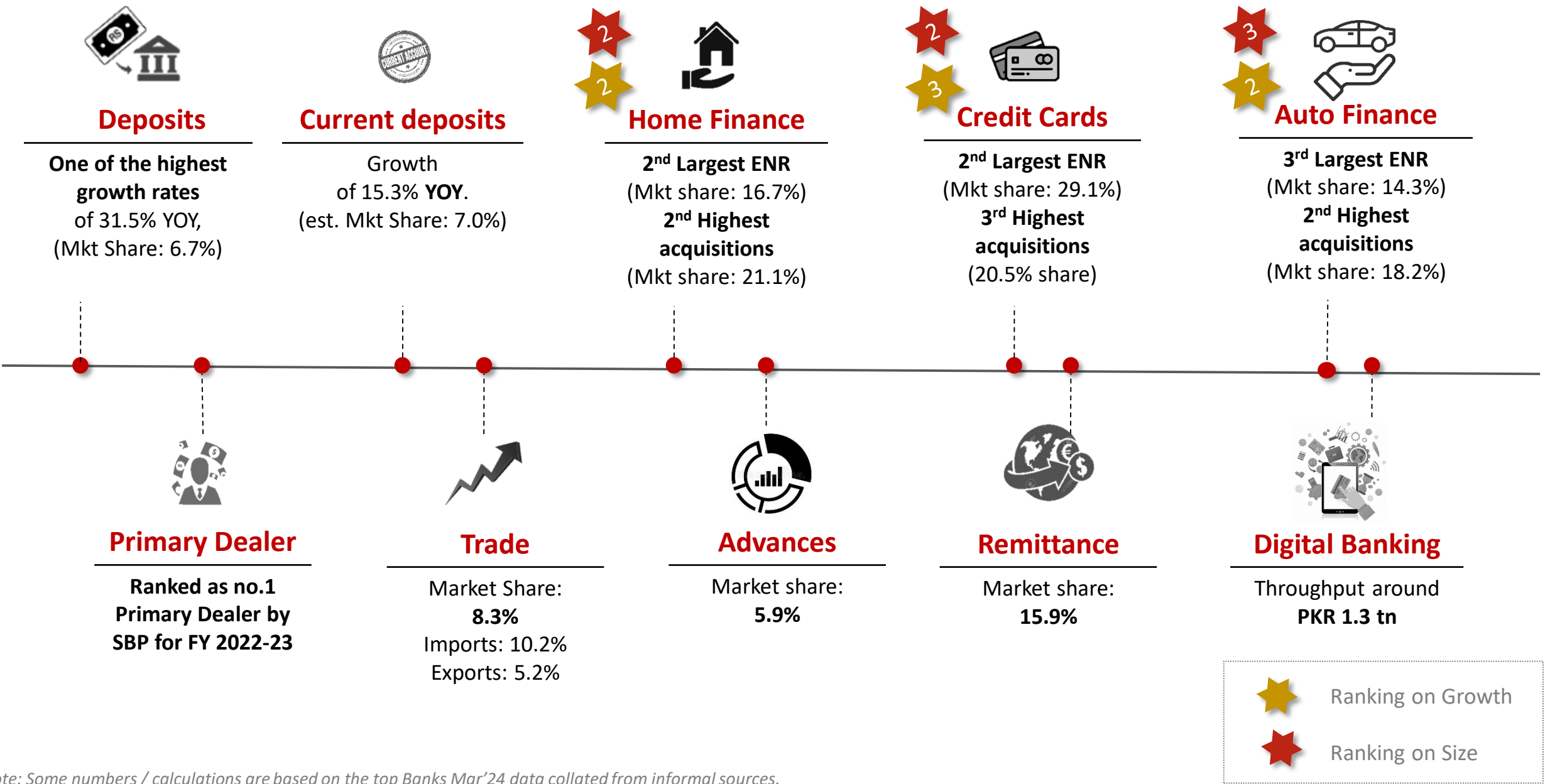


ATM ATMs/ CDMs

1,500+
ATMs/CDMs/ CCDMs
across Pakistan

Bank Alfalah Limited

Dominant Player Across Our Integrated Business Functions



Note: Some numbers / calculations are based on the top Banks Mar'24 data collated from informal sources.

Financial Results – 1Q 2024

Financial Results – 1Q 2024

Balance Sheet Snapshot



Amount PKR mn	Mar-23	Dec-23	Mar-24	YoY	QoQ
Cash	153,729	202,692	186,677	21%	-8%
Bal with banks	18,400	16,618	23,932	30%	44%
Lending to FI	210,800	119,554	19,718	-91%	-84%
Advances (net)	697,993	735,052	708,029	1%	-4%
Investments (net)	1,283,986	2,067,263	1,813,008	41%	-12%
Fixed & Others	167,407	204,738	233,322	39%	14%
Total Assets	2,532,315	3,345,917	2,984,685	18%	-11%
Deposits Sub Loans / ADT1	1,554,035	2,084,997	2,043,329	31%	-2%
Sub Loans/ADT1	14,000	14,000	14,000	0%	0%
Borrowings	672,466	909,543	581,464	-14%	-36%
Other Liabilities	187,675	199,453	205,557	10%	3%
Total Liabilities	2,428,177	3,207,994	2,844,350	17%	-11%
Paid up Capital	15,772	15,772	15,772	0%	0%
Reserves	90,529	110,883	110,057	22%	-1%
Reval Surplus	-2,162	11,268	14,506	n.m.	29%
Total Equity	104,139	137,923	140,335	35%	2%
Book Value per Share	66.03	87.45	88.98	35%	2%

- Deposits remained above Rs. 2 Tn, with 31% YoY growth, resulting in improved market share. This was backed by branch network expansion, improved staff productivity and effectively executed strategy.
- Advances remained flat YoY on the back of cautious lending. Bank maintained a strong credit discipline amid challenging market fundamentals.
- Investments up 41% YoY; portfolio remained skewed towards floater PIBs & T-bills.
- Reduced treasury borrowings
- IFRS9: Impact on opening equity is Rs. 2.8 bn (net of tax) positive on adoption date.
- Reserves include impact of 2023 final dividend of Rs. 7.9 Bn, and IFRS9 opening ECL adjustment.
- Book value per share improved to PKR 88.98/sh.

Financial Results – 1Q 2024

Profit & Loss Snapshot



Amount PKR mn	1Q 23	4Q 23	1Q 24	YoY	QoQ
Interest Income	75,589	125,715	128,674	70%	2%
Interest Expenses	47,652	90,630	97,863	105%	8%
Net Int Income	27,937	35,085	30,811	10%	-12%
Non Int Income	6,552	9,545	7,774	19%	-19%
Total Income	34,489	44,630	38,585	12%	-14%
Admin expenses	14,584	18,245	18,354	26%	1%
Other charges	409	665	634	55%	-5%
Non int expense	14,993	18,910	18,988	27%	0%
Profit before prov	19,496	25,720	19,597	1%	-24%
Provisions	522	297	-112	n.m.	n.m.
Profit before tax	18,974	25,423	19,710	4%	-22%
Taxation	8,232	16,218	9,798	19%	-40%
Profit after tax	10,743	9,205	9,912	-8%	8%
Diluted EPS (Rupees)	6.81	5.84	6.28	-8%	8%
DPS (Rupees)*	0.00	5.00	2.00	n.m.	n.m.

- NII grew by 10% YoY; which was a function of growth in balance sheet size.
- NII QoQ dropped on the back of higher swap costs and decline in market yields.
- Non-interest income +19% YoY
 - Fee and Commission Income is up 33%, mainly led by Remittances, Trade, and Cards.
 - Higher derivatives income.
 - Capital gains on Government Securities.
- Increase in admin cost is mainly due to branch expansion, technology spend, marketing activities, and high inflation.
- Provisions reversals reflects strong asset quality and better recoveries. The bank has implemented the expected credit loss model under IFRS-9.
- Higher effective tax rate was mainly on account of incremental Super tax rate which was levied in Q2 last year.

* EPS is calculated using current number of the shares

*n.m. denotes not meaningful

Financial Results – 1Q 2024

Key Ratios



	4Q 22	1Q 23	2Q 23	3Q 23	4Q 23	1Q 24
Yield on Advances	12.4%	14.2%	16.2%	16.1%	16.6%	16.8%
Yield on Investments	14.6%	15.9%	18.6%	19.4%	20.2%	19.7%
Cost of Deposits	7.6%	8.0%	9.9%	10.9%	11.8%	12.2%
Cost of Funds	9.1%	9.6%	12.1%	13.0%	13.8%	14.2%
NIM	4.6%	5.6%	5.4%	5.3%	5.3%	4.5%
ROA	0.7%	1.9%	1.2%	1.3%	1.3%	1.3%
ROE exc. Surplus	17.0%	43.3%	28.6%	29.5%	29.8%	31.6%
Admin Cost : income	52.6%	42.3%	41.9%	42.5%	40.9%	47.6%
Gross ADR	51.5%	47.1%	44.9%	38.9%	37.3%	36.9%
CASA	71.7%	68.0%	71.3%	70.6%	69.3%	68.6%
CA	44.5%	43.7%	42.8%	41.0%	37.9%	38.3%
Net Loans (YoY)	8.7%	1.7%	4.5%	-10.6%	0.4%	1.5%
Deposits (YoY)	30.5%	31.9%	34.7%	31.5%	40.2%	31.5%
NPL ratio	4.0%	4.5%	4.7%	5.4%	4.8%	4.9%
Coverage	107.6%	103.2%	102.2%	112.5%	112.2%	124.5%
CAR	13.8%	14.7%	14.5%	15.5%	16.7%	17.0%
Dividend	25%	-	30%	-	50%	20%

- NIMs have contracted as asset yields have come down but cost of fund has remained high (pegged to policy rate).
- Cost to income ratio has increased as the bank continues to expand amid high inflationary environment.
- ROE remains strong at 31.6%, while the drop on YoY basis is mainly due to spread compression.
- CA reported at 38.3%, inched ahead from December position; expected to improve in the following months.
- Drop in ADR is due to cautious lending amid prevailing economic/business conditions and strong deposits base.
- NPL remains at Dec'23 level. NPL ratio slightly up to 4.9% due base effect. The coverage is sufficient at 124.5% (including specific & general).
- CAR comfortably above the regulatory requirement.

Other Initiatives

Our Digital Snapshot

BAFL's digital initiatives



Digital Agri Financing



Revive and Rise is a digital CSR Agri financing scheme aimed at uplifting the flood affected farmers of Sindh. Customers can withdraw up to PKR 1.5 Mn for a max of 60 months for the purpose of dairy and equipment finance. ~PKR 73 million has been disbursed within 2 months of launch.

Digital Sales and Service Centers (SnSC)



SnSC's introduced at two locations in Karachi. These SnSC's are compact shops housing self-service kiosks (ATM / CDM / CCDM digital account opening tabs) and are strategically located in cash-heavy market areas, with a particular focus on serving MSMEs and digital savvy merchants.

Buy-Now-Pay-Later (BNPL)



BNPL is available for both Conventional & Islamic. Customers with credit cards of any bank can shop from Alfa Mall or Bank registered online merchants; Islamic option includes easy Riba-free instalments with 0% processing fee.

BISP

Pakistan's largest mandate to serve ~45% (up from ~20%) of the BISP portfolio (4.4 Mn beneficiaries of which 1.9 Mn beneficiaries are via a joint venture)

Digital Lifestyle Branch – First in Pakistan

Key features cover a digital floor with self service kiosks, biometrically secured lockers, a Digital Facilitation Desk, shared workspaces and dining partnerships. Key performance highlights of the Branch include Digital Transaction Ratio of 95% and Digital Throughput of Rs. 1.7 Bn in Q1-24.

Digital Banking Portfolio – Highlights & Key Features

Digital Throughput:
~ **PKR 1.28 Tn**
(↑ 47% from Mar-23)

Digital Migration Ratio:
~**81.5%** YTD Average
(conversion of branch OTC transactions to digital channels)

ALFA Mall offers BNPL with self pick up, same day delivery, cash on delivery (COD) and easy returns
PKR 2.6 Bn
(↑ 124% from Mar-23)

Digital Network:
ATMs: **1,180**
CDMs/CCDMs: **351**
Agent Network: **27,596**
QR Merchants: **25,540**
Online Merchants: **2,949**

G2P Payments: **PKR 50.1 Bn**
(↑ 27% from Mar-23)

Digital Lending: **PKR 5.8 Bn**
(↑ 39% from Mar-23)
includes Consumer & SME disbursements via digital channels

ALFA App:
Over 802 K users
(30 day active)

ALFAChat / WhatsApp Bot for customer facilitation

The 'Sustainable' Way Forward

Highlights of sustainability efforts



UN SUSTAINABILITY DEVELOPMENT GOALS

- PSX has set a target of 6 SDGs for listed companies; the Bank ahead of the curve, contributing towards 15 of the 17 UN SDG goals during 2023
- The Bank is setting out on a path to realize the Sustainable Development Goals (SDGs) and pave the way for a promising, sustainable future ahead.



1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



AWARDS & RECOGNITION

Bank Alfalah has received 6 accolades at a prestigious platform, recognizing the Bank's performance in Sustainability & Corporate Social Responsibility (CSR) endeavours.

The Bank won in the following categories at the **National Forum of Environmental Health** at its **16th Corporate Social Responsibility Awards**

Rehabilitation
Social Impact and Sustainability
CSR Initiatives

The Bank was awarded the following by **The Professional Network Pakistan**

Won: Employee Volunteer Program
Won: Social Impact
Won: Crisis / Disaster Assistance

During 2023, the Bank also won awards and was recognised by several prestigious bodies for its efforts in ESG, CSR and Sustainability, including:

- CFA Society Pakistan,
- Global Diversity, Equity and Inclusion Benchmark
- Pakistan Business Council (PBC)
- International Finance Corporation (IFC)

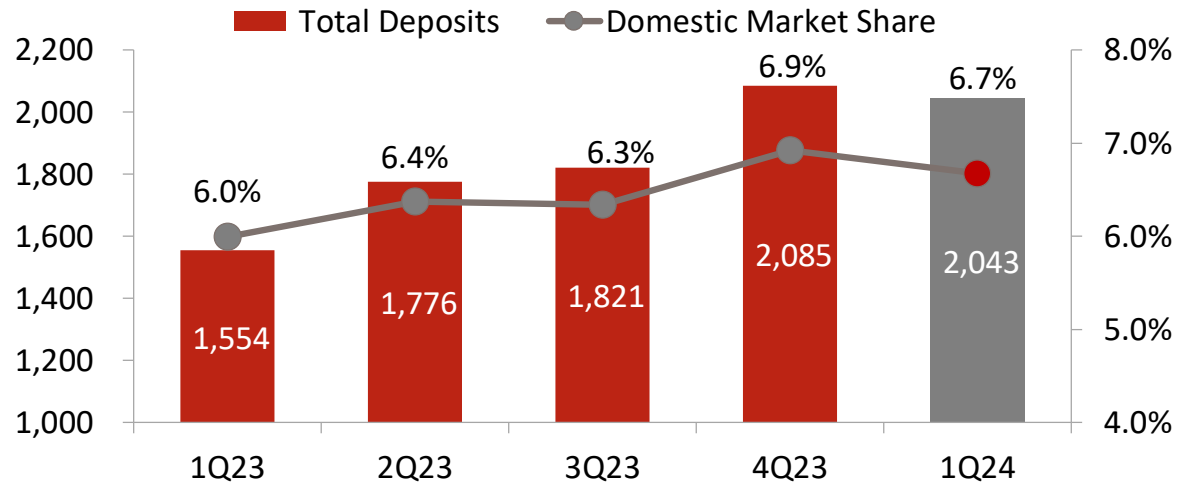
Trends Analysis

Trends Analysis

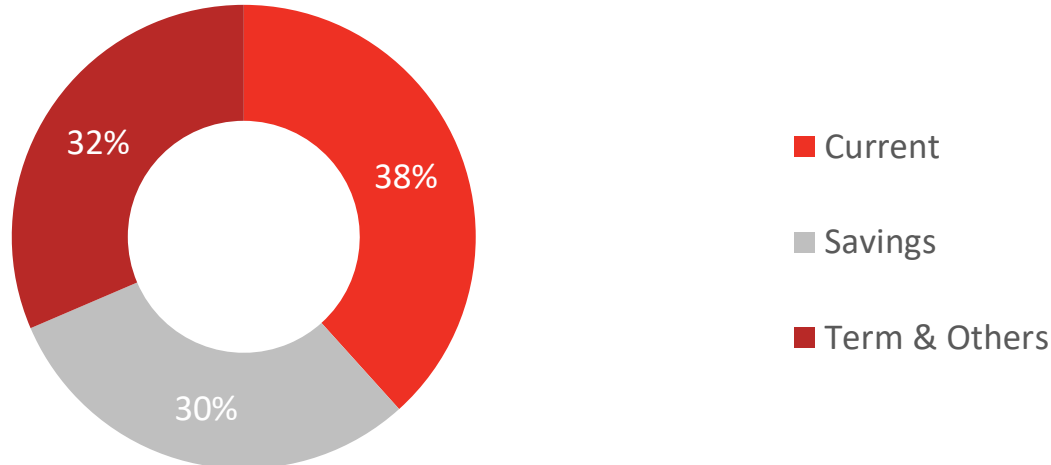
Financial Snapshot



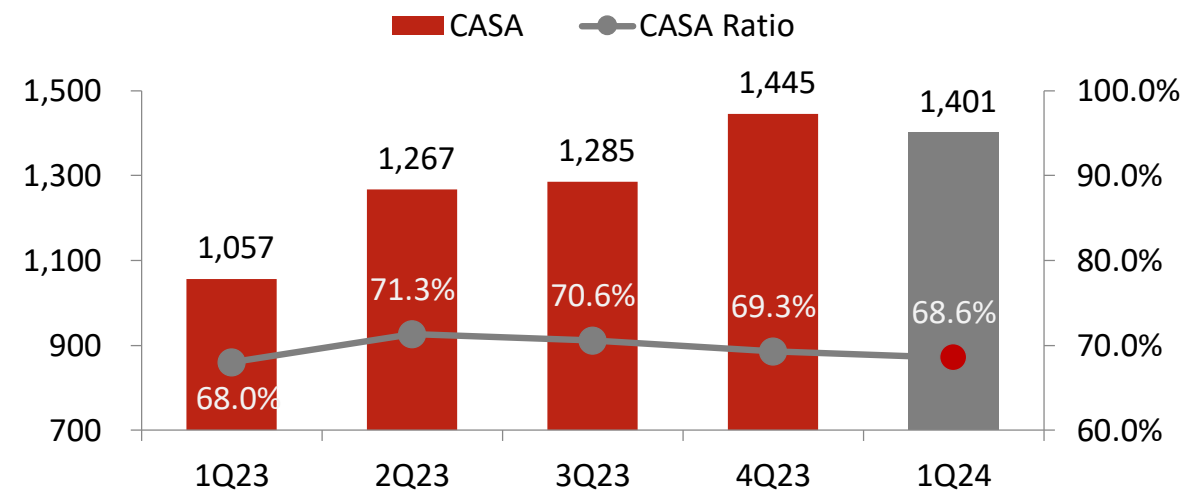
Deposits (PKR bn) – Domestic Market Share at 6.9%



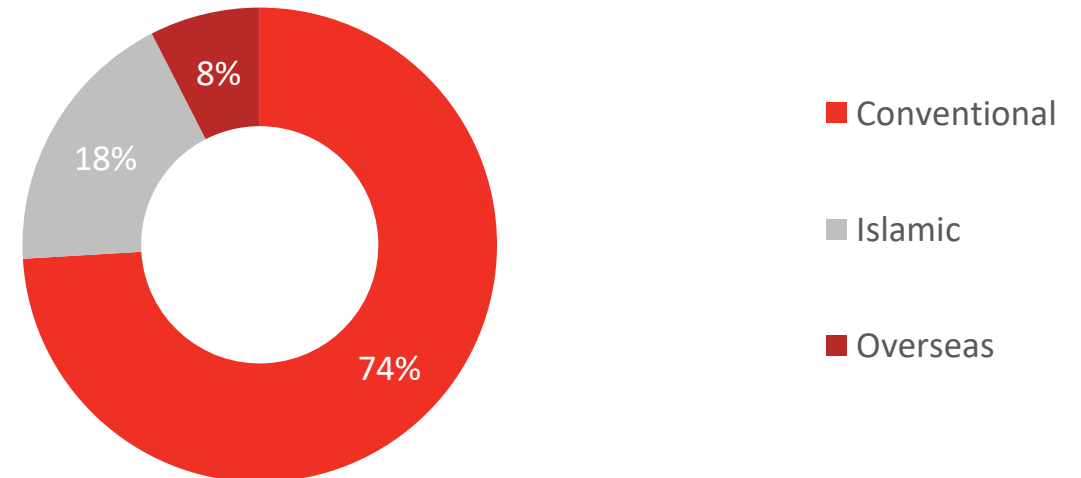
Deposit Mix



CASA Deposits (PKR bn) – CASA Ratio at 69.3%



Deposits Composition

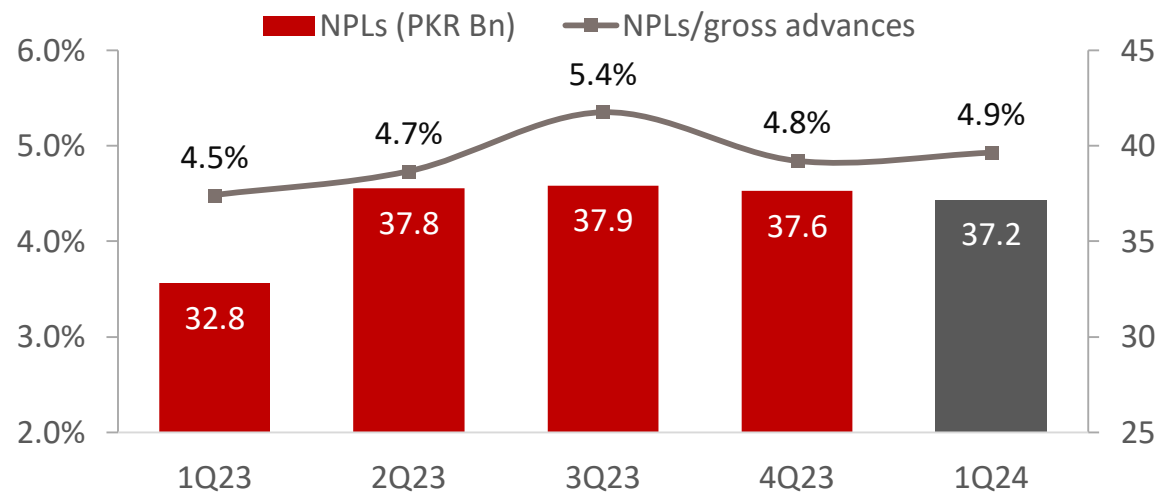


Trends Analysis

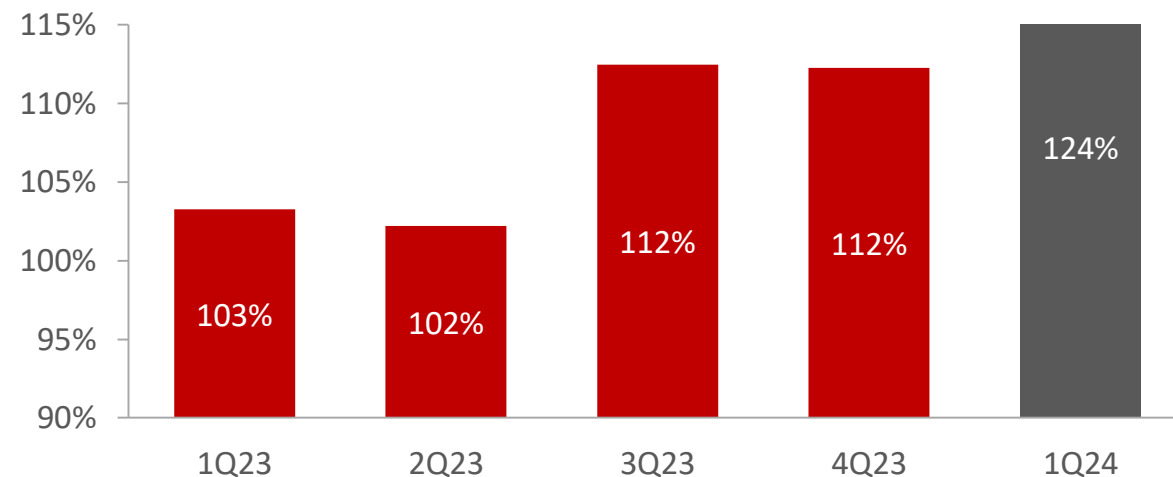
Quarterly Advances & Asset quality trends



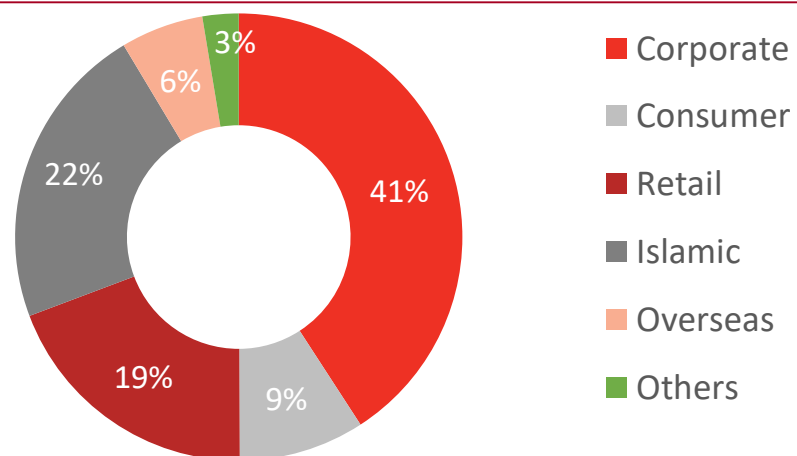
Infection Ratio at 4.9%



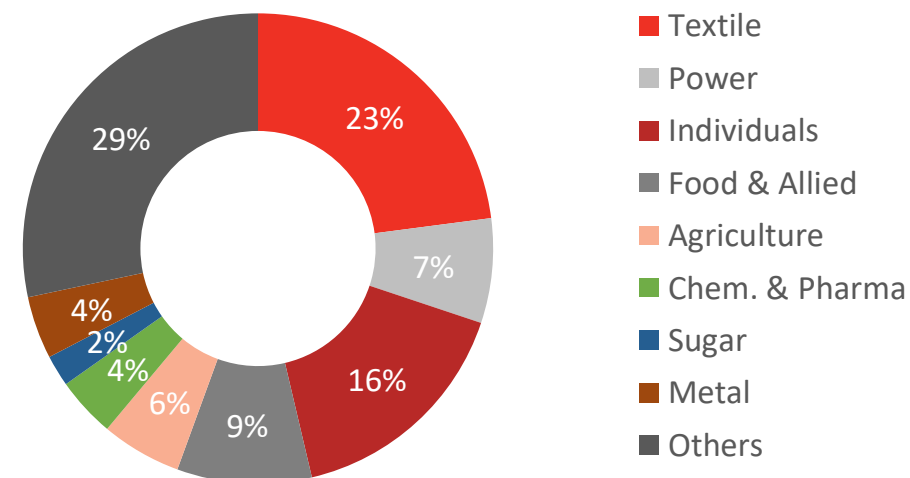
Coverage increased to 124%



Performing Advances composition



Advances concentration (Dec 2023)



Islamic book comprises of:
56% corporate; 15% commodity finance, 17% consumer loans & 12% others

Trends Analysis

Balance Sheet



Amounts in PKR mn	2018	2019	2020	2021	2022	2023	5yr CAGR
Cash & Bal. With Treasury Bank	82,408	100,732	99,348	105,606	140,613	202,692	19.7%
Balances With Other Banks	3,875	4,710	6,234	9,783	9,485	16,618	33.8%
Lending to FIs	62,172	71,435	77,306	35,982	115,354	119,554	14.0%
Advances (Net)	501,636	511,236	577,316	673,881	732,375	735,052	7.9%
Investments (Net)	277,660	299,098	547,090	809,214	1,114,407	2,067,263	49.4%
Fixed & Other Assets	78,466	78,100	77,580	99,856	140,963	204,738	21.1%
Total Assets	1,006,218	1,065,311	1,384,874	1,734,321	2,253,197	3,345,917	27.2%
Deposits	702,895	782,284	881,767	1,139,045	1,486,845	2,084,997	24.3%
Subordinated Loans	11,989	11,987	7,000	7,000	14,000	14,000	3.1%
Borrowings	123,738	102,842	314,960	383,809	491,180	909,543	49.0%
Bills Payable & Other Liabilities	91,948	80,170	90,129	104,465	161,157	199,453	16.8%
Total Liabilities	930,571	977,284	1,293,856	1,634,319	2,153,182	3,207,994	28.1%
Paid - up Capital	17,744	17,772	17,772	17,772	15,772	15,772	-2.3%
Reserves & Retained Profit	50,520	58,889	62,737	70,790	79,384	110,883	17.0%
Revaluation Surplus	7,383	11,367	10,509	11,441	4,859	11,268	8.8%
Total Equity	75,647	88,028	91,017	100,003	100,015	137,923	12.8%

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

Trends Analysis

Profit & Loss



Amounts in PKR mn	2018	2019	2020	2021	2022	2023	5yr CAGR
Interest Income	59,672	92,519	92,616	100,402	214,054	411,948	47.2%
Interest Expenses	27,746	47,623	47,911	54,134	136,812	285,877	59.4%
Net Int. Income	31,926	44,896	44,705	46,268	77,242	126,070	31.6%
Non Int. Income	10,431	10,357	12,795	16,254	21,883	28,064	21.9%
Total Income	42,357	55,253	57,499	62,522	99,126	154,134	29.5%
Admin expenses	24,313	29,066	31,443	36,316	49,562	64,503	21.5%
Other charges	400	777	589	524	935	1,994	37.9%
Non int. expense	24,713	29,843	32,032	36,840	50,497	66,497	21.9%
Profit before provisions	17,645	25,410	25,468	25,682	48,629	87,637	37.8%
Provisions	27	3,029	7,589	2,312	12,468	9,462	222.8%
Profit before tax	17,618	22,382	17,878	23,370	36,160	78,175	34.7%
Taxation	6,993	9,686	7,403	9,154	17,954	41,719	42.9%
Profit after Tax	10,625	12,696	10,475	14,217	18,206	36,456	28.0%
EPS (PKR) *	6.74	8.05	6.64	9.01	11.54	23.12	
Stock Dividend	10.00%	-	-	-	-		
Dividend (% of Paid-up) **	25.00%	40.00%	40.00%	40.00%	50.00%	80.00%	

* EPS is calculated using current number of the shares

** Percentage of paid up capital at time of declaration

Trends Analysis

Key Ratios



	2018	2019	2020	2021	2022	2023
Capital Adequacy Ratio (Tier - I)	12.2%	13.3%	12.7%	11.1%	11.1%	13.1%
Capital Adequacy Ratio Total	15.0%	16.9%	16.5%	14.4%	13.8%	16.7%
Net Interest Margins	4.0%	5.3%	4.3%	3.4%	4.2%	5.4%
Admin Cost to Income Ratio	57.3%	52.6%	54.7%	58.1%	50.0%	41.8%
Non - Interest Income as % of Total	24.4%	18.7%	22.3%	26.3%	22.1%	18.2%
Advance to Deposit Ratio (ADR) - Gross	71.4%	67.7%	68.1%	61.4%	51.5%	37.3%
YoY Deposit Growth	9.0%	8.2%	12.7%	29.2%	30.5%	40.2%
YoY Advances Growth	25.2%	1.9%	12.9%	16.7%	8.7%	0.4%
YoY Investments Growth	-30.7%	6.0%	82.9%	47.9%	37.7%	85.5%
Current Deposits Ratio	40.9%	43.4%	44.7%	44.0%	44.5%	37.9%
CASA Ratio	75.4%	75.9%	77.9%	76.9%	71.7%	69.3%
NPL Ratio	3.6%	4.2%	4.3%	3.5%	4.0%	4.8%
Coverage Ratio	89.0%	83.6%	91.2%	101.9%	107.6%	112.2%
ROA	1.2%	1.3%	0.9%	1.0%	0.9%	1.3%
ROE Excluding Reval. Surplus	16.9%	17.6%	13.2%	17.1%	19.5%	32.5%
ROE Including Reval. Surplus	15.3%	15.4%	11.5%	15.3%	18.2%	26.4%
Diluted BVPS (Incl. Reval.)	47.96	55.81	57.71	63.41	63.41	87.45

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



Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1,577.17
Market Capitalization (PKR bn)**	93,116
Market Capitalization (USD mn)*	334
Average Daily Turnover (mn shares) - 12M	2.39
Average Daily Turnover (USD mn) - 12M	352.96
Current Stock Price** (PKR)	59.04
High / Low** (PKR) - 12M	59.04 / 28.52

*Using PKR / USD parity of PKR 278.39

**Stock Price as of April 26, 2024



For any queries:

Fahad Rauf, CFA

Unit Head - Capital Markets & Investor Relations

Bank Alfalah Limited

Phone: +92 (21) 3820 7697

E-mail: fahad.rauf@bankalfalah.com



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