



Date

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Applicable Criteria

- Methodology | Financial Institution (Jun 18)
- Methodology | Criteria | Rating Modifier (Jun 18)
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale (Jun 18)

Related Research

- Sector Study | Commercial Bank (Jun 19)

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PACRA Maintains Entity Ratings of Bank Alfalah Limited

Rating Type	Entity	
	Current (28-Jun-2019)	Previous (28-Dec-2018)
Action	Maintain	Maintain
Long Term	AA+	AA+
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflect relative positioning of the bank among large banks of the country. Advances grew faster than the industry average, resulting in a very high ADR of ~71%, highest amongst its peers. Another reason for the hike in ADR was less than average growth in deposit base, though the mix of which improved. The Bank shed high cost deposits and added a few percentage points to the CA part of the CASA mix. Resultantly, BAFL's cost of funds is comparable to some of the large banks. The Bank has a sound foothold with a considerable presence across the country which has enabled its deposit base to increase. Operating cost structure has improved on YoY basis on account of cost rationalization. The Bank saw healthy uptick in its profitability. Overall infection ratio has reduced due to an expanded loan book, while the Bank has maintained its asset quality. Effective implementation of the envisaged business strategy is important. The increasing asset yield and cost efficiency enabled spreads to increase. The bank issued Tier-I instrument to improve its capital, whereas, enhancing Tier-II capital through issue of a new instrument is also an option, which the Bank can continue to avail from time to time.

The Bank has continued its growth stride; continuation of the same is considered positive. Herein, augmentation of the Bank's capitalization backed by strong sponsors and adding granularity to its advances and deposits book are essential.

About the Entity

Bank Alfalah Limited (BAFL) has a network of 649 branches, at end-Mar19, including 152 Islamic banking branches - one of the most extensive network by any conventional bank. Abu Dhabi Group (ADG), comprising some of the prominent members of UAE's ruling family and leading businessmen of UAE, continues to own majority stake (~50% at end-Dec18) in the bank.

The nine-member BoD comprises President & CEO and eight Non Executive Directors, four of whom are representatives of ADG, one represents IFC, while three are independent. Mr. Nauman Ansari is the president of the bank. He carries extensive experience in the banking industry. A team of experienced professionals assist the CEO.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.