

Bank Alfalah Limited

Analyst Briefing

2020 - Annual Performance Review & Outlook

February 2021

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	730 (including 186 Islamic Branches)
ATMs/ CDMs	818/223
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 4 countries
Market Share	4.5% of domestic deposits
Assets	PKR 1,384bn / USD 8.7bn
Deposits	PKR 882bn / USD 5.5bn
Net Advances	PKR 577bn / USD 3.6bn
Capital Adequacy Ratio	16.53%
Staff Strength	10,755

Note - Data as of December 31, 2020. USD/PKR parity taken as 159.83

Financial Results – 2020



Financial Results – 2020

Profit & Loss Snapshot



Amount PKR mn	4Q19	3Q20	4Q20	YoY	QoQ	2019	2020	YoY
Interest Income	26,016	21,787	20,880	-20%	-4%	92,519	92,616	0%
Interest Expenses	14,500	10,681	10,643	-27%	0%	47,623	47,911	1%
Net Int. Income	11,516	11,106	10,238	-11%	-8%	44,896	44,705	0%
Non Int. Income	3,320	3,142	2,771	-17%	-12%	10,357	12,795	24%
Total Income	14,836	14,248	13,009	-12%	-9%	55,253	57,499	4%
Admin expenses	7,709	7,844	8,060	5%	3%	29,066	31,443	8%
Other charges	225	176	95	-58%	-46%	777	589	-24%
Non int. expense	7,934	8,019	8,155	3%	2%	29,843	32,032	7%
Profit before prov	6,902	6,229	4,853	-30%	-22%	25,410	25,468	0%
Provisions	1,016	1,490	1,310	29%	-12%	3,029	7,589	151%
Profit before tax	5,886	4,738	3,543	-40%	-25%	22,382	17,878	-20%
Taxation	2,432	1,991	1,399	-42%	-30%	9,686	7,403	-24%
Profit after tax	3,453	2,747	2,143	-38%	-22%	12,696	10,475	-17%
Diluted EPS (PKR)	1.94	1.55	1.21	-38%	-22%	7.15	5.89	-18%
DPS (Rupees)	-	2.0	2.0	NM	NM	4.00	4.00	0%

- Following on from 41% YoY increase in 2019, NII remained flat YoY in 2020.
- QoQ drop in 4Q20 NII magnified due to mark up recoveries in Bangladesh during 3Q20 – normalized QoQ NII drop ~5%
- Non interest income for 2020 was up 24% YoY, mainly due to capital gains and forex income.
- Admin expenses in 2020 rose 8% YoY due to inflation, new initiatives & opening up of branches.
- ~2.5x increase in 2020 provision due to PKR4.25bn general provision, PKR2bn subjective provision and PKR600mn of impairment reversal on equity.
- PAT down 17% YoY, primarily due to prudent provisions.
- Final DPS of PKR 2 took full year DPS to PKR4.

Financial Results – 2020

Balance Sheet Snapshot



Amount PKR mn	Dec-19	Sep-20	Dec-20	YoY	QoQ
Cash	100,732	79,502	99,348	-1%	25%
Bal with banks	4,710	3,192	6,234	32%	95%
Lending to FI	71,435	53,161	77,306	8%	45%
Advances (net)	511,236	495,888	577,316	13%	16%
Investments (net)	299,098	539,707	547,090	83%	1%
Fixed & Others	78,100	72,332	77,580	-1%	7%
Total Assets	1,065,311	1,243,782	1,384,874	30%	11%
Deposits	782,284	820,066	881,767	13%	8%
Sub Loans/ADT1	11,987	7,000	7,000	-42%	0%
Borrowings	102,842	234,175	314,960	206%	34%
Other Liabilities	80,170	88,807	90,129	12%	1%
Total Liabilities	977,284	1,150,048	1,293,856	32%	13%
Paid up Capital	17,772	17,772	17,772	0%	0%
Reserves	58,889	65,009	62,737	7%	-3%
Reval. Surplus	11,367	10,952	10,509	-8%	-4%
Total Equity	88,028	93,733	91,017	3%	-3%
Book Value per Share	49.53	52.74	51.21	3%	-3%

- Cash Balance remained flat YoY but up 25% QoQ primarily due to seasonal year end impact.
- Advances grew 13% YoY led by corporate and Islamic loan book; Covid driven SBP re-financing programs also contributed to the growth. TERF disbursements yet to fully reflect.
- Investments grew 83% YoY. with investments in T-Bills and PIBs increasing by ~2x.
- Deposits increased 13% YoY, with CASA at ~78%. CA up by 16% on YoY basis
- Borrowings up 206% YoY due to SBP refinance, interbank borrowings pre-IPO proceeds of MTN. Corresponding impact on investments & loans.
- Book Value per share dipped QoQ to PKR51.21; to reflect impact of dividend declared in 3Q20.

Financial Results – 2020

Key Ratios



	2019	1Q20	2Q20	3Q20	4Q20	2020
Yield on Advances	11.8%	12.5%	9.7%	8.2%	7.2%	9.4%
Yield on Investments	9.7%	10.6%	9.6%	8.2%	7.5%	8.7%
Cost of Deposits	5.0%	5.8%	4.2%	3.3%	3.1%	4.1%
Cost of Funds	5.8%	6.6%	5.1%	4.2%	3.9%	4.8%
NIM	5.3%	5.3%	4.6%	4.1%	3.6%	4.3%
ROA	1.3%	1.1%	1.0%	0.9%	0.7%	0.9%
ROE exc. Surplus	17.6%	14.7%	14.1%	14.2%	10.6%	13.2%
Admin Cost : income	52.6%	55.6%	47.5%	55.1%	62.0%	54.7%
Gross ADR	67.7%	68.9%	66.5%	63.4%	68.1%	68.1%
CASA	75.9%	79.3%	79.9%	81.2%	77.9%	77.9%
CA	43.4%	44.2%	46.3%	46.0%	44.7%	44.7%
Net Loans (YoY)	1.9%	7.6%	4.1%	4.8%	12.9%	12.9%
Deposits (YoY)	8.2%	9.8%	9.1%	15.3%	12.7%	12.7%
NPL ratio	4.2%	4.5%	4.7%	4.8%	4.3%	4.3%
Coverage	83.6%	83.3%	92.1%	97.7%	91.2%	91.2%
CAR	16.9%	17.3%	17.67%	18.35%	16.53%	16.53%

- NIMs decreased to 3.6% in 4Q20, due to 1) OMO trades; 2) lower yield on refinance schemes and 3) remaining repricing of investment book.
- Despite 32 new branches, cost growth remained muted; 8% QoQ decline in revenues dragged 4Q C/I ratio to 62%.
- ROE for the quarter also reflected the drag at 10.6%
- Subjective NPL classification partially offset by write-offs. NPL ratio down to 4.3% due to increase in loans during 4Q20.
- PKR4.25bn General Provisions- ~8% of PKR 55bn restructured loans or 2.8% of total exposure to restructured borrowers i.e. PKR 150bn
- Coverage ratio impacted by no provisioning required on GoP loans and partial provisioning of loans subjectively downgraded.
- Dec'20 CAR reported at 16.5% post impact of 3Q dividend. 6

Financial Results – 2020

Key Player in supporting GoP and SBP initiatives



01

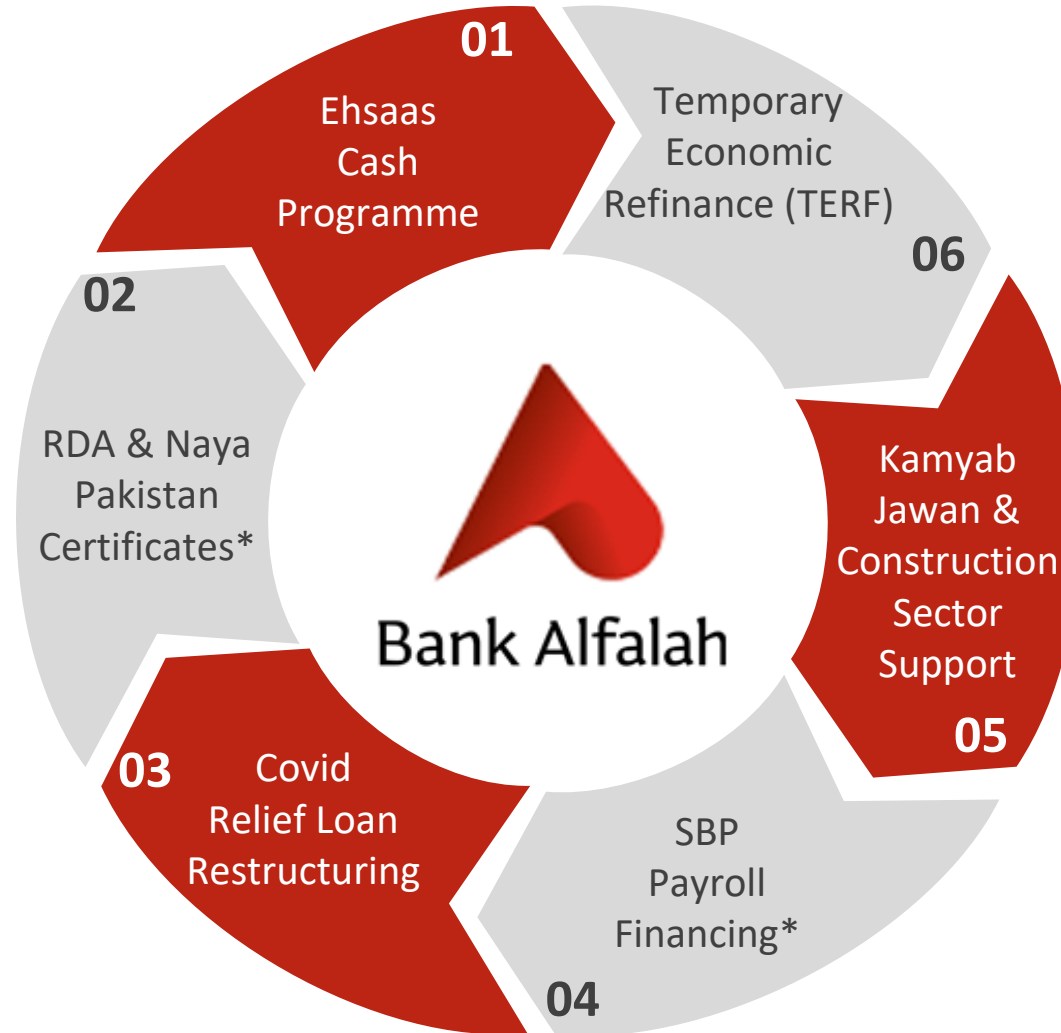
One of the two **exclusive banks** to partner with GoP for Ehsaas Programme (Cash transfers for the vulnerable). **PKR 48 billion** disbursed to over **2.9 million beneficiaries**.

02

Promoting NRP flows via Naya Pakistan Certificate & RDA. **~1,500 NPCs and ~10K RDA** accounts opened – 12% share in flows – **Top 5** in terms of # of accounts & inflows.

03

In line with SBP Covid relief facilities, the bank has provided mark-up and principal payment deferment to **~4,800** borrowers amounting to **PKR 54.5bn**.



06

Fully committed in supporting SBP's TERF Facility for promoting investments in new and expansionary projects – approvals in place for lines of **~PKR 50bn to over 100 borrowers**.

05

Kamyab Jawan Jun'21 target already **achieved**. **Construction sector** target achieved with loans to both developers and end users.

04

As part of SBP Covid schemes, Advances backed by the SBP refinance scheme (for wages & salaries) were extended to over **350 entities** amounting to over **PKR 29bn**.

* Data as of Feb 2021

Appendix

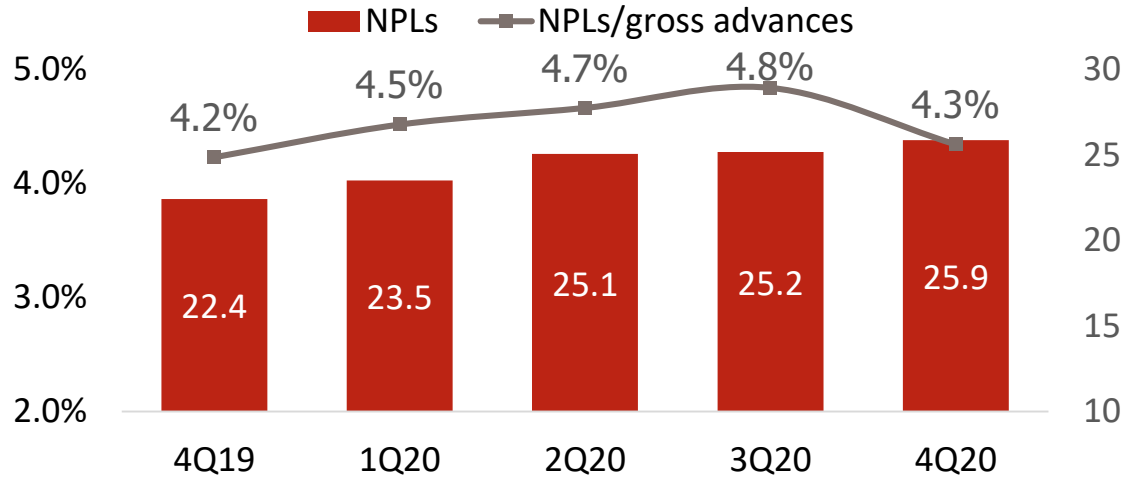


Appendix

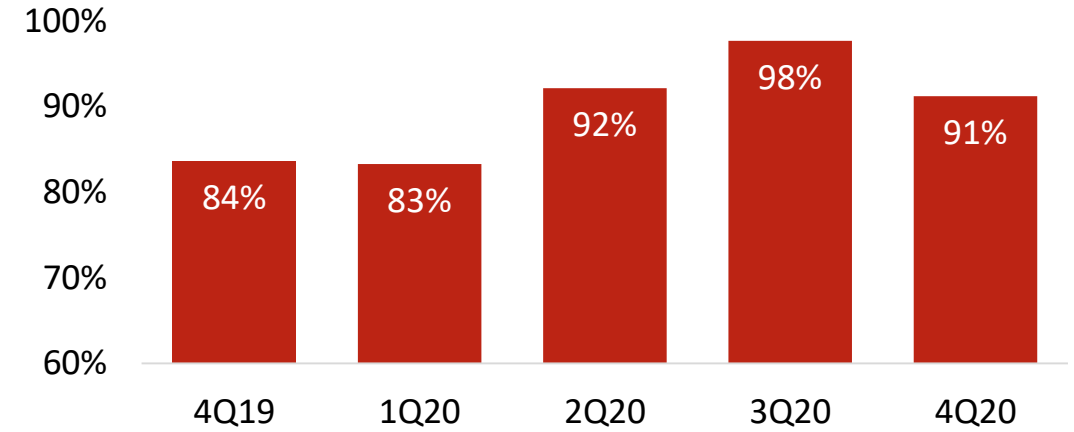
Quarterly Advances & Asset quality trends



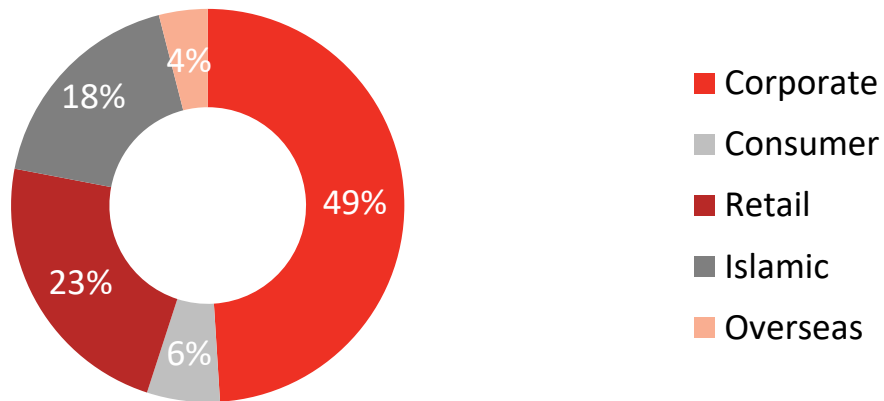
Subjective NPL classification partially offset by write-offs



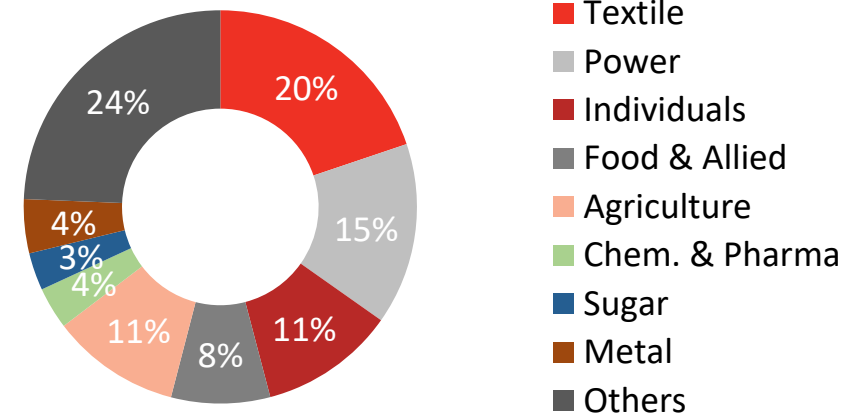
Coverage stands at 91% - no coverage on GoP backed NPLs



Performing Advances composition



Advances concentration (Dec 2020)

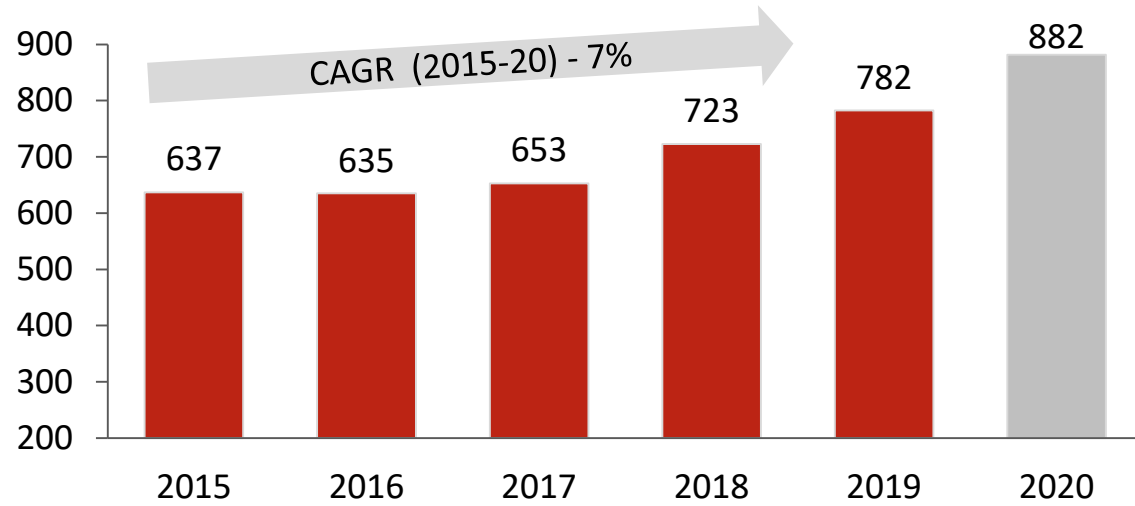


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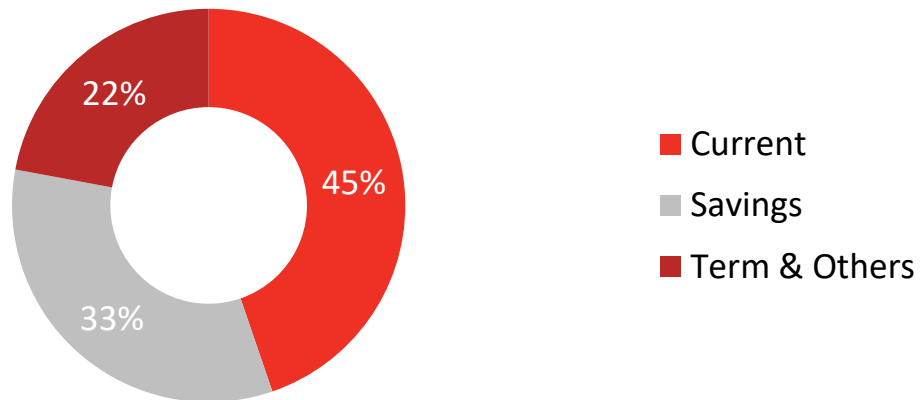
Deposit Mix



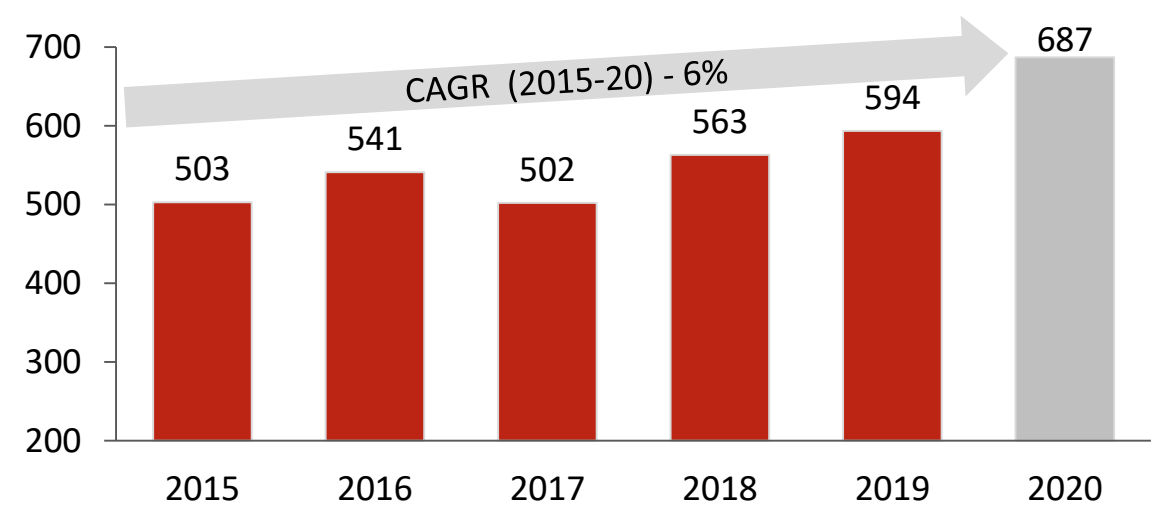
Deposit Growth Trend* (PKR bn)



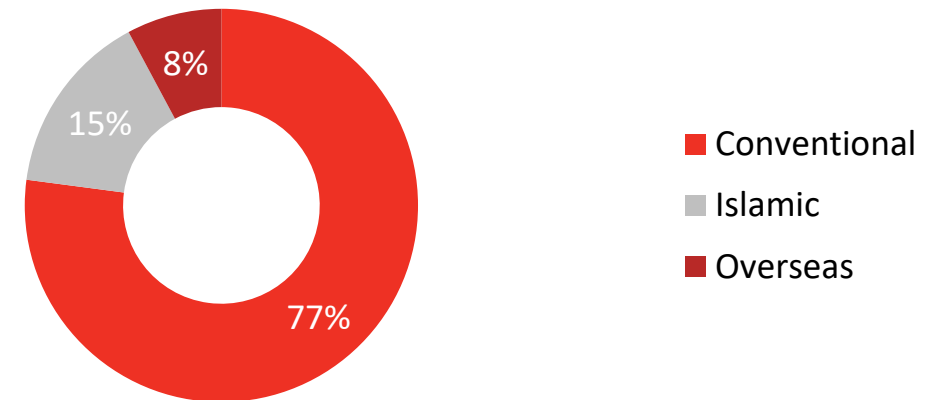
Deposit Mix



CASA Continues to Remain Strong* (PKR bn)



Deposits Composition



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

Appendix

Balance Sheet



Amounts in PKR mn	2015	2016	2017	2018	2019	2020	5yr CAGR
Cash & Bal. With Treasury Bank	62,369	74,071	70,381	82,408	100,732	99,348	10%
Balances With Other Banks	16,552	9,373	3,754	3,875	4,710	6,234	-18%
Lending to FIs	27,626	30,149	48,896	62,172	71,435	77,306	23%
Advances (Net)	334,159	378,720	400,655	501,636	511,236	547,090	10%
Investments (Net)	423,100	389,093	400,733	277,660	299,098	577,316	6%
Fixed & Other Assets	54,598	48,239	74,408	78,466	78,100	77,580	7%
Total Assets	918,404	929,645	998,828	1,006,218	1,065,311	1,384,874	9%
Deposits	636,863	634,740	644,985	702,895	782,284	881,767	7%
Subordinated Loans	9,983	8,318	4,991	11,989	11,987	7,000	-7%
Borrowings	172,393	178,311	207,194	123,738	102,842	314,960	13%
Bills Payable & Other Liabilities	45,812	48,151	75,859	91,948	80,170	90,129	14%
Total Liabilities	865,051	869,520	933,028	930,571	977,283	1,293,856	8%
Paid - up Capital	15,898	15,952	16,076	17,744	17,772	17,772	2%
Reserves & Retained Profit	26,527	33,203	42,439	50,520	58,889	62,737	19%
Revaluation Surplus	10,928	10,970	7,285	7,383	11,367	10,509	-1%
Total Equity	53,353	60,125	65,800	75,647	88,028	91,017	11%

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

Appendix

Profit & Loss



Amounts in PKR mn	2015	2016	2017	2018	2019	2020	5yr CAGR
Interest Income	61,438	57,144	56,919	59,672	92,519	92,616	9%
Interest Expenses	32,811	28,153	27,354	27,746	47,623	47,911	8%
Net Int. Income	28,627	28,991	29,565	31,926	44,896	44,705	9%
Non Int. Income	8,862	8,907	9,381	10,431	10,357	12,795	8%
Total Income	37,489	37,899	38,946	42,357	55,253	57,499	9%
Admin expenses	21,956	23,684	25,131	24,313	29,066	31,443	7%
Other charges	330	118	294	400	777	589	-2%
Non int. expense	22,286	23,802	25,424	24,713	29,843	32,032	7%
Profit before provisions	15,203	14,097	13,522	17,645	25,410	25,468	11%
Provisions	2,599	1,073	(523)	27	3,029	7,589	27%
Profit before tax	12,604	13,023	14,045	17,618	22,382	17,878	7%
Taxation	5,081	5,123	5,678	6,993	9,686	7,403	8%
Profit after Tax	7,523	7,900	8,367	10,625	12,696	10,475	7%
EPS (PKR)	4.24	4.45	4.72	5.99	7.15	5.89	7%
Stock Dividend	-	-	-	10.00%	-	-	-
Dividend (% of Paid-up)*	10.00%	0.00%	15.00%	25.00%	40.00%	40.00%	

*Percentage of paid up capital at time of declaration

Appendix

Key Ratios



	2015	2016	2017	2018	2019	2020
Capital Adequacy Ratio (Tier - I)	9.7%	9.9%	10.9%	12.2%	13.3%	12.7%
Capital Adequacy Ratio Total	13.4%	13.2%	13.4%	15.0%	16.9%	16.5%
Net Interest Margins	4.0%	3.6%	3.6%	4.0%	5.3%	4.3%
Admin Cost to Income Ratio	60.3%	62.5%	64.8%	57.3%	52.6%	54.7%
Non - Interest Income as % of Total	23.6%	23.6%	25.3%	24.4%	18.7%	22.3%
Advance to Deposit Ratio (ADR)	52.5%	59.7%	62.1%	71.4%	67.7%	68.1%
YoY Deposit Growth	5.5%	-0.3%	1.6%	9.0%	8.2%	12.7%
YoY Advances Growth	15.0%	13.3%	5.8%	25.2%	1.9%	12.9%
YoY Investments Growth	30.5%	-8.0%	3.0%	-30.7%	6.0%	82.9%
Current Deposits Ratio	38.0%	45.3%	40.1%	40.9%	43.4%	44.7%
CASA Ratio	78.5%	85.3%	76.9%	75.4%	75.9%	77.9%
NPL Ratio	5.4%	4.8%	4.2%	3.6%	4.2%	4.3%
Coverage Ratio	83.7%	86.1%	89.2%	84.4%	79.1%	70.8%
ROA	1.0%	0.9%	0.9%	1.2%	1.3%	0.9%
ROE Excluding Reval. Surplus	19.1%	17.4%	15.5%	16.9%	17.6%	13.2%
ROE Including Reval. Surplus	15.4%	13.9%	13.2%	15.3%	15.4%	11.5%
Diluted BVPS (Incl. Reval.)	30.1	33.9	37.1	42.6	49.5	51.2

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)	60,086
Market Capitalization (USD mn)*	375.9
Average Daily Turnover (mn shares)	1.7
Average Daily Turnover (USD mn)*	0.6
Current Stock Price** (PKR)	33.81
12M High / Low** (PKR)	28.55/52.99

*Using PKR / USD parity of PKR 159.83

**Stock Price as of Dec 31, 2020

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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