

# **Bank Alfalah Limited**

## **Analyst Briefing**

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### **2021 – First Quarter Performance Review & Outlook**

*May 2021*



Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group (50%); IFC (15%)
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	732 (including 187 Islamic Branches)
ATMs/ CDMs	828/223
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 4 countries
Market Share	4.7% of domestic deposits
Assets	PKR 1,387bn / USD 9.1bn
Deposits	PKR 913bn / USD 6.0bn
Net Advances	PKR 583bn / USD 3.8bn
Capital Adequacy Ratio	15.60%
Staff Strength	11,140

**Note** - Data as of March 31, 2021. USD/PKR parity taken as 152.76

# **Financial Results – 1Q21**





### Deposits up by 21% YoY; CA up 25% YoY

Deposits defied normal 1Q seasonality and are up 4% since Dec and 21% YoY; **CA is up 25% YoY**

### Loans +16% YoY – TERF drawdown ahead

Advances up 16% YoY – all domestic segments reported double digit growth. **BAFL's ~PKR55bn TERF limit ranks amongst Top 3**

### Active participant in all SBP schemes

BAFL played leading role in TERF, construction loans, payroll financing, Ehsaas Program and **RDA-amongst Top 4 banks with 12% market share**

### Profit after Tax grows by 62% QoQ

**PAT is up by 62% on a QoQ basis** (23% YoY) on account of higher income and lower provisions

### Non Interest Income up by 38% QoQ

Capital Gain & 13% YoY growth in Fees for 1Q21: **Remittances Income up 2x - market share doubled to 12%**. Card Related Fees up 61% YoY

### Robust Asset Quality

Infection ratio marginally down to 4.2%. **Bank maintains 94% coverage**; including a PKR4.25bn general provision against Covid restructured loans



# Financial Results – 1Q21

## Balance Sheet Snapshot



Amount PKR mn	Mar-20	Dec-20	Mar-21	YoY	QoQ
Cash	78,802	99,348	88,556	12%	-11%
Bal with banks	8,524	6,234	12,445	46%	100%
Lending to FI	50,404	77,306	35,612	-29%	-54%
Advances (net)	500,865	577,316	583,005	16%	1%
Investments (net)	366,830	547,090	589,705	61%	8%
Fixed & Others	76,378	77,580	78,669	3%	1%
<b>Total Assets</b>	<b>1,081,803</b>	<b>1,384,874</b>	<b>1,387,992</b>	<b>28%</b>	<b>0%</b>
Deposits	755,135	881,767	913,213	21%	4%
Sub Loans/ADT1	11,986	7,000	7,000	-42%	0%
Borrowings	146,893	314,960	287,063	95%	-9%
Other Liabilities	79,700	90,129	92,673	16%	3%
<b>Total Liabilities</b>	<b>993,714</b>	<b>1,293,856</b>	<b>1,299,949</b>	<b>31%</b>	<b>0%</b>
Paid up Capital	17,772	17,772	17,772	0%	0%
Reserves	59,702	62,737	61,516	3%	-2%
Reval. Surplus	10,615	10,509	8,755	-18%	-17%
<b>Total Equity</b>	<b>88,089</b>	<b>91,017</b>	<b>88,043</b>	<b>0%</b>	<b>-3%</b>
<b>Book Value per Share</b>	<b>49.57</b>	<b>51.21</b>	<b>49.54</b>	<b>0%</b>	<b>-3%</b>

- Cash balances reduced sequentially given efforts towards efficient cash management
- Loans reported broad based 16% YoY growth; all domestic loan book segments up double digits
- Investments grew 61% mainly driven by PIBs (up 64% YoY), T Bills (up 62% YoY). Sukuks are up 3x YoY
- Deposits defied normal 1Q seasonality and are up 4% since Dec and up 21% YoY, with CASA up 25% YoY
- Borrowings up 95% YoY due to SBP refinance, interbank borrowings and MTN. Corresponding impact seen in loans and investments
- Book value per share dipped to PKR 49.54; to reflect impact of dividend paid in 4Q20.

# Financial Results – 1Q21

## Profit & Loss Snapshot



Amount PKR mn	1Q20	4Q20	1Q21	YoY	QoQ
Interest Income	25,906	20,880	21,388	-17%	2%
Interest Expenses	14,125	10,643	11,061	-22%	4%
<b>Net Int. Income</b>	<b>11,781</b>	<b>10,238</b>	<b>10,327</b>	<b>-12%</b>	<b>1%</b>
Non Int. Income	2,709	2,771	3,833	41%	38%
<b>Total Income</b>	<b>14,490</b>	<b>13,009</b>	<b>14,160</b>	<b>-2%</b>	<b>9%</b>
Admin expenses	8,054	8,060	8,458	5%	5%
Other charges	151	95	116	-23%	22%
Non int. expense	8,206	8,155	8,574	4%	5%
<b>Profit before prov</b>	<b>6,284</b>	<b>4,853</b>	<b>5,586</b>	<b>-11%</b>	<b>15%</b>
Provisions	1,528	1,310	216	-86%	-84%
<b>Profit before tax</b>	<b>4,757</b>	<b>3,543</b>	<b>5,370</b>	<b>13%</b>	<b>52%</b>
Taxation	1,936	1,399	1,899	-2%	36%
<b>Profit after tax</b>	<b>2,821</b>	<b>2,143</b>	<b>3,471</b>	<b>23%</b>	<b>62%</b>
Diluted EPS (PKR)	1.59	1.21	<b>1.95</b>	<b>23%</b>	<b>62%</b>
DPS (Rupees)	-	2.0	-	<b>NM</b>	<b>NM</b>

- 23% YoY and 62% sequential EPS growth on strong non interest income and lower provisions
- NII for 1Q21 came in marginally higher than 4Q20, on the back of volumetric growth
- Non interest income growth of 38% QoQ was driven by fees and commission and capital gains on securities
- Admin expenses up by 5%, mainly due to annual appraisals and opening up of new branches
- Provisions reflected lower loans related provisions of ~PKR270mn and ~PKR55mn reversal of impairment
- Lower tax rate was driven by one deferred tax adjustment (to reflect super tax as ongoing)

# Financial Results – 1Q21

## Key Ratios



	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Yield on Advances	12.7%	12.5%	9.7%	8.2%	7.2%	7.2%
Yield on Investments	10.6%	10.6%	9.6%	8.2%	7.5%	7.3%
Cost of Deposits	5.9%	5.8%	4.2%	3.3%	3.1%	3.0%
Cost of Funds	6.9%	6.6%	5.1%	4.2%	3.9%	3.8%
NIM	5.3%	5.3%	4.6%	4.1%	3.6%	3.4%
ROA	1.4%	1.1%	1.0%	0.9%	0.7%	1.0%
ROE exc. Surplus	18.3%	14.7%	14.1%	14.2%	10.6%	17.6%
Admin Cost : income	52.0%	55.6%	47.5%	55.1%	62.0%	59.7%
Gross ADR	67.7%	68.9%	66.5%	63.4%	68.1%	66.5%
CASA	75.9%	79.3%	79.9%	81.2%	77.9%	78.2%
CA	43.4%	44.2%	46.3%	46.0%	44.7%	45.8%
Net Loans (YoY )	1.9%	7.6%	4.1%	4.8%	12.9%	16.4%
Deposits (YoY)	8.2%	9.8%	9.1%	15.3%	12.7%	20.9%
NPL ratio	4.2%	4.5%	4.7%	4.8%	4.3%	4.2%
Coverage	79.1%	83.3%	92.1%	97.7%	91.2%	94.0%
CAR	16.9%	17.3%	17.67%	18.35%	16.53%	15.6%

- 1Q21 NIMs declined marginally compared to 4Q20. NII however intact due to volumetric growth
- Cost to income ratio improved to sub 60% in 1Q21 on muted costs and higher revenues
- ROE and ROA also depicted the sequential improvement
- Robust current deposits growth lead to CA ratio of 46% and CASA ratio of 78%
- NPL ratio down to 4.2% and coverage at 94%; despite no provisioning required on GoP loans & partial provisioning of subjectively downgraded loans
- Bank carries PKR4.25bn of general provisions i.e. 8% of Covid related restructured loans of PKR55bn
- Mar-21 CAR reported at 15.6% post impact of full year dividend

# Appendix



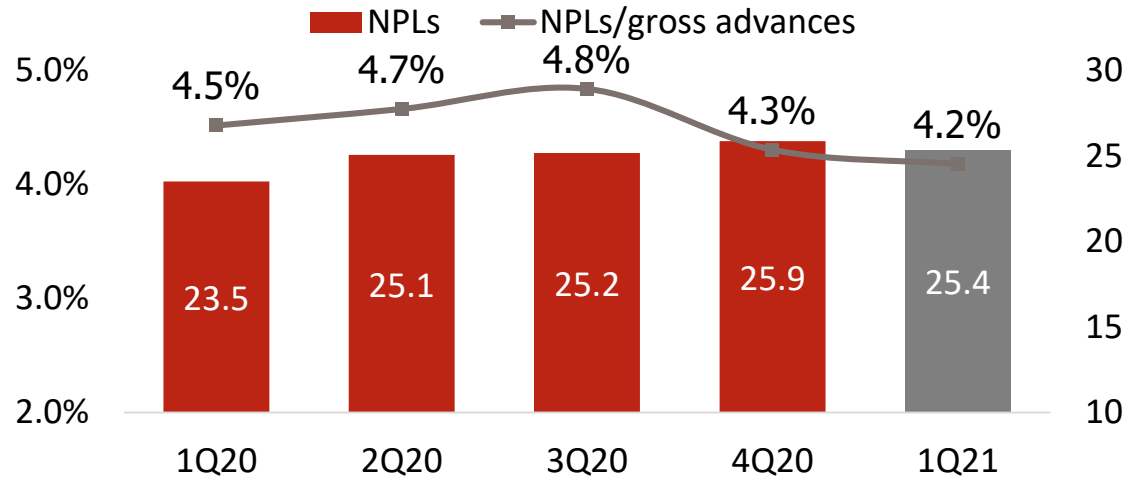


# Appendix

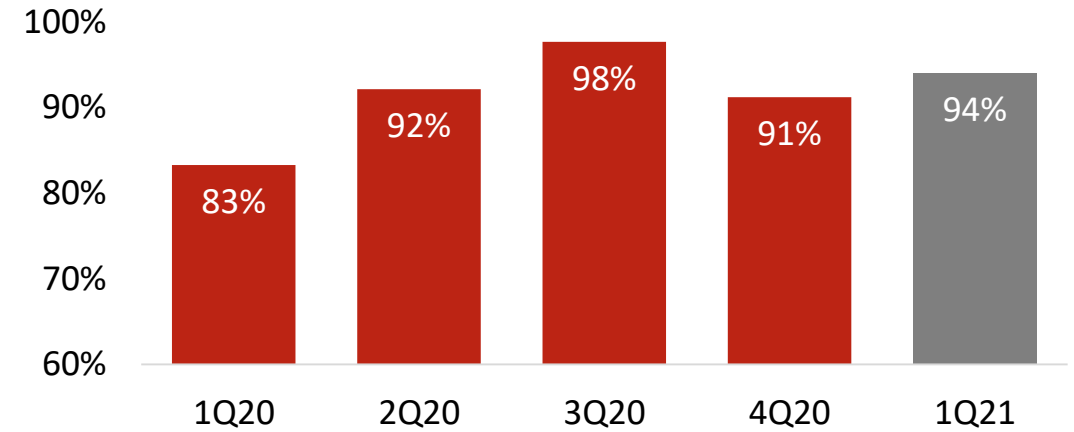
## Quarterly Advances & Asset quality trends



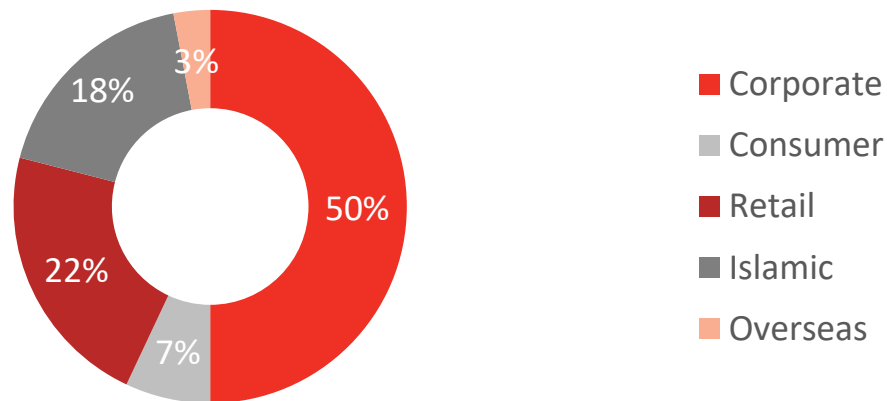
Marginal decline in NPLs lowers infection ratio to 4.2%



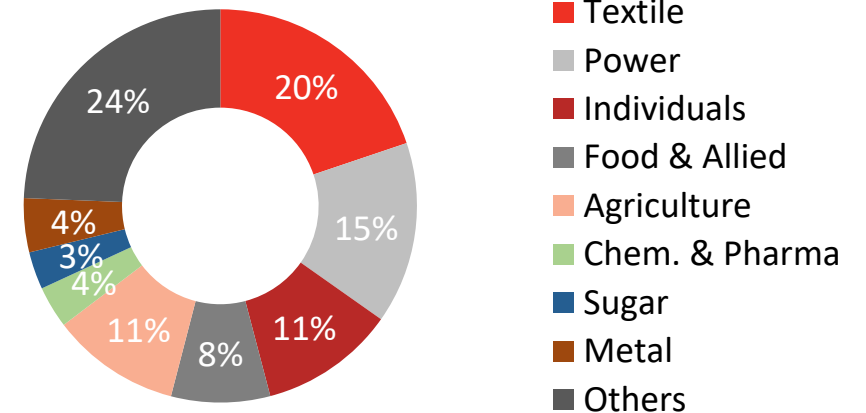
Coverage stands at 94% - no coverage on GoP backed NPLs



Performing Advances composition



Advances concentration (Dec 2020)

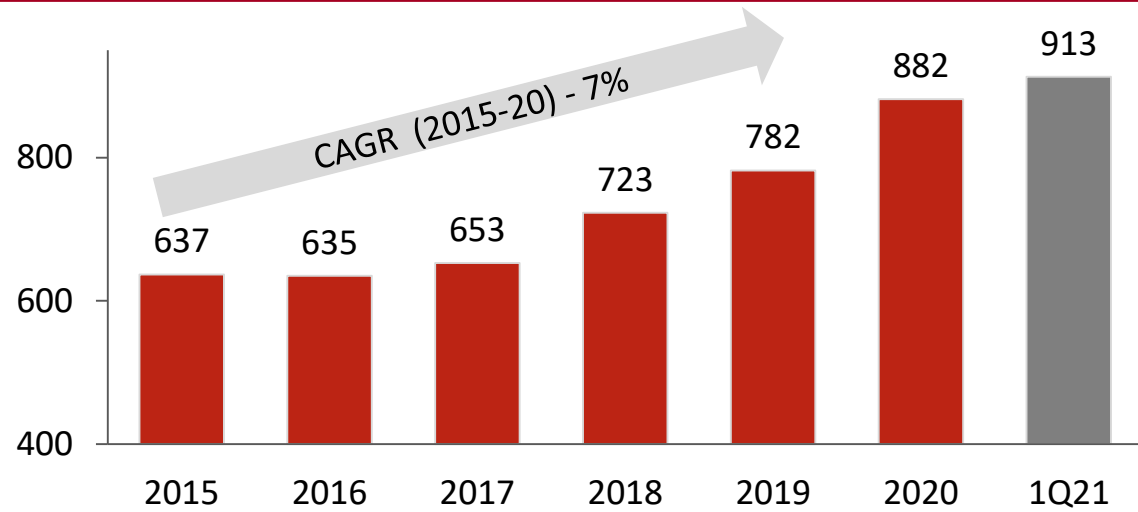


# Appendix

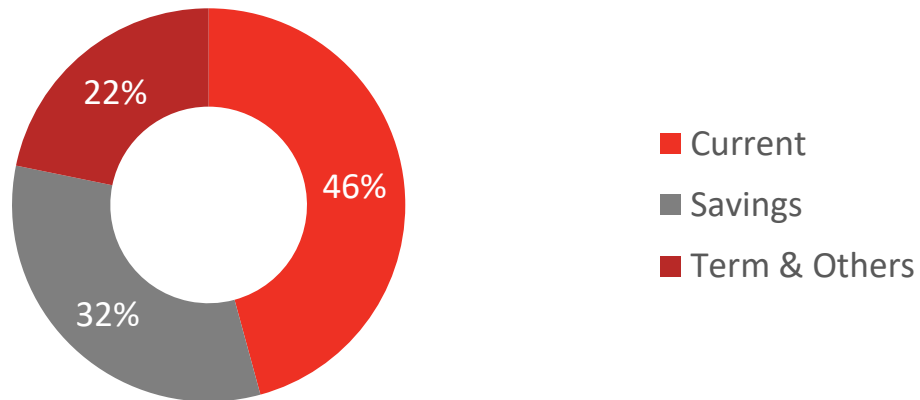
## Deposit Mix



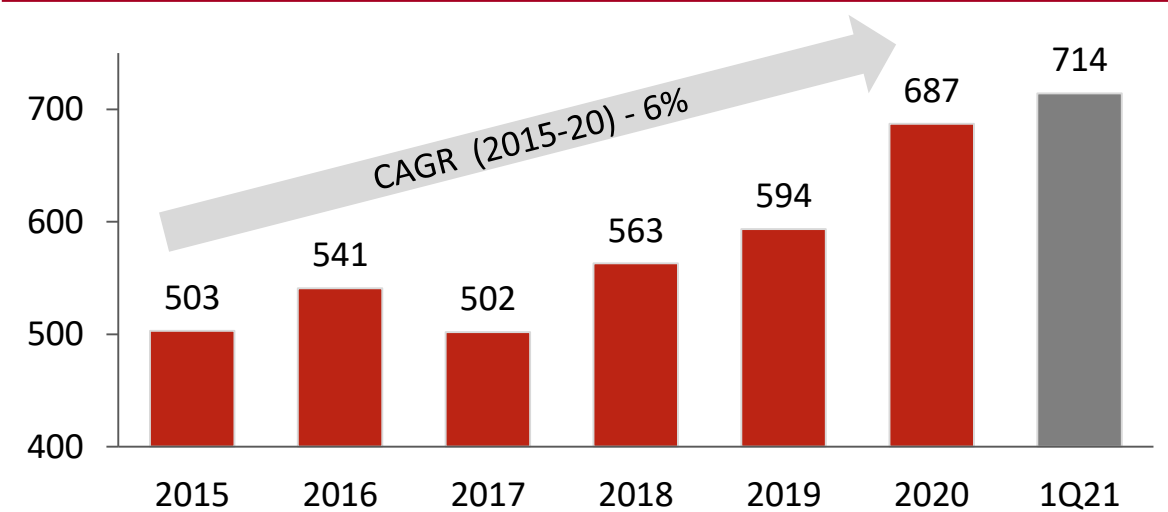
Deposit Growth Trend\* (PKR bn)



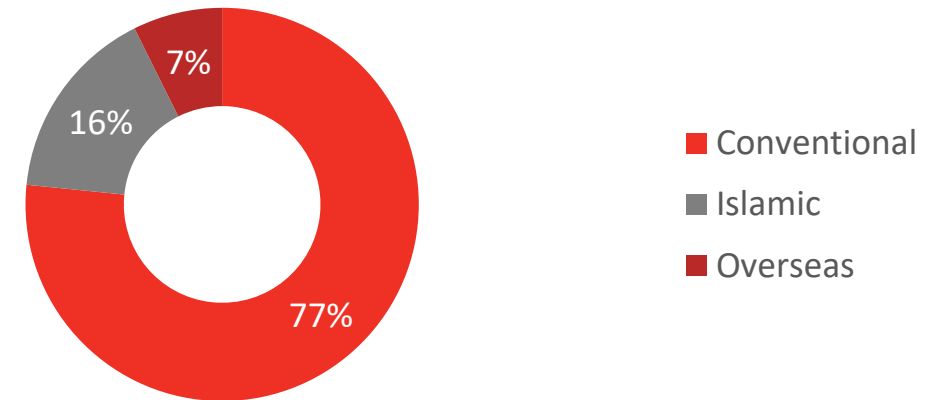
Deposit Mix



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%
<b>Total Assets</b>	<b>918,404</b>	<b>929,645</b>	<b>998,828</b>	<b>1,006,218</b>	<b>1,065,311</b>	<b>1,384,874</b>	<b>9%</b>
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%
<b>Total Liabilities</b>	<b>865,051</b>	<b>869,520</b>	<b>933,028</b>	<b>930,571</b>	<b>977,283</b>	<b>1,293,856</b>	<b>8%</b>
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%
<b>Total Equity</b>	<b>53,353</b>	<b>60,125</b>	<b>65,800</b>	<b>75,647</b>	<b>88,028</b>	<b>91,017</b>	<b>11%</b>

**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%
<b>Net Int. Income</b>	<b>28,627</b>	<b>28,991</b>	<b>29,565</b>	<b>31,926</b>	<b>44,896</b>	<b>44,705</b>	<b>9%</b>
Non Int. Income	8,862	8,907	9,381	10,431	10,357	12,795	8%
<b>Total Income</b>	<b>37,489</b>	<b>37,899</b>	<b>38,946</b>	<b>42,357</b>	<b>55,253</b>	<b>57,499</b>	<b>9%</b>
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%
<b>Profit before provisions</b>	<b>15,203</b>	<b>14,097</b>	<b>13,522</b>	<b>17,645</b>	<b>25,410</b>	<b>25,468</b>	<b>11%</b>
Provisions	2,599	1,073	(523)	27	3,029	7,589	27%
<b>Profit before tax</b>	<b>12,604</b>	<b>13,023</b>	<b>14,045</b>	<b>17,618</b>	<b>22,382</b>	<b>17,878</b>	<b>7%</b>
Taxation	<b>5,081</b>	<b>5,123</b>	<b>5,678</b>	<b>6,993</b>	<b>9,686</b>	<b>7,403</b>	<b>8%</b>
<b>Profit after Tax</b>	<b>7,523</b>	<b>7,900</b>	<b>8,367</b>	<b>10,625</b>	<b>12,696</b>	<b>10,475</b>	<b>7%</b>
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	87.9%	89.9%	94.0%	89.0%	83.6%	91.2%
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)	51,305
Market Capitalization (USD mn)*	333.8
Average Daily Turnover (mn shares)	1.9
Average Daily Turnover (USD mn)*	0.5
Current Stock Price** (PKR)	28.87
12M High / Low** (PKR)	28.26/39.90

\*Using PKR / USD parity of PKR 153.68

\*\*Stock Price as of April 30, 2021

# 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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