

Bank Alfalah Limited

Analyst Briefing

2021 – Second Quarter Performance Review & Outlook

August 2021

Bank Alfalah Limited

Overview and Financial Snapshot



Major Sponsors

Sponsors include **Dhabi Group** (50%); **IFC** (15%)



Credit Rating

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



Domestic Coverage

Presence in over **225 cities** across Pakistan



Global Presence

11 International Branches in **4 countries**



Our Customers

Serving over **4.6 million** customers



Market Share (Deposits)

Market share of **4.8%** of the domestic deposits



Market Share (Advances)

Market share of **6.8%** of the domestic advances



Branches

736 Branches including **190 Islamic Branches**



Digital Footprint

Over **43,000** touch points in addition to Alfa/IB



Capital Adequacy Ratio

CAR stands at **15.4%** as of June 30, 2021



Staff Strength

Staff strength of **11,668** as of June 30, 2021



ATM

ATMs/ CDMs

845 ATMS & 226 CDMs across Pakistan

Financial Results – 1H21



Deposits up by 27% YoY; Cross PKR 1 trillion

Crossed PKR1 trillion deposit mark, without compromising the current account mix

NII up 13% QoQ; non interest income 8%

NII depicted 13% sequential growth due to volumes and favorable investments positioning, while non interest income was up 8% QoQ

Capturing flows aided Non Interest Income

500bp higher YoY remittance market share to 14.5%; **100bp higher trade share to 7.4%**; drove fee income on the same, while also complementing forex income



Profit after Tax grows by 25% YoY

PAT is up 25% YoY (flat sequentially) driven by strong revenue performance

Broad based growth in consumer loans

48% YoY growth in consumer loans via both Islamic (+55%) and conventional (+45%) modes, consolidating leading position in the segment

No headwinds from restructured loans

Lower NPLs (3.9%) & full provisioning of large NPL saw coverage close to 100%. **No headwinds from Covid restructured loans**. A PKR4.25bn general provision maintained prudently

Financial Results – 1H21

Balance Sheet Snapshot



| Amount PKR mn | Jun-20 | Dec-20 | Mar-21 | Jun-21 | YoY | QoQ |
|-----------------------------|------------------|------------------|------------------|------------------|------------|------------|
| Cash | 94,048 | 99,348 | 88,556 | 97,485 | 4% | 10% |
| Bal with banks | 8,225 | 6,234 | 12,445 | 19,778 | 140% | 59% |
| Lending to FI | 31,906 | 77,306 | 35,612 | 55,359 | 74% | 55% |
| Advances (net) | 514,452 | 577,316 | 583,005 | 613,400 | 19% | 5% |
| Investments (net) | 492,528 | 547,090 | 589,705 | 765,028 | 55% | 30% |
| Fixed & Others | 79,886 | 77,580 | 78,669 | 85,608 | 7% | 9% |
| Total Assets | 1,221,046 | 1,384,874 | 1,387,992 | 1,636,657 | 34% | 18% |
| Deposits | 808,090 | 881,767 | 913,213 | 1,025,762 | 27% | 12% |
| Sub Loans/ADT1 | 7,000 | 7,000 | 7,000 | 7,000 | 0% | 0% |
| Borrowings | 224,316 | 314,960 | 287,063 | 406,255 | 81% | 42% |
| Other Liabilities | 89,137 | 90,129 | 92,673 | 104,726 | 17% | 13% |
| Total Liabilities | 1,128,543 | 1,293,856 | 1,299,949 | 1,543,743 | 37% | 19% |
| Paid up Capital | 17,772 | 17,772 | 17,772 | 17,772 | 0% | 0% |
| Reserves | 62,556 | 62,737 | 61,516 | 65,651 | 5% | 7% |
| Reval. Surplus | 12,176 | 10,509 | 8,755 | 9,491 | -22% | 8% |
| Total Equity | 92,503 | 91,017 | 88,043 | 92,914 | 0% | 6% |
| Book Value per Share | 52.05 | 51.21 | 49.54 | 52.28 | 0% | 6% |

- BAFL crossed the PKR1 trillion mark for deposits with 27% YoY growth.
- The growth was achieved while improving the current account mix both YoY and sequentially to 46.5%.
- Strong deposit growth combined with uptick in borrowings saw investment book grow 55% YoY.
- Advances at the same time grew 19% YoY. Consumer (48% YoY) and Middle Market (29% YoY) led the growth. Islamic (ex-consumer) grew 28% YoY.
- Realization of dividends and gains on different investments led to 22% YoY drop in revaluation surplus.
- Book value per share clocked in at PKR52.3/sh; around the same levels as June 2020.

Financial Results – 1H21

Profit & Loss Snapshot



| Amount PKR mn | 1H20 | 1H21 | YoY | 2Q20 | 1Q21 | 2Q21 | YoY | QoQ |
|---------------------------|---------------|---------------|-------------|---------------|---------------|---------------|-------------|------------|
| Interest Income | 49,948 | 45,913 | -8% | 24,043 | 21,388 | 24,525 | 2% | 15% |
| Interest Expenses | 26,587 | 23,929 | -10% | 12,462 | 11,061 | 12,867 | 3% | 16% |
| Net Int. Income | 23,361 | 21,985 | -6% | 11,580 | 10,327 | 11,658 | 1% | 13% |
| Non Int. Income | 6,882 | 7,976 | 16% | 4,173 | 3,833 | 4,142 | -1% | 8% |
| Total Income | 30,243 | 29,960 | -1% | 15,753 | 14,160 | 15,801 | 0% | 12% |
| Admin expenses | 15,539 | 17,390 | 12% | 7,485 | 8,458 | 8,932 | 19% | 6% |
| Other charges | 318 | 248 | -22% | 167 | 116 | 132 | -21% | 14% |
| Non int. expense | 15,857 | 17,638 | 11% | 7,652 | 8,574 | 9,064 | 18% | 6% |
| Profit before prov | 14,386 | 12,322 | -14% | 8,101 | 5,586 | 6,736 | -17% | 21% |
| Provisions | 4,788 | 1,150 | -76% | 3,261 | 216 | 934 | -71% | 332% |
| Profit before tax | 9,597 | 11,172 | 16% | 4,840 | 5,370 | 5,802 | 20% | 8% |
| Taxation | 4,013 | 4,238 | 6% | 2,077 | 1,899 | 2,339 | 13% | 23% |
| Profit after tax | 5,584 | 6,934 | 24% | 2,763 | 3,471 | 3,463 | 25% | 0% |
| Diluted EPS (PKR) | 3.14 | 3.90 | 24% | 1.55 | 1.95 | 1.95 | 25% | 0% |
| DPS (Rupees) | - | 2.00 | NM | - | - | 2.00 | NM | NM |

- Robust sequential growth of 13% witnessed in NII during 2Q21 – driven by a combination of volumes and favorable positioning of the investment book.
- Non interest income was up 8% QoQ despite 31% lower capital gains, as fees and commission (+12% QoQ), dividend (+44% QoQ) and forex income (+62% QoQ) more than made up.
- Admin expenses saw an uptick of 6% QoQ; due to new branches rollout and upkeep plus higher marketing and related spend on initiatives such as NRPs outreach.
- Provisioning charge for the quarter predominantly consists of one name where total provision against the name has been taken.
- EPS of 1.95 up 25% YoY, though flat sequentially. Bank maintained PKR 2/sh interim dividend.

Financial Results – 1H21

Key Ratios



| | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 |
|----------------------|-------|-------|-------|-------|-------|-------|
| Yield on Advances | 12.5% | 9.7% | 8.2% | 7.2% | 7.2% | 7.5% |
| Yield on Investments | 10.6% | 9.6% | 8.2% | 7.5% | 7.3% | 7.5% |
| Cost of Deposits | 5.8% | 4.2% | 3.3% | 3.1% | 3.0% | 3.0% |
| Cost of Funds | 6.6% | 5.1% | 4.2% | 3.9% | 3.8% | 4.0% |
| NIM | 5.3% | 4.6% | 4.1% | 3.6% | 3.4% | 3.5% |
| ROA | 1.1% | 1.0% | 0.9% | 0.7% | 1.0% | 1.0% |
| ROE exc. Surplus | 14.7% | 14.1% | 14.2% | 10.6% | 17.6% | 17.1% |
| Admin Cost : income | 55.6% | 47.5% | 55.1% | 62.0% | 59.7% | 56.5% |
| Gross ADR | 68.9% | 66.5% | 63.4% | 68.1% | 66.5% | 62.2% |
| CASA | 79.3% | 79.9% | 81.2% | 77.9% | 78.2% | 78.5% |
| CA | 44.2% | 46.3% | 46.0% | 44.7% | 45.8% | 46.5% |
| Net Loans (YoY) | 7.6% | 4.1% | 4.8% | 12.9% | 16.4% | 19.2% |
| Deposits (YoY) | 9.8% | 9.1% | 15.3% | 12.7% | 20.9% | 26.9% |
| NPL ratio | 4.5% | 4.7% | 4.8% | 4.3% | 4.2% | 3.9% |
| Coverage | 83.3% | 92.1% | 97.7% | 91.2% | 94.0% | 99.3% |
| CAR | 17.3% | 17.7% | 18.4% | 16.5% | 15.6% | 15.4% |

- Slight QoQ uptick in NIM due to better yields on the asset book. Receipt of suspended markup of ~PKR 150mn supported yield on advances.
- ROA maintained at 1Q21 levels, while ROE saw marginal dip due to higher equity.
- Cost to income improved sequentially as income outpaced uptick in expenses.
- 62% ADR to benefit BAFL within new tax framework penalizing low ADRs.
- Despite strong deposit growth CASA and CA both improved sequentially.
- NPL ratio down to 3.9% as coverage approaches 100%.
- No credit headwinds from Covid restructured loans. A PKR4.25bn general provision maintained prudently.
- CAR clocked in at 15.4%

Digital Banking & GoP Initiatives

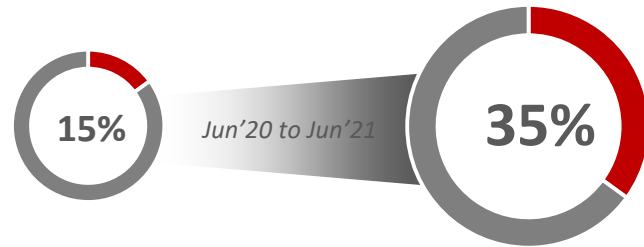
Bank Alfalah Limited

Digital Banking Transformation

DIGITAL / BRANCH RATIO FOR RELEVANT PRODUCTS



COUNTER TO CDM MIGRATION AT RELEVANT SITES



KEY WINS

- Alfa mall hit PKR1bn sales; **Instant Loans** of PKR1bn
- Top 3 **position in RDA**
- Largest CDM network** of 223 CDMs and growing
- Agent network of 12k** across the country
- RAPID –Pilot Launch** has seen digital onboarding of 3,200 accounts

DIGITAL VERTICALS

Channels
(ALFA, IB,
ATM, CDM)



Payments
(ALFA Mall,
QR, Gateway)



Payroll,
Agents &
G2P,



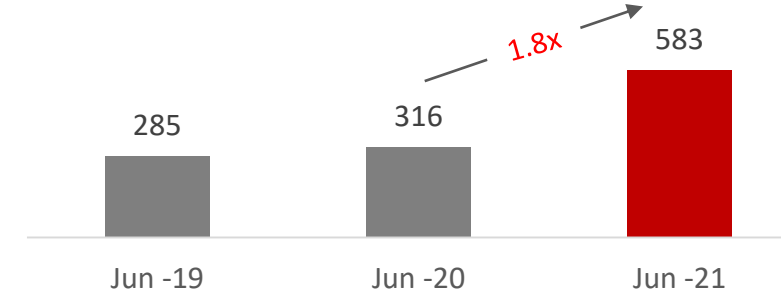
Products
(Deposits &
Remittance)



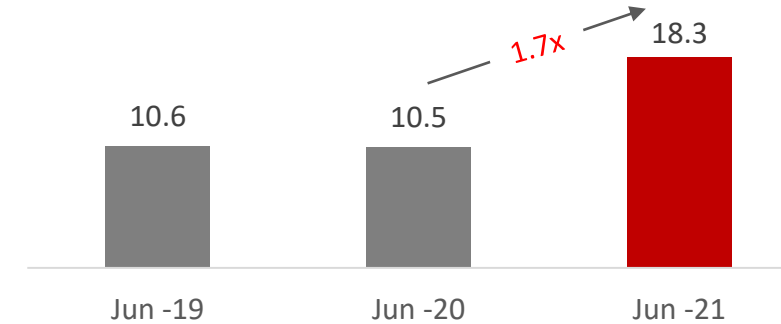
Roshan
Digital
Account



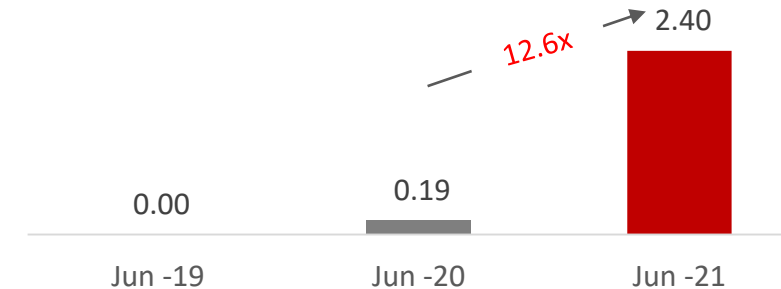
THROUGHPUT (PKR bn)



DEPOSITS (PKR bn)



LENDING (PKR bn)



Bank Alfalah Limited

Key Player in supporting GoP and SBP initiatives

01

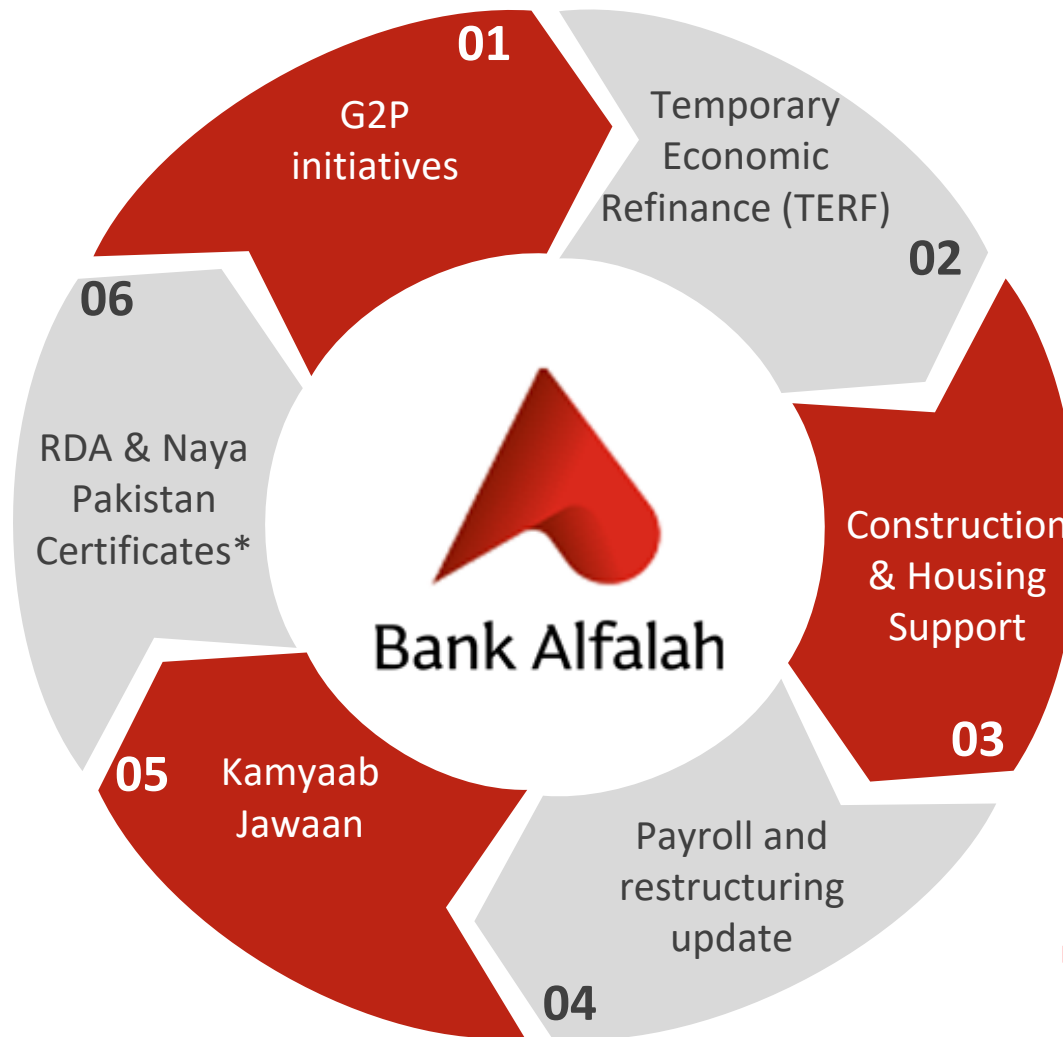
BAFL remains **one of the preferred partners** in this space, being an active participant all scheme including Ehsaas / BISP.

06

Promoting NRP flows via channels of RDA. **~3,200 NPCs and ~24K RDA** accounts opened – 11% share in flows – **Top 3** in terms of # of accounts & inflows.

05

One of the largest participants in the scheme with **PKR1.7bn disbursements to 954 customers** under the Kamyab Jawaan program



02

Among Top 3 participants with PKR50bn+ of SBP's TERF Facility provided to more than 100 customers. **To date PKR18bn has reflected in the loan book**

03

Construction sector target achieved with loans to both developers and end users. Leading position in Housing finance schemes with **PKR1bn Naya Pakistan disbursement**

04

No credit headwinds **on PKR50bn+ Covid restructured loans**. Payroll financing repayment also on track as outstanding amount down to PKR22bn from PKR29bn

Appendix

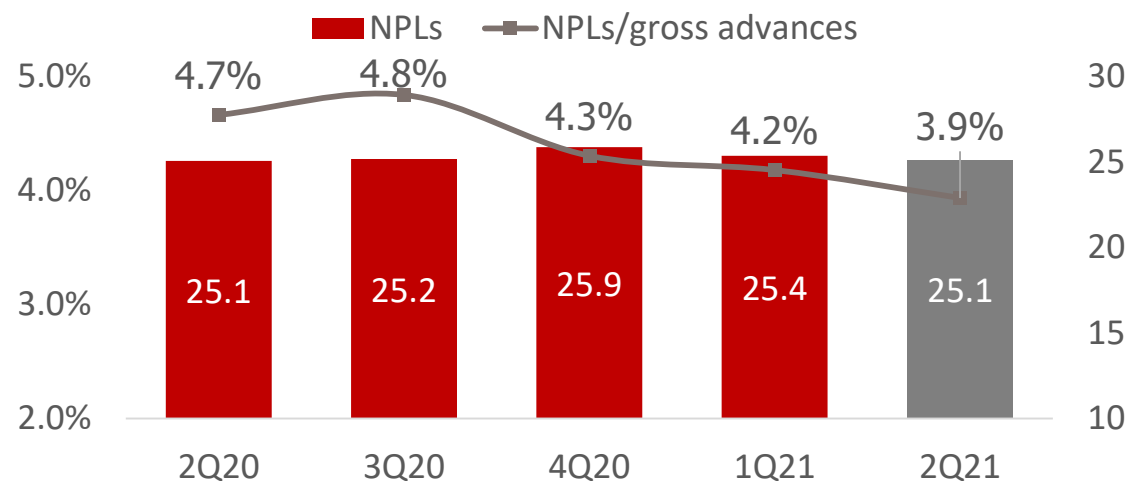
The background of the slide features a series of overlapping, semi-transparent geometric shapes in various shades of red, orange, and terracotta. These shapes are primarily located on the right side of the slide, creating a modern, layered effect. The left side of the slide is a solid white space where the text is located.

Appendix

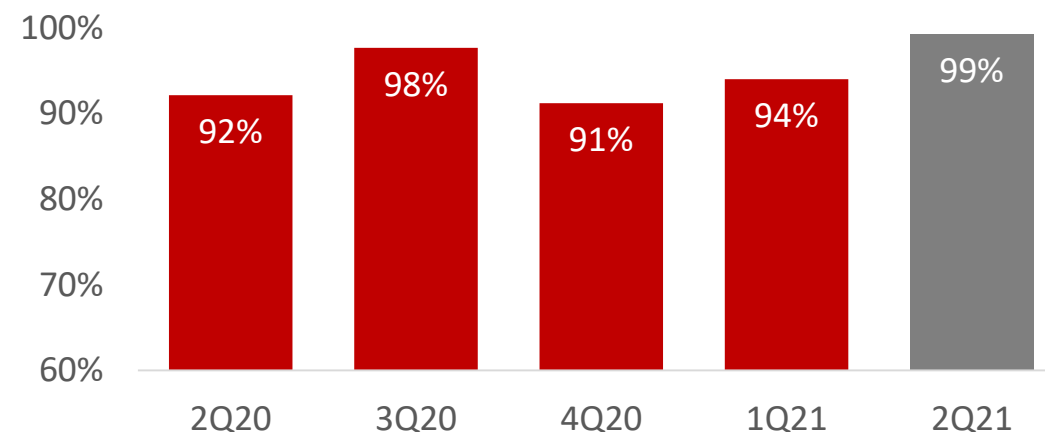
Quarterly Advances & Asset quality trends



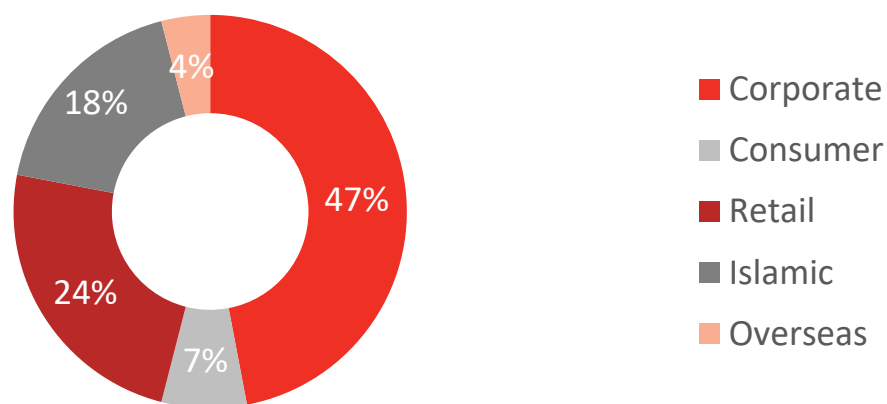
Marginal decline in NPLs lowers infection ratio to 3.9%



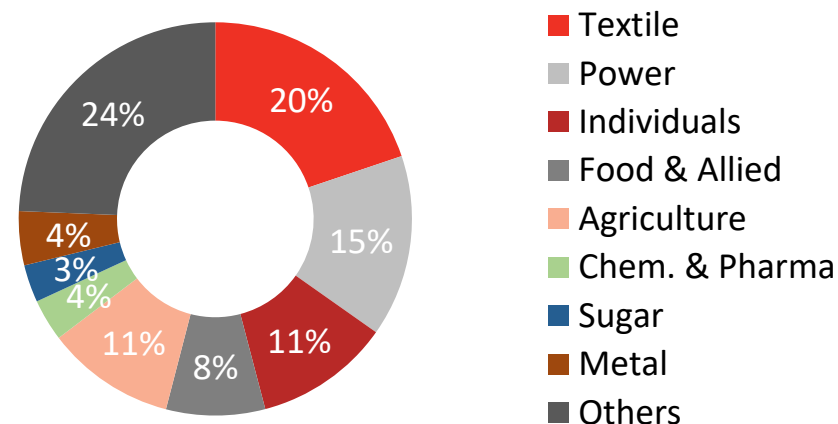
Coverage stands at 99% - no coverage on GoP backed NPLs



Performing Advances composition



Advances concentration (Dec 2020)



Islamic book comprises of:

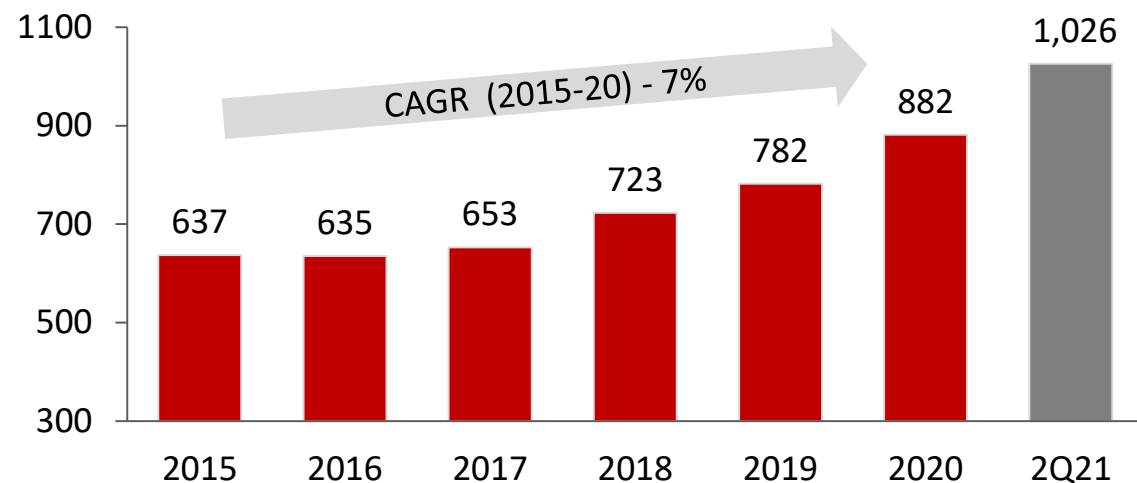
55% corporate; 22% commodity finance, 5% others & 18% consumer loans

Appendix

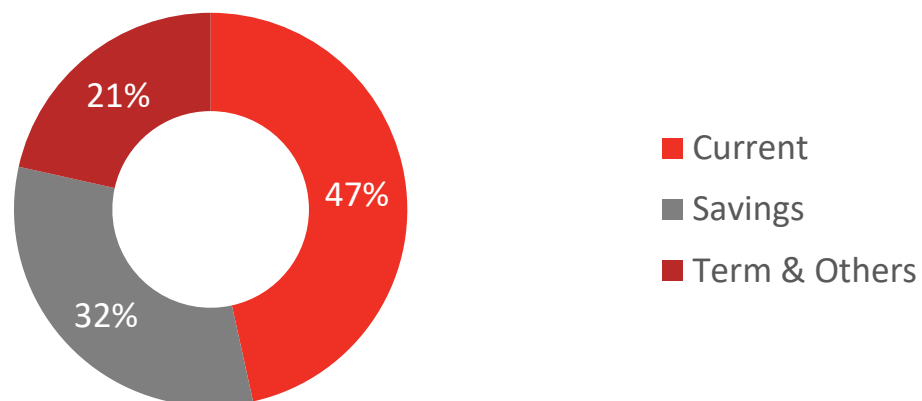
Deposit Mix



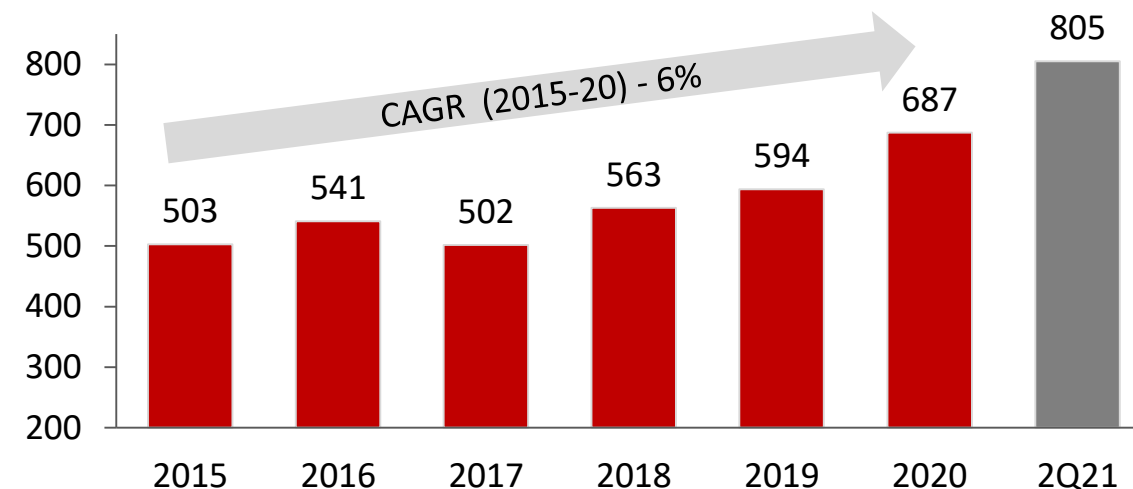
Deposit Growth Trend* (PKR bn)



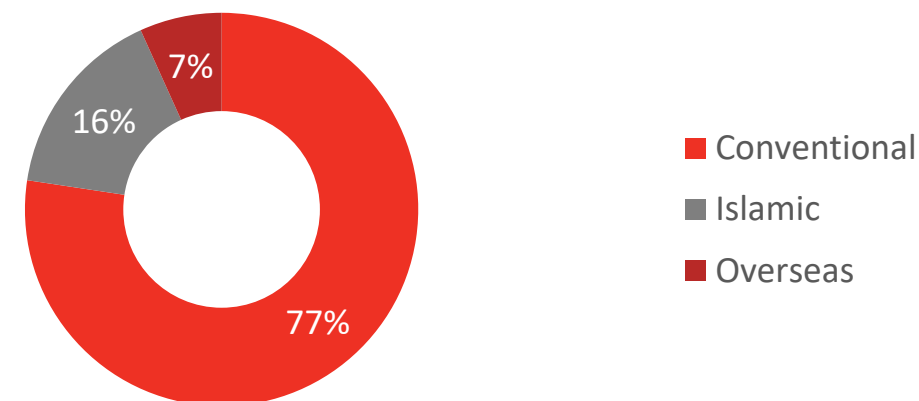
Deposit Mix



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% |
| 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 | 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) | 57,489 |
| Market Capitalization (USD mn)* | 346 |
| Average Daily Turnover (mn shares) | 1.9 |
| Average Daily Turnover (USD mn)* | 0.5 |
| Current Stock Price** (PKR) | 32.35 |
| 12M High / Low** (PKR) | 28.50/38.50 |

*Using PKR / USD parity of PKR 165.96

**Stock Price as of August 30, 2021



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



For any queries:

Imtiaz Gadar, CFA

Head of Capital Markets Division

Bank Alfalah Limited

Phone: +92 21 3242 3617

E-mail: imtiaz.gadar@bankalfalah.com