

# Bank Alfalah Limited

## Analyst Briefing

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### 2021 – Third Quarter Performance Review & Outlook

*November 2021*

CORPORATE BRANCH  
I.I. CHUNDRIGAR ROAD KARACHI

# 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 around **4.6 million** customers



### Market Share (Deposits)

Market share of **4.9%** of the domestic deposits



### Market Share (Advances)

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



### Branches

**749** Branches including **197 Islamic Branches**



### Digital Footprint

**~50,000** touch points in addition to Alfa/IB



### Capital Adequacy Ratio

CAR stands at **14.7%** as of Sep 30, 2021



### Staff Strength

Staff strength of **12,093** as of Sep 30, 2021



**ATM**

### ATMs/ CDMs

**862 ATMS & 223 CDMs** across Pakistan

# **Financial Results – 3Q21**





### Deposits consolidate above PKR1 trillion

**26% YoY growth** as deposits clock in at PKR1.036 trillion – with 45% current account mix

### Capturing flows aids Non Interest Income

**9M21 remittances** share up 540bp to 13.8% (current share: 15%+) and **trade share up 50bp to 7%**; complemented fee & forex income

### NPL ratio falls to 3.7%; Coverage over 100%

Stable NPLs amidst growing loan book saw **NPL ratio recede further to 3.7%**. Coverage crossed 100% mark, even as the bank reversed PKR 1.15bn GP held against Covid restructured loans.

### Profit after Tax grows by 29% YoY

**PAT is up 29% YoY** (flat sequentially) driven by firm revenues and lower provisions

### Broad based growth in loans

**Loan growth of 30% YoY** – and broad based. ADR of 64.8% places bank comfortably above the threshold of penal tax rate

### GP reversal did not dilute Covid buffer

Remaining PKR 3.1bn **Covid GP represents 3.85% of total exposure to restructured borrowers**. At Dec 2020, GP of PKR 4.25 bn covered 2.76% of all exposures to restructured borrowers.



Bank Alfalah

# Financial Results – 3Q21

## Balance Sheet Snapshot



Amount PKR mn	Sep-20	Dec-20	Sep-21	YoY	YTD
Cash	79,502	99,348	87,561	10%	-12
Bal with banks	3,192	6,234	8,979	181%	44%
Lending to FI	53,161	77,306	47,094	-11%	-39%
Advances (net)	495,888	577,316	645,817	30%	12%
Investments (net)	539,707	547,090	700,147	30%	28%
Fixed & Others	72,332	77,580	91,248	26%	18%
<b>Total Assets</b>	<b>1,243,782</b>	<b>1,384,874</b>	<b>1,580,847</b>	<b>27%</b>	<b>14%</b>
Deposits	820,066	881,767	1,036,054	26%	17%
Sub Loans/ADT1	7,000	7,000	7,000	0%	0%
Borrowings	234,175	314,960	336,474	44%	7%
Other Liabilities	88,807	90,129	108,800	23%	21%
<b>Total Liabilities</b>	<b>1,150,048</b>	<b>1,293,856</b>	<b>1,488,328</b>	<b>29%</b>	<b>15%</b>
Paid up Capital	17,772	17,772	17,772	0%	0%
Reserves	65,009	62,737	66,135	2%	5%
Reval. Surplus	10,952	10,509	8,613	-21%	-18%
<b>Total Equity</b>	<b>93,733</b>	<b>91,017</b>	<b>92,519</b>	<b>-1%</b>	<b>2%</b>
<b>Book Value per Share</b>	<b>52.74</b>	<b>51.21</b>	<b>52.06</b>	<b>-1%</b>	<b>2%</b>

- Crossing PKR1 trillion mark in Jun-21, deposits continued growing with 26% YoY growth in Sep-21.
- Advances are up 30% YoY – relatively broad based as double digit growth was recorded in each segment.
- Investments are up 30% YoY with the book now skewed towards T Bills & floating rate PIBs.
- YTD borrowing numbers reflect interplay of higher TERF and Bai Muajjal being offset by lower OMO and gradual retirement of SBP salary refinance scheme
- Realization of dividend/ gain & price move in equity / bond markets, led to 21% YoY drop in reval surplus.
- Book value per share clocked in at PKR52.1/sh, after accounting for 2Q21 dividend of PKR2/sh.

# Financial Results – 3Q21

## Profit & Loss Snapshot



Amount PKR mn	9M20	9M21	YoY	3Q20	2Q21	3Q21	YoY	QoQ
Interest Income	71,736	71,664	0%	21,787	24,525	25,751	18%	5%
Interest Expenses	37,269	37,771	1%	10,681	12,867	13,843	30%	8%
<b>Net Int. Income</b>	<b>34,467</b>	<b>33,893</b>	<b>-2%</b>	<b>11,106</b>	<b>11,658</b>	<b>11,908</b>	<b>7%</b>	<b>2%</b>
Non Int. Income	10,024	11,589	16%	3,142	4,142	3,613	15%	-13%
<b>Total Income</b>	<b>44,491</b>	<b>45,482</b>	<b>2%</b>	<b>14,248</b>	<b>15,801</b>	<b>15,521</b>	<b>9%</b>	<b>-2%</b>
Admin expenses	23,383	26,592	14%	7,844	8,932	9,202	17%	3%
Other charges	494	377	-24%	176	132	129	-26%	-2%
Non int. expense	23,877	26,970	13%	8,019	9,064	9,332	16%	3%
<b>Profit before prov</b>	<b>20,614</b>	<b>18,512</b>	<b>-10%</b>	<b>6,229</b>	<b>6,736</b>	<b>6,190</b>	<b>-1%</b>	<b>-8%</b>
Provisions	6,279	1,419	-77%	1,490	934	269	-82%	-71%
<b>Profit before tax</b>	<b>14,335</b>	<b>17,093</b>	<b>19%</b>	<b>4,738</b>	<b>5,802</b>	<b>5,921</b>	<b>25%</b>	<b>2%</b>
Taxation	6,004	6,612	10%	1,991	2,339	2,374	19%	1%
<b>Profit after tax</b>	<b>8,331</b>	<b>10,481</b>	<b>26%</b>	<b>2,747</b>	<b>3,463</b>	<b>3,548</b>	<b>29%</b>	<b>2%</b>
Diluted EPS (PKR)	4.69	5.90	26%	1.55	1.95	2.00	29%	2%
DPS (Rupees)	-	2.00	NM	-	2.00	-	NM	NM

- NII –adjustment to overseas NII & recoveries in 2Q21 muted growth to 2% QoQ.
- Non-interest inc down 13% QoQ, due to lower capital gains in 3Q vs gain from foreign securities in 2Q.
- Fee down 2% QoQ - Adjusting BISP seasonality, marginal growth was seen – cards & ADC led the way.
- Provisions booked on subjective downgrade of classified loans. Timely repayments of restructured loans led to PKR 1.15bn reversal of Covid related GP.
- Stock of PKR 3.1bn Covid GP covers 3.85% exposure to restructured customers. At Dec'20, GP of PKR 4.25 bn covered 2.76%.
- Sequential increase in expense due to growth initiatives and inflation.
- EPS of 2.0 up 29% YoY; though flat sequentially.

# Financial Results – 3Q21

## Key Ratios



	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Yield on Advances	9.7%	8.2%	7.2%	7.2%	7.5%	7.2%
Yield on Investments	9.6%	8.2%	7.5%	7.3%	7.5%	7.3%
Cost of Deposits	4.2%	3.3%	3.1%	3.0%	3.0%	3.2%
Cost of Funds	5.1%	4.2%	3.9%	3.8%	4.0%	4.0%
NIM	4.6%	4.1%	3.6%	3.4%	3.5%	3.3%
ROA	1.0%	0.9%	0.7%	1.0%	1.0%	0.9%
ROE exc. Surplus	14.1%	14.2%	10.6%	17.6%	17.1%	16.8%
Admin Cost : income	47.5%	55.1%	62.0%	59.7%	56.5%	59.3%
Gross ADR	66.5%	63.4%	68.1%	66.5%	62.2%	64.8%
CASA	79.9%	81.2%	77.9%	78.2%	78.5%	78.6%
CA	46.3%	46.0%	44.7%	45.8%	46.5%	44.9%
Net Loans (YoY )	4.1%	4.8%	12.9%	16.4%	19.2%	30.2%
Deposits (YoY)	9.1%	15.3%	12.7%	20.9%	26.9%	26.3%
NPL ratio	4.7%	4.8%	4.3%	4.2%	3.9%	3.7%
Coverage	92.1%	97.7%	91.2%	94.0%	99.3%	100.8%
CAR	17.7%	18.4%	16.5%	15.6%	15.4%	14.7%

- NIMs dropped 20bp QoQ, as deposit cost inched up, while advances yield normalized from 2Q21 one off recoveries.
- Cost to income increased sequentially to 59.3% due to lower capital gains.
- ROA and ROE recorded at 0.9% & 16.8% respectively in 3Q21.
- CASA remained stable at 78.6% in 3Q with CA mix at ~45%.
- With 30% loan growth, ADR increased to 64.8% - well above threshold of attracting penal tax rates.
- NPL ratio down to 3.7%. Coverage crossed 100% mark, even as the bank started reversing the GP held against Covid restructured loans.
- CAR at 14.7%; comfortably above the regulatory limit.

# **BAFL participation in GoP Initiatives**



# Bank Alfalah Limited

Key Player in supporting GoP and SBP initiatives



01

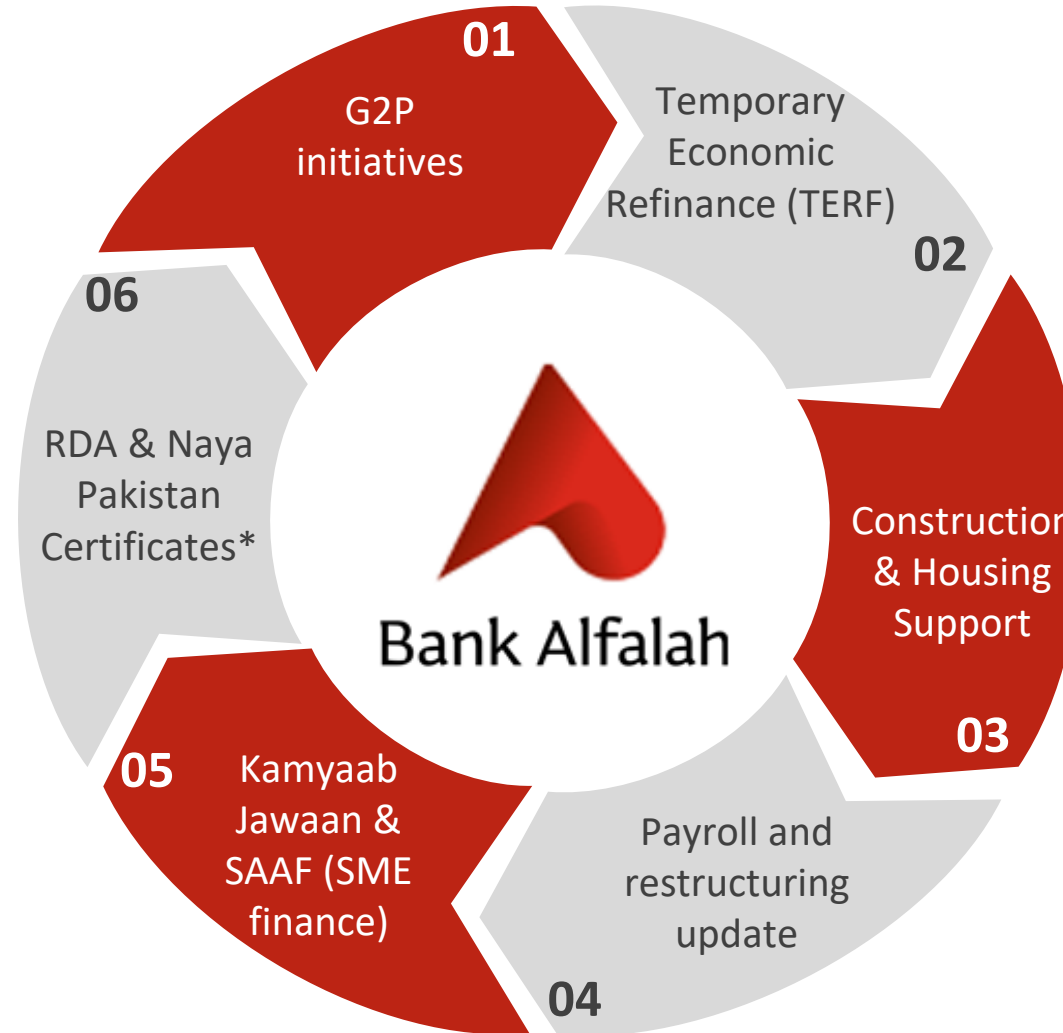
BAFL remains **one of the preferred partners** in this space, being an active participant all scheme including Ehsaas / BISP.

06

Promoting NRP flows via Roshan Digital Accounts. **~7,181 NPCs and 30k+ RDA** accounts opened – 10% share in flows – **Top 5** in terms of # of accounts & inflows.

05

**PKR2.05bn disbursed to 1,250 customers** under Kamyab Jawaan. Awarded **PKR22bn refinance limit** under SAAF (SME Financing with GoP sharing 40-60% credit risk)



02

Among Top 3 participants with PKR50bn+ of SBP's TERF Facility provided to more than 100 customers. **To date PKR21bn has reflected in the loan book**

03

**Construction sector** target achieved with loans to both developers and end users. This allows BAFL to avail **SBP's CRR incentive linked to these targets**

04

No credit headwinds **on PKR50bn+ Covid restructured loans**. Payroll financing repayment also on track as outstanding amount down to PKR18bn from PKR29bn in Dec 20

# Appendix

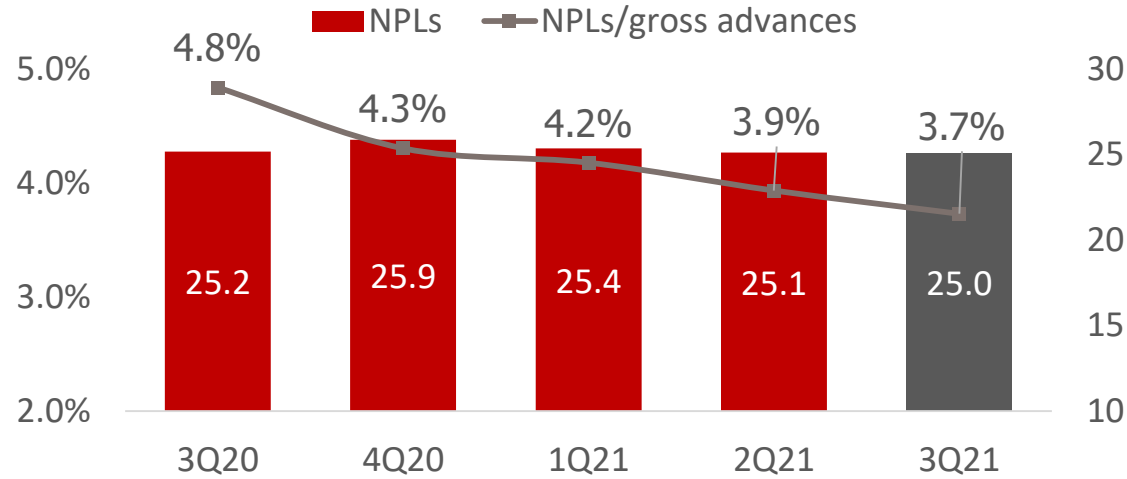


# Appendix

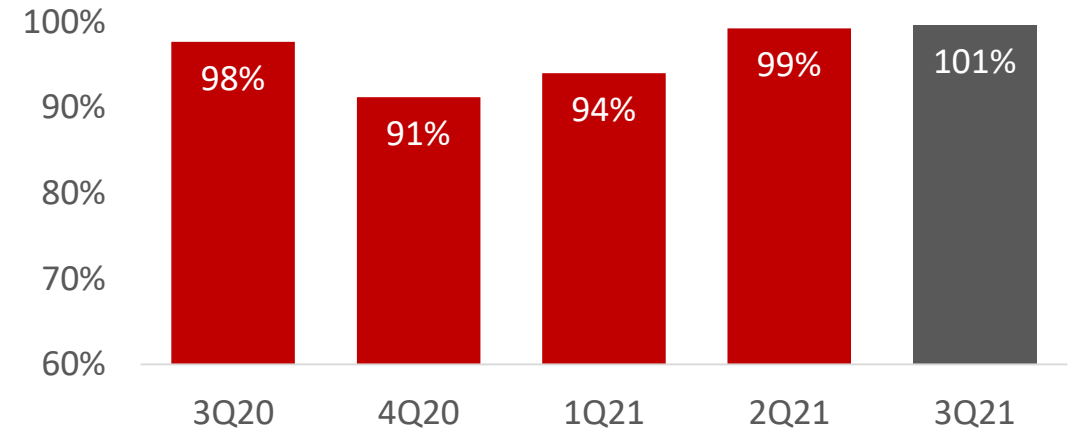
## Quarterly Advances & Asset quality trends



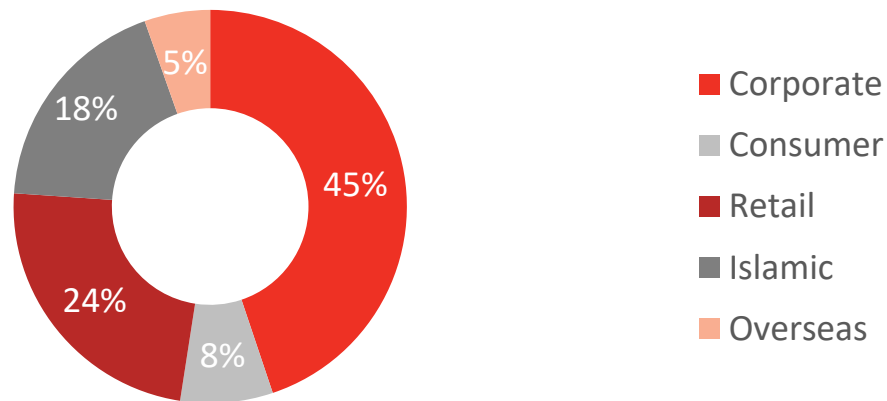
### Marginal decline in NPLs lowers infection ratio to 3.7%



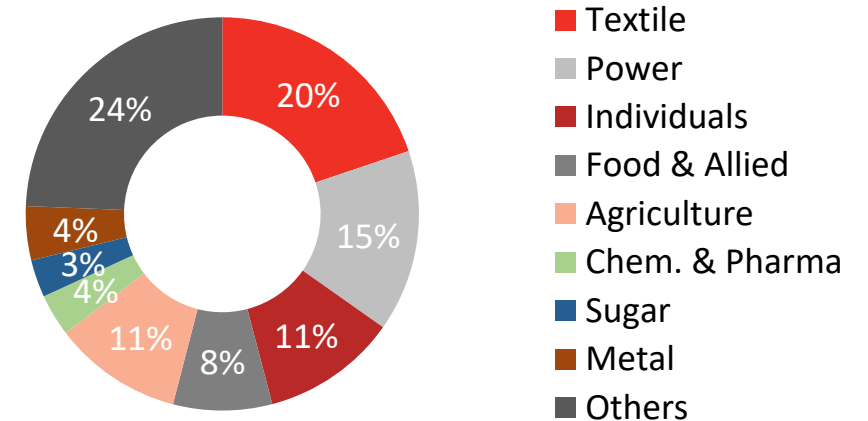
### Coverage stands at 101% - no coverage on GoP backed NPLs



### Performing Advances composition



### Advances concentration (Dec 2020)



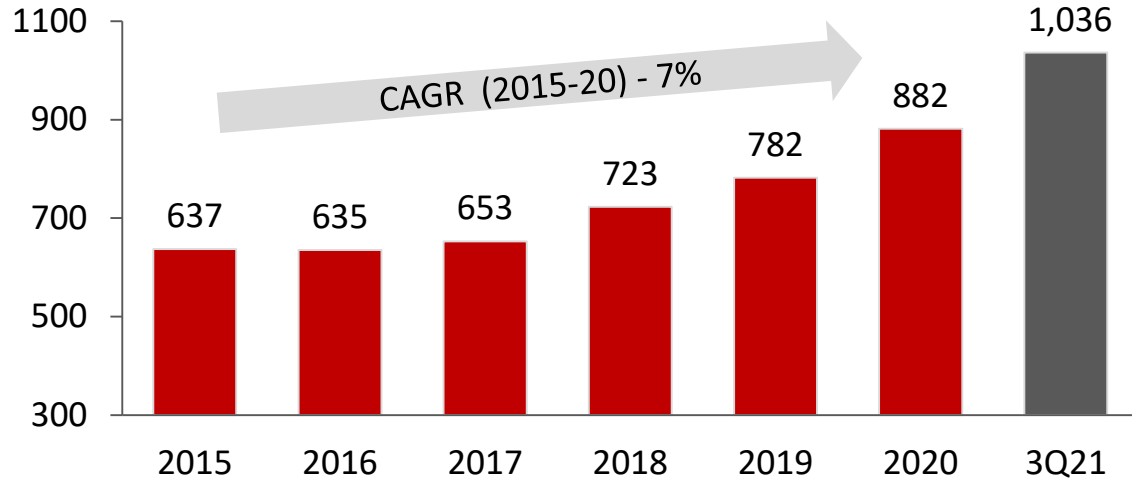
Islamic book comprises of:  
60% corporate; 16% commodity finance, 5% others & 19% consumer loans

# Appendix

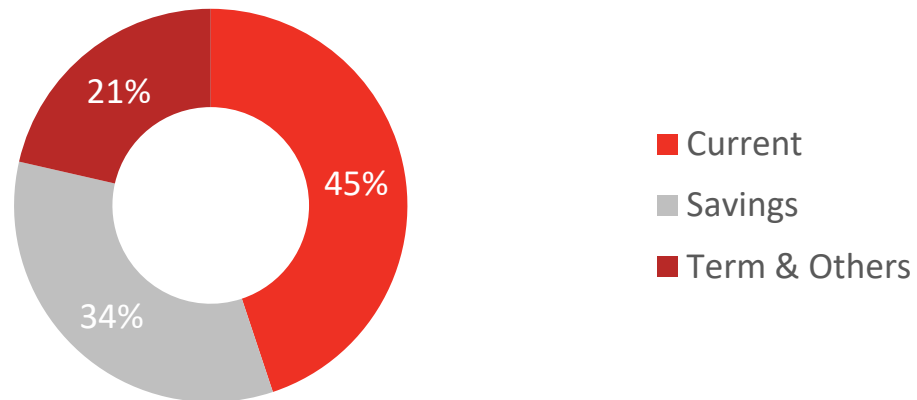
## Deposit Mix



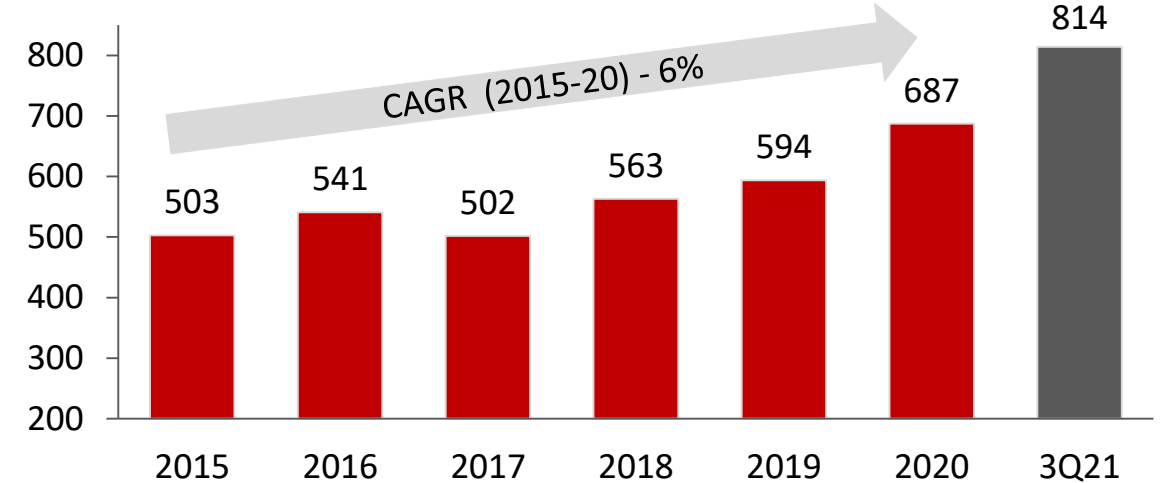
Deposit Growth Trend\* (PKR bn)



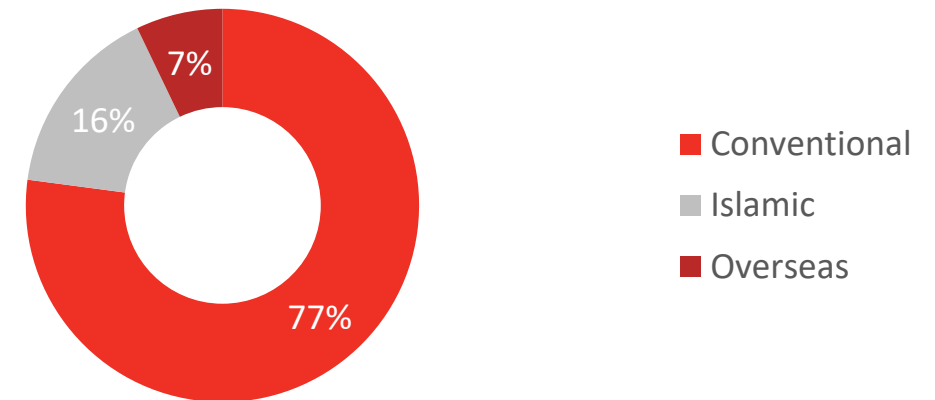
Deposit Mix



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%
<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)	64,615
Market Capitalization (USD mn)*	376
Average Daily Turnover (mn shares)	1.9
Average Daily Turnover (USD mn)*	0.4
Current Stock Price** (PKR)	36.36
12M High / Low** (PKR)	28.87/37.32

\*Using PKR / USD parity of PKR 171.65

\*\*Stock Price as of October 29, 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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