



**Date**

25-Jun-22

**Analyst**

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**Applicable Criteria**

- Methodology | Financial Institution Rating | Jun-21
- Criteria | Correlation Between Long-term & Short-term Rating Scales | Jun-21
- Criteria | Rating Modifiers | Jun-21

**Related Research**

- Sector Study | Commercial Bank | Jun-22

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**PACRA Maintains Entity Ratings of Bank Alfalah Limited**

Rating Type	Entity	
	Current (25-Jun-22 )	Previous (26-Jun-21 )
Action	Maintain	Maintain
Long Term	AA+	AA+
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

Bank Alfalah has built its franchise around its unique business proposition. The bank is an active player in the lending market. Its presence around different segments of advances book is also meaningful. The deposit growth that it has recorded also is a reflection of its well thought-out and well-implemented business model. The ratings reflect the bank's improved performance, good asset quality, strong financial profile and healthy liquidity. Asset quality improved as NPLs remained intact and overall infection ratio declined. In line with Bank's overall Growth Strategy, Gross Advances of the Bank have increased by ~ 16% on YoY basis, contributing to increase in Risk Weighted Assets; along with regular dividend payouts during the year; thereby CAR stood at 14.43% (CY20: 16.53%). The Bank is adequately capitalized, with CAR level well above the Regulatory threshold. The bank's advances have improved to a notable level, resulting in a distinguished ADR (Net Advances to Deposits) of 59.2%, which is the highest among the universe of large banks. The mix of deposits largely remained the same. In terms of CA, the bank already has a distinct position among the leading banks. In line with the industry, BAFL's cost of funds also declined during 2021, which is attributed to the low policy rate for majority portion of the year and focus on building CASA book. Being customer centric bank, with focus towards technological advancement, BAFL has a sound foothold with a considerable presence across the country - enabling it to claim larger share in the ADC and digital transactions. PAT of the Bank increased by 35.7%. Effective implementation of the envisaged long term business strategy by the Bank has played an important role in business growth. The rating draws comfort from the Bank's stable ownership, experienced management team, prudent risk management policies and distinct emphasis on improving the position. Another dimension is digital banking initiatives (like Alfa Mall, ALFA Payment Gateway etc.), have been seeing growing throughput and profitability. Pakistan's economy has gone through several varied phases in the last two years due to the COVID19 pandemic. Banking sector continued to flourish with high profitability. Going forward, the macro-economic environment is beset with myriad challenges due to heightened interest rate, tightening of demand, rupee depreciation and higher infection. This has repercussions for the entire system including banking.

The growth trajectory of the bank especially nurturing of the deposit & advances base and enriching the granularity would be considered positive.

**About the Entity**

Bank Alfalah Limited (BAFL) has a network of 790 branches, at end-Dec21, across more than 200 cities in the country. Main sponsor comprises some of the prominent members of UAE's ruling family and leading businessmen of UAE, continues to own majority stake (~49.79%) in the bank. At present, BAFL's BoD comprises eight members including President & CEO and seven Non-Executive Directors, of which four of whom are representatives of the sponsoring group, while three are independent. Mr. Atif Bajwa is the President & CEO of the Bank. He carries an extensive international career spanning more than 39 years of executive leadership roles in banking, and of multiple boards and public interest positions.

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.