

Bank Alfalah Limited

Analyst Briefing

2022 – Third Quarter Performance Review & Outlook

Oct 2022

CORPORATE BRANCH
I.I. CHUNDRIGAR ROAD KARACHI



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 **~5.6 million** customers



Profits

Strong profitability trend amid well aligned asset book to optimize taxation



Market Share

Deposits (**5.6%**), Advances (**6.7%**); Trade (**7.7%**); Remittances (**21.1%**)



Branches

857 Branches including **263 Islamic Branches**



Touchpoints

~65K touchpoints in addition to Alfa/IB



Capital Adequacy Ratio

CAR stands at **14.5%** as of Sep 30, 2022



Staff Strength

Staff strength of **13,470** as of Sep 30, 2022



ATM ATMs/ CDMs

1,350 ATMs & CDMs/ CDDMs across Pakistan

Financial Results – 3Q 2022

Financial Results – 3Q 2022

Balance Sheet Snapshot



| Amount PKR mn | Sep-21 | Dec-21 | Jun-22 | Sep-22 | YoY | YTD |
|-----------------------------|------------------|------------------|------------------|------------------|------------|------------|
| Cash | 87,561 | 105,606 | 131,807 | 120,744 | 38% | 14% |
| Bal with banks | 8,979 | 9,783 | 12,610 | 19,457 | 117% | 99% |
| Lending to FI | 47,094 | 35,982 | 90,530 | 19,226 | -59% | -47% |
| Advances (net) | 645,817 | 673,881 | 726,488 | 744,877 | 15% | 11% |
| Investments (net) | 700,147 | 809,214 | 946,632 | 1,123,421 | 60% | 39% |
| Fixed & Others | 91,248 | 99,856 | 129,520 | 157,869 | 73% | 58% |
| Total Assets | 1,580,847 | 1,734,321 | 2,037,587 | 2,185,594 | 38% | 26% |
| Deposits | 1,036,054 | 1,139,045 | 1,318,874 | 1,385,452 | 34% | 22% |
| Sub Loans/ADT1 | 7,000 | 7,000 | 7,000 | 7,000 | 0% | 0% |
| Borrowings | 336,474 | 383,809 | 465,529 | 537,264 | 60% | 40% |
| Other Liabilities | 108,800 | 104,465 | 141,639 | 152,595 | 40% | 46% |
| Total Liabilities | 1,488,328 | 1,634,319 | 1,933,042 | 2,082,311 | 40% | 27% |
| Paid up Capital | 17,772 | 17,772 | 17,772 | 17,772 | 0% | 0% |
| Reserves | 66,135 | 70,790 | 77,575 | 79,753 | 21% | 13% |
| Reval Surplus | 8,613 | 11,441 | 9,198 | 5,758 | -33% | -50% |
| Total Equity | 92,519 | 100,003 | 104,545 | 103,282 | 12% | 3% |
| Book Value per Share | 52.06 | 56.27 | 58.83 | 58.12 | 12% | 3% |

- Deposits grew 34% YoY, (CASA up 30%) - Focus on market penetration and branch expansion continued.

- Advances are up 15% YoY – driven by Retail & Islamic; mainly SBP backed loans.

- Investments are up 60%; portfolio remained skewed towards floating rate PIBs and Tbills.

- Borrowing numbers reflect higher Repo, increase in TERF being partially offset by retirement of SBP salary refinance scheme.

- Reval. surplus reflects price move in bond/equity markets.

- Book value per share clocked in at PKR58.12/sh, after accounting for 2Q 2022 dividend of PKR2.5/sh.

Financial Results – 3Q 2022

Profit & Loss Snapshot



| Amount PKR mn | 9M 2021 | 9M 2022 | YoY | 3Q 2021 | 2Q 2022 | 3Q 2022 | QoQ | YoY |
|---------------------------|---------------|---------------|------------|---------------|---------------|---------------|------------|-------------|
| Interest Income | 71,829 | 144,216 | 101% | 25,817 | 46,688 | 61,586 | 32% | 139% |
| Interest Expenses | 37,771 | 90,205 | 139% | 13,843 | 28,835 | 39,717 | 38% | 187% |
| Net Int Income | 34,058 | 54,012 | 59% | 11,974 | 17,854 | 21,869 | 22% | 83% |
| Non Int Income | 11,424 | 17,456 | 53% | 3,547 | 6,519 | 6,555 | 1% | 85% |
| Total Income | 45,482 | 71,467 | 57% | 15,521 | 24,373 | 28,424 | 17% | 83% |
| Admin expenses | 26,592 | 35,010 | 32% | 9,202 | 11,429 | 13,299 | 16% | 45% |
| Other charges | 377 | 678 | 80% | 129 | 269 | 247 | -8% | 91% |
| Non int expense | 26,970 | 35,688 | 32% | 9,332 | 11,698 | 13,546 | 16% | 45% |
| Profit before prov | 18,512 | 35,780 | 93% | 6,190 | 12,675 | 14,878 | 17% | 140% |
| Provisions | 1,419 | 8,137 | 473% | 269 | 3,654 | 4,095 | 12% | 1424% |
| Profit before tax | 17,093 | 27,643 | 62% | 5,921 | 9,021 | 10,783 | 20% | 82% |
| Taxation | 6,612 | 13,553 | 105% | 2,374 | 5,336 | 5,396 | 1% | 127% |
| Profit after tax | 10,481 | 14,090 | 34% | 3,548 | 3,685 | 5,387 | 46% | 52% |
| Diluted EPS (Rupees) | 5.90 | 7.93 | 34% | 2.00 | 2.07 | 3.03 | 46% | 52% |
| DPS (Rupees) | 2.00 | 2.50 | 25% | 0.00 | 2.50 | 0.00 | -100% | |

- NII grows 83% YoY; solid growth in earning assets and margins expansion after re-pricing of the well positioned asset book.

- Non-interest income

- Fee Income is up 42% led by card business, Trade/Remittances flows, Banca and ADC.

- Increase in forex income on stronger Trade/Remittances flows and market volatility.

- Cost of living allowance, new branches, growth initiatives, inflation & PKR depreciation led to rise in admin cost.

- USD 10mn for flood relief efforts to gradually reflect in upcoming quarter.

- Subjective downgrade of certain customers showing stress.

Financial Results – 3Q 2022

Key Ratios



| | 2Q 2021 | 3Q 2021 | 4Q 2021 | 1Q 2022 | 2Q 2022 | 3Q 2022 |
|----------------------|---------|---------|---------|---------|---------|---------|
| Yield on Advances | 7.5% | 7.2% | 7.6% | 8.6% | 10.1% | 11.9% |
| Yield on Investments | 7.5% | 7.3% | 8.0% | 9.7% | 11.7% | 13.7% |
| Cost of Deposits | 3.0% | 3.2% | 3.8% | 4.7% | 5.7% | 7.0% |
| Cost of Funds | 4.0% | 4.0% | 4.5% | 5.5% | 6.9% | 8.4% |
| NIM | 3.5% | 3.3% | 3.3% | 3.6% | 4.2% | 4.5% |
| ROA | 1.0% | 0.9% | 0.9% | 1.1% | 0.8% | 1.0% |
| ROE exc. Surplus | 17.1% | 16.8% | 17.2% | 22.7% | 15.9% | 22.2% |
| Admin Cost : income | 56.5% | 59.3% | 57.1% | 55.1% | 46.9% | 46.8% |
| Gross ADR | 62.2% | 64.8% | 61.4% | 60.4% | 57.3% | 56.1% |
| CASA | 78.5% | 78.6% | 76.9% | 80.6% | 73.4% | 74.0% |
| CA | 46.5% | 44.9% | 44.0% | 46.5% | 45.5% | 43.6% |
| Net Loans (YoY) | 19.2% | 30.2% | 16.7% | 17.7% | 18.4% | 15.3% |
| Deposits (YoY) | 26.9% | 26.3% | 29.2% | 29.0% | 28.6% | 33.7% |
| NPL ratio | 3.9% | 3.7% | 3.5% | 3.4% | 3.5% | 4.1% |
| Coverage | 99.3% | 100.8% | 101.9% | 104.9% | 109.8% | 103.9% |
| CAR | 15.4% | 14.7% | 14.3% | 14.8% | 14.6% | 14.5% |

- Improved spreads owing to interest rate hikes supported by volumetric growth.
- Cost to income remains below 47%.
- ROA and ROE recovers as 2Q reflects impact of higher taxation.
- CASA improved to 74% helping overall NII.
- ADR at 56.1% (above threshold of attracting penal tax rates).
- NPL ratio at 4.1% due to few subjective downgrades.
- CAR comfortably above the regulatory limit.

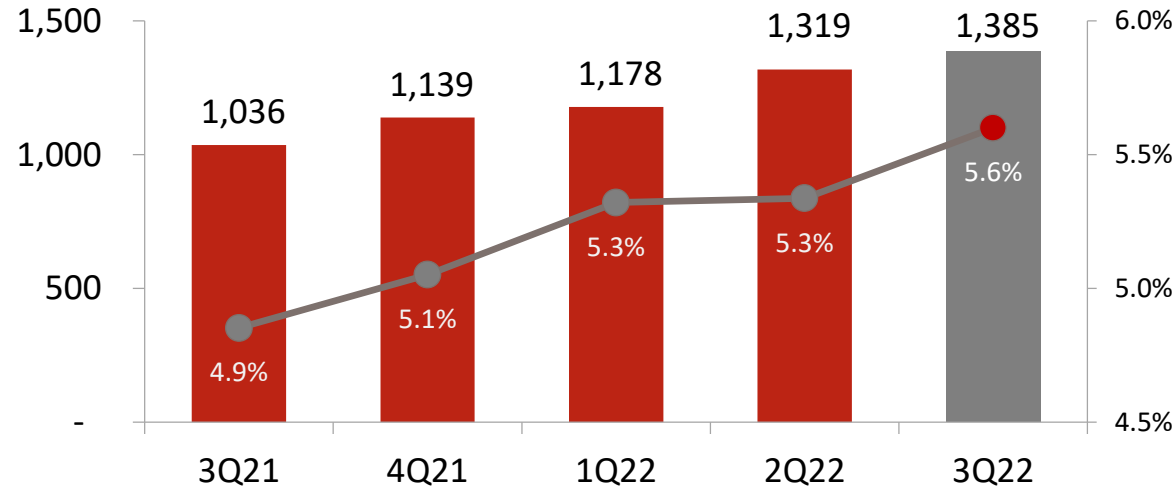
Trends Analysis

Trends Analysis

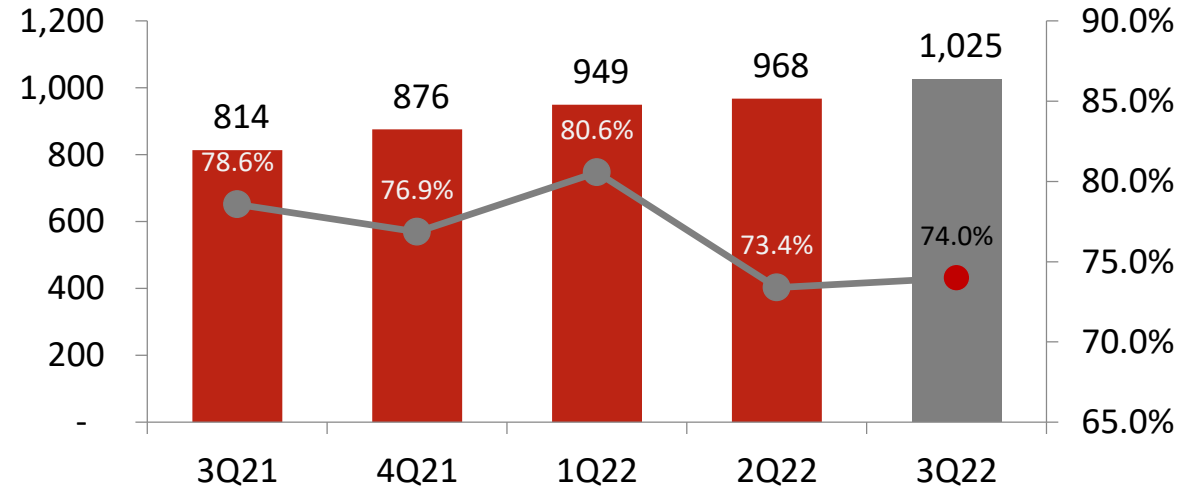
Financial Snapshot



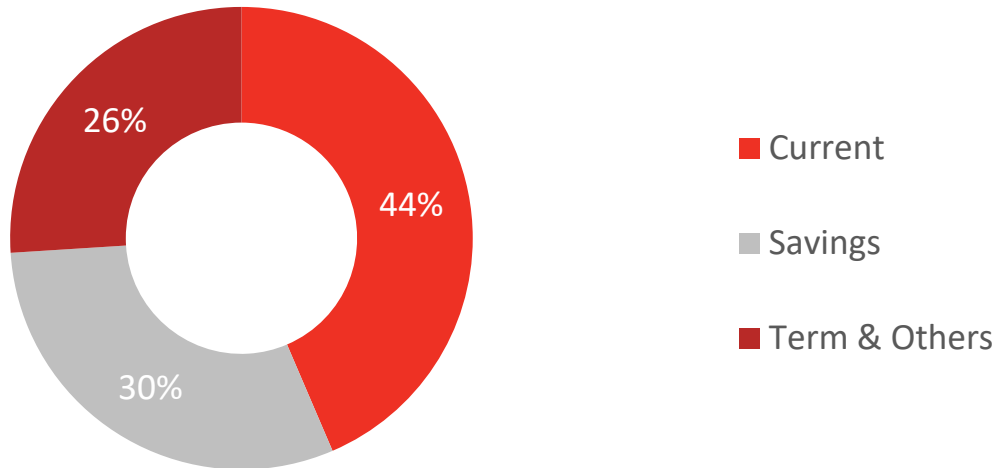
Deposits (PKR bn) – Domestic Market Share reaches 5.6%



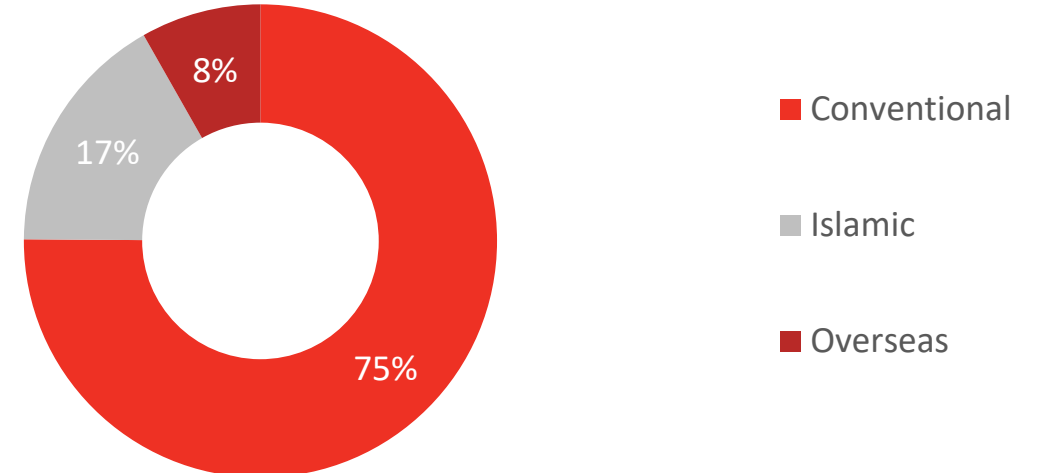
CASA Deposits (PKR bn) – CASA Ratio at 74.0%



Deposit Mix



Deposits Composition

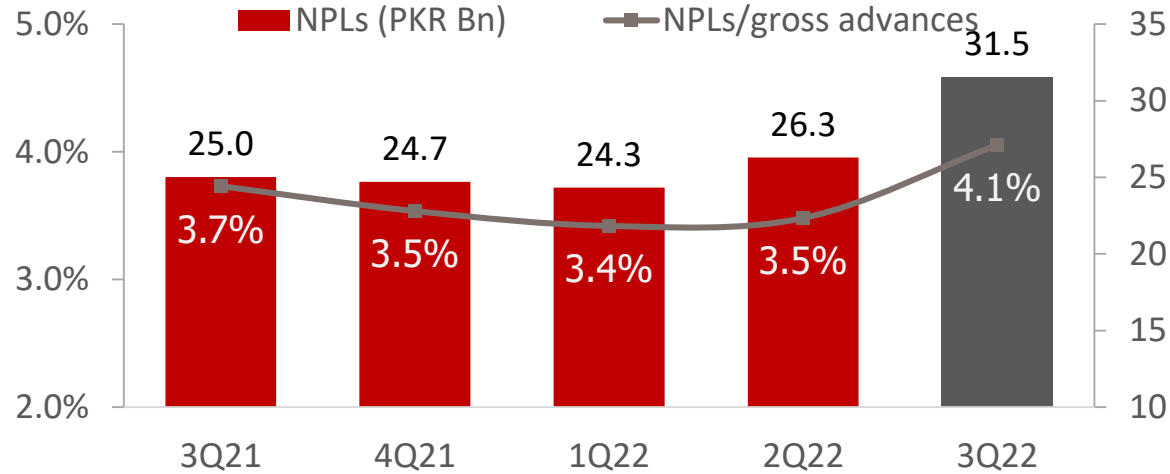


Trends Analysis

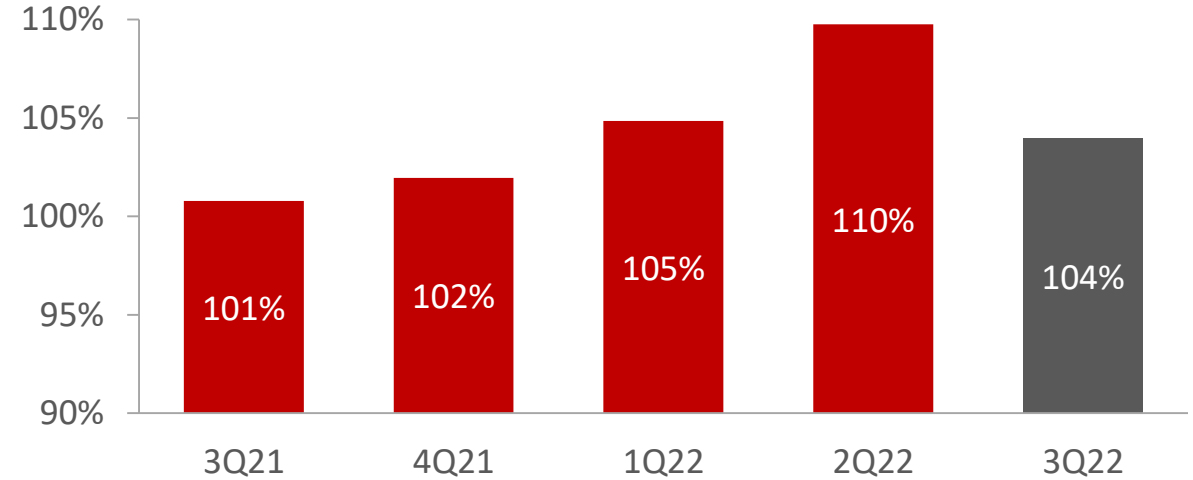
Quarterly Advances & Asset quality trends



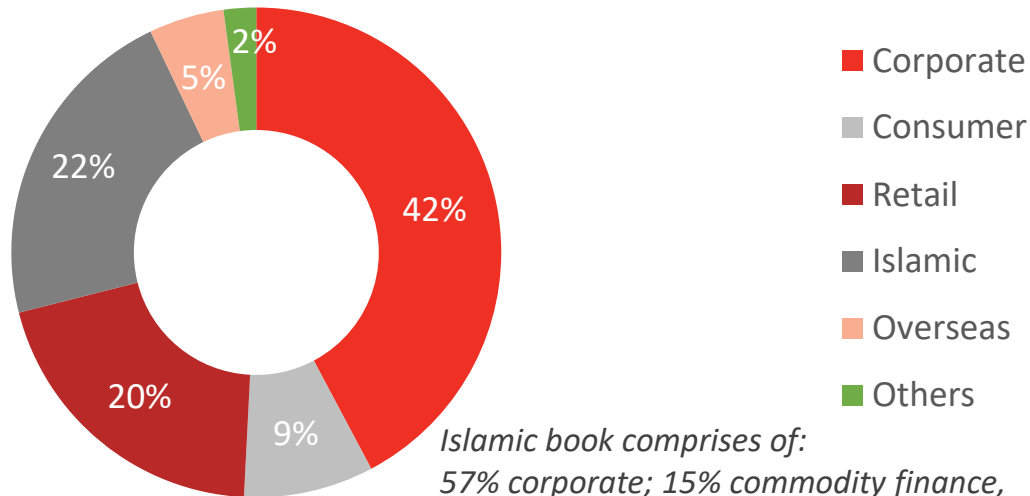
Marginal rise in NPL Ratio to 4.1% on subjective classification



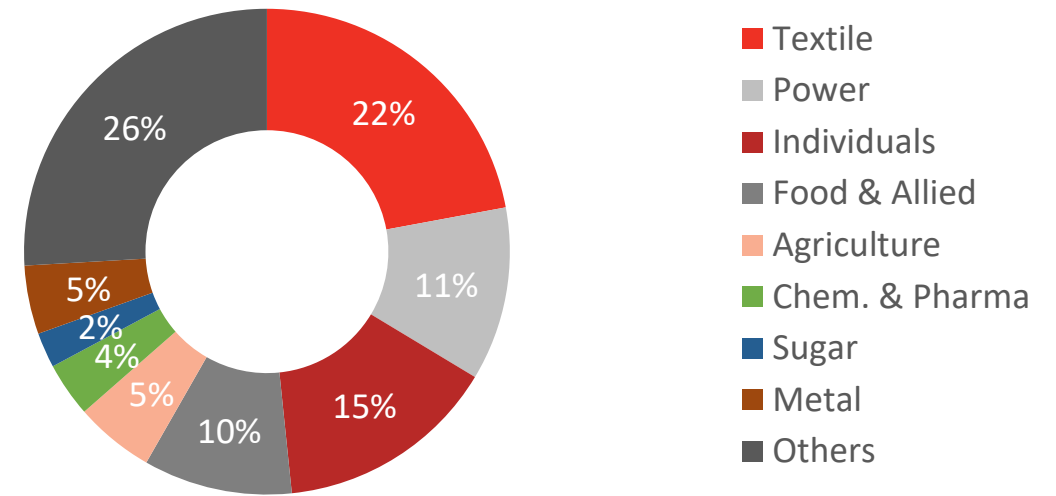
Coverage stands at 104%



Performing Advances composition



Advances concentration (Dec 2021)



Trends Analysis

Balance Sheet



| Amounts in PKR mn | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 5yr CAGR |
|-----------------------------------|----------------|----------------|------------------|------------------|------------------|------------------|--------------|
| Cash & Bal. With Treasury Bank | 74,071 | 70,381 | 82,408 | 100,732 | 99,348 | 105,606 | 7.4% |
| Balances With Other Banks | 9,373 | 3,754 | 3,875 | 4,710 | 6,234 | 9,783 | 0.9% |
| Lending to FIs | 30,149 | 48,896 | 62,172 | 71,435 | 77,306 | 35,982 | 3.6% |
| Advances (Net) | 378,720 | 400,655 | 501,636 | 511,236 | 577,316 | 673,881 | 12.2% |
| Investments (Net) | 389,093 | 400,733 | 277,660 | 299,098 | 547,090 | 809,214 | 15.8% |
| Fixed & Other Assets | 48,239 | 74,408 | 78,466 | 78,100 | 77,580 | 99,855 | 15.7% |
| Total Assets | 929,645 | 998,828 | 1,006,218 | 1,065,311 | 1,384,874 | 1,734,321 | 13.3% |
| Deposits | 634,740 | 644,985 | 702,895 | 782,284 | 881,767 | 1,139,045 | 12.4% |
| Subordinated Loans | 8,318 | 4,991 | 11,989 | 11,987 | 7,000 | 7,000 | -3.4% |
| Borrowings | 178,311 | 207,194 | 123,738 | 102,842 | 314,960 | 383,809 | 16.6% |
| Bills Payable & Other Liabilities | 48,151 | 75,859 | 91,948 | 80,170 | 90,129 | 104,465 | 16.8% |
| Total Liabilities | 869,520 | 933,028 | 930,571 | 977,284 | 1,293,856 | 1,634,319 | 13.5% |
| Paid - up Capital | 15,952 | 16,076 | 17,744 | 17,772 | 17,772 | 17,772 | 2.2% |
| Reserves & Retained Profit | 33,203 | 42,411 | 50,520 | 58,889 | 62,737 | 70,790 | 16.3% |
| Revaluation Surplus | 10,970 | 7,313 | 7,383 | 11,367 | 10,509 | 11,441 | 0.8% |
| Total Equity | 60,125 | 65,800 | 75,647 | 88,028 | 91,017 | 100,003 | 10.7% |

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

Trends Analysis

Profit & Loss



| Amounts in PKR mn | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 5yr CAGR |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Interest Income | 57,144 | 56,919 | 59,672 | 92,519 | 92,616 | 100,182 | 11.9% |
| Interest Expenses | 28,153 | 27,354 | 27,746 | 47,623 | 47,911 | 54,134 | 14.0% |
| Net Int. Income | 28,991 | 29,565 | 31,926 | 44,896 | 44,705 | 46,048 | 9.7% |
| Non Int. Income | 8,907 | 9,381 | 10,431 | 10,357 | 12,795 | 16,474 | 13.1% |
| Total Income | 37,898 | 38,946 | 42,357 | 55,253 | 57,499 | 62,522 | 10.5% |
| Admin expenses | 23,684 | 25,131 | 24,313 | 29,066 | 31,443 | 36,316 | 8.9% |
| Other charges | 118 | 294 | 400 | 777 | 589 | 524 | 34.7% |
| Non int. expense | 23,802 | 25,425 | 24,713 | 29,843 | 32,032 | 36,840 | 9.1% |
| Profit before provisions | 14,097 | 13,522 | 17,645 | 25,410 | 25,468 | 25,682 | 12.7% |
| Provisions | 1,073 | (523) | 27 | 3,029 | 7,589 | 2,312 | 16.6% |
| Profit before tax | 13,023 | 14,045 | 17,618 | 22,382 | 17,878 | 23,370 | 12.4% |
| Taxation | 5,123 | 5,678 | 6,993 | 9,686 | 7,403 | 9,154 | 12.3% |
| Profit after Tax | 7,900 | 8,367 | 10,625 | 12,696 | 10,475 | 14,217 | 12.5% |
| EPS (PKR) * | 4.45 | 4.72 | 5.99 | 7.15 | 5.89 | 8.00 | - |
| Stock Dividend | - | - | 10.00% | - | - | - | - |
| Dividend (% of Paid-up) ** | 0.00% | 15.00% | 25.00% | 40.00% | 40.00% | 40.00% | - |

* EPS is calculated using current number of the shares

** Percentage of paid up capital at time of declaration

Trends Analysis

Key Ratios



| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-------|-------|--------|-------|-------|--------|
| Capital Adequacy Ratio (Tier - I) | 9.9% | 10.9% | 12.2% | 13.3% | 12.7% | 11.1% |
| Capital Adequacy Ratio Total | 13.2% | 13.4% | 15.0% | 16.9% | 16.5% | 14.4% |
| Net Interest Margins | 3.6% | 3.6% | 4.0% | 5.3% | 4.3% | 3.4% |
| Admin Cost to Income Ratio | 62.5% | 64.8% | 57.3% | 52.6% | 54.7% | 58.1% |
| Non - Interest Income as % of Total | 23.6% | 25.3% | 24.4% | 18.7% | 22.3% | 26.3% |
| Advance to Deposit Ratio (ADR) - Gross | 62.4% | 64.7% | 73.8% | 67.7% | 68.1% | 61.4% |
| YoY Deposit Growth | -0.3% | 1.6% | 9.0% | 8.2% | 12.7% | 29.2% |
| YoY Advances Growth | 13.3% | 5.8% | 25.2% | 1.9% | 12.9% | 16.7% |
| YoY Investments Growth | -8.0% | 3.0% | -30.7% | 6.0% | 82.9% | 47.9% |
| Current Deposits Ratio | 45.3% | 40.1% | 40.9% | 43.4% | 44.7% | 44.0% |
| CASA Ratio | 85.3% | 76.9% | 75.4% | 75.9% | 77.9% | 76.9% |
| NPL Ratio | 4.8% | 4.2% | 3.6% | 4.2% | 4.3% | 3.5% |
| Coverage Ratio | 90.1% | 94.0% | 89.0% | 83.6% | 91.2% | 101.9% |
| ROA | 0.9% | 0.9% | 1.2% | 1.3% | 0.9% | 1.0% |
| ROE Excluding Reval. Surplus | 17.4% | 15.5% | 16.9% | 17.6% | 13.2% | 17.1% |
| ROE Including Reval. Surplus | 13.9% | 13.2% | 15.3% | 15.4% | 11.5% | 15.3% |
| Diluted BVPS (Incl. Reval.) | 33.90 | 37.10 | 42.60 | 49.50 | 51.20 | 56.27 |

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

Awards

Awards



Best Customer Franchise Award 2021

by Pakistan Banking Awards



PSX Top 25 Listed Companies Award 2021



Best Investor Relations, PSX Listed Companies

for the 8th consecutive time, by CFA Society Pakistan



Pakistan Digital Awards 2022

- Best High Impact Campaign Award for Savings Account Campaign
- Best Digital Campaign Award for Home Remittance Campaign
- Best Payment Technology Solution Award for Alfa Business App
- Best Mobile Banking App Award for Alfa App



Best Corporate Report Awards 2021

- 1st joint position in banking sector
- - 2nd joint position across all sectors



Best Place to Work Awards 2021

- Best Place to Work in Financial Services – Runner Up
- Ranked amongst the Top 10 out of 102 Large Organizations for Best Place to Work



Global Transaction Banking Innovation Awards 2021

- Highly Acclaimed – Best API Initiative of the Year
- Winner – Best Bank for Transaction Banking Services – Pakistan



Global Diversity and Inclusion Benchmarks (GDIB) Awards 2021



| | |
|--|---------------|
| Bloomberg Code | BAFL PA |
| Reuters Code | BAFL.KA |
| Shares Outstanding (mn) | 1,777.17 |
| Market Capitalization (PKR bn)** | 55,039 |
| Market Capitalization (USD mn)* | 250 |
| Average Daily Turnover (mn shares) - 12M | 1.18 |
| Average Daily Turnover (USD mn) - 12M | 213.66 |
| Current Stock Price** (PKR) | 30.97 |
| High / Low** (PKR) - 12M | 38.55 / 29.81 |

*Using PKR / USD parity of PKR 219.73

**Stock Price as of Oct 25, 2022



For any queries:

Syed Akbar Ali, CFA, FRM

Head of Capital Markets & Investor Relations

Bank Alfalah Limited

Phone: +92 (21) 3242 3617

E-mail: syed.akbar@bankalfalah.com



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