

Date

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Applicable Criteria

- Methodology | Financial Institution Rating | Jun-22
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jun-22
- Methodology | Rating Modifiers | Jun-22

Related Research

- Sector Study | Commercial Bank | Jun-23

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PACRA Maintains Entity Ratings of Bank Alfalah Limited

Rating Type	Entity	
	Current (24-Jun-23)	Previous (25-Jun-22)
Action	Maintain	Maintain
Long Term	AA+	AA+
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

Bank Alfalah has strategically positioned itself in the lending market, capitalizing on its unique business proposition. The bank's presence in various segments of the advances book demonstrates its active role in the industry. Furthermore, the growth in deposits reflects the successful implementation of its well-planned business model. There is a sustained improvement in this ambit. The ratings highlight the bank's improved performance, strong financial profile, good asset quality, and healthy liquidity. As a customer-centric bank with a focus on technological advancement, Bank Alfalah has a strong nationwide presence, enabling it to capture a significant share in ADC and digital transactions. There has been a slight deterioration in asset quality as subjective non-performing loans increased, resulting in an infection ratio of 4% (CY21: 3.5%). Despite regular dividend payouts, the bank's Capital Adequacy Ratio stood at 13.83% (compared to 14.43% in CY21), indicating adequate capitalization above regulatory thresholds. The bank has achieved a notable level of advance, resulting in a distinguished Net Advances to Deposits Ratio (ADR) of 49.3% as at end-Dec'22. Bank Alfalah's growth strategy has led to an approximately 9.5% YoY increase in gross advances, contributing to an expansion in risk-weighted assets. The deposit mix has remained largely unchanged, and Bank Alfalah holds a distinct position among leading banks in terms of current accounts. The cost of funds increased in line with industry trends due to the prevailing high policy rate for the year. The bank's profitability has reflected significant growth, with a 28.1% increase in profit after tax (PAT). The effective implementation of the long-term business strategy, coupled with stable ownership, an experienced management team, prudent risk management policies, and a focus on improving its market position, provides confidence in the bank's performance. Additionally, Bank Alfalah's digital banking initiatives, such as Alfa Mall and ALFA Payment Gateway, have demonstrated growing throughput and profitability. Pakistan's economy has traversed diverse phases in the past year, marked by political upheaval, an economic crisis, and devastating floods. The country has grappled with daunting challenges such as soaring inflation, currency depreciation, and precarious foreign reserves. However, the banking sector has persevered, showcasing high profitability. Looking ahead, the macroeconomic landscape is fraught with numerous challenges, including elevated interest rates, demand tightening, rupee depreciation, and heightened inflation, all reverberating across all economic sectors. The bank's growth trajectory, particularly in terms of nurturing its deposit and advances base while enhancing granularity, is viewed positively.

About the Entity

Bank Alfalah, established in 1992, has undergone impressive growth to emerge as a prominent private commercial bank in Pakistan. With an extensive network spread over 200 cities in Pakistan, encompassing 906 branches, 1,392 ATMs, and CDMs/CCDMs. The majority ownership of BAFL lies with the Abu Dhabi Group, holding a stake of 56.16%. Other stakeholders include Mutual Funds, NBFCs, FIs, DFIs, individuals (43.69%), and executives (0.15%). The Abu Dhabi Group comprises prominent members of UAE's ruling family and leading businessmen with investments globally, including Pakistan, Bangladesh, the Middle East, Europe, and the US. BAFL's board consists of eight members, including the President/CEO and seven non-executive directors, of which four represent the Abu Dhabi Group, and three are independent directors. Mr. Atif Bajwa, Bank's President & CEO, brings 39 years of executive leadership experience in the banking sector.

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.