

Bank Alfalah Limited

Analyst Briefing

1H 2023 – Performance Review & Outlook

August 2023

CORPORATE BRANCH
I.I. CHUNDRIGAR ROAD KARACHI



Major Sponsor

Dhabi Group (56.1%)



Credit Rating

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



Domestic Coverage

Presence in over **225 cities** across Pakistan



Global Presence

10 International Branches and **1** offshore banking unit in **4 countries**



Our Customers

Serving around **~6.2 million** customers



Profits

Profitability remains robust, benefitting from interest rate hikes and volumetric growth



Market Share

Deposits (**6.4%**), Advances (**6.2%**), Trade (**8.9%**), Remittances (**14.3%**)



Branches

931 Branches including: **305** Islamic Branches and **1** Digital Lifestyle Branch



Touchpoints

80K+ touchpoints in addition to Alfa/IB



Capital Adequacy Ratio

CAR stands at **14.57%** as of Jun 30, 2023



Staff Strength

Staff strength of **14,342** as of Jun 30, 2023



ATM ATMs/ CDMs

1,406 ATMS & CDMs/ CCDMs across Pakistan

Financial Results – 1H 2023

Financial Results – 1H 2023

Balance Sheet Snapshot



Amount PKR mn	Jun-22	Dec-22	Mar-23	Jun-23	YoY	QoQ
Cash & Bal with Treasury Bank	131,807	140,613	153,729	197,029	49%	28%
Bal with banks	12,610	9,485	18,400	16,188	28%	-12%
Lending to FI	90,530	115,354	210,800	13,716	-85%	-93%
Advances (net)	726,488	732,375	697,993	759,498	5%	9%
Investments (net)	946,632	1,114,407	1,283,986	1,437,833	52%	12%
Fixed & Others	129,520	140,963	167,407	195,492	51%	17%
Total Assets	2,037,587	2,253,197	2,532,315	2,619,757	29%	3%
Deposits	1,318,874	1,486,845	1,554,035	1,775,954	35%	14%
Sub Loans/ADT1	7,000	14,000	14,000	14,000	100%	0%
Borrowings	465,529	491,180	672,466	505,894	9%	-25%
Other Liabilities	141,639	161,157	187,675	210,109	48%	12%
Total Liabilities	1,933,042	2,153,182	2,428,177	2,505,957	30%	3%
Paid up Capital	17,772	15,772	15,772	15,772	-11%	0%
Reserves	77,575	79,384	90,529	98,539	27%	9%
Reval Surplus	9,198	4,859	-2,162	-511	n.m	n.m
Total Equity	104,545	100,015	104,139	113,800	9%	9%
Book Value per Share	58.83	63.41	66.03	72.16		

- Deposits up 35% YoY – resulting in improved market share, amid branch network expansion and improved staff productivity.
- Advances growth was maintained cautiously low at 5% YoY, while maintaining a strong credit discipline amid challenging market fundamentals.
- Investments up 52% YoY; portfolio remained skewed towards floater PIBs & T-bills.
- Borrowing: higher Repo & SBP refinance YoY.
- Book value per share improves to PKR 72.16/sh.

*n.m. denotes not meaningful

Financial Results – 1H 2023

Profit & Loss Snapshot



Amount PKR mn	1H 2022	1H 2023	YoY	2Q 2022	1Q 2023	2Q 2023	YoY	QoQ
Interest Income	82,425	176,456	114%	46,608	75,589	100,868	116%	33%
Interest Expenses	50,282	117,265	133%	28,754	47,652	69,614	142%	46%
Net Int Income	32,143	59,191	84%	17,854	27,937	31,254	75%	12%
Non Int Income	10,901	12,988	19%	6,519	6,552	6,437	-1%	-2%
Total Income	43,044	72,180	68%	24,373	34,489	37,691	55%	9%
Admin expenses	21,711	30,363	40%	11,429	14,584	15,778	38%	8%
Other charges	431	950	120%	269	409	541	101%	32%
Non int expense	22,142	31,313	41%	11,698	14,993	16,320	40%	9%
Profit before prov	20,902	40,867	96%	12,675	19,496	21,371	69%	10%
Provisions	4,041	5,002	24%	3,654	522	4,480	23%	759%
Profit before tax	16,860	35,865	113%	9,021	18,974	16,891	87%	-11%
Taxation	8,156.9	17,245	111%	5,336	8,232	9,013	69%	9%
Profit after tax	8,703	18,620	114%	3,685	10,743	7,877	114%	-27%
Diluted EPS (Rupees) *	5.52	11.81	114%	2.34	6.81	5.00	114%	-27%
DPS (Rupees)	2.50	3.00	20%	2.50	0.00	3.00	20%	

* EPS is calculated using current number of the shares

- NII grows 84% YoY; growth in balance sheet size and improved spreads after re-pricing of the well positioned asset book.
- Non-interest income
 - Fee Income is up 31%, led by Cards, ADC, followed by Trade & Remittances.
 - YoY Increase in 1H forex income on better flows and decent spreads.
- Increase in admin cost due to new branches, donations, inflation, PKR depreciation and marketing activities.
- Provisions represent additional charge mainly on the back of subjective classification and increase in GP.
- 2Q taxation on the higher side due to additional super tax impact.

Financial Results – 1H 2023

Key Ratios



	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23
Yield on Advances	8.6%	10.1%	11.9%	12.4%	14.2%	16.2%
Yield on Investments	9.7%	11.7%	13.7%	14.6%	15.9%	18.6%
Cost of Deposits	4.7%	5.7%	7.0%	7.6%	8.0%	9.9%
Cost of Funds	5.5%	6.9%	8.4%	9.1%	9.6%	12.1%
NIM	3.6%	4.2%	4.5%	4.6%	5.6%	5.4%
ROA	1.1%	0.8%	1.0%	0.7%	1.9%	1.2%
ROE exc. Surplus	22.7%	15.9%	22.2%	17.0%	43.3%	28.6%
Admin Cost : income	55.1%	46.9%	46.8%	52.6%	42.3%	41.9%
Gross ADR	60.4%	57.3%	56.1%	51.5%	47.1%	44.9%
CASA	80.6%	73.4%	74.0%	71.7%	68.0%	71.3%
CA	46.5%	45.5%	43.6%	44.5%	43.7%	42.8%
Net Loans (YoY)	17.7%	18.4%	15.3%	8.7%	1.7%	4.5%
Deposits (YoY)	29.0%	28.6%	33.7%	30.5%	31.9%	34.7%
NPL ratio	3.4%	3.5%	4.1%	4.0%	4.5%	4.7%
Coverage	104.9%	109.8%	103.9%	107.6%	103.2%	102.2%
CAR	14.8%	14.6%	14.5%	13.8%	14.7%	14.6%

- Improved NIMs owing to interest rate hikes supported by volumetric growth.
- Cost to income falls to 41.9% on strong revenue despite growth initiatives including marketing activities.
- ROE jumps on a YoY basis with improved profitability.
- CA maintained around 43%, helped by growing network. Shift from Savings to Term Deposits to capitalize on market opportunities.
- Declining trend in ADR due to cautious lending in view of prevailing economic and business conditions.
- NPL ratio slightly up at 4.7% due to new subjective classifications; Coverage healthy at 102%.
- CAR comfortably above the regulatory requirement.

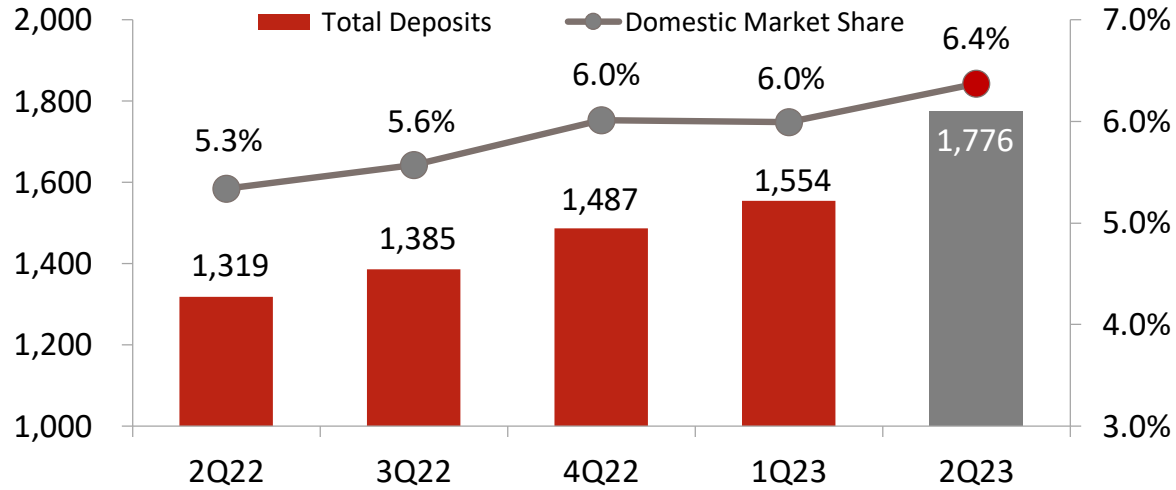
Trends Analysis

Trends Analysis

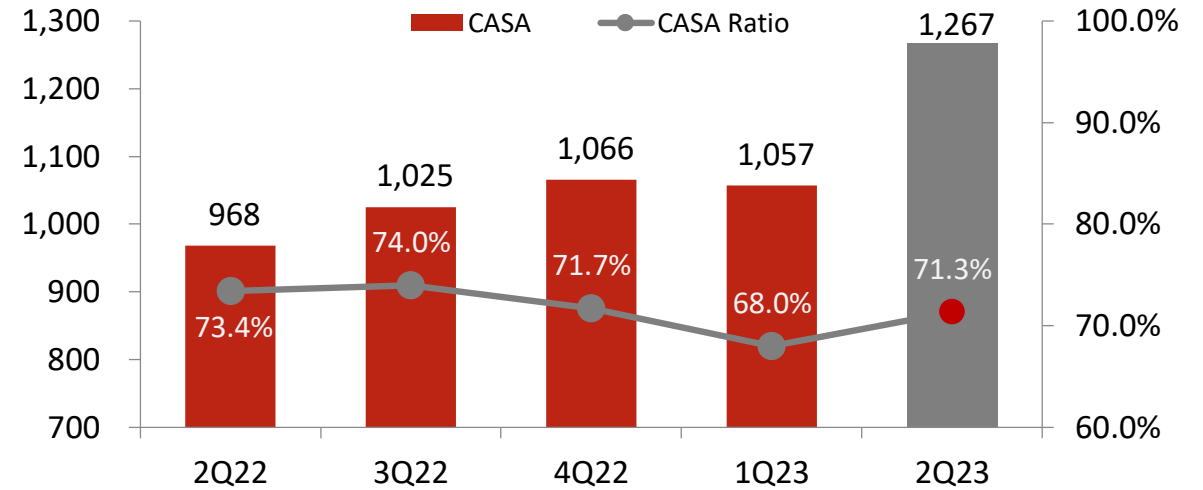
Financial Snapshot



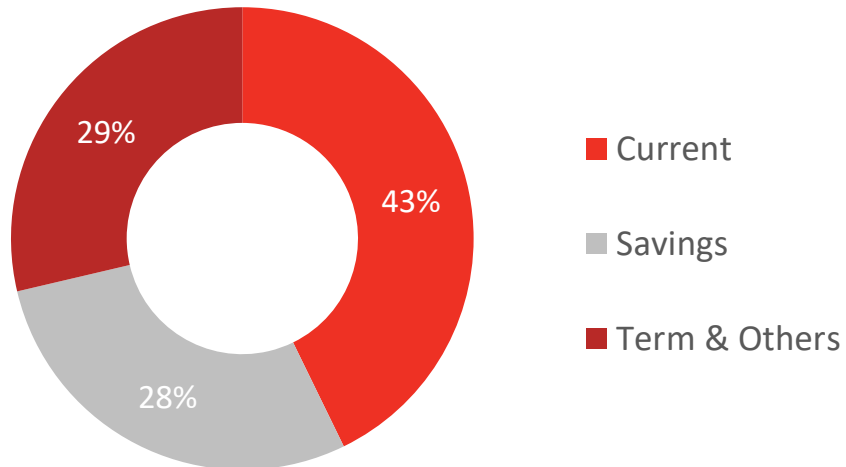
Deposits (PKR bn) – Domestic Market Share at 6.4%



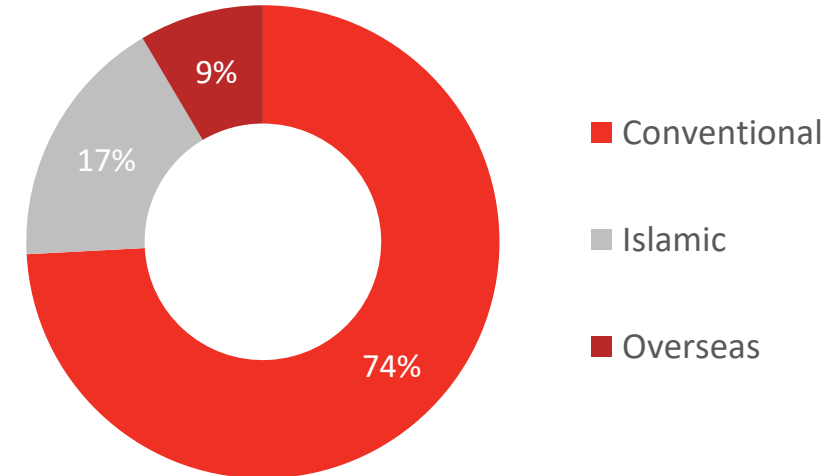
CASA Deposits (PKR bn) – CASA Ratio at 71.3%



Deposit Mix



Deposits Composition

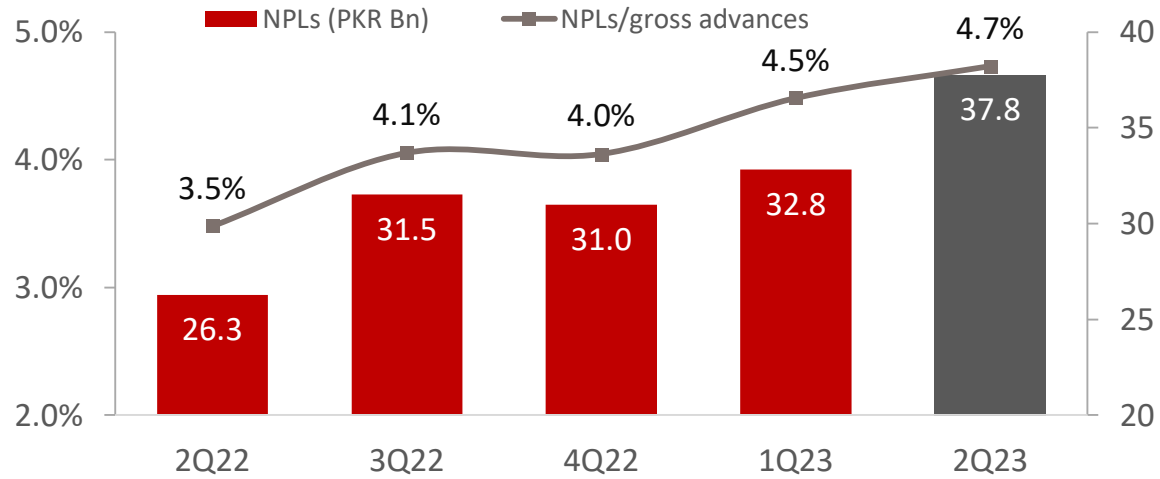


Trends Analysis

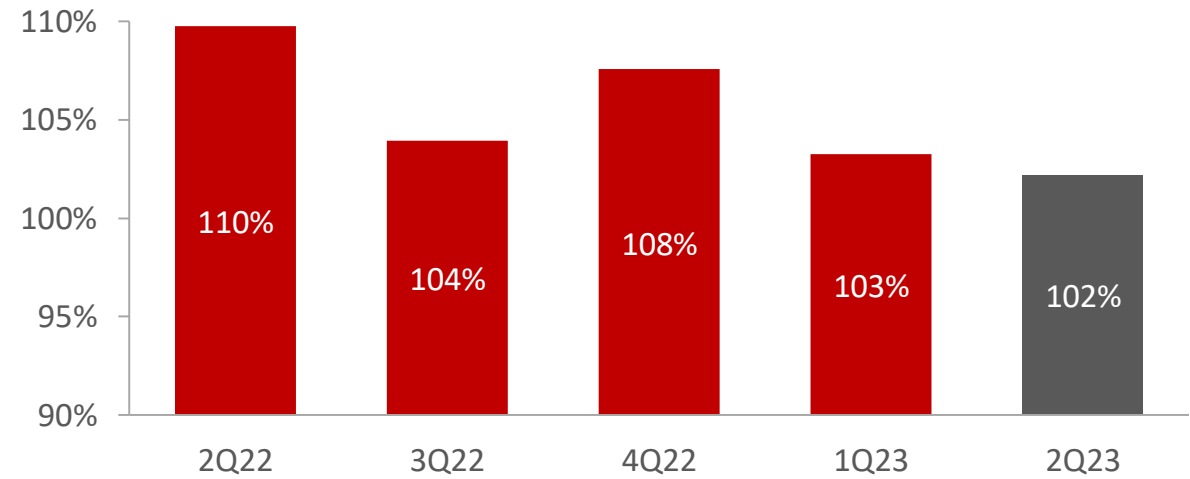
Quarterly Advances & Asset quality trends



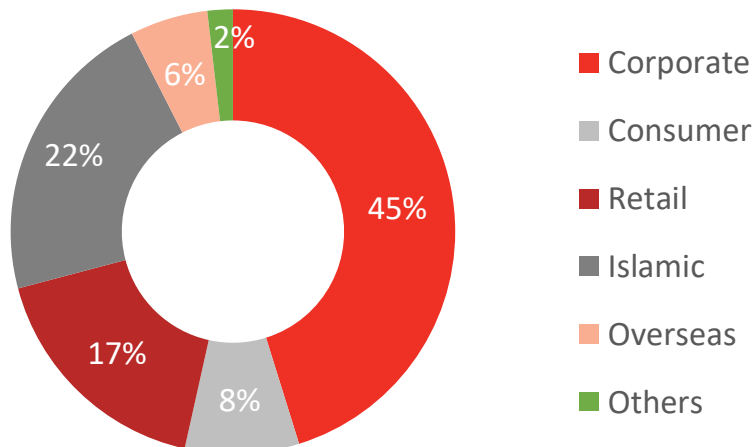
Infection Ratio at 4.7%



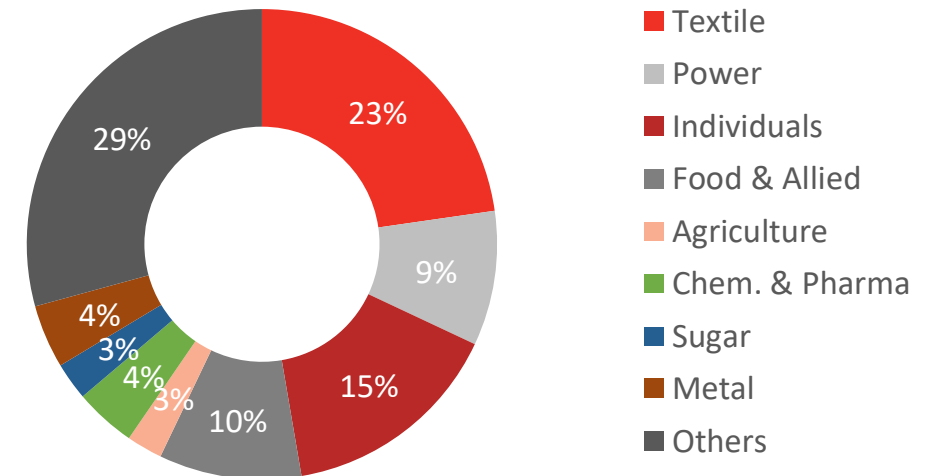
Coverage remains above 100%



Performing Advances composition



Advances concentration (Dec 2022)



Islamic book comprises of:
57% corporate; 15% commodity finance, 17% consumer loans & 11% others

Trends Analysis

Balance Sheet



Amounts in PKR mn	2017	2018	2019	2020	2021	2022	5yr CAGR
Cash & Bal. With Treasury Bank	70,381	82,408	100,732	99,348	105,606	140,613	14.8%
Balances With Other Banks	3,754	3,875	4,710	6,234	9,783	9,485	20.4%
Lending to FIs	48,896	62,172	71,435	77,306	35,982	115,354	18.7%
Advances (Net)	400,655	501,636	511,236	577,316	673,881	732,375	12.8%
Investments (Net)	400,733	277,660	299,098	547,090	809,214	1,114,407	22.7%
Fixed & Other Assets	74,408	78,466	78,100	77,580	99,856	140,963	13.6%
Total Assets	998,828	1,006,218	1,065,311	1,384,874	1,734,321	2,253,197	17.7%
Deposits	644,985	702,895	782,284	881,767	1,139,045	1,486,845	18.2%
Subordinated Loans	4,991	11,989	11,987	7,000	7,000	14,000	22.9%
Borrowings	207,194	123,738	102,842	314,960	383,809	491,180	18.8%
Bills Payable & Other Liabilities	75,859	91,948	80,170	90,129	104,465	161,157	16.3%
Total Liabilities	933,028	930,571	977,284	1,293,856	1,634,319	2,153,182	18.2%
Paid - up Capital	16,076	17,744	17,772	17,772	17,772	15,772	-0.4%
Reserves & Retained Profit	42,411	50,520	58,889	62,737	70,790	79,384	13.4%
Revaluation Surplus	7,313	7,383	11,367	10,509	11,441	4,859	-7.9%
Total Equity	65,800	75,647	88,028	91,017	100,003	100,015	8.7%

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

Trends Analysis

Profit & Loss



Amounts in PKR mn	2017	2018	2019	2020	2021	2022	5yr CAGR
Interest Income	56,920	59,672	92,519	92,616	100,402	213,897	30.3%
Interest Expenses	27,354	27,746	47,623	47,911	54,134	136,558	37.9%
Net Int. Income	29,565	31,926	44,896	44,705	46,268	77,340	21.2%
Non Int. Income	9,381	10,431	10,357	12,795	16,254	21,786	18.4%
Total Income	38,946	42,357	55,253	57,499	62,522	99,126	20.5%
Admin expenses	25,131	24,313	29,066	31,443	36,316	49,562	14.5%
Other charges	294	400	777	589	524	935	26.0%
Non int. expense	25,425	24,713	29,843	32,032	36,840	50,497	14.7%
Profit before provisions	13,522	17,645	25,410	25,468	25,682	48,629	29.2%
Provisions	(523)	27	3,029	7,589	2,312	12,468	
Profit before tax	14,045	17,618	22,382	17,878	23,370	36,160	20.8%
Taxation	5,678	6,993	9,686	7,403	9,154	17,954	25.9%
Profit after Tax	8,367	10,625	12,696	10,475	14,217	18,206	16.8%
EPS (PKR) *	5.31	6.74	8.05	6.64	9.01	11.54	
Stock Dividend	-	10.00%	-	-	-	-	
Dividend (% of Paid-up) **	15.00%	25.00%	40.00%	40.00%	40.00%	50.00%	

* EPS is calculated using current number of the shares

** Percentage of paid up capital at time of declaration

Trends Analysis

Key Ratios



	2017	2018	2019	2020	2021	2022
Capital Adequacy Ratio (Tier - I)	10.9%	12.2%	13.3%	12.7%	11.1%	11.1%
Capital Adequacy Ratio Total	13.4%	15.0%	16.9%	16.5%	14.4%	13.8%
Net Interest Margins	3.6%	4.0%	5.3%	4.3%	3.4%	4.2%
Admin Cost to Income Ratio	64.8%	57.3%	52.6%	54.7%	58.1%	50.0%
Non - Interest Income as % of Total	25.3%	24.4%	18.7%	22.3%	26.3%	22.0%
Advance to Deposit Ratio (ADR) - Gross	62.1%	71.4%	67.7%	68.1%	61.4%	51.5%
YoY Deposit Growth	1.6%	9.0%	8.2%	12.7%	29.2%	30.5%
YoY Advances Growth	5.8%	25.2%	1.9%	12.9%	16.7%	8.7%
YoY Investments Growth	3.0%	-30.7%	6.0%	82.9%	47.9%	37.7%
Current Deposits Ratio	40.1%	40.9%	43.4%	44.7%	44.0%	44.5%
CASA Ratio	76.9%	75.4%	75.9%	77.9%	76.9%	71.7%
NPL Ratio	4.2%	3.6%	4.2%	4.3%	3.5%	4.0%
Coverage Ratio	94.0%	89.0%	83.6%	91.2%	101.9%	107.6%
ROA	0.9%	1.2%	1.3%	0.9%	1.0%	0.9%
ROE Excluding Reval. Surplus	15.5%	16.9%	17.6%	13.2%	17.1%	19.5%
ROE Including Reval. Surplus	13.2%	15.3%	15.4%	11.5%	15.3%	17.9%
Diluted BVPS (Incl. Reval.)	41.72	47.96	55.81	57.71	63.41	63.41

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)	1,577.17
Market Capitalization (PKR bn)**	67,455
Market Capitalization (USD mn)*	229
Average Daily Turnover (mn shares) - 12M	2.61
Average Daily Turnover (USD mn) - 12M	338.59
Current Stock Price** (PKR)	42.77
High / Low** (PKR) - 12M	42.77/ 28.31

*Using PKR / USD parity of PKR 294.92

**Stock Price as of August 17, 2023



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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