



Bank Alfalah

Press Release

Bank Alfalah Records over Rs.10 billion and a Positive Operating Leverage in 2018

[Karachi, 22 February 2019]: The Board of Directors of Bank Alfalah in their meeting held in Abu Dhabi on 21 February 2019, approved the Bank's audited financial statements for the year ended December 31, 2018.

The Bank recorded profit after taxation of Rs.10.625 billion, for the year ended December 31, 2018, higher by 27% in comparison to 2017.

The performance was largely driven by growth in its core business operations with revenue growth of 9.8% and operating expenses reduction by 2.4% versus last year. Net interest income grew by 9.0%, or Rs.2.615 billion, totaling Rs.31.591 billion, as a result of earning asset growth and better spreads. The Bank was able to overcome the pressure on net interest income (NII) due to the maturities of high yielding bonds and lagged re-pricing impact of asset book in rising interest rate scenario. The cost of deposits increased by 40 bps as compared to corresponding period last year, despite the policy rate increase of 425 bps over the course of the period.

Non Fund Based Income growth was supported by foreign exchange gains which increased significantly by Rs.726 million, or 50%, as a result of exchange rate volatility, over the period, which were capitalized by the Bank. Fees and commission income was reported at 6.292 billion, improving by 5 per cent year on year. Net gains on securities, mainly from government securities and equities, reported at Rs.993 million, declined by 13% mainly due to bearish capital market sentiments.

Despite taking an impact of branch expansion and investment in IT infrastructure, digital channels, deposit protection premium along with inflationary adjustments and PKR devaluation at the latter part of the year total operating expenses were reported at Rs.24.365 billion as against to Rs.24.964 billion last year, declining by 2.4%. This is reflective of a strict culture of cost discipline which has been enforced across the bank and payback of restructuring done. Excluding the one-offs in 2017 and 2018, the operating expenses remained flat.

The bank's profit from discontinuing operation has increased from Rs.201 million to 475 million and includes reversal of provision amounting to Rs.444 million (USD 3.949 million), previously held against amount blocked in the Bank's Nostro account following settlement of dispute, and release of funds in favour of the Bank.

The NPL ratio has improved to 3.6% as compared to 4.2% last year, and continues to remain one of the lowest infection ratios in the industry. As at December 2018, the Bank's provision coverage stands at 84.4%. These ratios incorporate the impact of subjective provisioning taken by the bank based on prudence.



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Deposits increased by 9.0%, ending at Rs.703 Billion. The Bank's CASA mix is 77.2%. At the year end, gross advances to deposits ratio stands at 73.8%, and remains a leading indicator and shows Bank's commitment towards private sector. The Bank remains adequately capitalized, with Capital Adequacy Ratio at December 2018, being 14.95%.

The Directors have recommended final payment of Cash dividend of Rs.1.50 per share (15 %) for the year ended December 31, 2018, subject to approval of the shareholders in the upcoming annual general meeting, bringing the total cash dividend for the year to Rs.2.50 per share. The Board had earlier declared and paid interim cash dividend of Rs.1.00 per share. The Board had also declared interim stock dividend of 10% i.e. 10 shares for every 100 shares held.

Commenting on the Bank's performance over the year, Nauman Ansari, CEO, Bank Alfalah said, "We are pleased with the overall consistent performance of the Bank, especially from the core business operations, which reflects our commitment to do things differently, challenging the status quo to find new and better ways to move ourselves and our customers forward."