



Analyst Briefing - 1Q 2014 Performance Review & Outlook

21 May 2014

Basic Data & Market Positioning

Commencement of operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term/ Short Term)	AA / A1+
Branches	574 (including 140 Islamic Branches)
Cities Covered	196 cities in Pakistan, 6 cities overseas
International Presence	11 International Branches in 3 countries
Market Share	6.6% of deposits (6 th Largest by size)
Assets (PRsbn/US\$bn)	Rs. 616 Bn / US\$ 6.2 Bn
Deposits (PRsbn/US\$bn)	Rs. 501 Bn / US\$ 5.1 Bn
Net Advances (PRsbn/US\$m)	Rs. 255 Bn / US\$ 2.6 Bn
Staff Strength	7,498

Data as of March 2014

Balance Sheet Snapshot

Amount PRs Mn	Mar-13	Dec-13	Mar-14	YoY	YTD
Cash	51,930	61,205	64,217	24%	5%
Bal with banks	22,589	35,180	20,337	-10%	-42%
Lending to FI	9,513	2,522	16,159	70%	541%
Advances (net)	232,883	260,780	255,125	10%	-2%
Investments (net)	200,525	219,690	229,600	14%	5%
Fixed & Others	27,285	31,237	30,448	12%	-3%
Total Assets	544,724	610,614	615,886	13%	1%
Deposits	450,565	525,526	501,477	11%	-5%
Sub Loans	10,875	9,991	9,990	-8%	0%
Other Liabilities	55,254	43,196	73,975	34%	71%
Total Liabilities	516,694	578,713	585,442	13%	1%
Paid up Capital	13,492	13,492	13,492	0%	0%
Ret Earnings & Res.	10,527	14,774	12,737	21%	-14%
Reval Surplus	4,012	3,636	4,215	5%	16%
Total Equity	28,030	31,902	30,444	9%	-5%

- Balance sheet size increased by 13% YoY to PRs616bn.
- Deposits increased 11% YoY with CASA at 73%. The YTD decline is due to i) seasonality and ii) rationalization of Islamic deposits.
- Net Advances increased by 10% YoY to PRs255bn.
- Investment book grew by 14% YoY. Investment mix shifted towards longer duration govt paper.
- Total equity declined 5% vs Dec-13, due to impact of annual dividend payment.

Profit & Loss Snapshot

Amount PRs Mn	1Q13	4Q13	1Q14	YoY	QoQ
Interest Income	10,572	11,670	11,919	13%	2%
Interest Expenses	6,748	7,294	7,630	13%	5%
Net Int Income	3,824	4,376	4,288	12%	-2%
NPL provisions	-66	271	62	NM	-77%
Impairment on Invst	198	-295	67	-66%	NM
Post Provision Int	3,692	4,400	4,159	13%	-5%
Non Int Income	1,864	2,321	2,055	10%	-11%
Op. Expenses	4,028	4,699	4,511	12%	-4%
Profit before tax	1,527	2,022	1,704	12%	-16%
Taxation	516	665	575	11%	-13%
Profit after tax	1,011	1,358	1,128	12%	-17%
EPS (Rupees)	0.75	1.01	0.84	12%	-17%

- Net Interest Income (NII) increased 12% YoY, backed by volumetric growth.
- Interest cost has been curtailed despite strong growth in avg deposits and increase in minimum rate on saving deposits.
- Total Provisions came down in absence of investment provisions (Warid) and slowdown in bad loans accretion.
- Non interest income growth led by fee income, FX & capital market gains.
- Opex up 12% YoY due to branch expansion and inflationary pressures.

Key Ratios

Amount PRs Mn	1Q13	2Q13	3Q13	4Q13	1Q14
IS & Bal Sheet					
ROA	0.7%	0.7%	1.0%	0.9%	0.7%
ROE exc. surplus	16.3%	15.2%	21.2%	19.7%	16.6%
NIM	3.3%	3.4%	3.9%	3.5%	3.3%
Cost: income	70.4%	67.4%	66.0%	71.1%	68.2%
Gross ADR	54.9%	52.0%	51.0%	52.1%	53.5%
CASA*	73.2%	74.6%	74.6%	71.1%	73.2%
YoY Growth					
Net Loans	16.3%	8.3%	8.3%	11.5%	9.6%
Deposits	11.3%	13.5%	13.5%	15.0%	11.3%
Asset Quality					
NPL ratio	9.6%	8.6%	8.6%	6.6%	6.8%
Coverage	57.9%	66.8%	66.8%	69.3%	68.2%
Capital Base					
CAR	12.5%	12.6%	12.6%	12.1%	11.4%

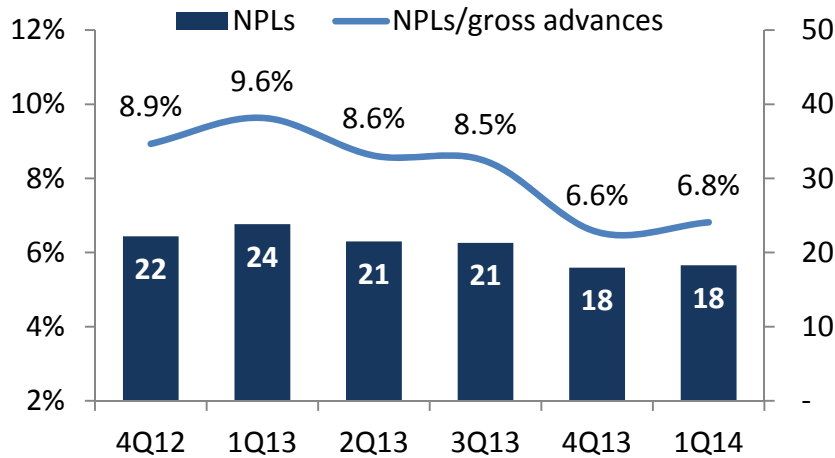
- NIMs declined due to excess liquidity in Islamic Banking.
- Lack of investment avenue in Islamic Banking impacted the overall performance.
- Cost to income ratio remained higher due to impact of more than 100 branches opened last year.
- CASA ratio improved to 73.2% from year end level of 71.1%.
- Capital Adequacy ratio declined to 11.4% due to impact of dividend in 2013.

* Includes CASA deposits of FIs

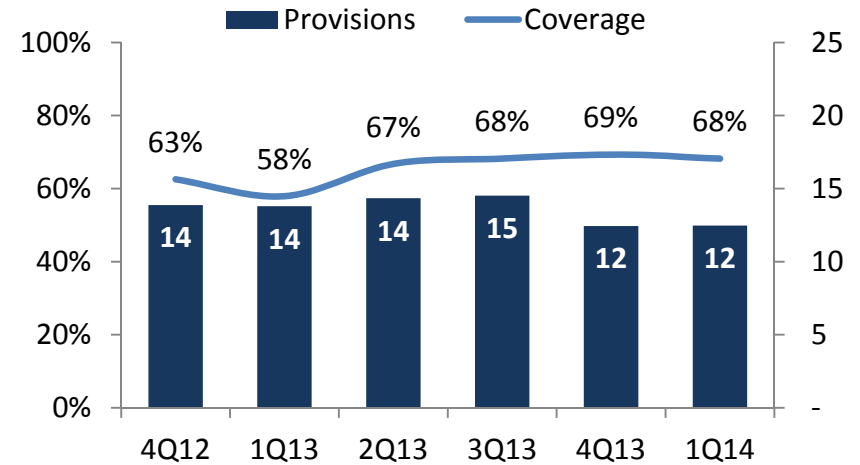
1Q14 Performance Review

Advances & Asset Quality Trends

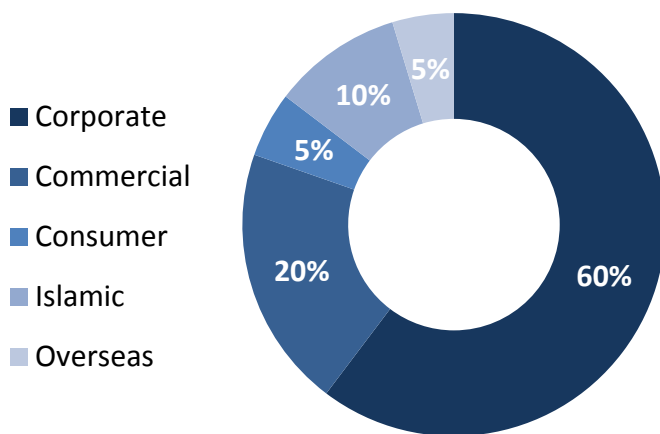
Improving asset quality with reduced NPL accretion



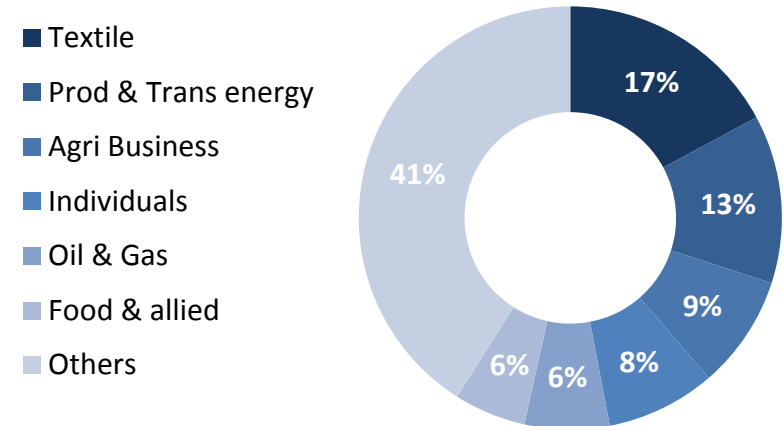
Coverage maintained at 68%



Advances composition March 2014

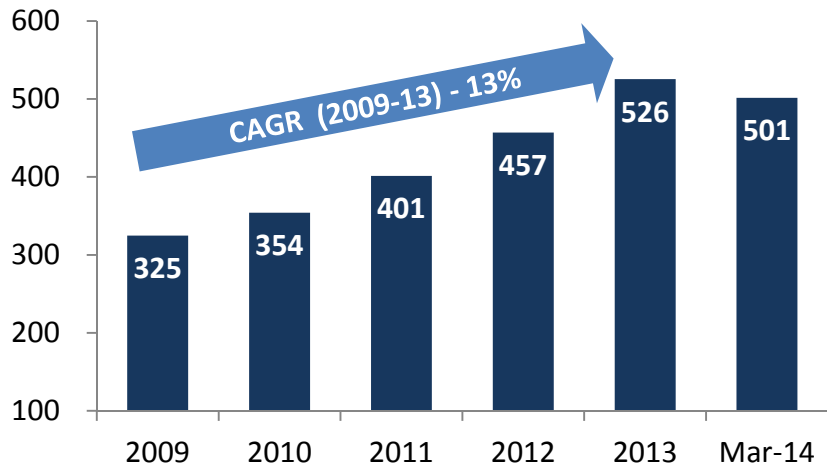


Advances concentration December 2013

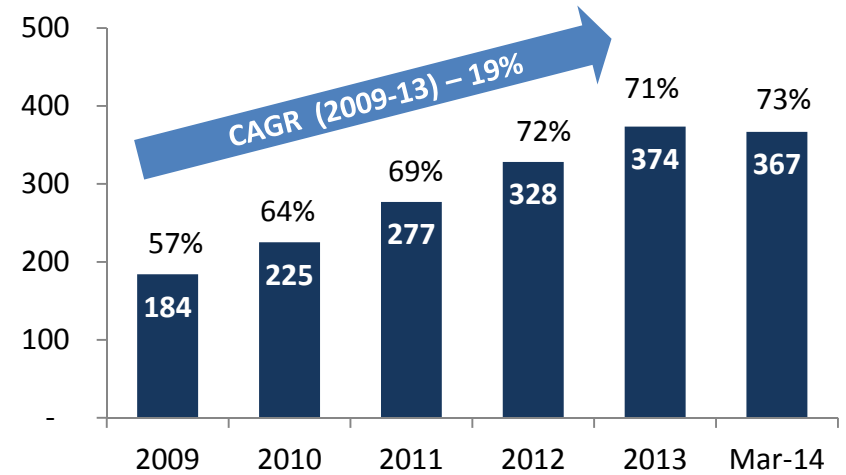


Deposit Mix & Cost

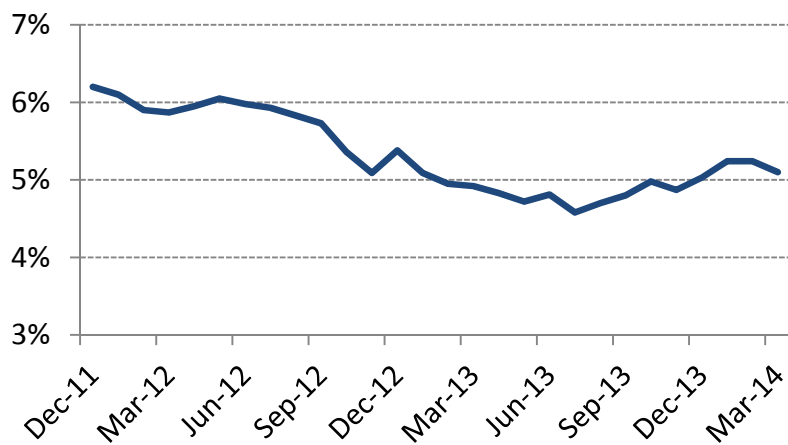
Continuous deposit growth



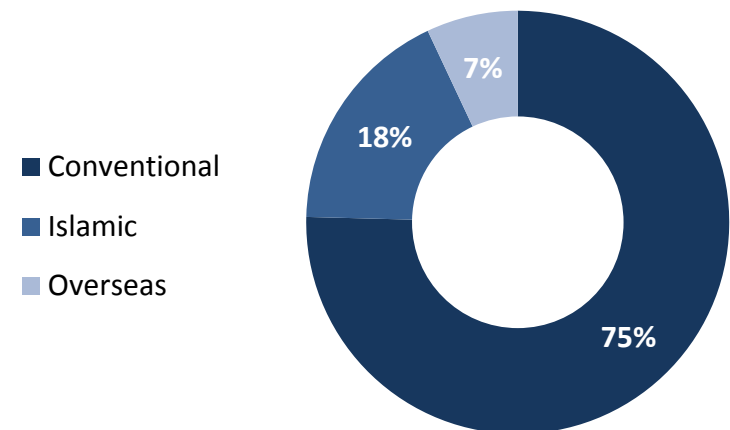
Rising CASA concentration



Regulatory changes impacted CoD



Deposits composition March 2014



Way Forward

Focus Areas

Bank Alfalah Platform

Diverse Customer Base

Banking Footprint Across all Segments

Reach and Scale - 6th Largest Bank

Leading position in SME, Consumer and Islamic

Robust Technology Platform



Future Areas of Focus

1

Transacting
Convenience

2

Cross-sell

3

Productivity
Enhancement

4

Leverage Leading
Segment Platforms
and Expand into new
businesses

Future Areas of Focus

1

Enhance Transacting Convenience

- Transacting ease – access through multiple channels, customized products, service quality
- Expand branches– increase network to 700 branches by 2015
- Multiple channels:
 - Mobile, internet and ATM platforms
 - Branchless banking platform (JV with cellular operator)
- Segmentation – customized products & solutions
- Customer TATs

2

Cross-sell

- 360 degree customer view - Comprehensive product set
 - Diversified fee income
- Invest in sales processes
- Improve cross sell across segments

3

Productivity enhancement

- Focus on intermediation cost
 - Centralization
 - Automation and BPR
- ‘Smart’ branch concept
- Increase ratio of sales/service : operations staff in branches
- Move transaction flows to low cost ADC channels

4

Leverage Segment Platforms & Expand into new businesses

- Expand Islamic banking
- Leverage strength in SME banking
- Leverage leading position in Consumer
- Wealth management business
- Capital markets, treasury risk products and merchant banking business

Appendix

Balance Sheet Summary

Amount in PRs Mn	2009	2010	2011	2012	2013	CAGR (2009-13)
Cash & Bal. with treasury bank	35,056	41,198	50,883	58,044	61,205	15%
Balances with other banks	22,723	16,179	17,424	26,721	35,180	12%
Lending to FIs	14,947	6,498	7,765	877	2,522	-36%
Advances (net)	188,042	207,153	198,469	233,933	260,780	9%
Investments (net)	99,160	113,426	166,532	189,487	219,690	22%
Fixed & Other Assets	29,142	27,031	27,221	27,506	31,237	2%
Total Assets	389,070	411,484	468,294	536,468	610,614	12%
Deposits	324,760	354,015	401,233	457,044	525,526	13%
Subordinated Loans	7,570	7,567	7,149	5,875	9,991	7%
Other Liabilities	34,607	27,596	34,359	43,590	43,196	6%
Total Liabilities	366,937	389,178	442,741	506,509	578,713	12%
Paid up Capital	13,492	13,492	13,492	13,492	13,492	0%
Reserves & Retained Profit	6,279	6,235	9,125	12,010	14,774	24%
Revaluation Surplus	2,363	2,579	2,937	4,558	3,636	11%
Total Equity	22,133	22,306	25,554	30,059	31,902	10%

Profit & Loss Summary

Amount in PRs Mn	2009	2010	2011	2012	2013	CAGR (2009-13)
Interest income	35,561	37,530	44,298	46,080	43,961	5%
Interest expense	24,654	23,855	25,687	27,500	27,066	2%
Net interest income	10,907	13,675	18,611	18,580	16,895	12%
NPL Provisions	3,754	2,269	1,870	1,850	959	-29%
Investment impairment	317	1,991	2,459	1,709	95	-26%
Post Provisions Interest Income	6,836	9,414	14,281	15,021	15,841	23%
Non interest income	5,182	4,708	5,368	7,281	8,279	12%
Operating expenses	11,002	12,754	14,215	15,519	17,313	12%
Profit before taxation	1,016	1,369	5,434	6,783	6,807	61%
Taxation	119	400	1,931	2,227	2,131	106%
Profit after taxation	897	968	3,503	4,556	4,676	51%
EPS (Rupees) Diluted	0.66	0.72	2.60	3.38	3.47	51%
DPS (Rupees) Diluted	0.80	-	1.75	2.00	2.00	26%

Key Ratios

	2009	2010	2011	2012	2013
Capital Adequacy Ratio (Tier-I)	8.1%	7.1%	8.6%	8.5%	8.4%
Capital Adequacy Ratio Total	12.5%	10.5%	11.6%	12.6%	12.1%
Net Interest Margins	3.5%	4.1%	5.1%	4.4%	3.5%
Admin Cost to Income Ratio	67.9%	68.4%	57.7%	58.8%	68.7%
Non Interest Income as % of total	32.2%	25.6%	22.4%	28.2%	32.9%
Advance to Deposit Ratio (ADR)	60.5%	61.7%	52.7%	54.3%	52.1%
YoY Deposit Growth	8.0%	9.0%	13.3%	13.9%	15.0%
YoY Advances Growth	-2.4%	10.2%	-4.2%	17.9%	11.5%
YoY Investments Growth	30.5%	14.4%	46.8%	13.8%	15.9%
CASA Ratio*	56.7%	63.6%	69.0%	71.8%	71.1%
NPL Ratio	8.2%	8.4%	9.0%	8.9%	6.6%
Coverage Ratio	53.1%	58.0%	64.6%	62.5%	69.3%
ROA	0.2%	0.2%	0.8%	0.9%	0.8%
ROE exc. Reval surplus	5.2%	4.9%	16.5%	18.9%	17.4%
ROE inc. Reval surplus	4.6%	4.4%	14.6%	16.4%	15.1%
Book Value /share (incl Rev)**	16.4	16.5	19.1	22.3	23.6

* Includes CASA deposits of FIs

** Diluted in PRs

Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1349.16
Market Capitalization (PRsbn)	37.24
Market Capitalization (US\$m)*	377.46
Average Daily Turnover (mn shares)	4.25
Average Daily Turnover (US\$m)*	1.2
Current Stock Price**	27.6
12M High/Low**	29.07/17.12

* Using PRs/US\$ parity of PRs98.65

** Stock Price as of 20th May 2014

Disclaimer

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 Al Falah.

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

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