



Bank Alfalah

Analyst Briefing – 2Q 2018 Performance Review & Outlook

3rd September 2018

Introductory Snapshot – Data as of June 30th 2018

Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	641 (including 152 Islamic Branches)
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 4 countries
Market Share	5.1% of deposits
Assets	PKR 999bn / USD 8.0bn
Deposits	PKR 668bn / USD 5.4bn
Net Advances	PKR 480bn / USD 3.9bn
Capital Adequacy Ratio	14.7%
Staff Strength	7,904

Profit & Loss Snapshot

Amount PKR mn	1H17	1H18	YoY	2Q17	2Q18	YoY
Interest Income	27,980	28,092	0%	14,150	13,823	-2%
Interest Expenses	12,869	12,736	-1%	6,464	6,021	-7%
Net Int Income	15,111	15,356	2%	7,686	7,802	2%
NPL provisions	(267)	(496)	NA	(188)	(295)	NA
Inv. Impairment	131	(83)	NA	135	4	-97%
Post Provision Int	15,247	15,934	5%	7,740	8,093	5%
Non Int Income	5,315	5,765	8%	2,841	2,900	2%
Admin expenses	11,936	11,676	-2%	6,295	5,723	-9%
Other charges & prov	156	16	-90%	106	337	217%
Non int expense	12,092	11,691	-3%	6,401	6,060	-5%
Profit before tax	8,470	10,008	18%	4,180	4,932	18%
Taxation	3,589	3,969	11%	2,087	2,157	3%
Profit after tax	4,881	6,039	24%	2,093	2,775	33%
EPS (Rupees)	3.04	3.75		1.30	1.72	
DPS (Rupees)	-	1.0		-	1.0	
Bonus	-	10%		-	10%	

- NII increased 2% YoY; driven primarily by higher NIMs in 2Q, despite PIB maturities.
- Strong recoveries against NPLs continued, clocking reversals of PKR295mn in 2Q.
- Non interest income increased 2% YoY, aided by higher FX income.
- Core fees & commission is lower YoY due to one-off impacts last year.
- Better cost discipline and high base resulted in 9% YoY decline in admin expenses.
- Other provisions reflect various outstanding balances/ receivables which have been provided.
- PAT grew 33% YoY to PKR2.8bn. Result also accompanies cash dividend and bonus of 10% each.

Balance Sheet Snapshot

Amount PKR mn	Jun-17*	Dec-17	Jun-18	YoY	YTD
Cash	81,711	70,381	82,163	1%	17%
Bal with banks	12,321	3,754	3,786	-69%	1%
Lending to FI	40,920	48,896	15,574	-62%	-68%
Advances (net)	409,971	400,655	479,731	17%	20%
Investments (net)	375,793	400,733	355,645	-5%	-11%
Fixed & Others	37,292	63,654	62,087	66%	-2%
Total Assets	958,007	988,074	998,985	4%	1%
Deposits	656,528	653,406	668,062	2%	2%
Sub Loans/ADT1	6,654	4,991	11,990	80%	140%
Borrowings	201,039	207,194	197,793	-2%	-5%
Other Liabilities	29,872	56,683	52,383	75%	-8%
Total Liabilities	894,093	922,274	930,228	4%	1%
Paid up Capital	16,076	16,076	16,131	0%	0%
Reserves	38,227	42,439	47,126	23%	11%
Reval Surplus	9,611	7,285	5,500	-43%	-24%
Total Equity	63,914	65,800	68,757	8%	4%



* Includes Afghanistan operations

- Advances increased 17% YoY to PKR480bn.
- Gross ADR reached 74% supported by 44% YoY growth in Islamic loans.
- Further impetus to advances growth came from Consumer and Commercial lending, up 18% and 23% YoY respectively.
- Corporate loans meanwhile grew 6% YoY.
- Adjusted for Afghanistan reclassification, deposits grew 5%YoY.
- Other Assets and Other Liabilities reflect classification of Afghanistan as Held-for-Sale.
- YoY increase in sub loans reflects the PKR7bn ADT-1 issue earlier in 2018.
- Total equity increased 8% YoY to PKR69bn.

Key Ratios

	2Q17	3Q17	4Q17	1Q18	2Q18
Yield on Advances	7.0%	6.7%	7.5%	7.3%	7.3%
Yield on Investments	7.0%	6.6%	6.5%	6.6%	6.5%
Cost of Deposits	2.5%	2.7%	2.8%	2.7%	2.6%
NIM	3.7%	3.2%	3.4%	3.6%	3.9%
ROA	0.9%	1.0%	0.5%	1.4%	1.2%
ROE exc. Surplus	15.8%	16.6%	8.3%	22.4%	18.1%
Admin Cost : income	59.8%	64.2%	76.3%	57.1%	53.5%
Gross ADR	65.0%	62.6%	63.8%	66.6%	74.2%
CASA*	85.8%	82.8%	80.0%	82.9%	82.6%
CA*	46.3%	42.6%	42.5%	44.6%	47.2%
Net Loans (YoY)	18.8%	21.4%	5.8%	9.4%	17%
Deposits (YoY)	2.6%	3.1%	1.9%	7.4%	1.8%
NPL ratio	4.2%	4.2%	4.2%	4.0%	3.3%
Coverage	89.3%	89.8%	89.2%	89.0%	90.7%
CAR	12.7%	13.4%	13.7%	15.1%	14.7%

*Includes CASA deposits of FIs



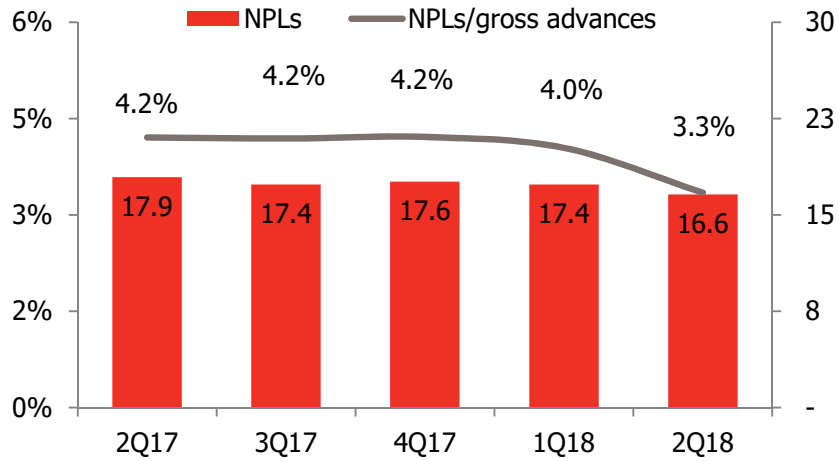
- NIMs grew 20bps YoY, aided by higher yield & volume of advances.
- Cost of deposits increased 10bps YoY while down by 10bps QoQ despite higher interest rates.
- ROA improved to 1.2% in 2Q versus 0.9% in last year. QoQ decline in ROA is due to super tax impact & other reversals in 1Q.
- Admin cost to income ratio further improved to 53.5% versus 57.1% in the previous quarter.
- CASA mix remained at ~83% against the year end level of 80%, while CA increased to 47% from 43% at end of 2017.
- NPL ratio further improved to 3.3%, while specific coverage inched up to 91%.
- 40bps QoQ decline in CAR is result of strong growth in loans.

The background features a large white shape on the left side, resembling a stylized letter 'C' or a partial circle, set against a background of overlapping, semi-transparent red and orange geometric shapes. The text is positioned within the white area.

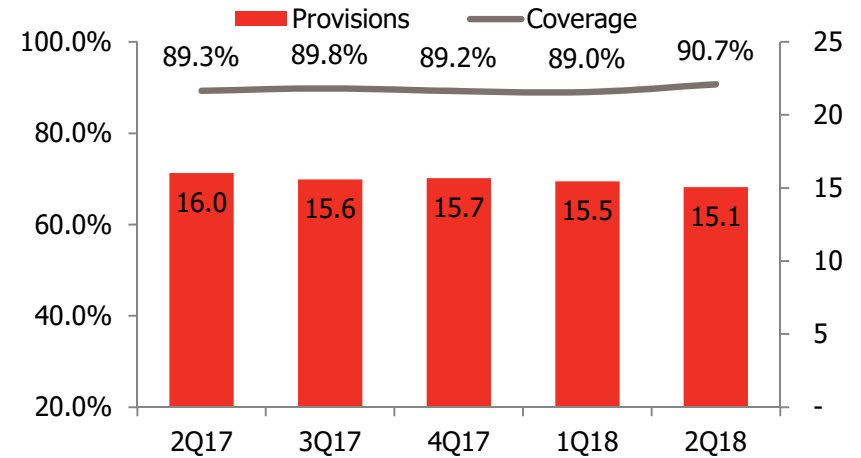
2Q 2018 Performance Review

Advances & Asset Quality Trends

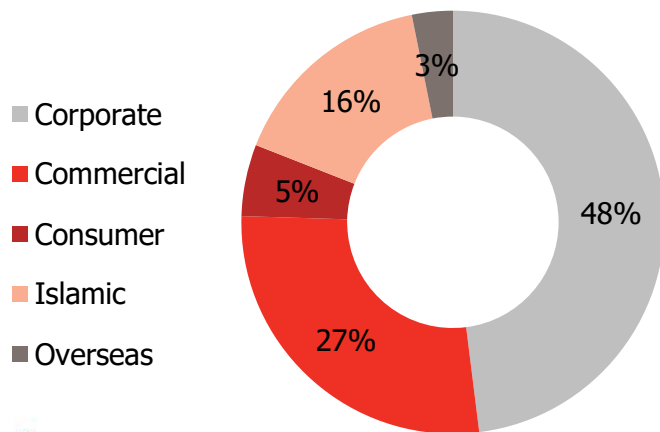
NPLs mostly contained



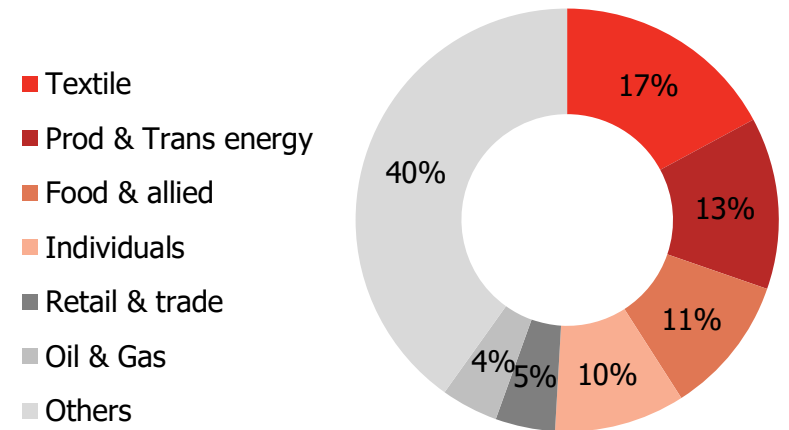
Specific Coverage improves to 91%



Advances composition (June 2018)

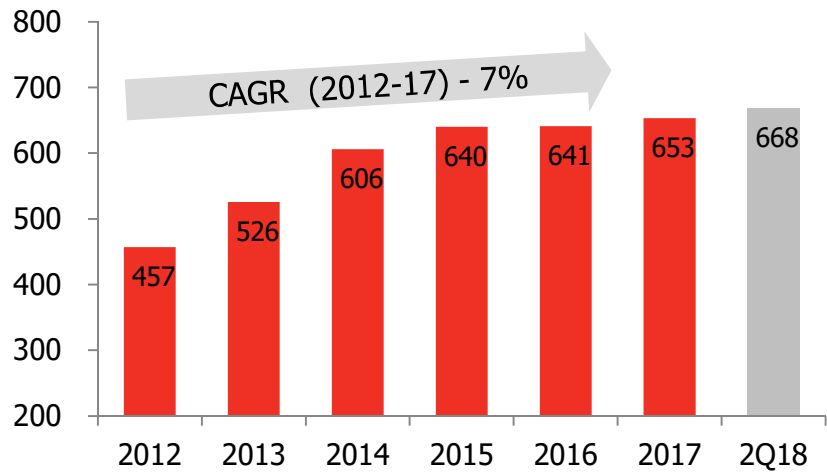


Advances concentration (Dec 2017)

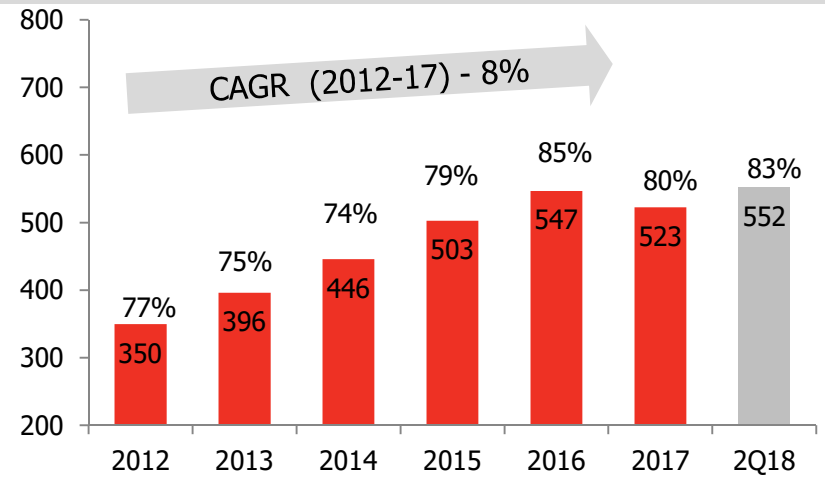


Deposit Mix & Cost

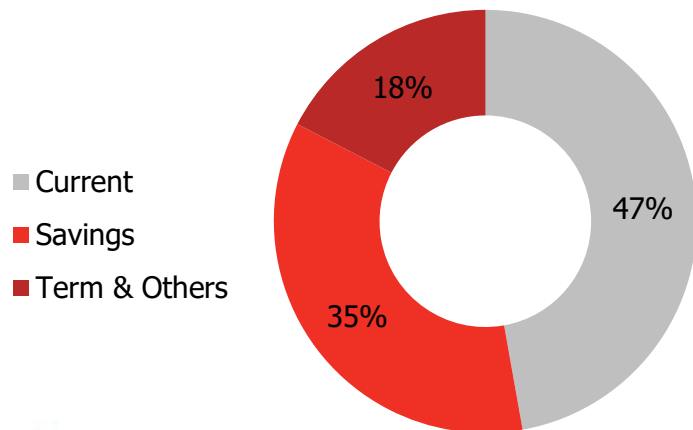
Deposit Growth Trend (PKR bn)



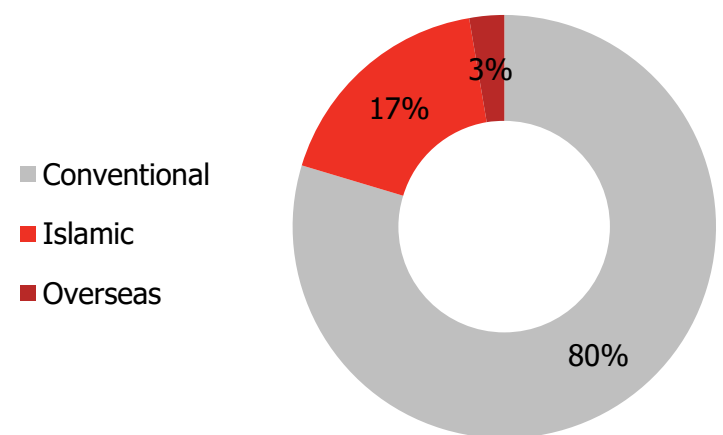
CASA Continues to Remain Strong (PKR bn)



Deposit Mix (Jun 2018)



Deposits Composition (Jun 2018)



Appendix

The background features a large white shape on the left side, resembling a stylized arrow or a curved rectangle, pointing towards the right. This white shape is set against a background of overlapping, semi-transparent red and orange-red geometric shapes, creating a layered, abstract effect. The colors range from a deep, dark red to a lighter, more vibrant orange-red.

Balance Sheet Summary

Amounts in PKR mn	2012	2013	2014	2015	2016	2017	5yr CAGR
Cash & Bal. With Treasury Bank	58,044	61,205	50,516	62,369	74,071	70,381	4%
Balances With Other Banks	26,721	34,764	12,332	16,552	9,373	3,754	-32%
Lending to Fis	877	2,522	18,313	27,626	30,149	48,896	123%
Advances (Net)	237,760	262,992	297,256	334,159	378,720	400,655	11%
Investments (Net)	189,487	219,690	324,319	423,100	389,093	400,733	16%
Fixed & Other Assets	23,680	30,254	40,392	38,802	36,050	63,654	22%
Total Assets	536,568	611,428	743,128	902,608	917,456	988,074	13%
Deposits	457,044	525,526	605,963	640,189	640,944	653,406	7%
Subordinated Loans	5,875	9,991	9,987	9,983	8,318	4,991	-3%
Borrowings	21,228	23,115	55,233	172,393	178,311	207,194	58%
Other Liabilities	22,362	20,894	27,126	26,690	29,759	56,683	20%
Total Liabilities	506,509	579,526	698,309	849,255	857,332	922,274	13%
Paid - up Capital	13,492	13,492	15,872	15,898	15,952	16,076	4%
Reserves & Retained Profit	12,010	14,774	21,951	26,527	33,233	42,439	29%
Revaluation Surplus	4,558	3,636	6,995	10,928	10,940	7,285	10%
Total Equity	30,059	31,902	44,819	53,353	60,125	65,800	17%

* Afghanistan Operations were classified as Available for Sale in 2017 Financials

Profit & Loss Summary

Amounts in PKR mn	2012	2013	2014	2015	2016	2017	5yr CAGR
Interest Income	46,080	43,961	55,378	61,438	57,245	56,919	4%
Interest Expense	27,500	27,066	33,505	32,811	28,474	27,639	0%
Net Interest Income	18,580	16,895	21,873	28,627	28,770	29,281	10%
NPL Provisions	1,850	959	1,448	2,150	1,083	(434)	NA
Investment Impairment	1,709	95	86	137	101	174	-37%
Post Provisions Interest Income	15,021	15,841	20,340	26,340	27,587	29,540	14%
Non - Interest Income	7,281	8,279	8,876	8,861	8,907	9,894	6%
Operating Expenses	15,519	17,313	20,702	22,598	23,692	25,389	10%
Profit Before Taxation	6,783	6,807	8,514	12,603	13,023	14,045	16%
Taxation	2,227	2,131	2,873	5,081	5,123	5,678	21%
Profit After Taxation	4,556	4,676	5,641	7,522	7,900	8,367	13%
EPS (PKR)	3.38	3.41	4.09	4.73	4.93	5.21	9.0%
Dividend (% of Paid - up)	20.0%	20.0%	20.0%	10.0%	0.0%	15%	

Key Ratios

	2012	2013	2014	2015	2016	2017*
Capital Adequacy Ratio (Tier - I)	8.5%	8.4%	9.6%	9.6%	9.9%	11.2%
Capital Adequacy Ratio Total	12.6%	12.1%	12.8%	13.3%	13.2%	13.7%
Net Interest Margins	4.5%	3.5%	3.8%	4.0%	3.6%	3.5%
Admin Cost to Income Ratio	60.0%	68.8%	67.3%	60.3%	62.5%	64.1%
Non - Interest Income as % of Total	28.2%	32.9%	28.9%	23.6%	23.6%	25.3%
Advance to Deposit Ratio (ADR)	52.0%	50.0%	49.1%	52.2%	59.1%	61.3%
YoY Deposit Growth	13.9%	15.0%	15.3%	5.6%	0.1%	1.9%
YoY Advances Growth	17.9%	11.4%	13.0%	12.4%	13.3%	5.8%
YoY Investments Growth	13.8%	15.9%	47.6%	30.5%	-8.0%	3.0%
Current Deposits Ratio	35.2%	35.8%	35.7%	38.0%	45.3%	42.5%
CASA Ratio*	76.5%	75.4%	73.6%	78.5%	85.3%	80.0%
NPL Ratio	8.9%	6.6%	6.4%	5.4%	4.8%	4.2%
Coverage Ratio	62.5%	69.3%	70.1%	83.7%	86.1%	89.2%
ROA	0.9%	0.8%	0.9%	1.0%	0.9%	0.9%
ROE Excluding Reval. Surplus	19.4%	18.0%	18.9%	19.1%	17.4%	15.5%
ROE Including Reval. Surplus	16.8%	15.6%	16.1%	15.2%	13.6%	13.3%
Book Value / Share (Incl. Reval.)	22.28	23.65	28.24	33.56	37.69	40.90

*Includes CASA deposits of Fis

**Afghanistan Operations were classified as Available for Sale in 2017 Financials

Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1,613.1
Market Capitalization (PKR bn)	92.1
Market Capitalization (USD mn)*	741
Average Daily Turnover (mn shares)	1.2
Average Daily Turnover (USD mn)*	0.6
Current Stock Price**	57.08
12M High / Low**	37.25/59.00

* Using PKR / USD parity of PKR 124.24

** Stock price as of August 31, 2018

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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