

Bank Alfalah Limited

Corporate Briefing

3Q 2019 Performance Review & Outlook

November, 2019

Bank Alfalah Limited

Introductory Snapshot



Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group (50%); IFC (15%)
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	672 (including 155 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 1,048bn / USD 6.7bn
Deposits	PKR 711bn / USD 4.6bn
Net Advances	PKR 473bn / USD 3.0bn
Capital Adequacy Ratio	16.9%
Staff Strength	10,321

Note - Data as of September 30, 2019

Bank Alfalah Limited

One stop shop for both Conventional & Islamic customers



01

PKR454bn deposits
PKR134bn performing advances
Leading position in Consumer & SME.
Full service suite incl. Wealth Management

02

PKR139bn deposits
PKR252bn performing advances
This includes international presence in
Afghanistan, Bangladesh, Bahrain & UAE

03

PKR112bn deposits
PKR75bn advances
2nd largest window; complete product suite
across corporate, SME & consumer



06

Completing the services bouquet are:
Alfalah CLSA Securities
Alfalah GHP - Asset Management
Alfalah Insurance

05

**Managing debt, FX & equity investment for
Conventional, Islamic & Overseas Treasury**
Client centric approach - distribution
strength across debt, FX & equity products

04

**700k+ NTB customers YTD. 30 new products and
services rolled out** incl. industry firsts. Long
pipeline of new-to-market offerings. Existing
products incl. Branchless banking, G2P etc.

The Way Forward

The background features a series of overlapping, semi-transparent geometric shapes in various shades of red and orange, creating a modern, layered effect. The shapes are primarily triangles and polygons, some with rounded corners, arranged in a way that suggests movement and depth. The colors range from a deep, dark red to a lighter, more vibrant orange.

The Way Forward

Focus Areas



BAFL Platform

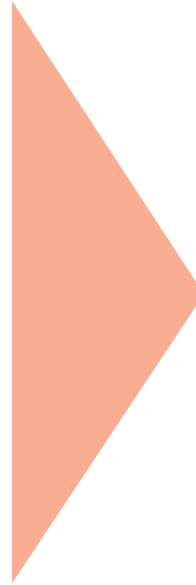
Diverse Customer Base

Banking Footprint Across All Segments

Reach & Scale

Leading Position in SME, Consumer & Islamic Banking

Strengthened Capital Base



Areas of Focus

Productivity

Efficiency

Innovation

The Way Forward

Future Areas of Focus



Productivity

- ✓ **Drive branch sales productivity across products**
Branch Transformation - to enhance deposit mobilization and improve cross sell.
- ✓ **Scale up consumer finance and SME 'intelligently'**
Key processes revamped and automated to enhance customer experience, efficiency and transparency – whilst bolstering risk management.
- ✓ **Scale up Islamic Banking platform**
Given sector constraints, adapt and mold strategy in light of prevailing dynamics.
- ✓ **Optimize return on risk adjusted capital**
ROC underpins capital allocation decisions.

Efficiency

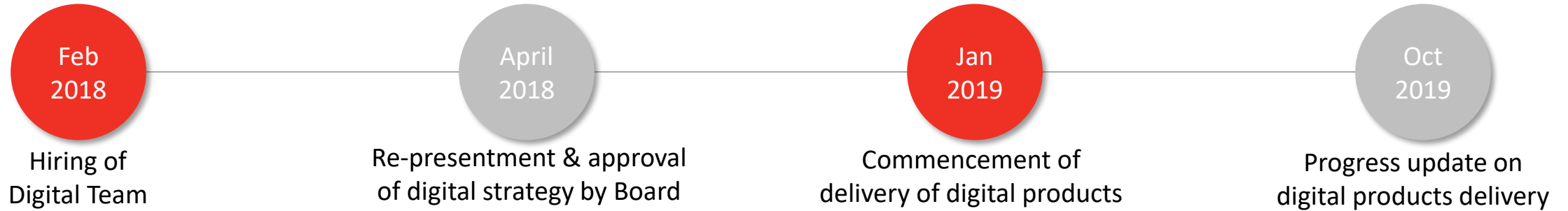
- ✓ **Launch initiatives to control operating cost – without compromising growth**
Initiatives to channel costs to productive avenues. Areas identified for cost saving.
- ✓ **Focus on fee income**
Five levers to grow fee income (1) pricing (2) volume growth (3) identifying new revenue lines (4) optimizing fee waivers (5) minimizing fee leakages.

Innovation

- ✓ **Digital Drive**
Increasing focus on Digital Banking. Working on data analytics, user interface and innovative payment solutions, while also automating existing processes.
- ✓ **Leverage analytics to generate leads**
In-house analytics team working on optimal product offerings and pricing.

The Way Forward

Digital Banking





- Bank Alfalah holds dual areas of focus - Developing digital channels, payment products & Migration of mothership customers to digital banking
- Since the launch of digital banking in Jan 2019, more than **30 new products** and services have been launched across all business verticals of digital lending, channels, payments & products resulting in acquisition of **700K+ new to bank customers**.
- Bank Alfalah was first commercial bank to launch Open App based on global trends of open apps the likes of Ali Express, Amazon, Booking.com, Expedia, PAYTM etc.
- Bank Alfalah launched Pakistan's first bank agnostic cash deposit machine which allows customers to deposit money into all bank accounts of Pakistan (Member Banks of 1Link).
- Launched Pakistan's first digital overdraft facility (Pilot launch for staff only) along with other instant digital lending facilities like (Personal Loan, e-Commerce Loan & Merchant Financing).
- In order to increase payments & lifestyle App positioning of Alfa, various features are launched such as (Food ordering, movie & travel tickets, hotel booking etc.)
- Bank Alfalah is the first bank in Pakistan to launch P2P Chat features in the Alfa app for customers.

The Way Forward




Digital Banking – New Products




Deposits

- ✓ Digital Current Account
- ✓ Digital Saving Account
- ✓ Digital Payroll Account
- ✓ Digital Pensions
- ✓ Digital Remittance
- ✓ Bank Agnostic CDM (Cash Deposit Machine) 
- ✓ Goal Base Saving 





Digital Lending

- ✓ Instant Digital Loan
- ✓ Digital Overdraft (in-house launch) 
- ✓ Digital e -Commerce Loan 
- ✓ Digital Merchant Financing 

Payments

- ✓ Multi Issuer Super App 
- ✓ QR Merchant Acquiring
- ✓ Shopping (Marketplace)
- ✓ School Fee Payments
- ✓ Mobile Airtime
- ✓ Utility Bill Payments
- ✓ Charity

Lifestyle Features

- ✓ Travel Ticketing - Bus
- ✓ Movie Ticketing 
- ✓ Food Ordering / Delivery 
- ✓ Hotels via Booking.com 
- ✓ Member Get Member
- ✓ Alfa Chat 

Note: Some of the products in the suite above are for targeted audience only

Financial Results - 3Q 2019



Financial Results - 3Q 2019

Important Note on Afghanistan Operations



During 2018, the Bank had signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations. Accordingly, the aforesaid business was classified as 'Asset held for sale'. However, during the current period, the DAB (Da Afghanistan Bank) declined the application for approval and consequently Afghanistan operations are now classified as continuing.

Resultantly, all assets and liabilities of the Bank's Afghanistan operations have been presented as part of the actual balance sheet line items, rather than presented separately as 'Assets held for sale' while the balances at December end are still under 'held for sale' category as per the prospective treatment required under IFRS.

However, all the income and expenses for the Bank's Afghanistan operations previously presented as a separate line item 'profit after taxation from discontinuing operations' have been reclassified and presented as part of the actual profit and loss line items for all prior periods presented.

For ease of reference and to facilitate a like-for-like comparison, 3Q18 and 2018 Balance Sheets have been restated on Slide 12 and 13 by showing all assets and liabilities as part of actual balance sheet line items. Rest of the data and ratios in the presentation continues to reflect the IFRS driven prospective treatment.

Financial Results - 3Q 2019

Profit & Loss



Amount PKR mn	9M18	9M19	YoY	3Q18	3Q19	YoY
Interest Income	42,904	66,435	55%	14,812	24,806	67%
Interest Expenses	19,662	33,124	68%	6,926	13,146	90%
Net Int Income	23,242	33,312	43%	7,886	11,660	48%
Non Int Income	8,009	7,106	-11%	2,349	2,110	-10%
Total Income	31,251	40,417	29%	10,235	13,770	35%
Admin expenses	17,637	21,357	21%	5,972	7,469	25%
Other charges	299	551	85%	105	187	77%
Non int expense	17,936	21,908	22%	6,077	7,656	26%
Profit before prov	13,315	18,509	39%	4,158	6,114	47%
Provisions	(946)	2,012	-313%	(96)	1,033	-1178%
Profit before tax	14,261	16,496	16%	4,254	5,082	19%
Taxation	5,632	7,254	29%	1,664	2,048	23%
Profit after tax	8,629	9,242	7%	2,590	3,033	17%
Diluted EPS (PKR)	4.86	5.20	7%	1.46	1.71	17%
DPS (Rupees)*	1.0	2.0	100%	-	-	-
Bonus	10%	0%	NM	-	-	-

- NII increased 48% YoY in 3Q19 due to higher NIMs and average earning assets.
- Non interest income declined YoY because of capital gains booked on PIBs last year vs. losses realized on equities in 3Q19.
- Core fee income depicts growth of 12% YoY, while forex income is up 33% YoY in 3Q19.
- 3Q Net provision charge includes ~PKR300mn net impairment on equities, while NPL provisions of ~PKR700mn are mostly subjective/ pre-emptive.
- Operating expenses are up 26% YoY. Investment in new initiatives and staff cost are key drivers.
- PAT for 3Q was up 7% YoY

*Afghanistan Operations added back on line-by-line basis for ease of comparison

Financial Results - 3Q 2019

Balance Sheet Snapshot



Amount PKR mn	Sep-18*	Dec-18*	Sep-19	YoY	YTD
Cash	78,376	87,173	74,457	-5%	-15%
Bal with banks	18,224	7,307	5,284	-71%	-28%
Lending to FI	74,387	72,643	76,269	3%	5%
Advances (net)	472,989	501,861	473,077	0%	-6%
Investments (net)	216,445	282,257	350,065	62%	24%
Fixed & Others	33,950	54,978	69,581	105%	27%
Total Assets	894,371	1,006,218	1,048,732	17%	4%
Deposits	679,973	723,183	711,262	5%	-2%
Sub Loans/ADT1	11,989	11,989	11,987	0%	0%
Borrowings	77,065	123,738	173,108	125%	40%
Other Liabilities	55,757	71,661	69,709	25%	-3%
Total Liabilities	824,785	930,571	966,065	17%	4%
Paid up Capital	16,131	17,744	17,772	10%	0%
Reserves	48,336	50,520	55,693	15%	10%
Reval. Surplus	5,119	7,383	9,203	80%	25%
Total Equity	69,585	75,647	82,667	19%	9%
Book Value per Share	39.15	42.57	46.51	19%	9%

- Coming off a high base in end 2018, the loan book is down 6% YTD and flat YoY.
- Accumulation of PIBs has reflected in 24% YTD growth in investments.
- Interbank borrowings have seen a cyclical uptick and have doubled YoY, while up 8% YTD.
- Correspondingly an increase has also been seen in T-Bill holdings within the investment book.
- Deposits have grown 5% YoY with CASA clocking at 79% as of 3Q19.
- Unrealized gains on investment book has seen revaluation surplus increase 80% YoY.
- Book value per share stands at PKR46.5 as of September 30th.

*Afghanistan Operations added back on line-by-line basis for ease of comparison

Financial Results - 3Q 2019

Key Ratios



	3Q18*	4Q18*	1Q19*	2Q19	3Q19
Yield on Advances	7.8%	8.9%	11.1%	10.9%	12.6%
Yield on Investments	6.7%	7.1%	7.8%	8.8%	10.6%
Cost of Deposits	2.9%	3.6%	4.4%	4.6%	5.1%
NIM	3.9%	3.9%	5.5%	5.2%	5.5%
ROA	1.1%	0.8%	1.4%	1.4%	1.2%
ROE exc. Surplus	16.2%	12.6%	18.2%	17.3%	16.3%
Admin Cost : income	58.0%	60.9%	50.1%	54.2%	54.2%
Gross ADR	71.8%	73.8%	70.1%	69.0%	69.0%
CASA*	79.0%	78.0%	77.7%	82.5%	78.9%
CA*	42.9%	44.0%	44.5%	49.6%	45.1%
Net Loans (YoY)	18.8%	25.2%	12.7%	3.0%	0.0%
Deposits (YoY)	2.9%	9.0%	6.7%	9.0%	4.6%
NPL ratio	3.5%	3.6%	3.9%	3.5%	4.2%
Coverage	87.9%	84.4%	86.7%	89.2%	80.6%
CAR	14.9%	15.0%	16.2%	16.8%	16.9%

- NIMs grew 220bps YoY, aided by higher yields, effective management of cost of deposits.
- QoQ distortions in advances yield due to moves in suspended markup.
- Admin cost to income ratio while up from recent lows due to new initiatives is still better YoY at 54%
- CA mix reverted to ~45% from the one off uptick to 50% seen last quarter.
- NPL ratio clocked in at 4.2% while coverage dipped to 81%, mainly due to subjective provisioning.
- CAR increased to 16.9% as of 3Q19, despite impact of PKR2/sh interim dividend.

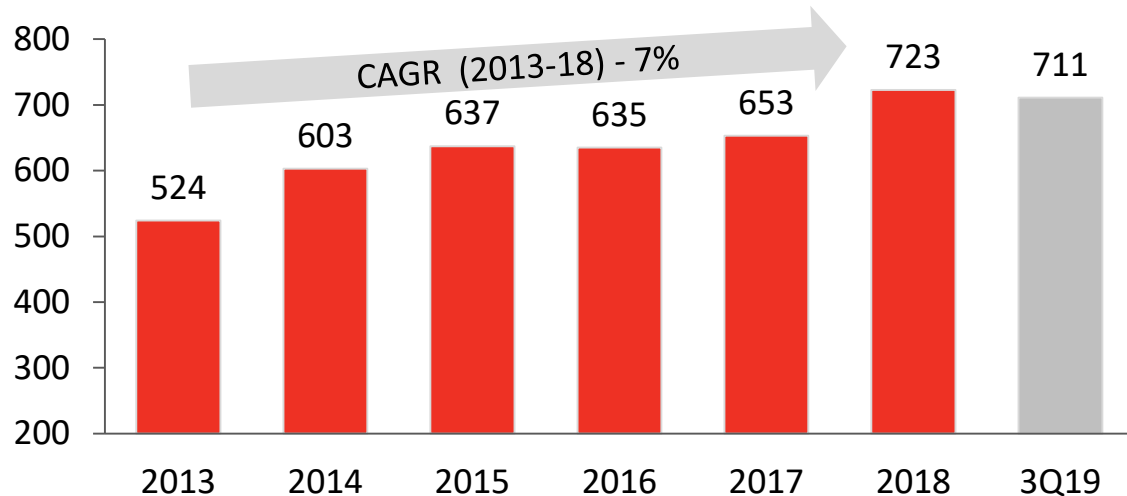
*Afghanistan Operations added back on line-by-line basis for ease of comparison

Financial Results - 3Q 2019

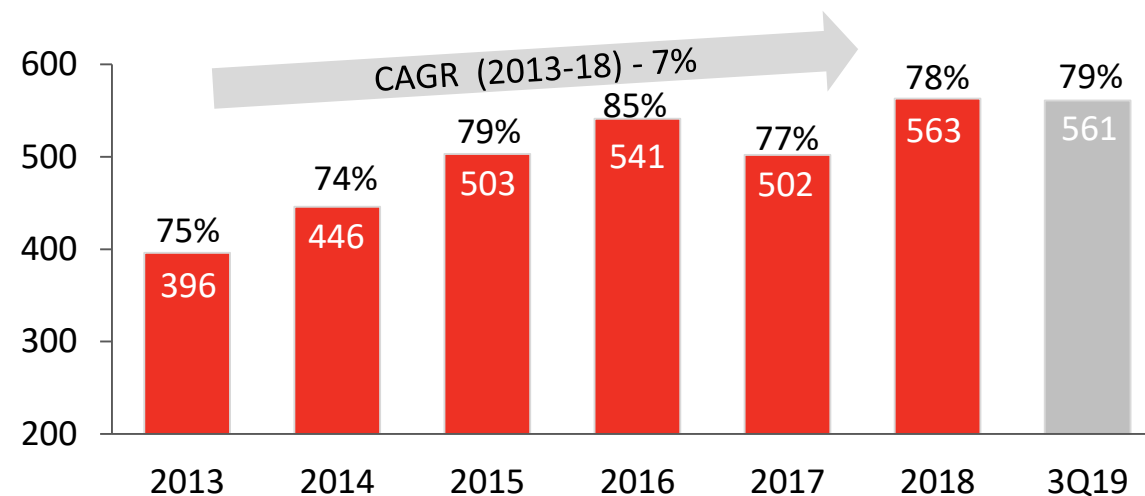
Deposit & Mix Cost



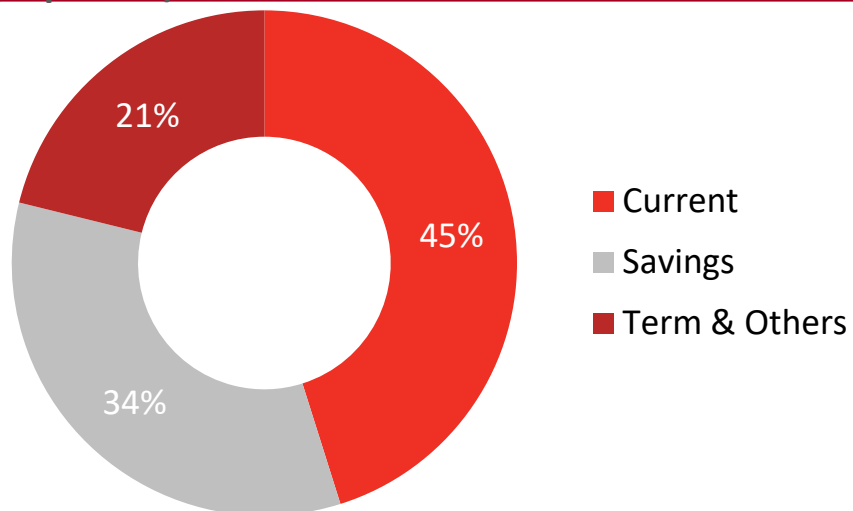
Deposit Growth Trend* (PKR bn)



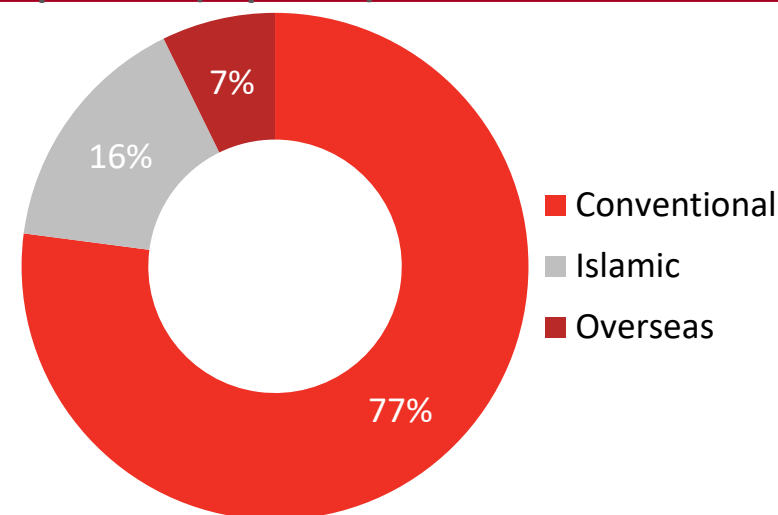
CASA Continues to Remain Strong* (PKR bn)



Deposit Mix (Sep 2019)



Deposits Composition (Sep 2019)



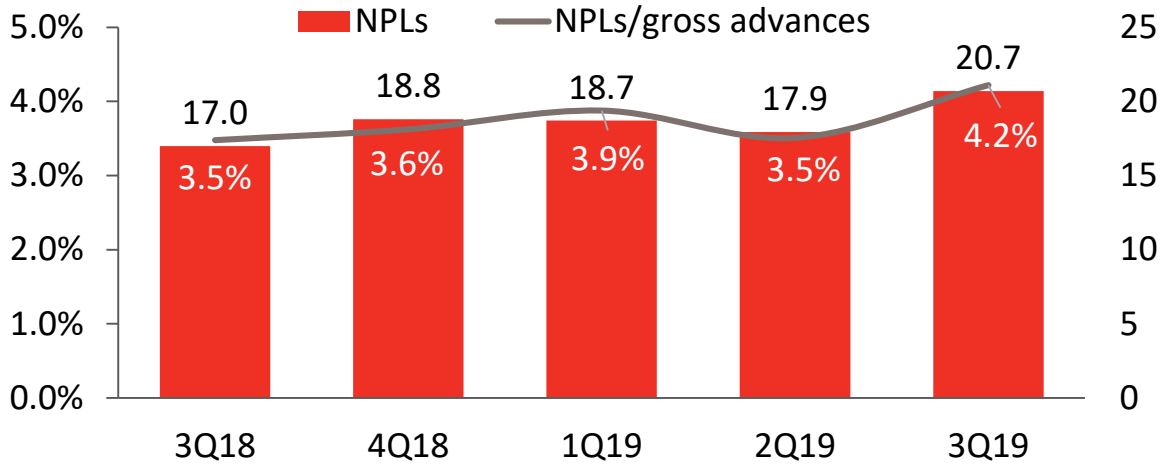
*Afghanistan Operations added back on line-by-line basis for ease of comparison

Financial Results - 3Q 2019

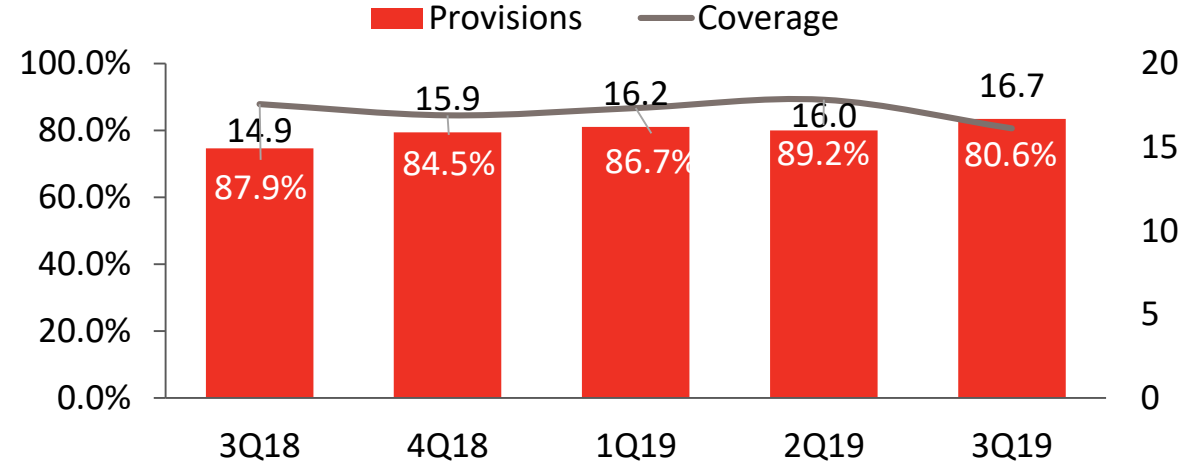
Advances & Asset quality trends



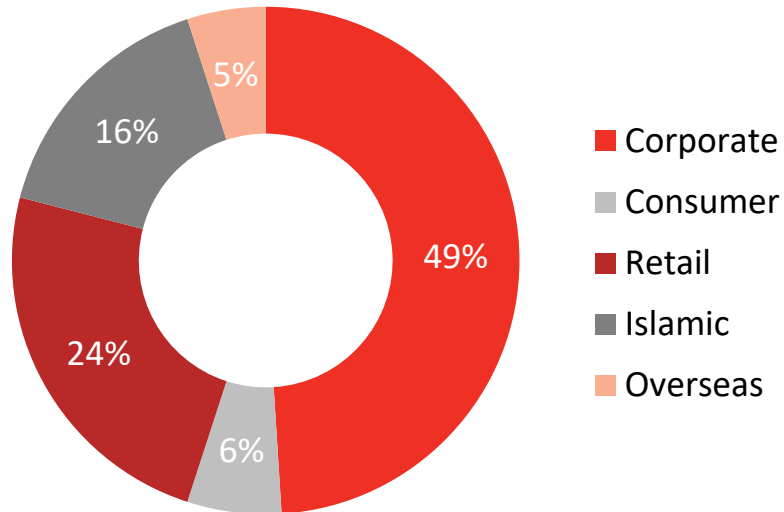
Subjective Classification driving marginal uptick in NPLs



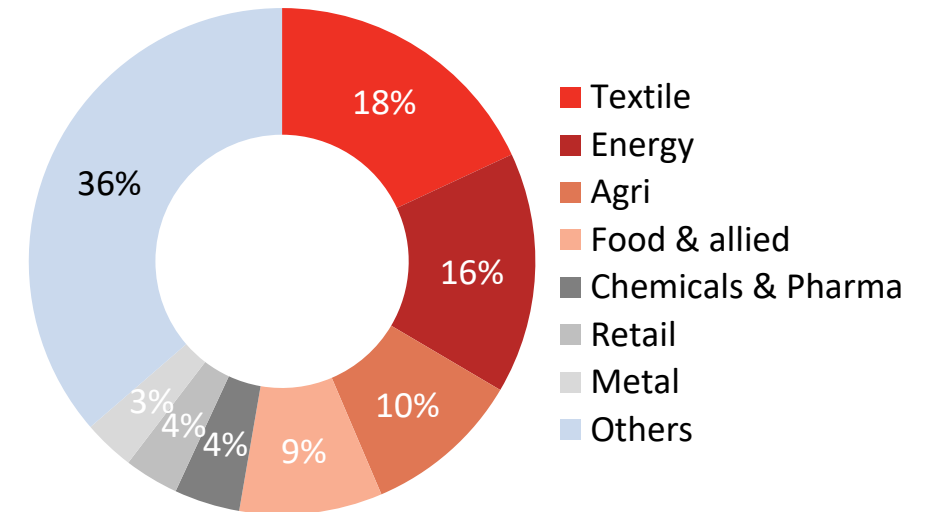
Coverage down - lower coverage of Subjective Classifications



Performing Advances composition (Sep 2019)



Advances concentration (Dec 2018)



Appendix



Appendix

Balance Sheet



Amounts in PKR mn	2013	2014	2015	2016	2017	2018	5yr CAGR
Cash & Bal. With Treasury Bank	61,205	50,516	62,369	74,071	70,381	82,408	6%
Balances With Other Banks	34,764	12,332	16,552	9,373	3,754	3,875	-36%
Lending to FIs	2,522	18,313	27,626	30,149	48,896	62,172	90%
Advances (Net)	260,780	290,597	334,159	378,720	400,733	501,636	14%
Investments (Net)	219,690	324,319	423,100	389,093	400,655	277,660	5%
Fixed & Other Assets	45,315	59,825	54,598	48,239	74,408	78,466	12%
Total Assets	624,276	755,902	918,404	929,645	998,828	1,006,218	10%
Deposits	524,080	603,440	636,863	634,740	644,985	702,895	6%
Subordinated Loans	9,991	9,987	9,983	8,318	4,991	11,989	4%
Borrowings	23,115	55,233	172,393	178,311	207,194	123,738	40%
Bills Payable & Other Liabilities	35,188	42,423	45,812	48,151	75,859	91,948	21%
Total Liabilities	592,374	711,083	865,051	869,520	933,028	930,571	9%
Paid - up Capital	13,492	15,872	15,898	15,952	16,076	17,744	6%
Reserves & Retained Profit	14,774	21,951	26,527	33,203	42,439	50,520	28%
Revaluation Surplus	3,636	6,995	10,928	10,970	7,285	7,383	15%
Total Equity	31,902	44,818	53,353	60,125	65,800	75,647	19%

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

Appendix

Profit & Loss



Amounts in PKR mn	2013	2014	2015	2016	2017	2018	5yr CAGR
Interest Income	43,961	55,378	61,439	57,144	56,176	59,318	6%
Interest Expense	27,066	33,505	32,811	28,153	27,199	27,727	0%
Net Interest Income	16,895	21,873	28,628	28,991	28,976	31,591	13%
NPL & Other Provisions	894	1,928	2,599	1,073	(616)	588	-8%
Post Provisions Interest Income	16,001	19,945	26,029	27,918	29,593	31,003	14%
Non - Interest Income	8,279	8,876	8,860	8,907	9,076	10,200	4%
Operating Expenses	17,473	20,308	22,286	23,802	24,964	24,365	7%
Profit Before Taxation	6,807	8,513	12,603	13,024	13,705	16,838	20%
Taxation	2,131	2,873	5,081	5,123	5,539	6,687	26%
PAT from Continuing Operations	4,676	5,640	7,522	7,900	8,166	10,150	17%
PAT from Discontinuing Ops					201	475	NA
Profit for the Year	4,676	5,640	7,522	7,900	8,367	10,625	18%
EPS (PKR)	2.64	3.18	4.24	4.45	4.72	5.99	18%
Stock Dividend	-	-	-	-	-	10.0%	N/M
Dividend (% of Paid - up)*	20.0%	20.0%	10.0%	0.0%	15.0%	25.0%	N/M

Note: Afghanistan Operations were classified as Discontinuing Operations in 2017 & 2018

*Percentage of paid up capital at time of declaration

Appendix

Key Ratios



	2013	2014	2015	2016	2017	2018
Capital Adequacy Ratio (Tier - I)	8.4%	9.6%	9.7%	9.9%	10.9%	12.2%
Capital Adequacy Ratio Total	12.1%	12.8%	13.4%	13.2%	13.4%	15.0%
Net Interest Margins	3.5%	3.8%	4.0%	3.6%	3.6%	4.0%
Admin Cost to Income Ratio	68.8%	67.3%	60.3%	62.5%	64.8%	57.3%
Non - Interest Income as % of Total	32.9%	28.9%	23.6%	23.6%	25.3%	24.4%
Advance to Deposit Ratio (ADR)	49.8%	48.2%	52.5%	59.7%	62.1%	71.4%
YoY Deposit Growth	14.7%	15.1%	5.5%	-0.3%	1.6%	9.0%
YoY Advances Growth	11.0%	11.4%	15.0%	13.3%	5.8%	25.2%
YoY Investments Growth	15.9%	47.6%	30.5%	-8.0%	3.0%	-30.7%
Current Deposits Ratio	35.8%	35.7%	38.0%	45.3%	40.1%	40.9%
CASA Ratio	75.4%	73.6%	78.5%	85.3%	76.9%	75.4%
NPL Ratio	6.6%	6.4%	5.4%	4.8%	4.2%	3.6%
Coverage Ratio	69.3%	70.1%	83.7%	86.1%	89.2%	84.4%
ROA	0.8%	0.9%	1.0%	0.9%	0.9%	1.2%
ROE Excluding Reval. Surplus	18.0%	18.9%	19.1%	17.4%	15.5%	16.9%
ROE Including Reval. Surplus	16.4%	16.4%	15.4%	13.9%	13.2%	15.3%
Diluted BVPS (Incl. Reval.)	18.0	25.3	30.1	33.9	37.1	42.6

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

Appendix

Stock Market Related Data



Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1,777.1
Market Capitalization (PKR bn)	73,500
Market Capitalization (USD mn)*	470.0
Average Daily Turnover (mn shares)	0.7
Average Daily Turnover (USD mn)*	0.2
Current Stock Price** (PKR)	41.50
Adjusted 12M High / Low** (PKR)	36.5/52.5

*Using PKR / USD parity of PKR 156.36

**Stock Price as of October 31, 2019

Appendix

Awards & Accolades



Best Debit & Credit Cards 2017

For winning the Customer Choice Award in Best Debt & Credit Cards for the fourth year in a row



Best Innovative Card 2017

For innovation in providing customers a new solution through Alfalah Ultra Cashback Card



Diversity & Inclusion Award 2017

For proactive and progressive organization that recognizes the value of diversity



Best Website of the Year 2017

For Innovation and distinction in the digital community



Bank Alfalah Islamic PAS Award 2017

For the "All you need is Faith" Islamic Banking Campaign in Best in Banking and Financial Services



Best Loyalty & Rewards Program

For Innovation of Alfalah Orbit Rewards Program



Best Investor Relations PSX Listed Companies

For the 6th Year Running



Best Corporate Reports of 2018 Awards

Best Corporate Report - Banks (3rd Position)



Pakistan Banking Awards 2017 Best Bank

For demonstrating the most significant contribution to national development and for the most effective management of its resources, including its employees, clients, franchises, community and financials



Pakistan Banking Awards Best Customer Franchise

For the most efficient service delivery and attention to customer requirements for the third consecutive year (2016-18)



Pakistan Banking Awards 2018 Best SME Bank

For providing financial support to SME's and helping them develop a sustainable growth strategy

Appendix

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 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



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