



Bank Alfalah

Analyst Briefing – 2Q 2019

Performance Review & Outlook

27th August 2019

Introductory Snapshot – Data as of June 30th 2019

Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	668 (including 154 Islamic Branches)
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 4 countries
Market Share	4.9% of deposits
Assets	PKR 989bn / USD 6.2bn
Deposits	PKR 741bn / USD 4.6bn
Net Advances	PKR 494bn / USD 3.1bn
Capital Adequacy Ratio	16.84%
Staff Strength	9,737

Important Note on Afghanistan Operations

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, 2Q18 and 2018 Balance Sheets have been restated on Slide 5 and 6 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.

Profit & Loss Snapshot

Amount PKR mn	1H18	1H19	YoY	2Q18	2Q19	YoY
Interest Income	28,092	41,629	48%	13,823	20,872	51%
Interest Expenses	12,736	19,977	57%	6,021	10,382	72%
Net Int Income	15,356	21,652	41%	7,802	10,490	34%
Non Int Income	5,660	4,996	-12%	2,850	2,708	-5%
Total Income	21,016	26,648	27%	10,652	13,198	24%
Admin expenses	11,665	13,888	19%	5,856	7,151	22%
Other charges	193	365	89%	114	232	103%
Non int expense	11,858	14,253	20%	5,970	7,383	24%
Profit before prov	9,157	12,395	35%	4,682	5,815	24%
Provisions	(891)	980	NA	(291)	534	NA
Profit before tax	10,048	11,415	14%	4,932	5,281	7%
Taxation	3,969	5,206	31%	2,157	2,194	2%
Profit after tax	6,039	6,209	3%	2,775	3,086	11%
Diluted EPS (Rupees)	3.40	3.50	3%	1.56	1.74	11%
DPS (Rupees)*	1.0	2.0	100%	1.0	2.0	100%
Bonus	10%	0%	NA	10%	0%	NA

- NII increased by 34% YoY in 2Q19 due to higher NIMs and avg earning assets.
- On sequential basis, decline in NII is due to positive one offs in 1Q19 and negative one offs in 2Q19.
- Net provision charge of PKR534mn includes PKR639mn impairment on equities, indicating net reversals on advances book.
- Non interest income declined YoY because of hefty capital gains booked last year. Core fee income depicts growth of 12% YoY.
- Operating expenses are up 24% YoY. Investment in new initiatives and impact of deposit protection are key drivers.
- PAT for 2Q was up 11% YoY and accompanied a PKR2/sh interim dividend.

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

Balance Sheet Snapshot

Amount PKR mn	Jun-18*	Dec-18*	Jun-19	YoY	YTD
Cash	87,296	87,173	108,307	24%	24%
Bal with banks	17,642	7,307	9,159	-48%	25%
Lending to FI	15,574	72,638	48,088	209%	-34%
Advances (net)	479,931	501,861	494,132	3%	-2%
Investments (net)	360,490	282,257	250,430	-31%	-11%
Fixed & Others	38,046	55,073	79,056	108%	44%
Total Assets	998,985	1,006,218	989,173	-1%	-2%
Deposits	676,777	723,182	740,576	9%	2%
Sub Loans/ADT1	11,990	11,989	11,988	0%	0%
Borrowings	221,061	159,732	76,280	-65%	-52%
Other Liabilities	20,395	35,668	78,138	283%	119%
Total Liabilities	930,228	930,571	906,982	-2%	-3%
Paid up Capital	16,131	17,744	17,772	10%	0%
Reserves	47,126	50,520	56,546	20%	12%
Reval Surplus	5,500	7,383	7,873	43%	7%
Total Equity	68,757	75,647	82,191	20%	9%

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



- Increase in cash balances at 2Q end is a temporary phenomenon.
- Advances growth remained muted at 3% YoY; where 12% growth in consumer and 5% growth in corporate was offset by 12% decline in Islamic advances.
- Deposits increased 9% YoY to PKR741bn. Focus remains on low cost deposits, as current accounts grew 17% YoY.
- Decrease in both borrowings and investments reflects lower repo levels YoY.
- Increase in Other Assets/ Liabilities reflects increase in mark-to-market on outstanding FX forwards and adoption of IFRS 16.
- Total equity increased 20% YoY to PKR82bn.

Key Ratios

	2Q18*	*3Q18	4Q18*	1Q19	2Q19
Yield on Advances	7.3%	7.8%	8.9%	11.1%	10.9%
Yield on Investments	6.5%	6.7%	7.1%	7.8%	8.8%
Cost of Deposits	2.6%	2.9%	3.6%	4.4%	4.6%
NIM	3.9%	3.9%	3.9%	5.5%	5.2%
ROA	1.2%	1.1%	0.8%	1.4%	1.4%
ROE exc. Surplus	18.4%	16.2%	12.6%	18.2%	17.3%
Admin Cost : income	53.5%	58.0%	60.9%	50.1%	54.2%
Gross ADR	74.2%	71.8%	73.8%	70.1%	69.0%
CASA*	82.1%	79.0%	78.0%	77.7%	82.5%
CA*	46.9%	42.9%	44.0%	44.5%	49.6%
Net Loans (YoY)	17.0%	18.8%	25.2%	12.7%	3.0%
Deposits (YoY)	1.8%	2.9%	9.0%	6.7%	9.0%
NPL ratio	3.3%	3.5%	3.6%	3.9%	3.5%
Coverage	90.7%	87.9%	84.4%	86.7%	89.2%
CAR	14.7%	14.9%	15.0%	16.2%	16.8%

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

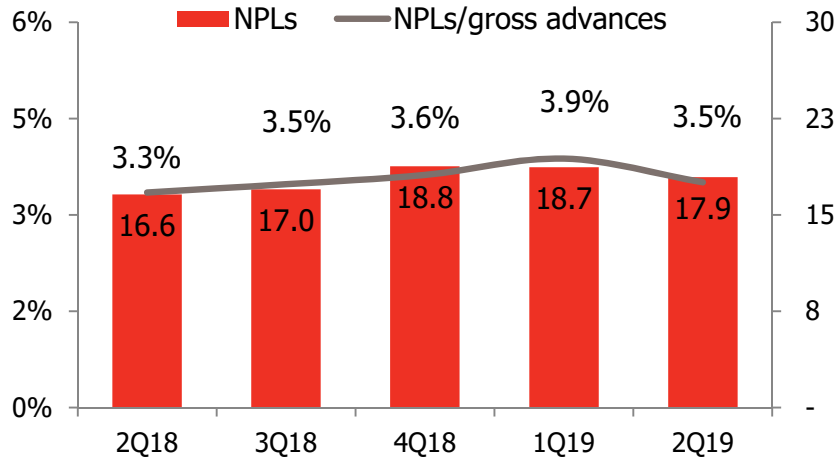
- NIMs grew 130bps YoY, aided by higher yields and effective management of cost of deposits.
- Marginal QoQ drop is due to on-off impacts in timing of markup income.
- Cost of deposits up 200bps YoY and 20bps QoQ.
- Admin cost to income ratio increased YoY due to inflationary impact, deposits protection cost and absorption of cost of new initiatives.
- CA mix improved to almost 50%, higher both YoY and QoQ basis.
- NPL ratio further contained to 3.5% from March levels and coverage also bumped up to 89%
- CAR reached 16.8% as of 2Q19.

The background features a large, abstract composition of overlapping shapes. On the left, a white, rounded rectangular shape is partially visible. To its right, several overlapping, semi-transparent red shapes in various shades of red and maroon create a layered, geometric effect. The overall aesthetic is modern and minimalist.

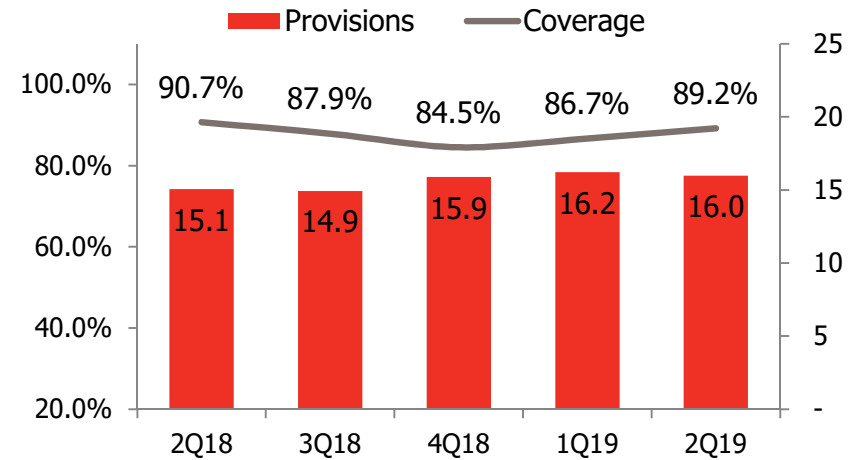
2Q 2019 Performance Review

Advances & Asset Quality Trends

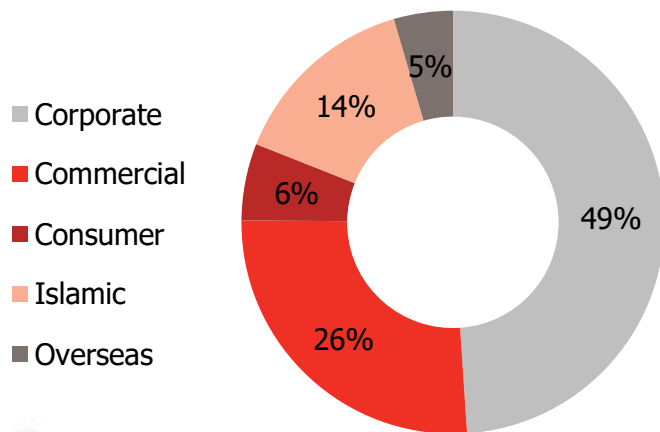
NPLs mostly contained



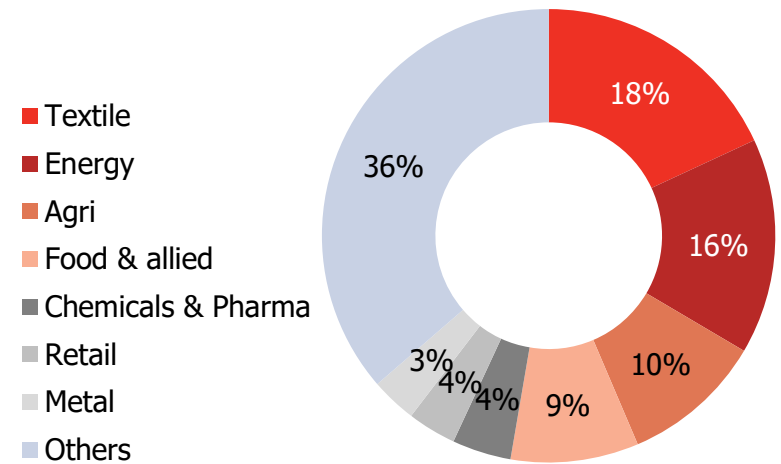
Specific Coverage remains strong



Advances composition (Jun 2019)

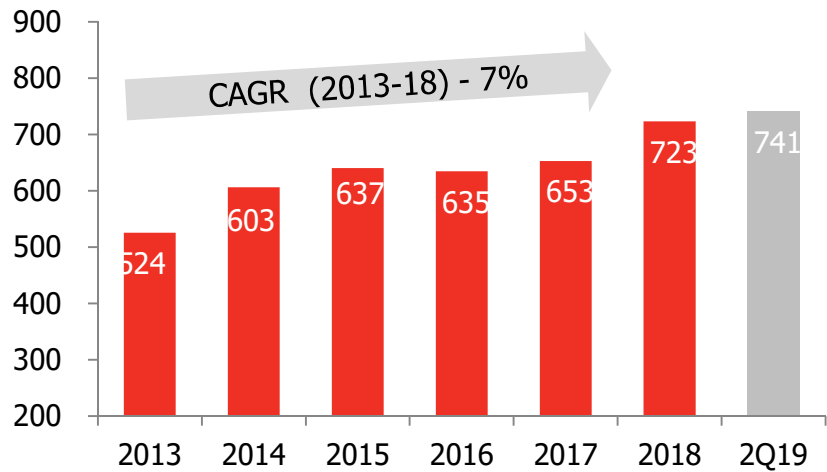


Advances concentration (Dec 2018)

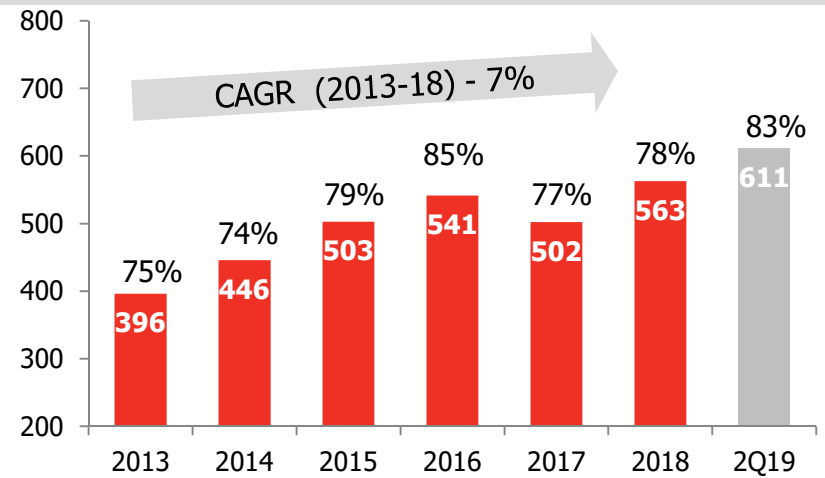


Deposit Mix & Cost

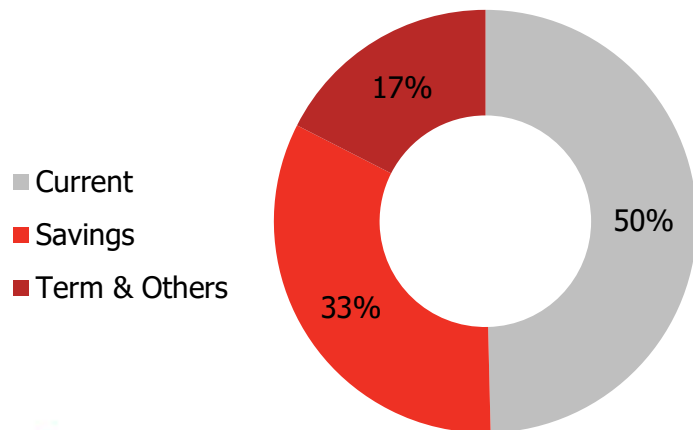
Deposit Growth Trend* (PKR bn)



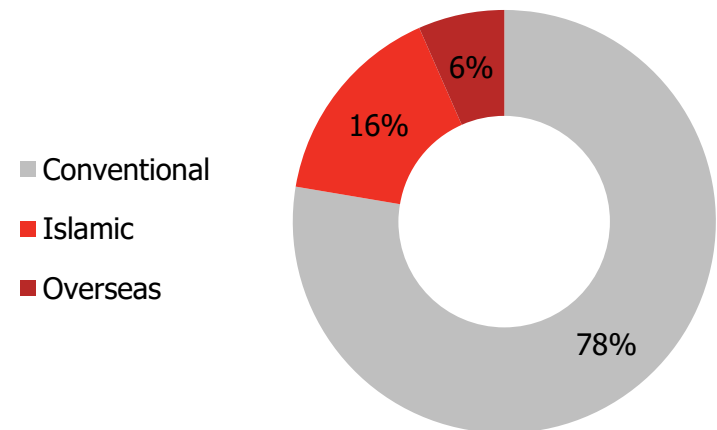
CASA Continues to Remain Strong* (PKR bn)



Deposit Mix (Jun 2019)



Deposits Composition (Jun 2019)



Appendix

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-red geometric shapes. The overall aesthetic is modern and minimalist.

Balance Sheet Summary

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

Profit & Loss Summary

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	
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

*Percentage of paid up capital at time of declaration

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

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

* Reclassification of Afghanistan operations disrupting trend analysis

Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1774.4
Market Capitalization (PKR bn)	72,821
Market Capitalization (USD mn)*	462.7
Average Daily Turnover (mn shares)	0.7
Average Daily Turnover (USD mn)*	0.2
Current Stock Price**	40.98
Adjusted 12M High / Low**	34.72/53.6

*Using PKR / USD parity of PKR 157.40

**Stock Price as of August 23, 2019

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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