



Bank Alfalah

Analyst Briefing – 2017 Performance Review & Outlook

March 08, 2018

Snapshot as at December 31, 2017

Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term / Short Term)*	AA+ / A1+
Branches	638 (Including 152 Islamic Branches)
Cities Covered	225 Cities in Pakistan, 7 Cities Overseas
International Presence**	11 International Branches in 4 Countries
Market Share	5.3% of Deposits
Assets	PKR 989bn / USD 9.0bn
Deposits	PKR 653bn / USD 5.9bn
Net Advances	PKR 401bn / USD 3.6bn
Staff Strength	7,698

* Credit Rating Upgraded in 2017

** Dubai Operations launched in 4Q17

Balance Sheet Snapshot

Amount PKR mn	Dec-16	Sep-17	Dec-17	YoY	QoQ
Cash	74,071	71,520	70,381	-5%	-2%
Balance With Banks	9,373	13,106	4,509	-52%	-66%
Lending to FI	30,149	53,980	48,896	62%	-9%
Advances (Net)	378,720	397,852	400,655	6%	1%
Investments (Net)	389,093	400,527	400,733	3%	0%
Fixed & Others	36,050	32,824	63,654	77%	94%
Total Assets	917,456	969,808	988,829	8%	2%
Deposits	640,944	661,223	653,406	2%	-1%
Sub Loans	8,318	6,653	4,991	-40%	-25%
Borrowings	178,311	207,840	206,224	16%	-1%
Other Liabilities	29,759	29,579	58,408	96%	97%
Total Liabilities	857,332	905,296	923,029	8%	2%
Paid - up Capital	15,952	16,076	16,076	1%	0%
Reserves	33,233	40,512	42,469	28%	5%
Revaluation Surplus	10,940	7,925	7,255	-34%	-8%
Total Equity	60,125	64,512	65,800	9%	2%

- Balance sheet size increased by 8% YoY to PKR 989bn.
- YoY change in line items distorted on reclassification of Afghanistan operations as Held for Sale. Reflected in Other Assets and Other Liabilities for 2017.
- Advances grew 6% to PKR 401bn. Commercial and Consumer segment both grew more than 20% YoY.
- Investments grew 3% YoY. Focus however shifted towards T-bills from PIBs.
- Afghan reclassification hurt both YoY growth in deposits and reported CASA ratio.
- 45bp YoY improvement in cost of deposits better reflection of deposit management during 2017.
- Borrowings grew 16% YoY due to higher repo levels.
- Total equity increased by 9% to PKR 66bn.

Profit & Loss Snapshot

Amount PKR mn	3Q17	4Q17	QoQ	2016	2017	YoY
Interest Income	14,033	14,837	6%	57,144	56,919	0%
Interest Expenses	7,168	7,241	1%	28,153	27,639	-2%
Net Interest Income	6,864	7,596	11%	28,991	29,281	1%
NPL Provisions	-378	211	NA	1,083	-434	NA
Investment Impairment	-22	65	-NA	101	174	73%
Non - Interest Income	2,484	1,927	-22%	8,907	9,894	11%
Non - Interest Expenses	6,080	7,340	21%	23,692	25,389	7%
Profit Before Tax	3,668	1,908	-48%	13,023	14,045	8%
Taxation	1,373	716	-48%	5,123	5,678	11%
Profit After Tax	2,294	1,192	-48%	7,900	8,367	6%
EPS (PKR)	1.43	0.74		4.93	5.21	
DPS (PKR)	-	1.50		-	1.50	

- NII maintained through effective balance sheet management despite maturity of high yielding PIBs in 3Q17. Greater reduction in interest expense offset reduction in interest income.
- Net NPL reversals were recorded at PKR 434mn against the charge of PKR 1.1bn in last year.
- Non interest income grew by 11%; backed by strong growth in fee and commission income.
- Various one-offs and new initiatives caused opex to increase by 7% YoY to PKR 25.4bn.
- PAT increased 6% YoY to PKR 8.4bn with EPS of PKR 5.21 versus PKR 7.9bn and EPS of PKR 4.93 in 2016.

Key Ratios

	2016	1Q17	2Q17	3Q17	4Q17	2017
Yield on Advances	6.9%	6.8%	7.0%	6.7%	7.0%	7.0%
Yield on Investments	7.6%	7.2%	7.0%	6.6%	6.5%	6.8%
Cost of Deposits	3.0%	2.5%	2.2%	2.7%	2.8%	2.6%
NIM	3.7%	3.6%	3.7%	3.2%	3.4%	3.5%
ROA	0.9%	1.2%	0.9%	1.0%	0.5%	0.9%
ROE Excl. Surplus	17.4%	22.0%	15.8%	16.6%	8.3%	15.5%
Admin Cost : Income	62.5%	56.6%	59.6%	64.2%	76.7%	64.1%
Gross ADR	61.8%	65.7%	65.0%	62.6%	63.8%	63.8%
CASA	83.3%	85.0%	82.9%	80.4%	77.1%	77.1%
Net Loans (YoY)	13.3%	16.7%	18.8%	21.4%	5.8%	5.8%
Deposits (YoY)	0.1%	-3.7%	2.6%	3.1%	1.9%	1.9%
NPL Ratio	4.8%	4.6%	4.2%	4.2%	4.2%	4.2%
Coverage	86.1%	88.3%	89.3%	89.8%	89.2%	89.2%
CAR	13.2%	13.2%	12.7%	13.4%	13.7%	13.7%

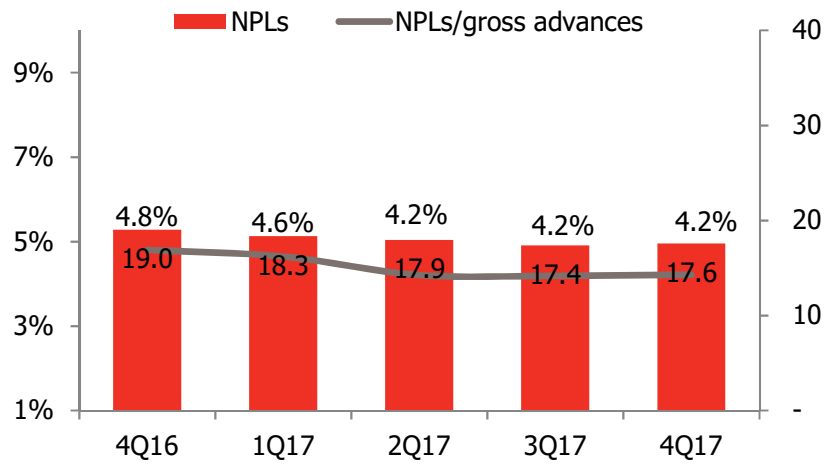
- Despite maturing PIBs, effective balance sheet management helped bank depict QoQ improvement in NIMs.
- 4Q17 cost-to-income ratio deteriorated on account of one-offs. Cost to Income Ratio for 2017 clocked in at 64%.
- The one offs also reflected in the QoQ drop in ROA and ROE.
- Despite subjective / prudent provisions, NPL ratio stayed at 4.2% with adequate coverage of 89.2%.
- CAR strengthened to 13.7%, with further boost expected from closure of ADT-1 issue of PKR 7bn. Pre-IPO has been successfully concluded.
- PKR1.5/share dividend announced for 2017.

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.

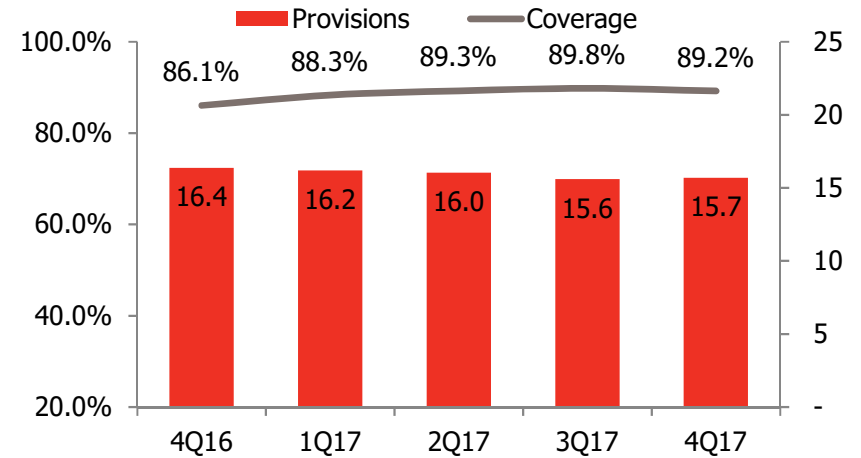
2017 Performance Review

Advances & Asset Quality Trends

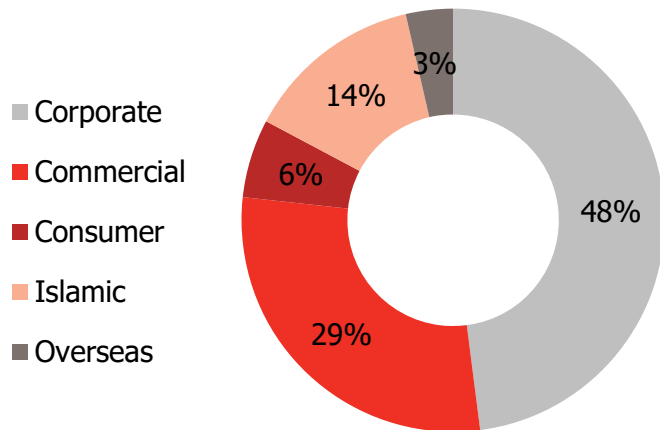
NPLs Mostly Contained



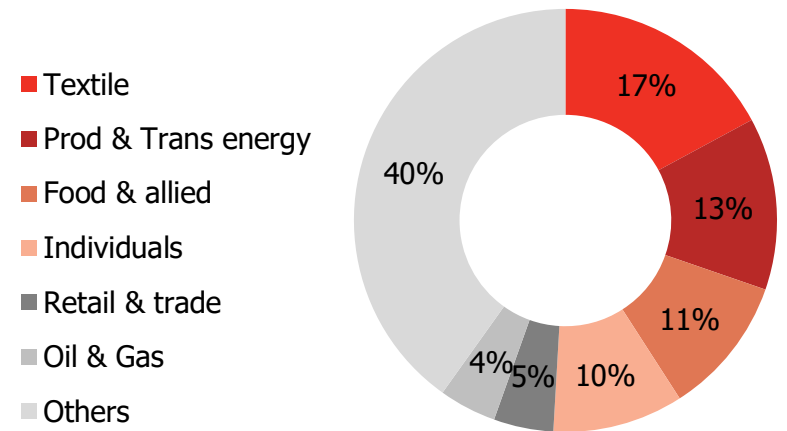
Adequate Coverage of NPLs



Advances Composition (Dec 2017)

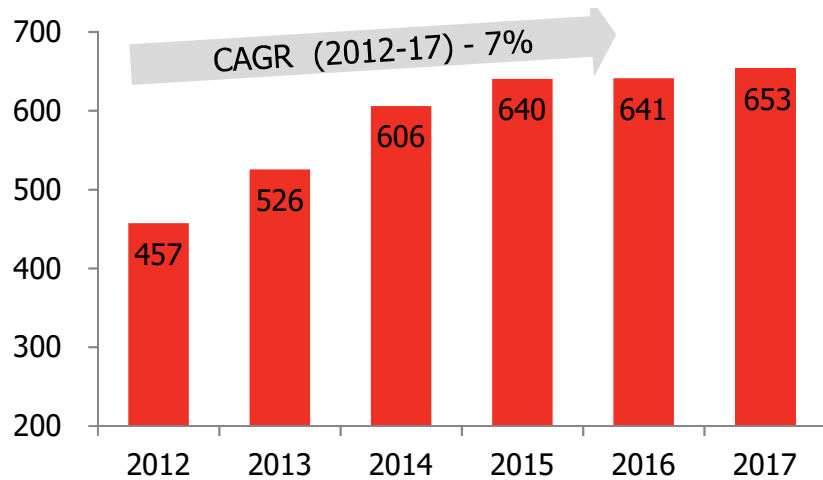


Advances Concentration (Dec 2017)

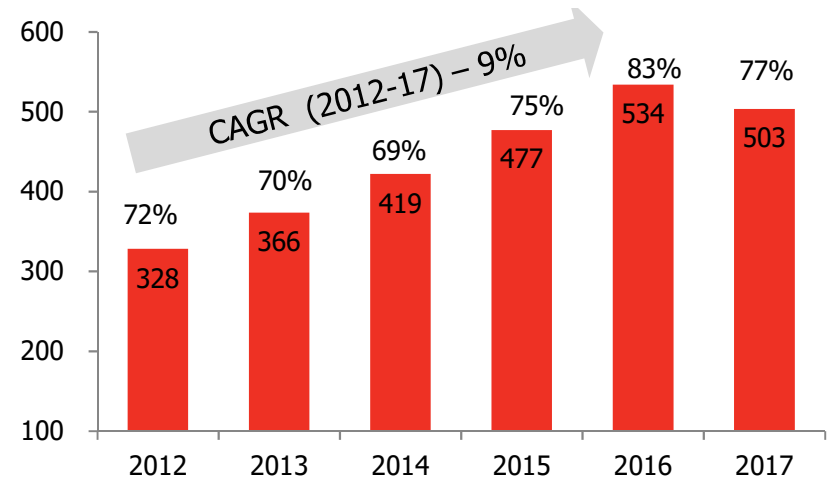


Deposit Mix & Cost

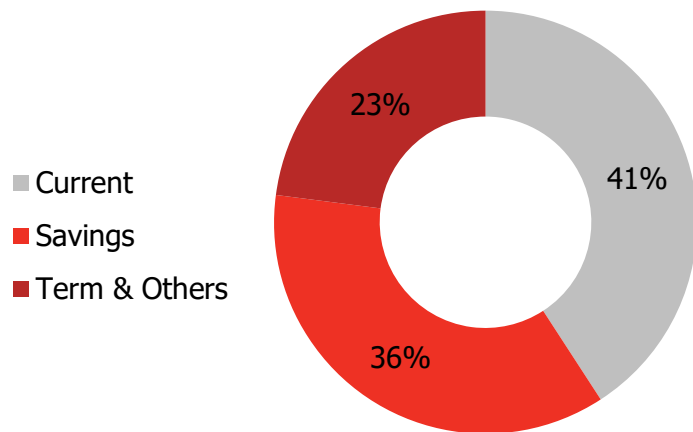
Deposit Growth Trend (PKR bn)



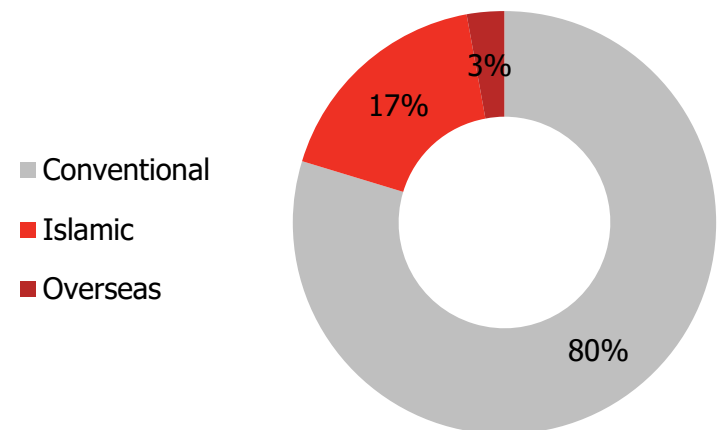
CASA Mix



Deposit Mix (Dec 2017)



Deposits Composition (Dec 2017)



Appendix

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 maroon and burnt orange create a layered, geometric effect. The overall aesthetic is modern and minimalist.

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	4,509	-30%
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	988,829	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	206,224	58%
Other Liabilities	22,362	20,894	27,126	26,690	29,759	58,408	21%
Total Liabilities	506,509	579,526	698,309	849,255	857,332	923,029	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	42,469	29%
Revaluation Surplus	4,558	3,636	6,995	10,928	10,940	7,255	10%
Total Equity	30,059	31,902	44,819	53,353	60,125	65,800	17%

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 (Net)	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%
CASA Ratio*	71.8%	69.6%	69.1%	74.5%	83.3%	77.1%
NPL Ratio	8.8%	6.5%	6.2%	5.3%	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%	13.2%
Book Value / Share (Incl. Reval.)	22.28	23.65	28.24	33.56	37.69	40.93

* Includes CASA deposits of FIs

Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1607.6
Market Capitalization (PKR bn)	77.2
Market Capitalization (USD mn)*	698
Average Daily Turnover (mn shares)	1.5
Average Daily Turnover (USD mn)*	0.6
Current Stock Price**	48.02
12M High / Low**	50.50 / 35.40

* Using PKR / USD parity of PKR 110.7

** Stock price as of March 06, 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 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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