



Bank Alfalah

Analyst Briefing – 1Q 2019

Performance Review & Outlook

06th May 2019

Introductory Snapshot – Data as of March 31st 2019

Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	649 (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 929bn / USD 6.6bn
Deposits	PKR 688bn / USD 4.9bn
Net Advances	PKR 465bn / USD 3.3bn
Capital Adequacy Ratio	16.18%
Staff Strength	9,200

Important Notes on Accounting Policies and 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, 1Q18 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.

IFRS16

BAFL has decided to be one of the early adopters of IFRS 16. The adoption of this standard by the Bank has resulted in additional assets and liabilities amounting to PKR8,863mn and PKR8,635mn respectively. Had this standard not been applied, the rent expense would have been higher by Rs.493mn and depreciation charge and mark-up expense would have been lower by PKR429mn and PKR388mn respectively.

Profit & Loss Snapshot

Amount PKR mn	1Q18	4Q18*	1Q19	YoY	QoQ
Interest Income	14,269	16,768	20,757	45%	24%
Interest Expenses	6,715	8,084	9,595	43%	19%
Net Int Income	7,554	8,684	11,162	48%	29%
Non Int Income	2,810	2,419	2,288	-19%	-5%
Total Income	10,364	11,103	13,450	30%	21%
Admin expenses	5,809	6,648	6,737	16%	1%
Other charges	79	101	132	67%	31%
Non int expense	5,888	6,749	6,870	17%	2%
Profit before prov.	4,476	4,354	6,580	47%	51%
Provisions	-600	997	446	NA	-55%
Profit before tax	5,057	3,357	6,134	21%	83%
Taxation	1,811	1,361	3,012	66%	121%
Profit after tax	3,264	1,996	3,122	-4%	56%
Diluted EPS (Rupees)	1.83	1.13	1.76		

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

- NII increased 48% YoY; backed by a combination of volumetric increase and NIM expansion.
- Net provision charge of PKR446mn versus reversal last year (aided by one-off reversal in Afghanistan ops). Provision for 1Q19 includes PKR163mn charge against equities.
- Non interest income declined 19% YoY due to absence of capital gains. Fees and Fx income are up 11% and 16% YoY, respectively.
- Operating expenses clocked in 17% higher YoY; impact of Deposit Protection, increment cycle, new initiatives and BAU growth.
- Profit before tax grew 21% YoY while impact of super tax from previous year (2017) impacted PAT number; which is 4% lower YoY.

Balance Sheet Snapshot

Amount PKR mn	Mar-18	Dec-18*	Mar-19	YoY	QoQ
Cash	66,465	87,173	69,881	5%	-20%
Bal with banks	2,782	7,307	7,230	160%	-1%
Lending to FI	35,035	72,635	182,426	421%	151%
Advances (net)	413,084	501,861	465,418	13%	-7%
Investments (net)	287,461	282,257	142,265	-51%	-50%
Fixed & Others	59,050	54,982	62,138	5%	13%
Total Assets	863,876	1,006,218	929,358	8%	-8%
Deposits	644,511	723,183	687,915	7%	-5%
Sub Loans/ADT1	11,990	11,989	11,988	0%	0%
Borrowings	84,671	123,738	75,885	-10%	-39%
Other Liabilities	56,053	71,661	76,622	37%	7%
Total Liabilities	797,225	930,571	852,410	7%	-8%
Paid up Capital	16,076	17,744	17,744	10%	0%
Reserves	43,615	50,520	51,177	17%	1%
Reval Surplus	6,960	7,383	8,028	15%	9%
Total Equity	66,650	75,647	76,948	15%	2%

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



- Advances increased 13% YoY to PKR465bn but were down QoQ due to high base and seasonal impact.
- YoY growth in advances is majorly driven by Corporate and Islamic segments.
- Lending to FI grew significantly due to focus on short term deployment in rising rate environment.
- Combination of the above factors saw investments clock in 50% lower YoY.
- Deposits increased 7% YoY to PKR688bn. Focus remains on low cost deposits.
- Total equity increased 15% YoY to PKR77bn.

Key Ratios

	1Q18	2Q18	3Q18	4Q18*	1Q19
Yield on Advances	7.3%	7.3%	7.8%	8.9%	11.5%
Yield on Investments	6.6%	6.5%	6.7%	7.1%	7.8%
Cost of Deposits	2.7%	2.6%	2.9%	3.6%	4.4%
NIM	3.8%	3.9%	3.9%	3.9%	5.5%
ROA	1.4%	1.2%	1.1%	0.8%	1.3%
ROE exc. Surplus	22.4%	18.4%	16.2%	12.6%	18.2%
Admin Cost : income	57.1%	53.5%	58.0%	60.9%	50.1%
Gross ADR	66.6%	74.2%	71.8%	73.8%	70.1%
CASA	82.7%	82.3%	79.8%	77.4%	77.7%
CA	43.8%	46.2%	42.3%	44.0%	44.5%
Net Loans (YoY)	9.4%	17.0%	18.8%	25.2%	12.7%
Deposits (YoY)	7.4%	1.8%	2.9%	9.0%	6.7%
NPL ratio	4.0%	3.3%	3.5%	3.6%	3.9%
Coverage	89.0%	90.7%	87.9%	84.4%	86.7%
CAR	15.1%	14.7%	14.9%	15.0%	16.2%

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



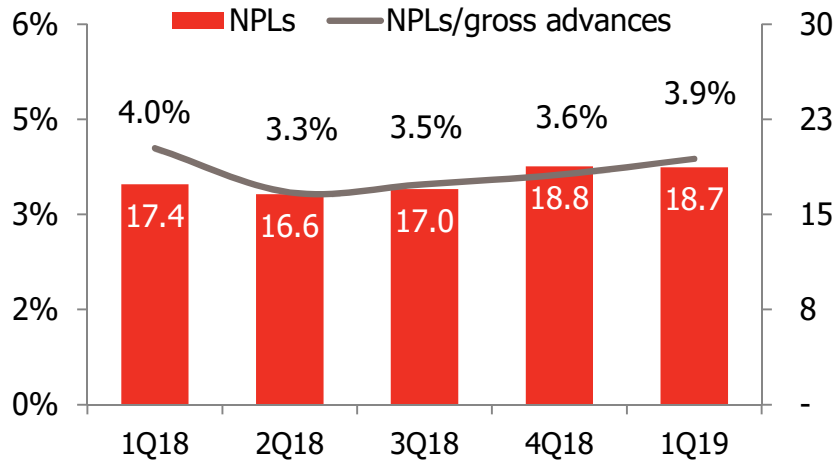
- NIMs increased to 5.5% in 1Q19 aided by loan and investment repricing.
- Cost of deposit increase contained to 170bps YoY.
- Post tax ROA and ROE dropped due to impact of super tax. Pretax ROA and ROE improved vs last year.
- Admin cost to income ratio improved YoY and QoQ; stands at 50% in 1Q19.
- CASA mix at 78%; down from 83% in 1Q18 but up sequentially. CA ratio improved both YoY and QoQ to 44.5%.
- NPL ratio clocked in at 3.9%, despite reduction in NPLs, as loan book receded. Specific coverage stood at 87%.
- CAR reached 16.2% despite impact of dividends.

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.

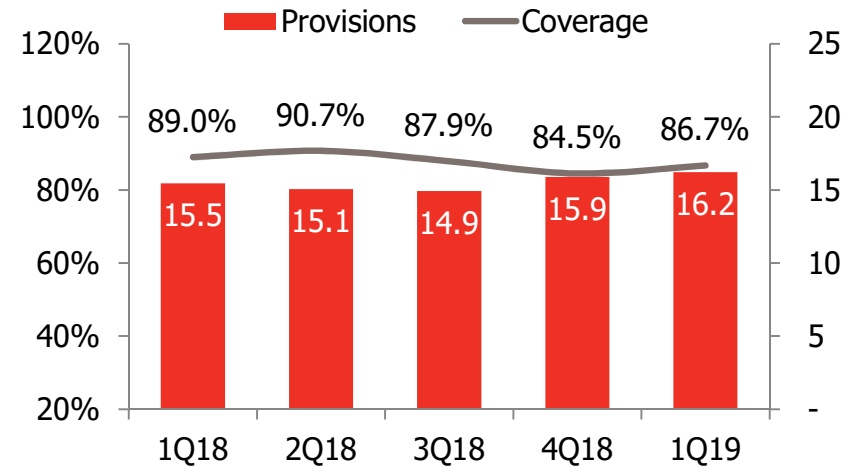
1Q 2019 Performance Review

Advances & Asset Quality Trends

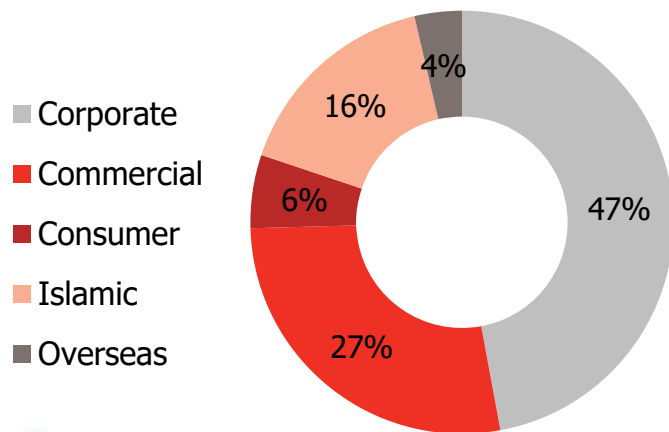
NPLs mostly contained



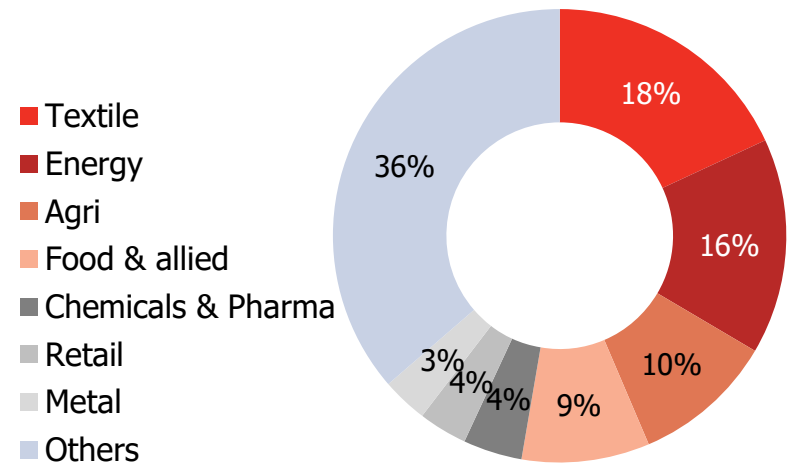
Specific Coverage remains at 87%



Advances composition (Mar 2019)

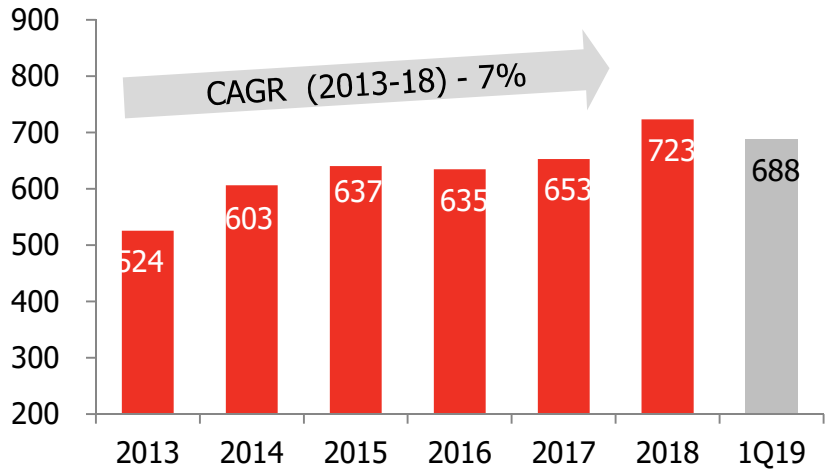


Advances concentration (Dec 2018)

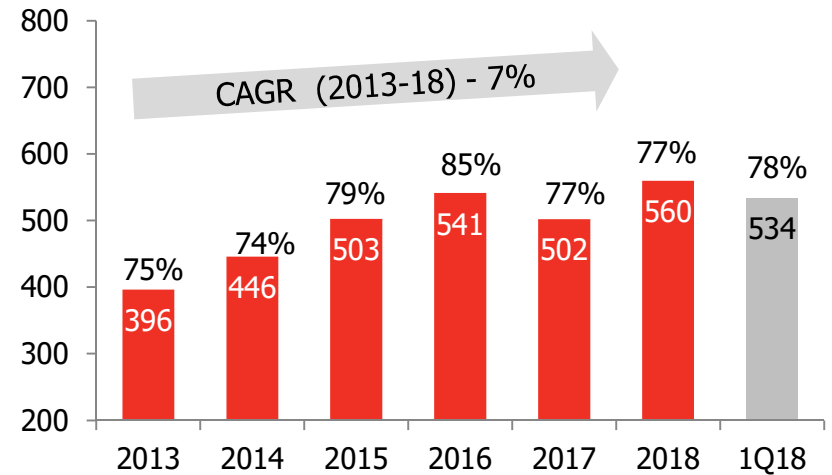


Deposit Mix & Cost

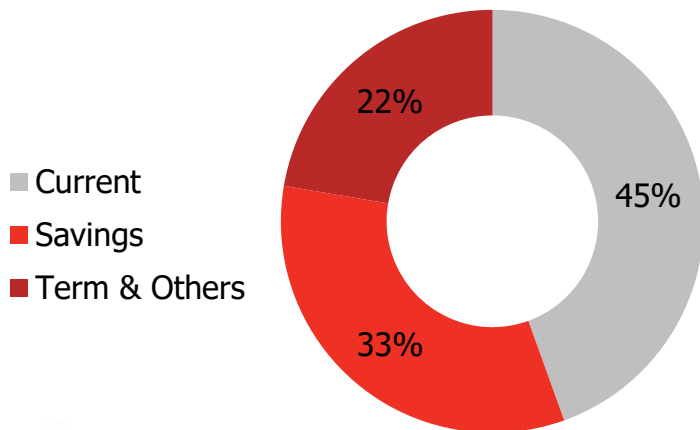
Deposit Growth Trend (PKR bn)



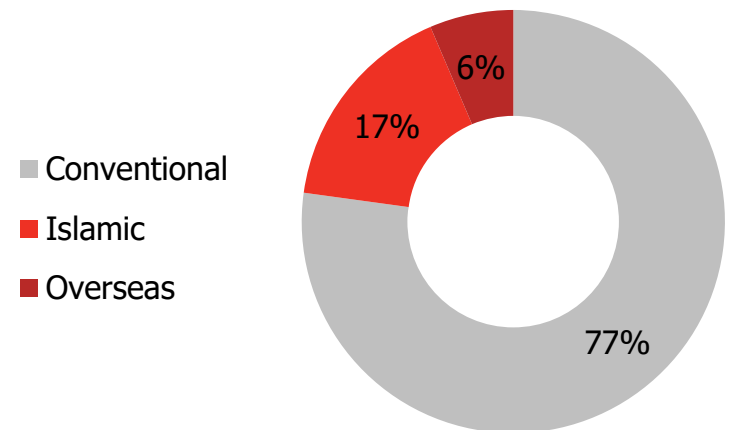
CASA Continues to Remain Strong (PKR bn)



Deposit Mix (Mar 2019)



Deposits Composition (Mar 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 in 2017 & 2018.

Profit & Loss Summary

Amounts in PKR mn	2013	2014	2015	2016	2017	2018	5yr CAGR
Interest Income	43,961	55,378	61,438	57,144	56,919	59,672	6%
Interest Expense	27,066	33,505	32,811	28,153	27,354	27,746	0%
Net Interest Income	16,895	21,873	28,627	28,991	29,565	31,926	14%
Non - Interest Income	8,279	8,876	8,861	8,907	9,894	10,409	5%
Total Income	25,174	30,749	37,488	37,899	39,459	42,335	11%
Operating Expenses	17,313	20,702	22,598	23,692	25,389	24,690	7%
Profit before provisions	7,861	10,047	14,890	14,206	14,070	17,645	18%
Provisions	1,054	1,534	2,287	1,183	-260	27	-52%
Profit before tax	6,807	8,513	12,603	13,023	14,329	17,618	21%
Taxation	2,131	2,873	5,081	5,123	5,678	6,993	27%
Profit After Taxation	4,676	5,640	7,522	7,900	8,652	10,625	18%
EPS (PKR)	3.41	4.09	4.73	4.93	5.21	5.96	12%
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

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%	73.8%
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 in 2017 and 2018

Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1774.4
Market Capitalization (PKR bn)	78.1
Market Capitalization (USD mn)*	553.4
Average Daily Turnover (mn shares)	0.9
Average Daily Turnover (USD mn)*	0.3
Current Stock Price**	44.04
Adjusted 12M High / Low**	40.22/53.64

*Using PKR / USD parity of PKR 141.3

**Stock Price as of May 03, 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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