



Bank Alfalah

Analyst Briefing – 2016 Performance Review & Outlook

09th March 2017

Introductory Snapshot

Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	639 (including 153 Islamic Branches)
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 3 countries
Market Share	5.7% of deposits
Assets	PKR 917bn / USD 8.7bn
Deposits	PKR 641bn / USD 6.1bn
Net Advances	PKR 379bn / USD 3.6bn
Staff Strength	7,808

Data as of December 31, 2016

Balance Sheet Snapshot

Amount PKR Mn	Dec-15R	Sep-16R	Dec-16	YoY	QoQ
Cash	62,369	63,640	74,071	19%	16%
Bal with banks	16,552	8,785	9,373	-43%	7%
Lending to FI	27,626	26,332	30,149	9%	14%
Advances (net)	334,159	327,718	378,720	13%	16%
Investments (net)	423,100	409,547	389,093	-8%	-5%
Fixed & Others	38,802	34,383	36,050	-7%	5%
Total Assets	902,608	870,405	917,456	2%	5%
Deposits	640,189	641,441	640,944	0%	0%
Sub Loans	9,983	9,980	8,318	-17%	-17%
Borrowings	172,393	128,032	178,311	3%	39%
Other Liabilities	26,689	31,967	29,759	12%	-7%
Total Liabilities	849,254	811,419	857,332	1%	6%
Paid up Capital	15,898	15,952	15,952	0%	0%
Reserves	26,527	31,359	33,233	25%	6%
Reval Surplus	10,928	11,675	10,940	0%	-6%
Total Equity	53,353	58,986	60,125	13%	2%

- Balance sheet size increased by 2% YoY to PKR917bn.
- Advances growth continued with 13% increase in 2016.
- Growth in advances is driven by consumer, commercial and SME. Corporate loans grew by 2.5% YoY.
- Investments declined by 8% YoY, as focus shifted to growth in advances.
- Deposits remained flat YoY but CASA mix improved from 74.5% to 83.3% as of Dec- 2016.
- Current deposits increased by 19%; whereas term deposits dropped 33% YoY.
- TFC-IV coming up for maturity during 2017.

Profit & Loss Snapshot

Amount PKR Mn	3Q16	4Q16	QoQ	2015	2016	YoY
Interest Income	13,735	13,796	0%	61,438	57,245	-7%
Interest Expenses	6,702	6,713	0%	32,811	28,474	-13%
Net Int Income	7,033	7,083	1%	28,627	28,770	1%
NPL provisions	-76	815	NM	2,150	1,083	-50%
Inv. Impairment	3	33	1011%	137	101	-26%
Post Provision Int	7,107	6,234	-12%	26,340	27,587	5%
Non Int Income	1,922	1,941	1%	8,861	8,868	0%
Non Int. Expenses	6,000	5,774	-4%	22,598	23,432	4%
Profit before tax	3,029	2,402	-21%	12,603	13,023	3%
Taxation	1,116	768	-31%	5,081	5,123	1%
Profit after tax	1,913	1,634	-15%	7,522	7,900	5%
EPS (Rupees)	1.20	1.03	15%	4.73	4.96	5%
DPS (Rupees)	-	-	NA	1.0	-	NA

- Net Interest Income grew 1% YoY, despite reduction in rates and maturing PIBs. NII also remained marginally positive on QoQ basis.
- NPL provisions declined 50% YoY to PKR1.1bn. Provisions were higher in 4Q due to a one-off increase in coverage on a subjectively classified loan.
- Non interest income remained almost flat YoY at PKR8.9bn. Drop in Fx Income and Capital gains compensated by increase in fee income.
- YoY growth in non-interest expenses contained at 4% to PKR23.4bn.
- Profit After Tax increased by 5% YoY in 2016 at PKR7.9bn while Earnings Per Share was recorded at PKR4.96.

Key Ratios

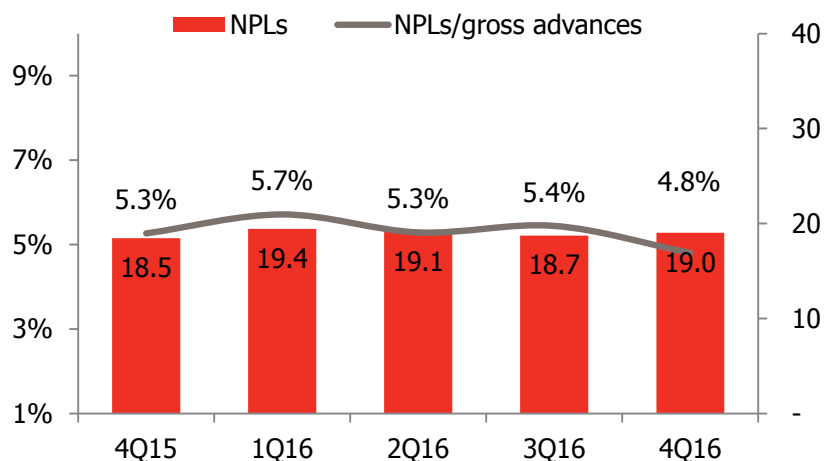
	1Q16	2Q16	3Q16	4Q16	2015	2016
Yield on Advances	6.9%	7.1%	6.9%	6.8%	9.1%	7.3%
Yield on Investments	8.7%	8.5%	7.6%	7.4%	9.9%	8.2%
Cost of Deposits	3.3%	3.1%	3.0%	2.9%	4.0%	3.0%
NIM	3.6%	3.8%	3.7%	3.7%	4.2%	3.7%
ROA	1.1%	0.9%	0.9%	0.7%	0.9%	0.9%
ROE exc. Surplus	23.0%	17.0%	16.5%	13.5%	19.0%	17.2%
Admin Cost : income	57.8%	59.4%	66.2%	66.1%	58.6%	62.2%
Gross ADR	54.5%	56.5%	56.6%	61.8%	54.7%	61.8%
CASA	77.4%	79.0%	79.0%	83.3%	74.5%	83.3%
Net Loans (YoY)	16.1%	13.6%	7.0%	13.3%	12.4%	13.3%
Deposits (YoY)	8.4%	5.8%	9.5%	0.1%	5.6%	0.1%
NPL ratio	5.7%	5.3%	5.4%	4.8%	5.4%	4.8%
Coverage	80.6%	82.1%	83.1%	86.1%	83.7%	86.1%
CAR	13.9%	13.8%	14.5%	13.2%	13.3%	13.2%

- Decline in yields on earnings assets was compensated by increase in volumes and reduction in cost of deposits.
- ROA remained stable at 0.9% in 2016 whereas ROE dropped by 180bps to 17.2%.
- Admin cost to income ratio stands at 62.2%, higher than 58.6% in 2015 due to slower growth in total income.
- NPL ratio improved to 4.8%, while specific coverage was enhanced to 86% in 2016 (90% incl general provision)
- CAR clocked in at 13.2%; 10bps drop from 2015 level, due to loan growth in higher yielding segments.
- Loan book grew by PKR51bn in 4Q2016.

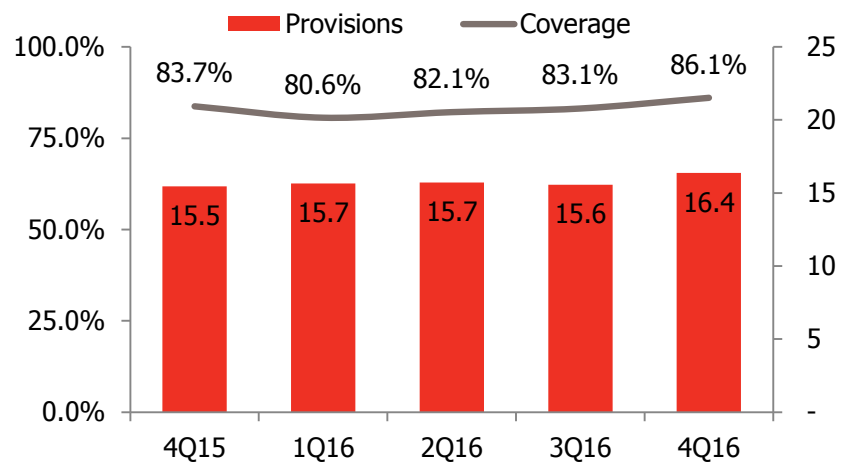
2016 Performance Review

Advances & Asset Quality Trends

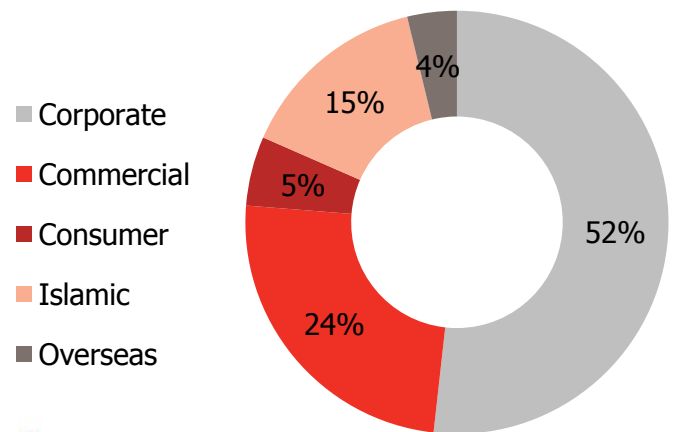
NPLs mostly contained



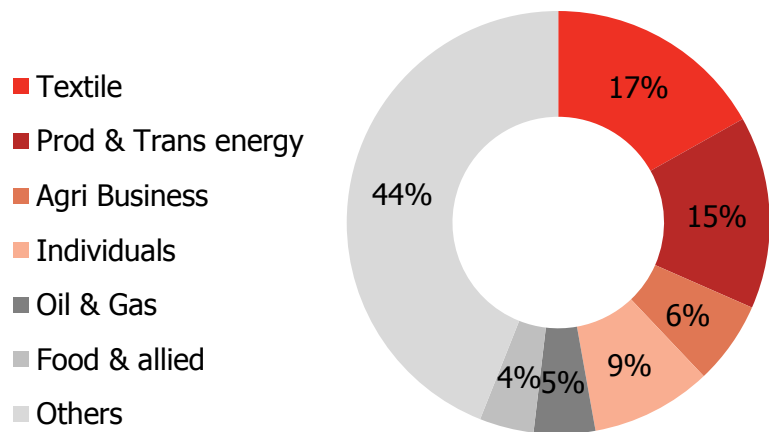
Specific Coverage improved to 86%



Advances composition (Dec 2016)

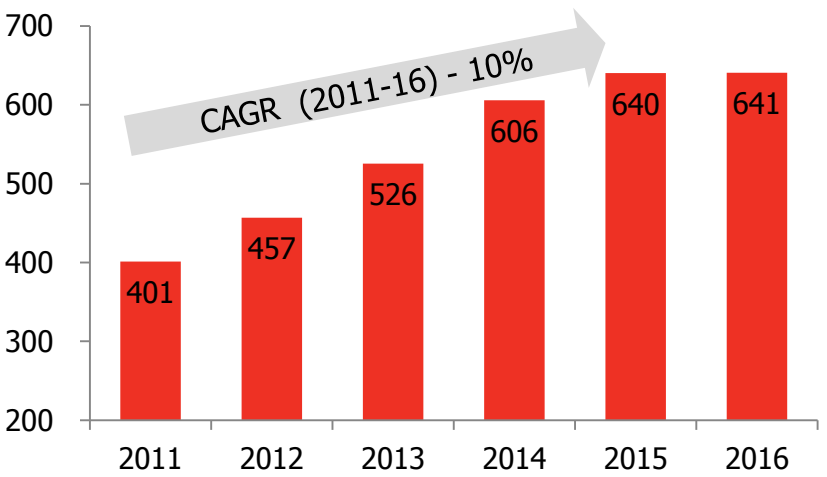


Advances concentration (Dec 2016)

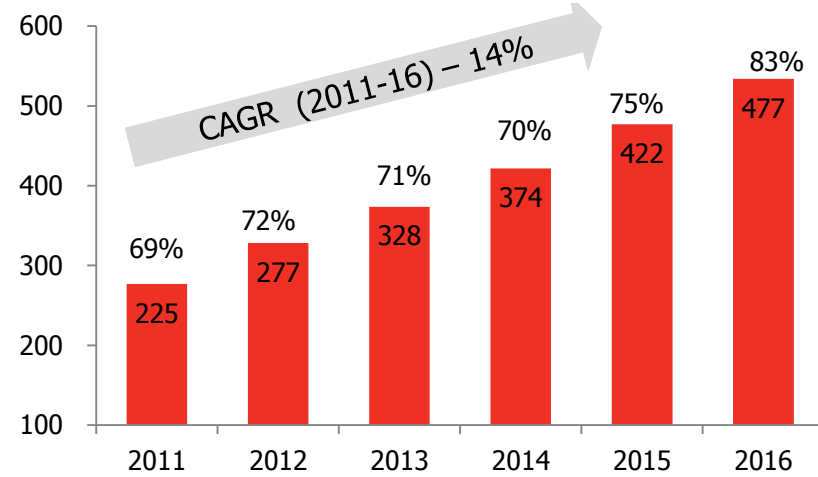


Deposit Mix & Cost

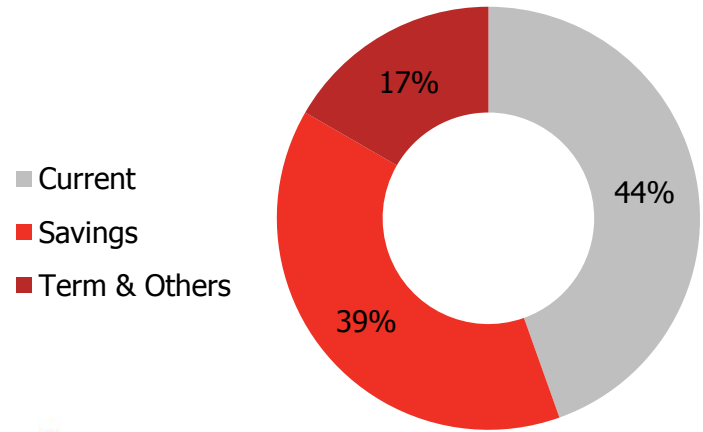
Deposit Growth Trend (PKRbn)



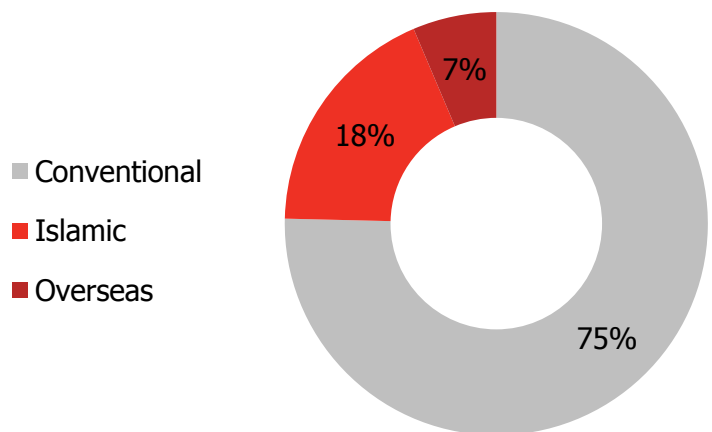
CASA Continues to Remain Strong (PKRbn)



Deposit Mix (Dec 2016)



Deposits Composition (Dec 2016)



Appendix

Balance Sheet Summary

Amounts in PKR mn	2011	2012	2013	2014	2015	2016	5yr-CAGR
Cash & Bal. with Treasury Bank	50,883	58,044	61,205	50,516	62,369	74,071	8%
Balances with Other Banks	17,424	26,721	34,764	12,332	16,552	9,373	-12%
Lending to FIs	7,765	877	2,522	18,313	27,626	30,149	31%
Advances (Net)	198,469	233,933	260,780	297,256	334,159	378,720	14%
Investments (Net)	166,532	189,487	219,690	324,319	423,100	389,093	18%
Fixed & Other Assets	27,221	27,506	32,467	40,392	38,802	36,050	6%
Total Assets	468,294	536,568	611,428	743,128	902,608	917,456	14%
Deposits	401,233	457,044	525,526	605,963	640,189	640,944	10%
Subordinated Loans	7,149	5,875	9,991	9,987	9,983	8,318	3%
Borrowings	18,169	21,228	23,115	55,233	172,393	178,311	58%
Other Liabilities	16,190	22,362	20,894	27,126	26,690	29,759	13%
Total Liabilities	442,741	506,509	579,526	698,309	849,255	857,332	14%
Paid up Capital	13,492	13,492	13,492	15,872	15,898	15,952	3%
Reserves & Retained Profit	9,125	12,010	14,774	21,951	26,527	33,233	29%
Revaluation Surplus	2,937	4,558	3,636	6,995	10,928	10,940	30%
Total Equity	25,554	30,059	31,902	44,819	53,353	60,125	19%

Profit & Loss Summary

Amounts in PKR mn	2011	2012	2013	2014	2015	2016	5yr-CAGR
Interest Income	44,298	46,080	43,961	55,378	61,438	57,245	5%
Interest Expense	25,687	27,500	27,066	33,505	32,811	28,474	2%
Net Interest Income	18,611	18,580	16,895	21,873	28,627	28,770	9%
NPL Provisions	1,865	1,850	959	1,448	2,150	1,083	-10%
Investment Impairment	2,459	1,709	95	86	137	101	-47%
Post Provisions Interest Income	14,281	15,021	15,841	20,340	26,340	27,587	14%
Non Interest Income	5,368	7,281	8,279	8,876	8,861	8,868	11%
Operating Expenses	14,215	15,519	17,313	20,702	22,598	23,432	11%
Profit Before Taxation	5,434	6,783	6,807	8,514	12,603	13,023	19%
Taxation	1,931	2,227	2,131	2,873	5,081	5,123	22%
Profit After Taxation	3,503	4,556	4,676	5,641	7,522	7,900	18%
EPS (PKR)	2.60	3.38	3.41	4.09	4.73	4.96	14%
Dividend (% of Paid - up)	17.5%	20.0%	20.0%	20.0%	10.0%	0.0%	NA

Key Ratios

	2011	2012	2013	2014	2015	2016
Capital Adequacy Ratio (Tier-I)	8.6%	8.5%	8.4%	9.6%	9.6%	9.9%
Capital Adequacy Ratio Total	11.6%	12.6%	12.1%	12.8%	13.3%	13.2%
Net Interest Margins	5.1%	4.4%	3.5%	3.9%	4.2%	3.7%
Admin Cost to Income Ratio	57.7%	58.8%	68.7%	65.4%	58.6%	62.2%
Non Interest Income as % of Total	22.4%	28.2%	32.9%	28.9%	23.6%	23.6%
Advance to Deposit Ratio (ADR)	49.5%	51.2%	49.6%	49.1%	52.2%	59.1%
YoY Deposit Growth	13.3%	13.9%	15.0%	15.3%	5.6%	0.1%
YoY Advances Growth	-4.2%	17.9%	11.5%	11.4%	12.4%	13.3%
YoY Investments Growth	46.8%	13.8%	15.9%	47.6%	30.5%	-8.0%
CASA Ratio*	69.0%	71.8%	71.1%	69.1%	74.5%	83.6%
NPL Ratio	9.0%	8.9%	6.6%	6.4%	5.4%	4.8%
Coverage Ratio	64.6%	62.5%	69.3%	70.1%	83.7%	86.1%
ROA	0.8%	0.9%	0.8%	0.9%	0.9%	0.9%
ROE excl. Reval. Surplus	16.4%	19.4%	18.0%	18.6%	19.0%	17.1%
ROE incl. Reval. Surplus	14.5%	16.8%	15.6%	16.1%	15.2%	13.6%
Book Value / Share (incl. Reval.)	18.94	22.28	23.65	28.24	33.56	37.69

* Includes CASA deposits of FIs

Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1595.21
Market Capitalization (PRsbn)	61.6
Market Capitalization (US\$m)*	588
Average Daily Turnover (mn shares)	2.2
Average Daily Turnover (US\$m)*	0.8
Current Stock Price**	38.64
12M High/Low**	47.20/23.70

* Using PRs/US\$ parity of PRs104.8

** Stock Price as of 8th March 2017

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

Contact Information

For any queries:

Imtiaz Gadar, CFA
Head of Public Markets
Bank Alfalah Limited
Ph# +92 21 3241 6979
 +92 21 3242 3617
Imtiaz.gadar@bankalfalah.com