



Bank Alfalah

# Analyst Briefing – 2Q 2016

## Performance Review & Outlook

26<sup>th</sup> August 2016

# Basic Data & Market Positioning

Commencement of operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term/ Short Term)	AA / A1+
Branches	653 (including 158 Islamic Branches)
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 3 countries
Market Share	6.1% of deposits (6th Largest by size)
Assets	PKR 890 Bn / US\$ 8.5 Bn
Deposits	PKR 640 Bn / US\$ 6.1 Bn
Net Advances	PKR 345 Bn / US\$ 3.3 Bn (4th Largest by size)
Staff Strength	8,051

Data as of June 2016

## Balance Sheet Snapshot

Amount PKR Mn	Jun-15R	Dec-15R	Jun-16	YoY	YTD
Cash	52,408	62,369	51,823	-1%	-17%
Bal with banks	12,349	16,552	14,017	14%	-15%
Lending to FI	32,052	27,626	16,522	-48%	-40%
Advances (net)	310,240	334,159	345,067	11%	3%
Investments (net)	340,691	423,100	424,063	24%	0%
Fixed & Others	38,060	38,802	38,681	2%	0%
<b>Total Assets</b>	<b>785,800</b>	<b>902,608</b>	<b>890,173</b>	<b>13%</b>	<b>-1%</b>
Deposits	604,751	640,189	640,110	6%	0%
Sub Loans	9,985	9,983	9,981	0%	0%
Borrowings	94,900	172,393	150,998	59%	-12%
Other Liabilities	28,208	26,689	31,505	12%	18%
<b>Total Liabilities</b>	<b>737,845</b>	<b>849,254</b>	<b>832,594</b>	<b>13%</b>	<b>-2%</b>
Paid up Capital	15,898	15,898	15,952	0%	0%
Reserves	22,600	26,527	29,401	30%	11%
Reval Surplus	9,456	10,928	12,226	29%	12%
<b>Total Equity</b>	<b>47,955</b>	<b>53,353</b>	<b>57,579</b>	<b>20%</b>	<b>8%</b>

- Balance sheet footing increased 13% YoY to PKR 890bn (flat YTD).
- Investments increased by 24% YoY and flat YTD. Advances picked up 11% YoY (3% YTD) to PKR345bn.
- Deposits grew 6% YoY to PKR 640bn; accompanied by 450bp YTD improvement in CASA to 79% as of Jun 2016.
- Fixed deposits declined 18% YTD, while Current deposits increased 12% YTD, reaching 42% of deposits.
- Borrowings at PKR151bn, mainly reflect repo borrowings of PKR120bn. Repo borrowing was reduced vs year end levels.
- Total Equity increased by 20% YoY at PKR57.6bn at Jun 2016.

## Profit & Loss Snapshot

Amount PKR Mn	2Q15	2Q16	YoY	1H15	1H16	YoY
Interest Income	15,344	14,762	-4%	31,243	29,713	-5%
Interest Expenses	8,238	7,209	-12%	17,336	15,059	-13%
Net Int Income	7,106	7,553	6%	13,909	14,654	5%
NPL provisions	453	115	-75%	1,136	344	-70%
Inv. Impairment	60	53	-11%	74	65	-12%
Post Provision Int	6,594	7,385	12%	12,698	14,245	12%
Non Int Income	2,613	2,649	1%	4,802	5,005	4%
Op. Expenses	5,669	6,235	10%	10,922	11,658	7%
Profit before tax	3,538	3,798	7%	6,577	7,592	15%
Taxation	1,815	1,911	5%	2,872	3,238	13%
Profit after tax	1,723	1,887	10%	3,705	4,354	18%
EPS (Rupees)	1.08	1.18	9.0%	2.33	2.73	17%
DPS (Rupees)	-	-	NA	-	-	NA

- Net Interest Income grew 5% YoY in 1H2016 as the drop in yield on assets was more than offset by reduction in cost of funds.
- NPL provisions declined 70% YoY to PKR344mn, due to combination of 25% lower gross provisions and PKR1.3bn recoveries in 1H2016.
- Non interest income increased 4% where slowdown in FX income was compensated by fees & commission and capital gains.
- Growth in operating expenses contained at 7% YoY and sequentially flat in 1H16.
- Profit After Tax increased by 18% to PKR4.4bn while Earnings Per Share recorded at PKR2.73.

## Key Ratios

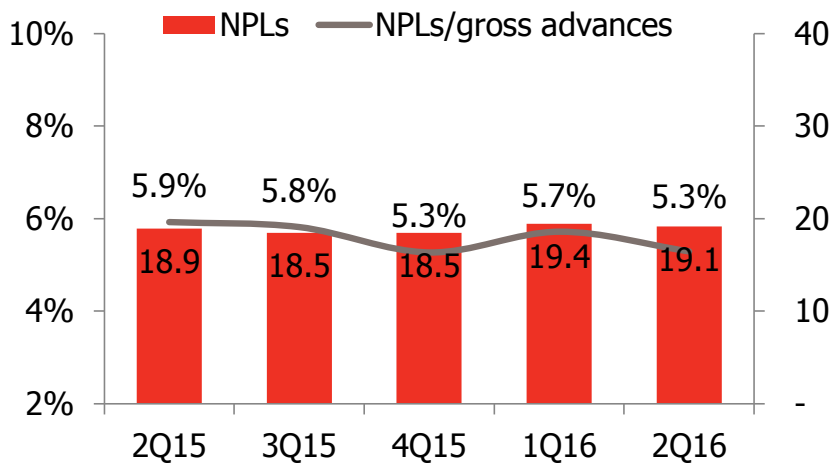
	2Q15	3Q15	4Q15	1Q16	2Q16
Yield on Advances	8.6%	7.6%	7.3%	6.9%	7.1%
Yield on Investments	9.4%	9.0%	8.7%	8.2%	8.0%
Cost of Deposits	4.1%	3.5%	3.4%	3.3%	3.1%
NIM	4.2%	4.2%	3.9%	3.6%	3.8%
ROA	0.9%	1.20%	0.7%	1.1%	0.9%
ROE exc. Surplus	18.3%	23.6%	14.2%	23.0%	17.0%
Admin Cost : income	54.7%	58.0%	64.9%	57.8%	59.4%
Gross ADR	52.8%	54.2%	54.7%	54.5%	56.5%
CASA	75.6%	73.4%	74.5%	77.4%	79.0%
Net Loans (YoY )	10.1%	10.8%	12.6%	16.1%	13.6%
Deposits (YoY)	8.8%	4.0%	5.6%	8.4%	5.8%
NPL ratio	5.9%	5.8%	5.3%	5.7%	5.3%
Coverage	77.6%	80.0%	83.7%	80.6%	82.1%
CAR	13.4%	14.1%	13.4%	13.9%	13.8%

- Divergent YoY and QoQ trends in 2Q16 NIMs, as monetary easing led to 40bp YoY decline in NIMs, while higher advances yield and lower CoD saw NIMs rise 20bp QoQ.
- ROA and ROE dropped in 2Q2016 from previous quarter due to super tax impact. On pretax basis, ROA and ROE remained almost flat in 2Q2016.
- Admin cost to income ratio stands at 59.4%, slightly higher QoQ.
- CASA mix further enhanced to 79%, up from 74.5% as of Dec-15.
- NPL ratio further improved to 5.3%, while coverage increased to 82.1% in Jun 2016.
- CAR clocked in at 13.84% for 2Q vs 13.89% in 1Q.

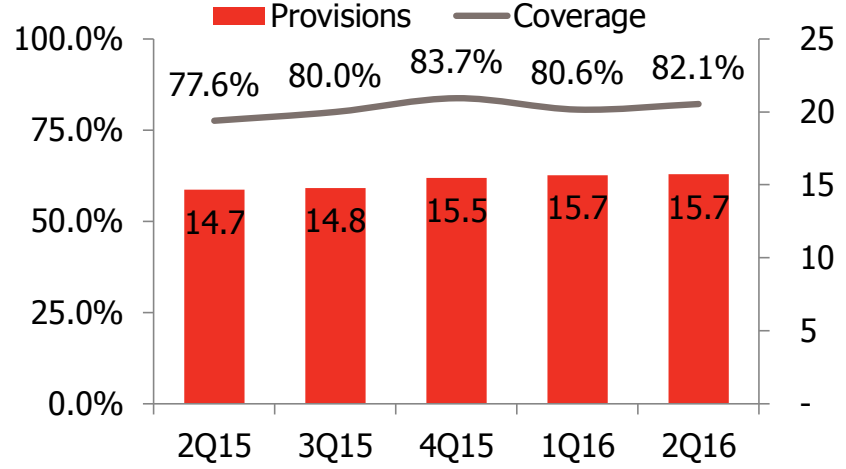
# 2Q16 Performance Review

# Advances & Asset Quality Trends

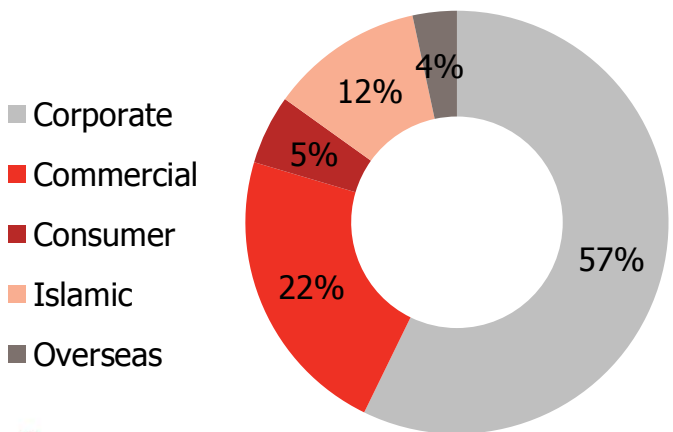
**NPLs mostly contained**



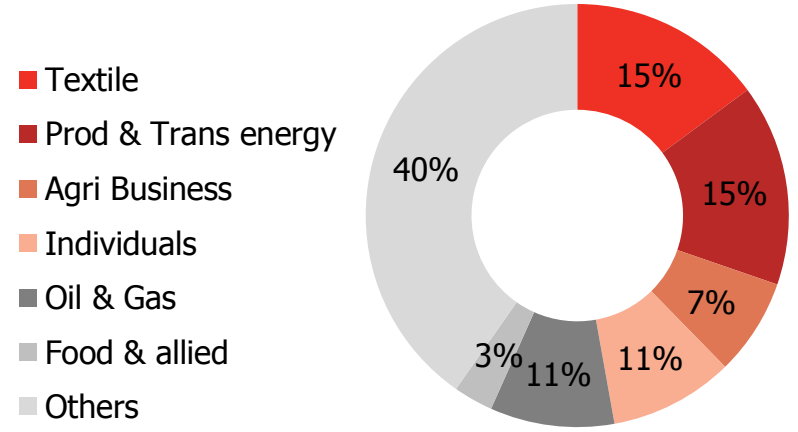
**Specific Coverage improved to 82%**



**Advances composition (Jun 2016)**

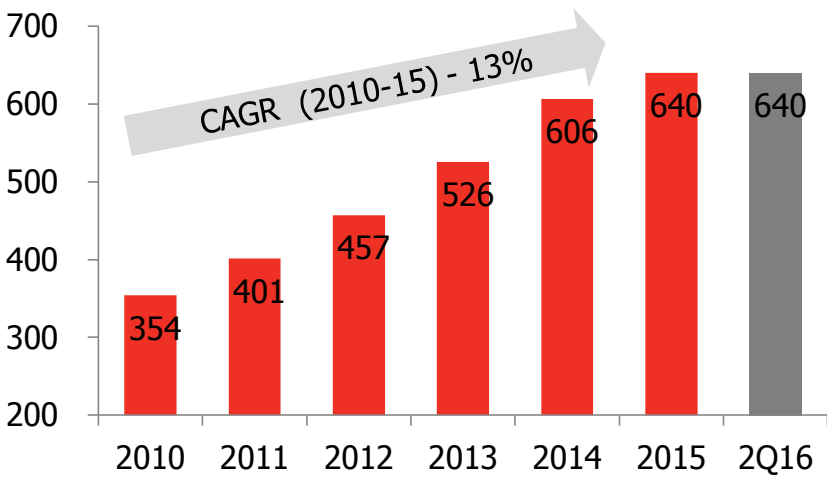


**Advances concentration (Dec 2015)**

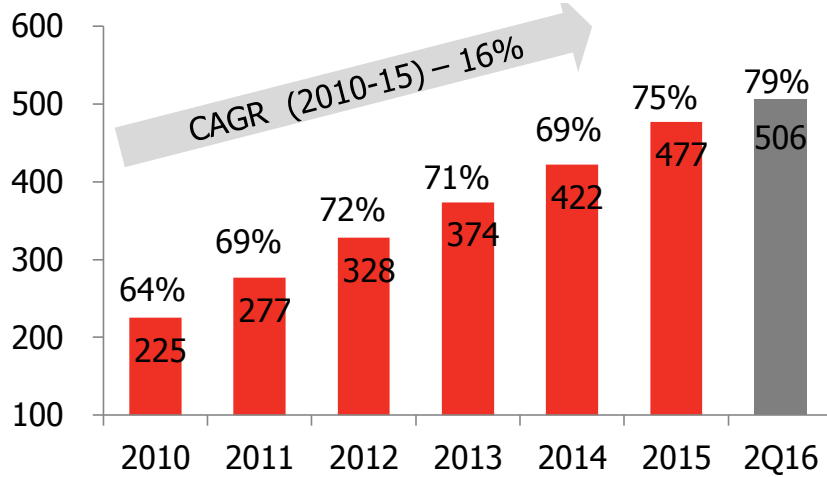


# Deposit Mix & Cost

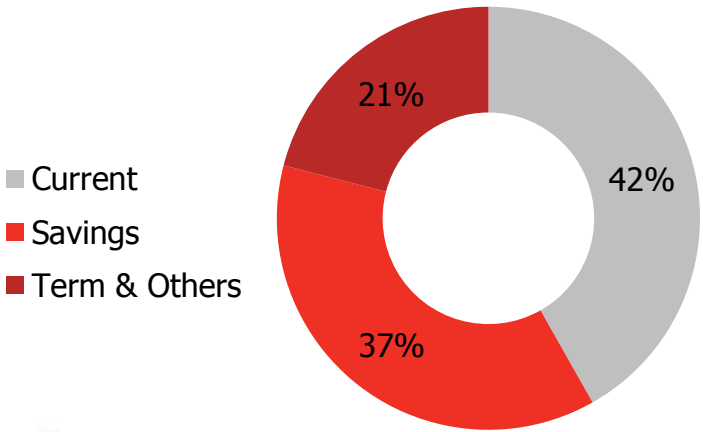
**Deposit growth trend (PKR bn)**



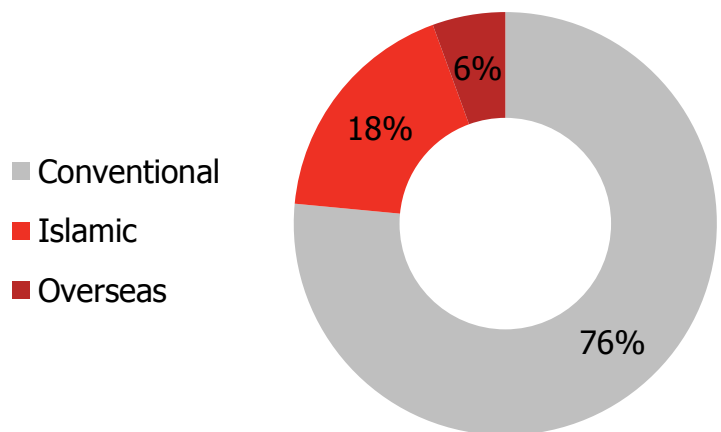
**CASA continues to remain strong (PKR bn)**



**Deposit Mix (Jun 2016)**



**Deposits composition (Jun 2016)**





# Appendix

## Balance Sheet Summary

Amount in PKR Mn	2010	2011	2012	2013	2014	2015	5yr-CAGR
Cash & Bal. with treasury bank	41,198	50,883	58,044	61,205	55,378	62,369	9%
Balances with other banks	16,179	17,424	26,721	35,180	12,332	16,552	0%
Lending to FIs	6,498	7,765	877	2,522	18,313	27,626	34%
Advances (net)	207,153	198,469	233,933	260,780	290,597	334,159	10%
Investments (net)	113,426	166,532	189,487	219,690	324,319	423,100	30%
Fixed & Other Assets	27,031	27,221	27,506	31,237	47,051	38,802	7%
<b>Total Assets</b>	<b>411,484</b>	<b>468,294</b>	<b>536,468</b>	<b>610,614</b>	<b>743,128</b>	<b>902,608</b>	<b>17%</b>
<b>Deposits</b>	<b>354,015</b>	<b>401,233</b>	<b>457,044</b>	<b>525,526</b>	<b>605,963</b>	<b>640,189</b>	<b>13%</b>
Subordinated Loans	7,567	7,149	5,875	9,991	9,987	9,983	6%
Borrowings	13,700	18,169	21,228	23,115	55,233	172,393	66%
Other Liabilities	13,896	16,190	22,362	20,081	27,126	26,690	14%
<b>Total Liabilities</b>	<b>389,178</b>	<b>442,741</b>	<b>506,509</b>	<b>578,713</b>	<b>698,309</b>	<b>849,255</b>	<b>17%</b>
<b>Paid up Capital</b>	<b>13,492</b>	<b>13,492</b>	<b>13,492</b>	<b>13,492</b>	<b>15,872</b>	<b>15,898</b>	<b>3%</b>
Reserves & Retained Profit	6,235	9,125	12,010	14,774	21,951	26,527	34%
Revaluation Surplus	2,579	2,937	4,558	3,636	6,995	10,928	33%
<b>Total Equity</b>	<b>22,306</b>	<b>25,554</b>	<b>30,059</b>	<b>31,902</b>	<b>44,819</b>	<b>53,353</b>	<b>19%</b>

## Profit & Loss Summary

Amount in PKR Mn	2010	2011	2012	2013	2014	2015	5yr-CAGR
Interest income	37,530	44,298	46,080	43,961	55,378	61,458	10%
Interest expense	23,855	25,687	27,500	27,066	33,505	32,811	7%
Net interest income	13,675	18,611	18,580	16,895	21,873	28,648	16%
NPL Provisions	2,269	1,870	1,850	959	1,448	2,150	-1%
Investment impairment	1,991	2,459	1,709	95	86	137	-41%
Post Provisions Interest Inc	9,414	14,281	15,021	15,841	20,340	26,361	23%
Non interest income	4,708	5,368	7,281	8,279	9,036	8,841	13%
Operating expenses	12,754	14,215	15,519	17,313	20,863	22,598	12%
Profit before taxation	1,369	5,434	6,783	6,807	8,513	12,604	56%
Taxation	400	1,931	2,227	2,131	2,873	5,081	66%
Profit after taxation	968	3,503	4,556	4,676	5,641	7,523	51%
EPS (Rupees)	0.72	2.60	3.38	3.41	4.09	4.73	46%
Dividend (% of paid up)	-	17.5%	20.0%	20.0%	20.0%	10.0%	NA

# Key Ratios

	2010	2011	2012	2013	2014	2015
Capital Adequacy Ratio (Tier-I)	7.1%	8.6%	8.5%	8.4%	9.6%	9.7%
Capital Adequacy Ratio Total	10.5%	11.6%	12.6%	12.1%	12.8%	13.4%
Net Interest Margins	4.1%	5.1%	4.4%	3.5%	3.9%	4.2%
Admin Cost to Income Ratio	68.4%	57.7%	58.8%	68.7%	65.4%	58.6%
Non Interest Income as % of total	25.6%	22.4%	28.2%	32.9%	28.9%	23.6%
Advance to Deposit Ratio (ADR)	61.7%	52.7%	54.3%	52.1%	50.3%	53.7%
YoY Deposit Growth	9.0%	13.3%	13.9%	15.0%	15.3%	5.6%
YoY Advances Growth	10.2%	-4.2%	17.9%	11.5%	11.4%	12.6%
YoY Investments Growth	14.4%	46.8%	13.8%	15.9%	47.6%	22.4%
CASA Ratio*	63.6%	69.0%	71.8%	71.1%	69.1%	74.5%
NPL Ratio	8.4%	9.0%	8.9%	6.6%	6.4%	5.4%
Coverage Ratio	58.0%	64.6%	62.5%	69.3%	70.1%	83.7%
ROA	0.3%	0.8%	0.9%	0.8%	0.9%	0.9%
ROE exc. Reval surplus	4.8%	16.4%	19.4%	18.0%	18.9%	19.0%
ROE inc. Reval surplus	4.3%	14.5%	16.8%	15.6%	16.1%	15.2%
Book Value /share (incl Rev)	16.53	18.94	22.28	23.65	28.24	33.56

\* 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)	46.3
Market Capitalization (US\$m)*	442
Average Daily Turnover (mn shares)	1.3
Average Daily Turnover (US\$m)*	0.36
Current Stock Price**	29.05
12M High/Low**	30.25/23.70

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

\*\* Stock Price as of 23<sup>rd</sup> Aug 2016

## 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

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