



Bank Alfalah

Analyst Briefing – 2Q 2015

Performance Review & Outlook

28th August 2015

Basic Data & Market Positioning

Commencement of operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term/ Short Term)	AA / A1+
Branches	648 (including 157 Islamic Branches)
Cities Covered	222 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 3 countries
Market Share	6.6% of deposits (6 th Largest by size)
Assets	PKR 786 Bn / US\$ 7.7 Bn
Deposits	PKR 605 Bn / US\$ 5.9 Bn
Net Advances	PKR 304 Bn / US\$ 3.0 Bn
Staff Strength	7,732

Data as of June 2015

Balance Sheet Snapshot

Amount PKR Mn	Jun-14	Dec-14	Jun-15	YoY	YTD
Cash	56,005	50,516	52,408	-6%	4%
Bal with banks	20,843	12,332	12,349	-41%	0%
Lending to FI	14,687	18,313	32,052	118%	75%
Advances (net)	275,892	290,597	303,822	10%	5%
Investments (net)	264,034	324,319	340,691	29%	5%
Fixed & Others	41,071	47,051	44,477	8%	-5%
Total Assets	672,532	743,128	785,799	17%	6%
Deposits	555,667	605,963	604,751	9%	0%
Sub Loans	9,989	9,987	9,985	0%	0%
Borrowings	48,658	55,233	94,900	95%	72%
Other Liabilities	26,513	27,126	28,208	6%	4%
Total Liabilities	640,827	698,309	737,845	15%	6%
Paid up Capital	13,492	15,872	15,898	18%	0%
Reserves	14,249	21,951	22,600	59%	3%
Reval Surplus	3,964	6,995	9,456	139%	35%
Total Equity	31,706	44,419	47,955	51%	7%

- Balance sheet size increased by 17% YoY to PKR 786bn.
- Lending to FI grew due to Bai Muajjal product.
- Investment book increased to PKR341bn, further enhancing exposure to PIBs.
- Advances growth also picked up to 10% YoY.
- Deposits grew 9% YoY. Slower growth is due to re-profiling of deposits.
- Other borrowings mainly reflects repo borrowings.
- Share capital increased marginally on account of shares issuance under ESOS.

Profit & Loss Snapshot

Amount PKR Mn	2Q14	2Q15	YoY	1H14	1H15	YoY
Interest Income	13,120	15,350	17%	25,038	31,250	25%
Interest Expenses	7,839	8,238	5%	15,470	17,336	12%
Net Int Income	5,280	7,111	35%	9,569	13,914	45%
NPL provisions	141	453	222%	203	1,136	460%
Inv. Impairment	-42	60	NM	24	74	203%
Post Provision Int	5,182	6,599	27%	9,341	12,704	36%
Non Int Income	2,319	2,572	11%	4,375	4,728	8%
Op. Expenses	5,227	5,633	8%	9,738	10,855	11%
Profit before tax	2,274	3,538	56%	3,978	6,577	65%
Taxation	793	1,815	129%	1,368	2,872	110%
Profit after tax	1,481	1,723	16%	2,610	3,705	42%
EPS (Rupees)	1.08	1.08		1.90	2.33	
Prior Period Tax	-	568		-	568	
PAT ex. prior Tax	1,481	2,291	55%	2,610	4,273	64%
EPS ex. prior tax	1.08	1.44		1.90	2.69	

- Net Interest Income (NII) increased 35% YoY in 2Q, backed by 32% growth in average earning assets and expansion in NIMs.
- Provision charge on NPLs increased to PKR453mn.
- Non interest income grew 11% YoY backed by gain on sale of securities and higher fee income.
- Fee income recovered from a decline in 1Q 2015.
- Growth in operating expenses contained to 11% YoY for 1H15, despite full year impact of new branches and one-off PKR270mn provision.
- Effective tax rate for 2Q was higher at 51% due to PKR568mn additional impact of prior period charge.

Key Ratios

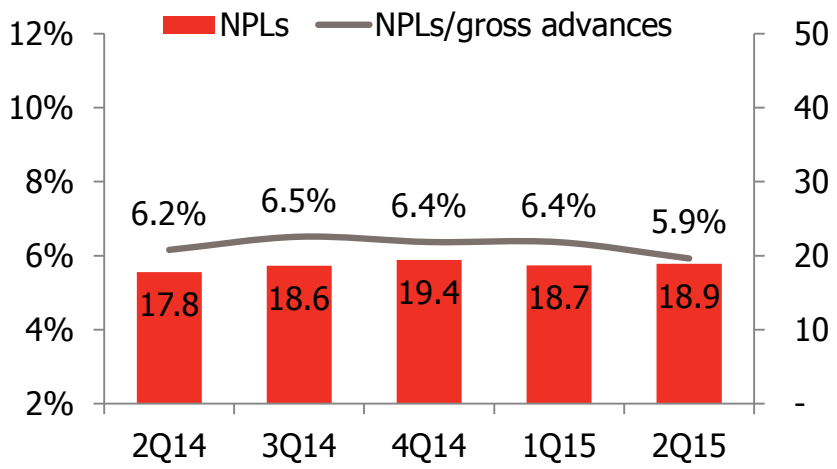
	2Q14	3Q14	4Q14	1Q15	2Q15
Yield on Advances	10.1%	10.2%	10.4%	9.8%	8.6%
Yield on Investments	10.0%	10.5%	10.3%	9.9%	9.4%
Cost of Deposits	5.0%	5.3%	5.2%	4.9%	4.1%
NIM	3.9%	4.1%	4.2%	4.2%	4.2%
ROA	0.9%	0.8%	0.9%	1.1%	0.9%
ROA exc prior tax					1.2%
ROE exc. Surplus	22.0%	19.6%	19.3%	21.2%	18.3%
ROE exc prior tax					24.3%
Admin Cost : income	67.2%	66.0%	61.9%	56.7%	54.7%
Gross ADR	52.0%	50.8%	50.3%	51.1%	52.8%
CASA*	71.0%	69.3%	69.1%	72.7%	75.6%
Net Loans (YoY)	17.6%	15.4%	11.4%	9.3%	10.1%
Deposits (YoY)	15.9%	14.3%	15.3%	14.7%	8.8%
NPL ratio	6.2%	6.5%	6.4%	6.4%	5.9%
Coverage	70.3%	69.9%	70.1%	76.5%	77.6%
CAR	11.0%	11.5%	12.8%	12.9%	13.4%

- NIMs improved YoY due to shift in investment mix and re-profiling of Islamic Banking Balance Sheet.
- Adjusting for prior period tax, ROA increased to 1.2% in 2Q whereas ROE (exc surplus) also improved to 24.3%.
- Improvement in cost to income ratio reflects contained growth in admin expenses.
- Deposit growth slowed to 8.8% YoY due to focus on low cost deposits.
- CASA mix increased to 76% vs 69% at end 2014.
- NPL ratio dropped to 5.9% whereas coverage improved to 77.6%.
- CAR also strengthened to 13.4% from 12.8% at the end of 2014.

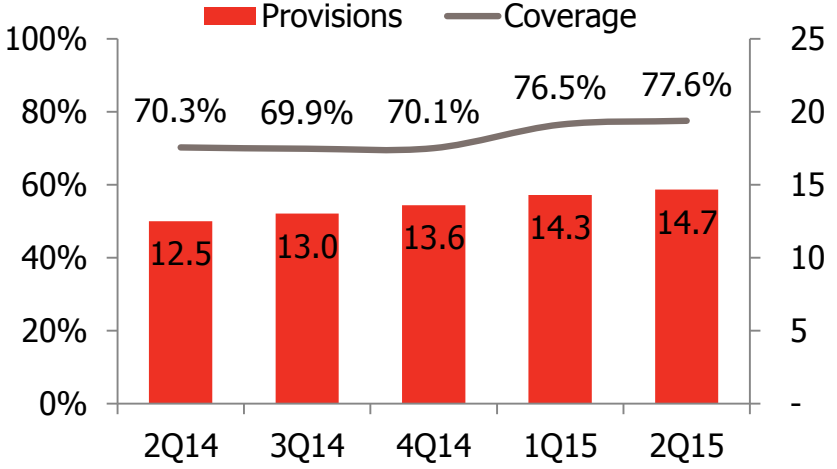
2Q15 Performance Review

Advances & Asset Quality Trends

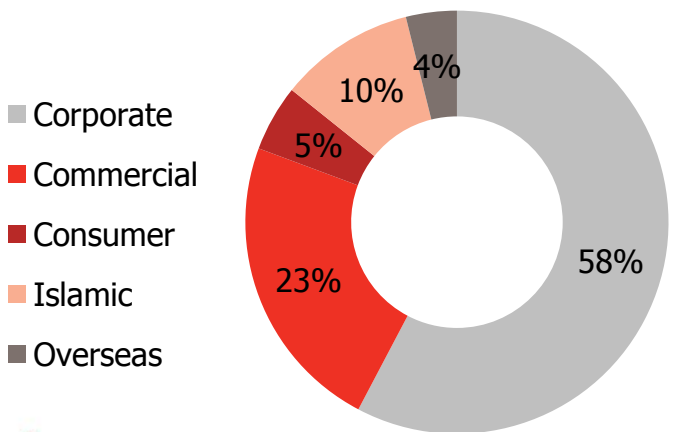
NPL accretion mostly contained



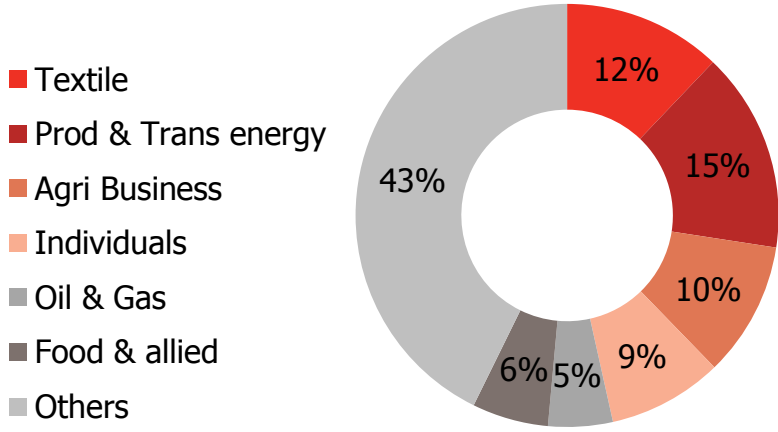
Coverage improved to 77%



Advances composition (June 2015)

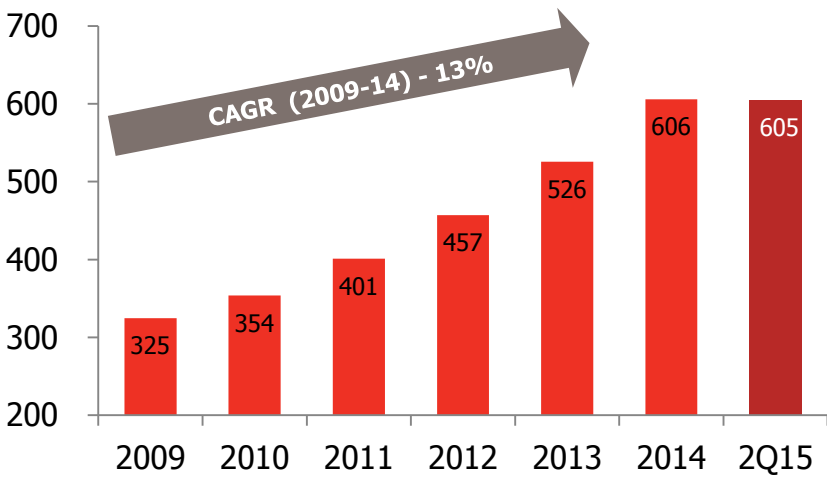


Advances concentration (June 2015)

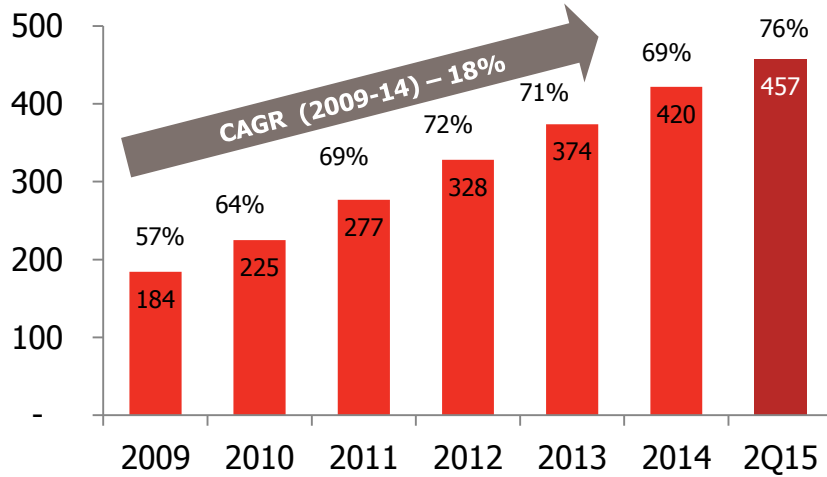


Deposit Mix & Cost

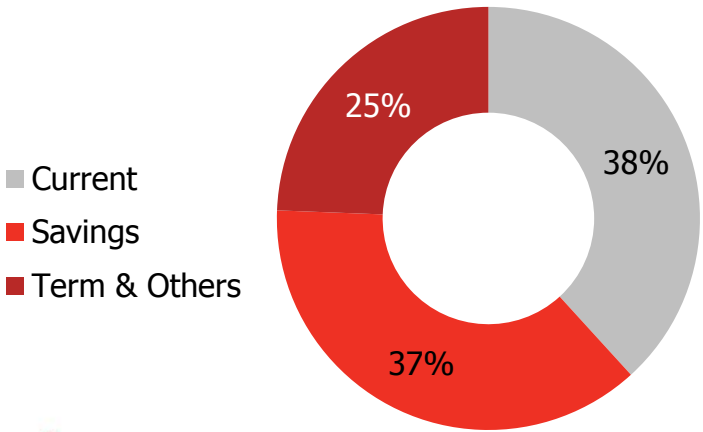
Deposit growth trend (PKR bn)



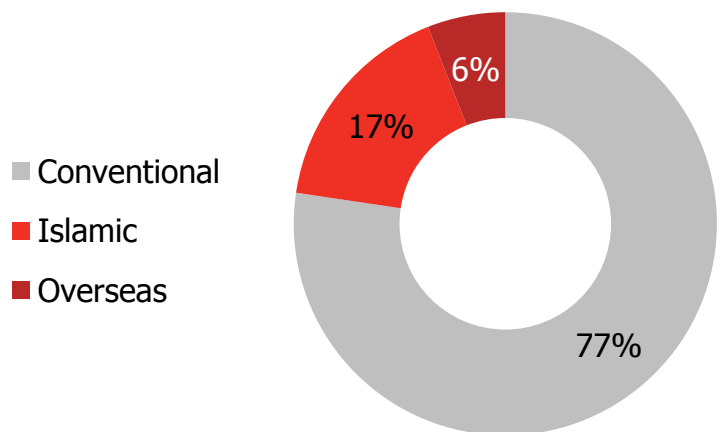
CASA continues to remain strong (PKR bn)



Deposit Mix (June 2015)



Deposits composition (June 2015)



Appendix

Balance Sheet Summary

Amount in PKR Mn	2010	2011	2012	2013	2014	4yr-CAGR
Cash & Bal. with treasury bank	41,198	50,883	58,044	61,205	55,378	5%
Balances with other banks	16,179	17,424	26,721	35,180	12,332	-7%
Lending to FIs	6,498	7,765	877	2,522	18,313	30%
Advances (net)	207,153	198,469	233,933	260,780	290,597	9%
Investments (net)	113,426	166,532	189,487	219,690	324,319	30%
Fixed & Other Assets	27,031	27,221	27,506	31,237	47,051	15%
Total Assets	411,484	468,294	536,468	610,614	743,128	16%
Deposits	354,015	401,233	457,044	525,526	605,963	14%
Subordinated Loans	7,567	7,149	5,875	9,991	9,987	7%
Borrowings	13,700	18,169	21,228	23,115	55,233	42%
Other Liabilities	13,896	16,190	22,362	20,081	27,126	18%
Total Liabilities	389,178	442,741	506,509	578,713	698,309	16%
Paid up Capital	13,492	13,492	13,492	13,492	15,872	4%
Reserves & Retained Profit	6,235	9,125	12,010	14,774	21,951	37%
Revaluation Surplus	2,579	2,937	4,558	3,636	6,995	28%
Total Equity	22,306	25,554	30,059	31,902	44,819	19%

Profit & Loss Summary

Amount in PKR Mn	2010	2011	2012	2013	2014	4yr-CAGR
Interest income	37,530	44,298	46,080	43,961	55,378	10%
Interest expense	23,855	25,687	27,500	27,066	33,505	9%
Net interest income	13,675	18,611	18,580	16,895	21,873	12%
NPL Provisions	2,269	1,870	1,850	959	1,448	-11%
Investment impairment	1,991	2,459	1,709	95	86	-54%
Post Provisions Interest Income	9,414	14,281	15,021	15,841	20,340	21%
Non interest income	4,708	5,368	7,281	8,279	9,036	18%
Operating expenses	12,754	14,215	15,519	17,313	20,863	13%
Profit before taxation	1,369	5,434	6,783	6,807	8,513	58%
Taxation	400	1,931	2,227	2,131	2,873	64%
Profit after taxation	968	3,503	4,556	4,676	5,641	55%
EPS (Rupees)	0.72	2.60	3.38	3.41	4.09	55%
Dividend (% of paid up)	-	17.5%	20.0%	20.0%	20.0%	NA

Key Ratios

	2010	2011	2012	2013	2014
Capital Adequacy Ratio (Tier-I)	7.1%	8.6%	8.5%	8.4%	9.6%
Capital Adequacy Ratio Total	10.5%	11.6%	12.6%	12.1%	12.8%
Net Interest Margins	4.1%	5.1%	4.4%	3.5%	3.8%
Admin Cost to Income Ratio	68.4%	57.7%	58.8%	68.7%	65.6%
Non Interest Income as % of total	25.6%	22.4%	28.2%	32.9%	29.2%
Advance to Deposit Ratio (ADR)	61.7%	52.7%	54.3%	52.1%	50.3%
YoY Deposit Growth	9.0%	13.3%	13.9%	15.0%	15.3%
YoY Advances Growth	10.2%	-4.2%	17.9%	11.5%	11.4%
YoY Investments Growth	14.4%	46.8%	13.8%	15.9%	47.6%
CASA Ratio*	63.6%	69.0%	71.8%	71.1%	69.1%
NPL Ratio	8.4%	9.0%	8.9%	6.6%	6.4%
Coverage Ratio	58.0%	64.6%	62.5%	69.3%	70.1%
ROA	0.3%	0.8%	0.9%	0.8%	0.9%
ROE exc. Reval surplus	4.8%	16.4%	19.4%	18.0%	18.9%
ROE inc. Reval surplus	4.3%	14.5%	16.8%	15.6%	16.4%
Book Value /share (incl Rev)	16.53	18.94	22.28	23.65	28.24

* Includes CASA deposits of Fis

Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1589.81
Market Capitalization (PRsbn)	42.47
Market Capitalization (US\$m)*	408.33
Average Daily Turnover (mn shares)	2.48
Average Daily Turnover (US\$m)*	0.81
Current Stock Price**	26.76
12M High/Low**	35.10/23.82

* Using PRs/US\$ parity of PRs104.0

** Stock Price as of 26th August 2015

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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