



Bank Alfalah

# Analyst Briefing – 2Q 2017

## Performance Review & Outlook

29<sup>th</sup> August 2017

# Introductory Snapshot

Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	633 (including 151 Islamic Branches)
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 3 countries
Market Share	5.5% of deposits
Assets	PKR 958bn / USD 9.1bn
Deposits	PKR 657bn / USD 6.2bn
Net Advances	PKR 410bn / USD 3.9bn
Staff Strength	7,845

**Data as of June 30, 2017**

## Balance Sheet Snapshot

Amount PKR Mn	Jun-16	Dec-16	Jun-17	YoY	YTD
Cash	51,823	74,071	81,711	58%	10%
Bal with banks	14,017	9,373	12,321	-12%	31%
Lending to FI	16,522	30,149	40,920	148%	36%
Advances (net)	345,067	378,720	409,971	19%	8%
Investments (net)	424,063	389,093	375,793	-11%	-3%
Fixed & Others	38,681	36,050	37,291	-4%	3%
<b>Total Assets</b>	<b>890,173</b>	<b>917,456</b>	<b>958,007</b>	<b>8%</b>	<b>4%</b>
Deposits	640,110	640,944	656,528	3%	2%
Sub Loans	9,981	8,318	6,654	-33%	-20%
Borrowings	150,998	178,311	201,039	33%	13%
Other Liabilities	31,505	29,759	29,873	-5%	0%
<b>Total Liabilities</b>	<b>832,594</b>	<b>857,332</b>	<b>894,094</b>	<b>7%</b>	<b>4%</b>
Paid up Capital	15,952	15,952	16,076	1%	1%
Reserves	29,401	33,233	38,227	30%	15%
Reval Surplus	12,226	10,940	9,611	-21%	-12%
<b>Total Equity</b>	<b>57,579</b>	<b>60,125</b>	<b>63,914</b>	<b>11%</b>	<b>6%</b>

- Balance sheet size increased by 8% YoY and 4% YTD to PKR958bn.
- YoY advances growth clocked at 19% to PKR410bn, mainly driven by consumer and commercial lending.
- Investments declined by 11% YoY, as asset mix tilted towards advances.
- Deposits increased 3%YoY, in line with strategy to reduce high cost deposits.
- Current deposits increased 14% YoY; whereas term deposits dropped 17% YoY.
- Borrowings grew 33% YoY due to higher repo levels.
- Total equity increased by 11% to PKR64bn.

## Profit & Loss Snapshot

Amount PKR Mn	2Q16	1Q17	2Q17	YoY	QoQ
Interest Income	14,762	13,862	14,187	-4%	2%
Interest Expenses	7,209	6,600	6,629	-8%	0%
Net Int Income	7,553	7,262	7,558	0%	4%
NPL provisions	115	-79	-188	NA	140%
Inv. Impairment	53	-4	135	153%	NA
Post Provision Int	7,385	7,344	7,612	3%	4%
Non Int Income	2,649	2,553	2,930	11%	15%
Non Int. Expenses	6,235	5,607	6,362	2%	13%
Profit before tax	3,798	4,290	4,180	10%	-3%
Taxation*	1,911	1,502	2,087	9%	39%
Profit after tax	1,887	2,788	2,093	11%	-25%
EPS (Rupees)	1.18	1.75	1.30	10%	-26%
DPS (Rupees)	-	-	-		

- Net Interest Income remained flat YoY, despite maturity of PIBs, while NII increased 4% QoQ.
- Net NPL reversals were recorded at PKR188mn against a charge of PKR115mn last year.
- Investment impairment mostly reflects general provision under new Afghanistan regulations.
- Non interest income grew 11% YoY to PKR2.9bn on account of higher fee income & realized gains.
- Growth in operating expenses was contained at 2% YoY at PKR6.4bn.
- PAT increased 11% YoY to PKR2.1bn with EPS of PKR1.30 versus PKR1.9bn and EPS of PKR1.18 in the same quarter last year.

\* Includes impact of super tax in 2Q16 and 2Q17

## Key Ratios

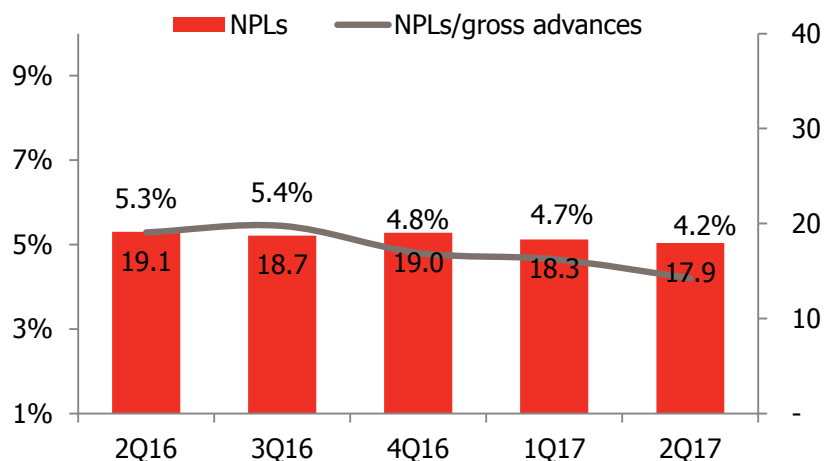
	2Q16	3Q16	4Q16	1Q17	2Q17
Yield on Advances	7.1%	6.9%	6.8%	6.8%	7.0%
Yield on Investments	8.5%	7.6%	7.4%	7.2%	7.0%
Cost of Deposits	3.1%	3.0%	2.9%	2.5%	2.5%
NIM	3.8%	3.7%	3.7%	3.7%	3.6%
ROA	0.9%	0.9%	0.7%	1.2%	0.9%
ROE exc. Surplus	17.0%	16.5%	13.5%	22.0%	13.3%
Admin Cost : income	59.4%	66.2%	66.1%	56.6%	59.6%
Gross ADR	56.5%	56.6%	61.8%	65.6%	65.0%
CASA	79.0%	79.0%	83.3%	85.0%	82.9%
Net Loans (YoY )	13.6%	7.0%	13.3%	16.7%	18.8%
Deposits (YoY)	5.8%	9.5%	0.1%	-3.7%	2.6%
NPL ratio	5.3%	5.4%	4.8%	4.6%	4.2%
Coverage	82.1%	83.1%	86.1%	88.3%	89.3%
CAR	13.8%	14.5%	13.2%	13.2%	12.7%

- NIMs marginally down QoQ due to decline in investment yields.
- ROA dropped 30bps QoQ in 2Q17 to 0.9%, primarily due to super tax, while remaining flat YoY.
- Admin cost to income ratio clocked at 59.6% versus 56.6% in the previous quarter.
- CASA mixed reported at 83.0% as compared to 85% in 1Q17 and 79% in 2Q of 2016.
- NPL ratio further improved to 4.2%, while specific coverage was at 89%.
- CAR dropped to 12.7% owing to higher advances, reduction in reval surplus and TFC retirement.

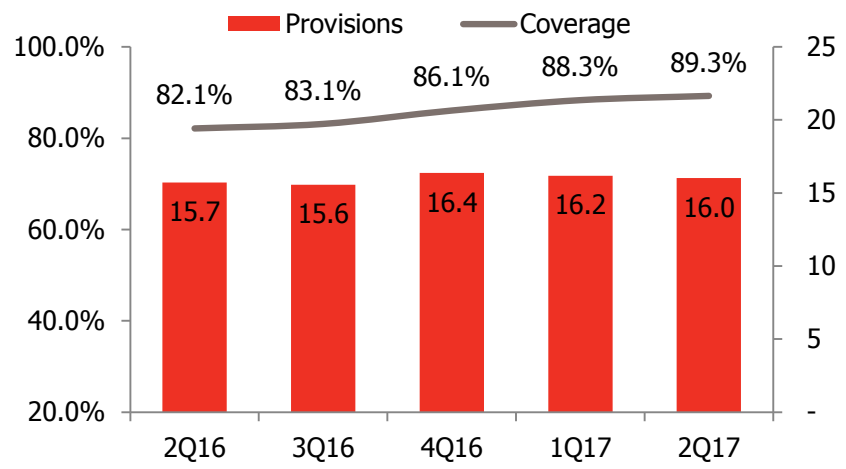
# 2Q 2017 Performance Review

# Advances & Asset Quality Trends

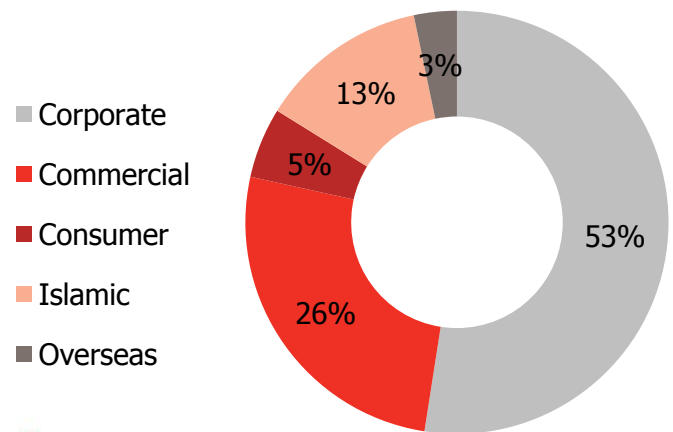
## NPLs mostly contained



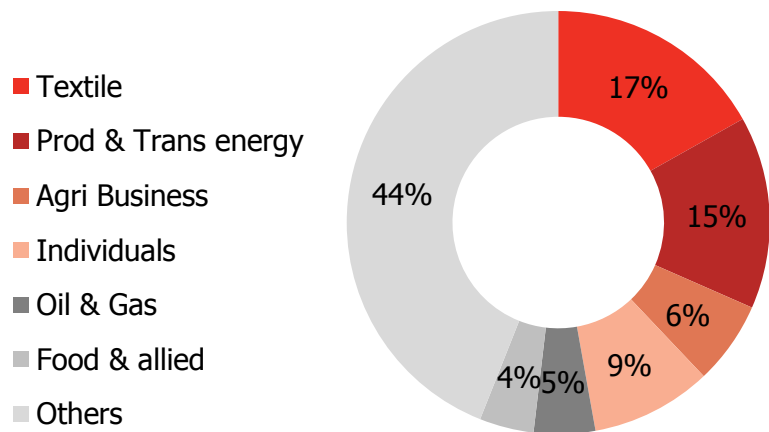
## Specific Coverage improved to 89%



## Advances composition (June 2017)

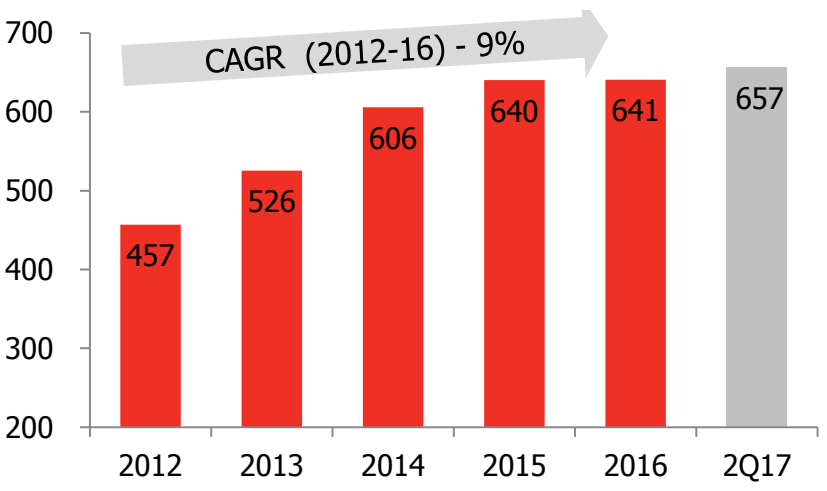


## Advances concentration (Dec 2016)

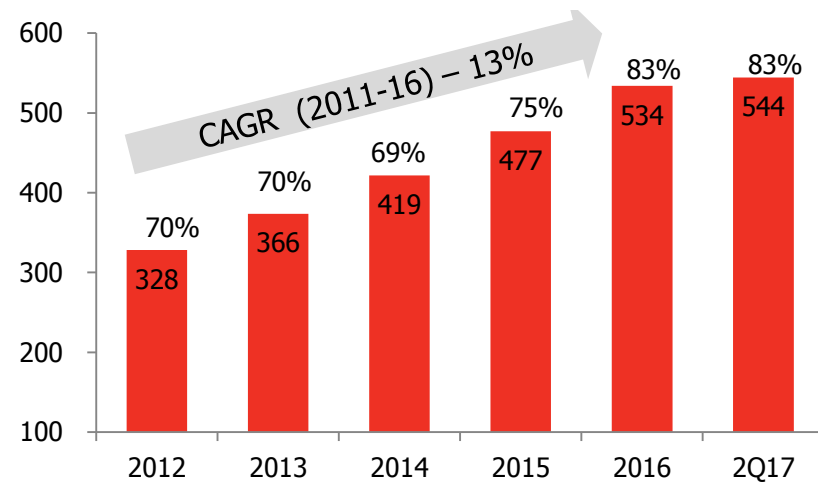


# Deposit Mix & Cost

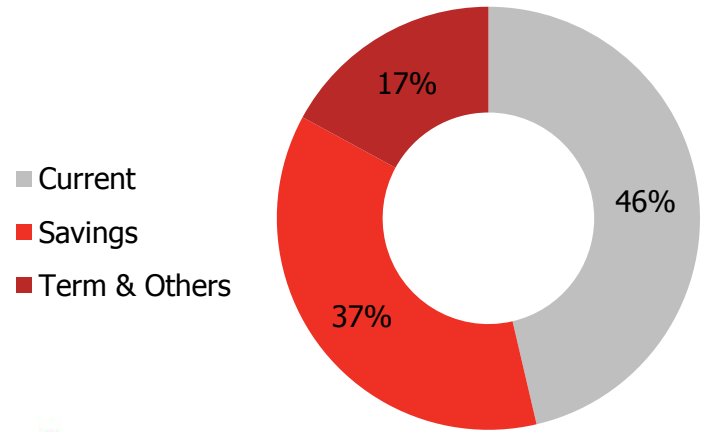
**Deposit Growth Trend (PKRbn)**



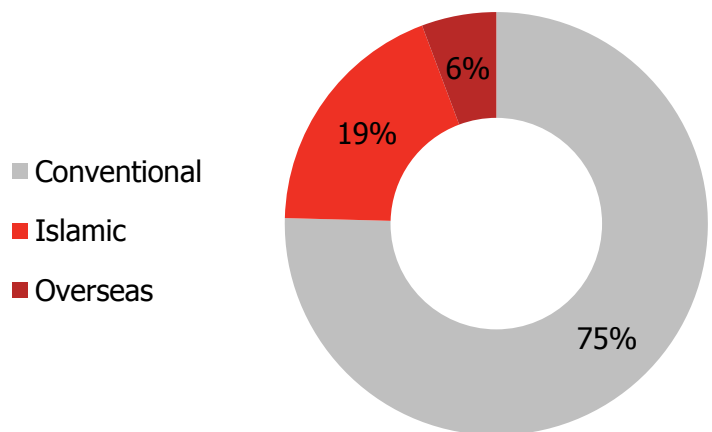
**CASA Continues to Remain Strong (PKRbn)**



**Deposit Mix (June 2017)**



**Deposits Composition (June 2017)**





# 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%
<b>Total Assets</b>	<b>468,294</b>	<b>536,568</b>	<b>611,428</b>	<b>743,128</b>	<b>902,608</b>	<b>917,456</b>	<b>14%</b>
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%
<b>Total Liabilities</b>	<b>442,741</b>	<b>506,509</b>	<b>579,526</b>	<b>698,309</b>	<b>849,255</b>	<b>857,332</b>	<b>14%</b>
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%
<b>Total Equity</b>	<b>25,554</b>	<b>30,059</b>	<b>31,902</b>	<b>44,819</b>	<b>53,353</b>	<b>60,125</b>	<b>19%</b>

# 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)	1607.6
Market Capitalization (PRsbn)	64.4
Market Capitalization (US\$m)*	610
Average Daily Turnover (mn shares)	1.9
Average Daily Turnover (US\$m)*	0.8
Current Stock Price**	40.05
12M High/Low**	47.50/27.90

\* Using PRs/US\$ parity of PRs105.5

\*\* Stock Price as of 28<sup>th</sup> August 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

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