



Bank Alfalah

Analyst Briefing – 3Q 2016 Performance Review & Outlook

2nd November 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	655 (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 870 Bn / US\$ 8.3 Bn
Deposits	PKR 641 Bn / US\$ 6.1 Bn
Net Advances	PKR 328 Bn / US\$ 3.1 Bn (6th Largest by size)
Staff Strength	7,939

Data as of September 2016



Balance Sheet Snapshot

Amount PKR Mn	Sep-15R	Dec-15R	Sep-16	YoY	YTD
Cash	43,020	62,369	63,640	48%	2%
Bal with banks	9,678	16,552	8,785	-9%	-47%
Lending to FI	32,854	27,626	26,332	-20%	-5%
Advances (net)	306,081	334,159	327,718	7%	-2%
Investments (net)	365,439	423,100	409,547	12%	-3%
Fixed & Others	32,340	38,802	34,383	6%	-11%
Total Assets	789,413	902,608	870,405	10%	-4%
Deposits	585,997	640,189	641,441	9%	0%
Sub Loans	9,984	9,983	9,980	0%	0%
Borrowings	113,001	172,393	128,032	13%	-26%
Other Liabilities	29,624	26,689	31,967	8%	20%
Total Liabilities	738,607	849,254	811,419	10%	-4%
Paid up Capital	15,898	15,898	15,952	0%	0%
Reserves	24,985	26,527	31,359	26%	18%
Reval Surplus	9,923	10,928	11,675	18%	7%
Total Equity	50,806	53,353	58,986	16%	11%

- Balance sheet size increased 10% YoY to PKR870bn (down 4% YTD).
- Repo borrowings reduced by PKR37bn as rationalization continues.
- Advances increased 7% YoY but were down 2% YTD.
- Investments grew 12% YoY to PKR410bn. Maturing PIBs replenished with PIBs and Tbills.
- Deposits grew 9% YoY to PKR641bn. Low cost deposit focus increased CASA to 79% from 74% at the end of 2015.
- CASA deposits increased 17% YoY, whereas Term deposits were reduced by 13%.
- Total Equity increased by 16% to PKR59bn.

Profit & Loss Snapshot

Amount PKR Mn	3Q15	3Q16	YoY	9M15	9M16	YoY
Interest Income	14,973	13,735	-8%	46,217	43,448	-6%
Interest Expenses	7,640	6,702	-12%	24,976	21,761	-13%
Net Int Income	7,333	7,033	-4%	21,242	21,687	2%
NPL provisions	124	-76	NA	1,260	267	-79%
Inv. Impairment	19	3	-84%	92	68	-27%
Post Provision Int	7,190	7,107	-1%	19,889	21,352	7%
Non Int Income	2,087	1,922	-8%	6,887	6,927	1%
Op. Expenses	5,571	6,000	8%	16,493	17,658	7%
Profit before tax	3,706	3,029	-18%	10,283	10,621	3%
Taxation	1,366	1,116	-18%	4,238	4,355	3%
Profit after tax	2,340	1,913	-18%	6,045	6,266	4%
EPS (Rupees)	1.47	1.20	-18%	3.80	3.93	3%
DPS (Rupees)	-	-	NA	-	-	NA

- Net Interest Income grew by 2% in 9M2016 as decline in yields was compensated by reduction in cost of funds.
- NPL provisions declined by 79% to PKR267mn, while 3Q16 saw net reversals of PKR76mn.
- Non interest income grew by 1% to PKR6.9bn. Lower FX income due to low volatility was compensated by growth in trade and capital market income.
- Growth in operating expenses was recorded at 7% for 9M16.
- PAT increased by 4% to PKR6.3bn with EPS of PKR3.93 in 9M2016.

Key Ratios

	3Q15	4Q15	1Q16	2Q16	3Q16
Yield on Advances	7.6%	7.3%	6.9%	7.1%	6.9%
Yield on Investments	9.0%	8.7%	8.2%	8.0%	7.3%
Cost of Deposits	3.5%	3.4%	3.3%	3.1%	3.0%
NIM	4.2%	3.9%	3.6%	3.8%	3.7%
ROA	1.20%	0.7%	1.1%	0.9%	0.9%
ROE exc. Surplus	23.6%	14.2%	23.0%	17.0%	16.5%
Admin Cost : income	58.0%	64.9%	57.8%	59.4%	66.2%
Gross ADR	54.2%	54.7%	54.5%	56.5%	56.6%
CASA	73.4%	74.5%	77.4%	79.0%	79.0%
Net Loans (YoY)	10.8%	12.6%	16.1%	13.6%	7.0%
Deposits (YoY)	4.0%	5.6%	8.4%	5.8%	9.5%
NPL ratio	5.8%	5.3%	5.7%	5.3%	5.4%
Coverage	80.0%	83.7%	80.6%	82.1%	83.1%
CAR	14.1%	13.4%	13.9%	13.8%	14.5%

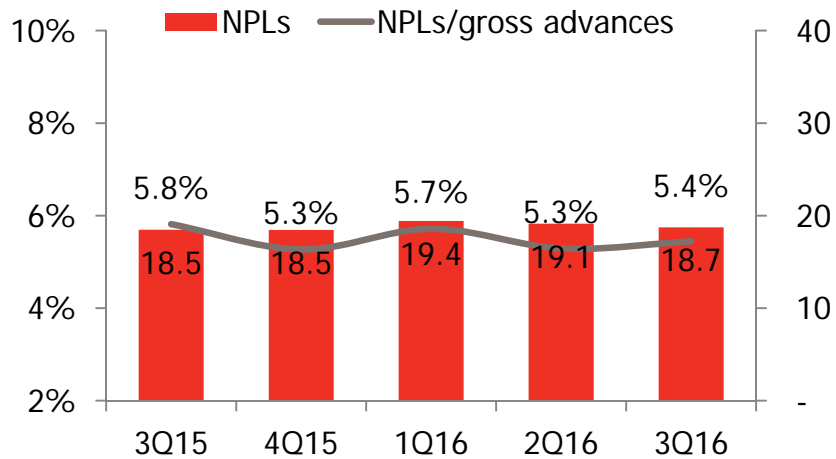
- NIMs declined 10bps in 3Q as yield on investment shrunk post PIB maturity.
- Deposits re-profiling helped reduce cost of deposits by 10bps – cushioning impact of drop in yields on assets.
- ROE marginally dropped in 3Q2016 from previous quarter due to retirement of PIBs and impact on assets yield.
- Admin cost to income ratio stands at 66.2%, higher QoQ due to decline in NII. YoY growth in opex clocked in at 8% at PKR6.0bn for 3Q.
- CASA mix remained at 79.0%, flat QoQ while up from 74.5% in Dec-15.
- Specific coverage improved to 83.1% with improved recoveries.
- CAR clocked in at 14.5% vs 13.4% in Dec 2015.

The slide features a background of overlapping, semi-transparent geometric shapes in various shades of red and orange. A large white shape on the left side contains the text. The text is in a red, sans-serif font.

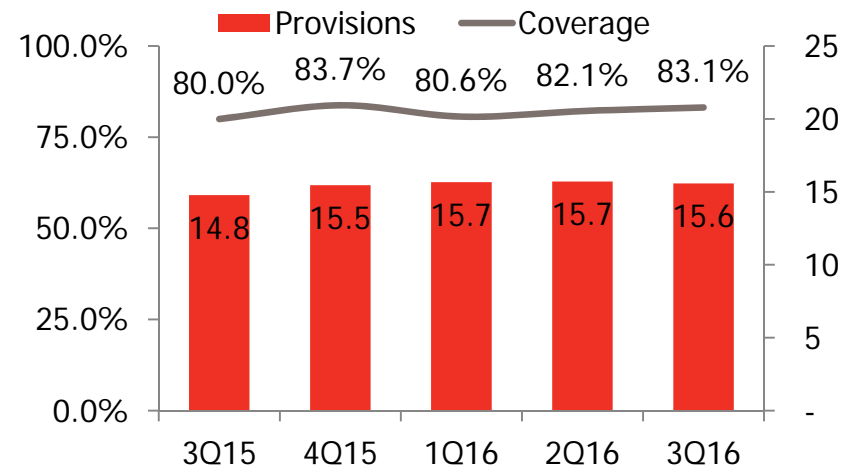
3Q16 Performance Review

Advances & Asset Quality Trends

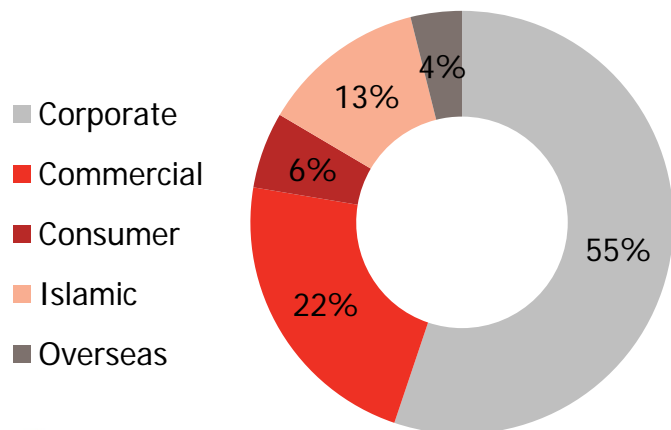
NPLs mostly contained



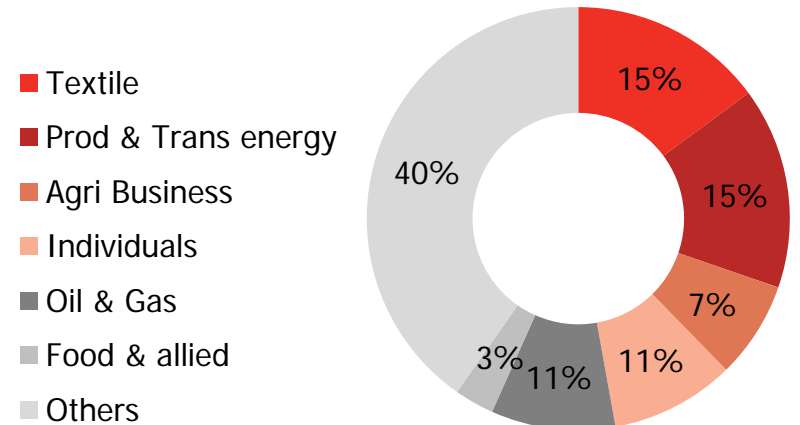
Specific Coverage improved to 83%



Advances composition (Sep 2016)

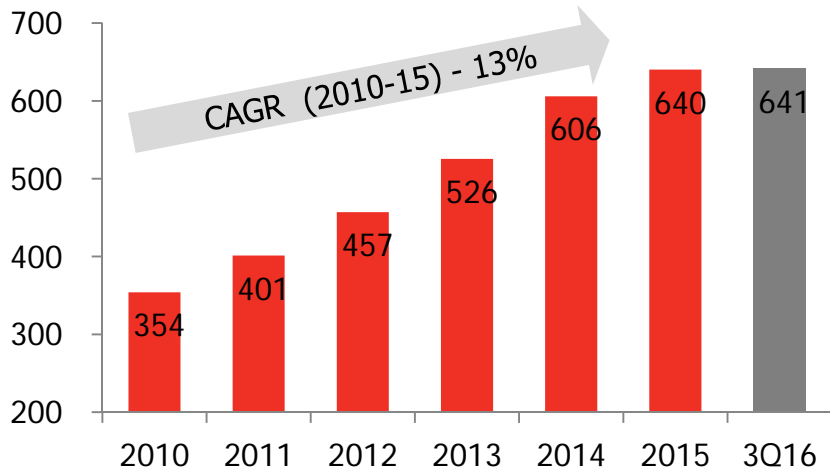


Advances concentration (Dec 2015)

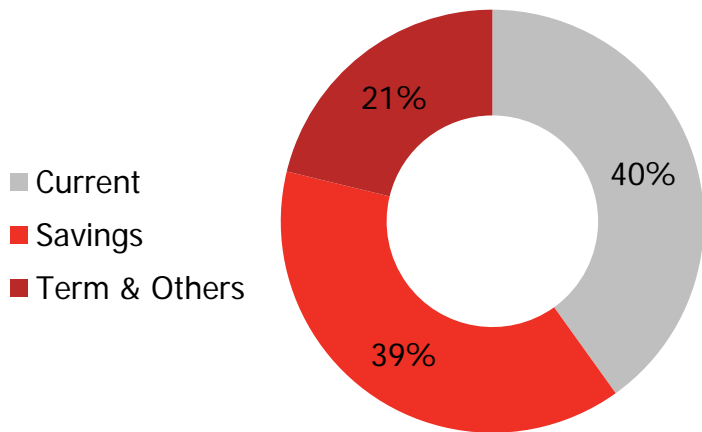


Deposit Mix & Cost

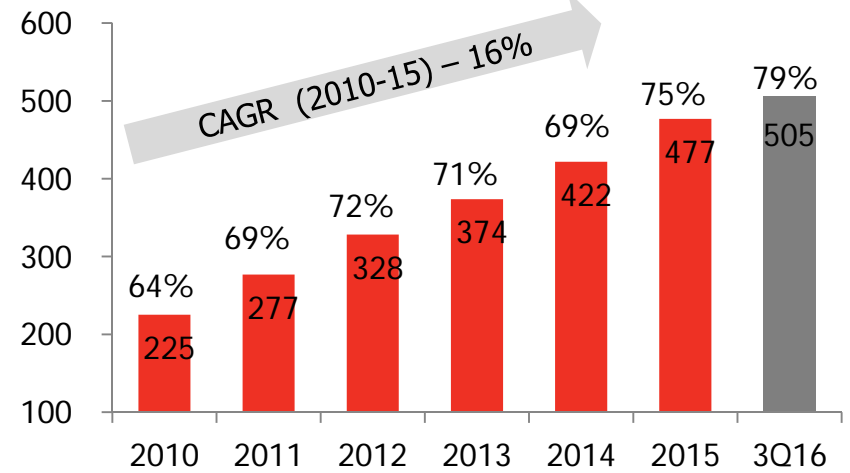
Deposit growth trend (PKR bn)



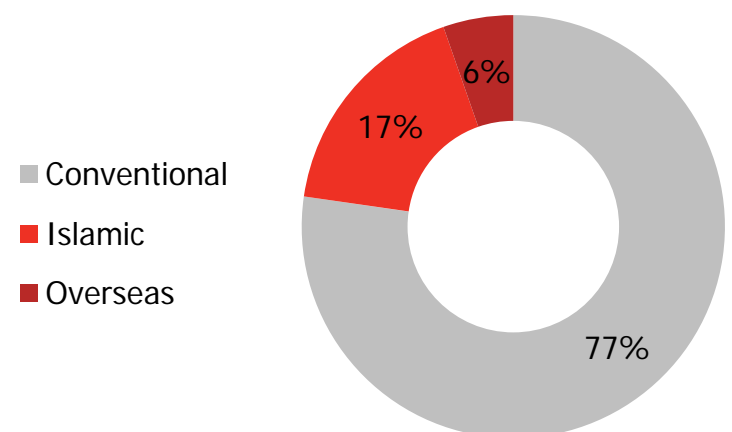
Deposit Mix (Sep 2016)



CASA continues to remain strong (PKR bn)



Deposits composition (Sep 2016)



Appendix

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.

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%
Total Assets	411,484	468,294	536,468	610,614	743,128	902,608	17%
Deposits	354,015	401,233	457,044	525,526	605,963	640,189	13%
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%
Total Liabilities	389,178	442,741	506,509	578,713	698,309	849,255	17%
Paid up Capital	13,492	13,492	13,492	13,492	15,872	15,898	3%
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%
Total Equity	22,306	25,554	30,059	31,902	44,819	53,353	19%

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)	49.4
Market Capitalization (US\$m) [*]	471
Average Daily Turnover (mn shares)	2.0
Average Daily Turnover (US\$m) [*]	0.40
Current Stock Price ^{**}	30.95
12M High/Low ^{**}	31.24/23.70

* Using PRs/US\$ parity of PRs104.9

** Stock Price as of 1st November 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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