



Bank Alfalah

# Analyst Briefing – 3Q 2017 Performance Review & Outlook

November 03, 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 970bn / USD 9.2bn
Deposits	PKR 661bn / USD 6.3bn
Net Advances	PKR 398bn / USD 3.8bn
Staff Strength	7,588

**Data as of September 30, 2017**

## Balance Sheet Snapshot

Amount PKR mn	Sep-16	Dec-16	Sep-17	YoY	YTD
Cash	63,640	74,071	71,520	12%	-3%
Balance with Banks	8,785	9,373	13,106	49%	40%
Lending to FI	26,332	30,149	53,980	105%	79%
Advances (Net)	327,718	378,720	397,852	21%	5%
Investments (Net)	409,547	389,093	400,527	-2%	3%
Fixed & Others	34,383	36,050	32,824	-5%	-9%
<b>Total Assets</b>	<b>870,405</b>	<b>917,456</b>	<b>969,808</b>	<b>11%</b>	<b>6%</b>
Deposits	641,441	640,944	661,223	3%	3%
Sub Loans	9,980	8,318	6,653	-33%	-20%
Borrowings	128,032	178,311	207,840	62%	17%
Other Liabilities	31,967	29,759	29,579	-7%	-1%
<b>Total Liabilities</b>	<b>811,419</b>	<b>857,332</b>	<b>905,296</b>	<b>12%</b>	<b>6%</b>
Paid - up Capital	15,952	15,952	16,076	1%	1%
Reserves	31,359	33,233	40,512	29%	22%
Revaluation Surplus	11,675	10,940	7,925	-32%	-28%
<b>Total Equity</b>	<b>58,986</b>	<b>60,125</b>	<b>64,512</b>	<b>9%</b>	<b>7%</b>

- Balance sheet size increased by 6% YoY and 11% YTD to PKR 970bn.
- Advances growth clocked at 21% YoY to PKR 398bn, driven by commercial & retail lending.
- Investments declined by 2% YoY. Focus is shifting towards T-bills from PIBs.
- Lending to FI grew to PKR 54bn, due to higher Bai Muajjal.
- Deposits increased 3%YoY, as bank continues to balance volumetric growth and deposit re-profiling.
- Current deposits increased 10% YoY; whereas term deposits dropped 4% YoY.
- Borrowings grew 62% YoY due to higher repo levels.
- Total equity increased by 9% to PKR 65bn.

## Profit & Loss Snapshot

Amount PKR mn	3Q16	2Q17	3Q17	YoY	QoQ
Interest Income	13,735	14,187	14,033	2%	-1%
Interest Expenses	6,702	6,629	7,168	7%	8%
Net Interest Income	7,033	7,558	6,864	-2%	-9%
NPL Provisions	-76	-188	-378	NA	101%
Investment Impairment	3	135	-22	NA	NA
Post Provision Interest Income	7,107	7,612	7,264	2%	-5%
Non Interest Income	1,922	2,930	2,484	29%	-15%
Non Interest Expenses	6,000	6,362	6,080	1%	-4%
Profit Before Tax	3,029	4,180	3,668	21%	-12%
Taxation*	1,116	2,087	1,373	23%	-34%
Profit After Tax	1,913	2,093	2,294	20%	10%
EPS (PKR)	1.19	1.30	1.43	20%	10%
DPS (PKR)	-	-	-		

\* Includes impact of super tax in 2Q17

- Net Interest Income declined 2% YoY, amid declining yield on earnings assets.
- Net NPL reversals were recorded at PKR 378mn against reversal of PKR 76mn last year.
- Non interest income grew 29% YoY to PKR 2.5bn on account of higher fees & FX income.
- Excluding impact of lower capital gains and dividend, non interest income recorded a growth of 45%.
- Growth in operating expenses was contained at 1% YoY at PKR 6.1bn.
- PAT increased 20% YoY to PKR 2.3bn with EPS of PKR 1.43 versus PKR 1.9bn and EPS of PKR 1.19 in the same quarter last year.

## Key Ratios

	3Q16	4Q16	1Q17	2Q17	3Q17
Yield on Advances	6.9%	6.8%	6.8%	7.0%	6.7%
Yield on Investments	7.6%	7.4%	7.2%	7.0%	6.6%
Cost of Deposits	3.0%	2.9%	2.5%	2.5%	2.6%
NIM	3.7%	3.7%	3.7%	3.6%	3.2%
ROA	0.9%	0.7%	1.2%	0.9%	1.0%
ROE Excluding Surplus	16.5%	13.5%	22.0%	15.8%	16.6%
Admin Cost : Income	66.2%	66.1%	56.6%	59.6%	64.2%
Gross ADR	56.6%	61.8%	65.6%	65.0%	62.6%
CASA	79.0%	83.3%	85.0%	82.9%	80.4%
Net Loans (YoY)	7.0%	13.3%	16.7%	18.8%	21.4%
Deposits (YoY)	9.5%	0.1%	-3.7%	2.6%	3.1%
NPL Ratio	5.4%	4.8%	4.6%	4.2%	4.2%
Coverage	83.1%	86.1%	88.3%	89.3%	89.8%
CAR	14.5%	13.2%	13.2%	12.7%	13.4%

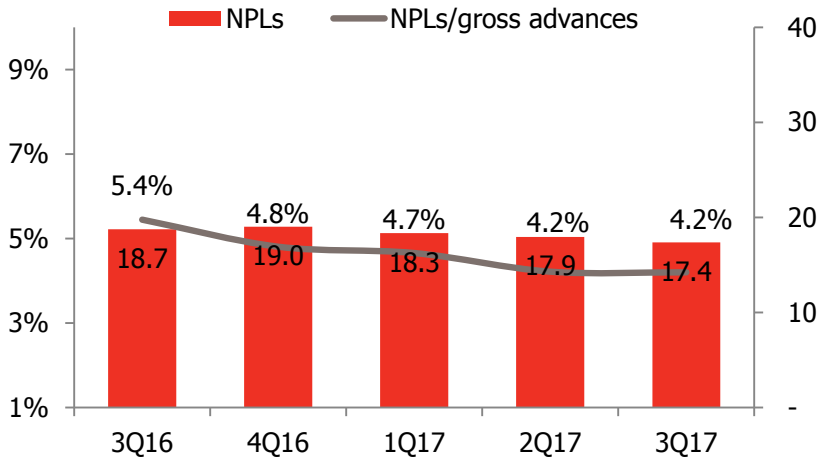
- NIMs dropped to 3.2% in line with industry trend. The QoQ dip in NIM is somewhat exaggerated due to one-offs in advances income during 2Q17 & 3Q17.
- ROA improved to 1.0% in 3Q17, 8bps higher YoY, while ROE remained stable at 16.6%.
- Admin cost to income at 64.2%; improved YoY, whereas it increased QoQ, due to decline in total income, despite QoQ drop of 4% in admin expenses.
- CASA mixed reported at 80.4% as compared to 79% in the same period last year.
- NPL ratio improved to 4.2%, while specific coverage was at 90%.
- CAR strengthened to 13.4% as of September 2017. Additional measures to further strengthen CAR are in progress.

The slide features a background of overlapping, semi-transparent geometric shapes in various shades of red and orange. A large white shape, resembling a stylized arrow or a rounded corner, points from the top-left towards the bottom-right, framing the text on its left side.

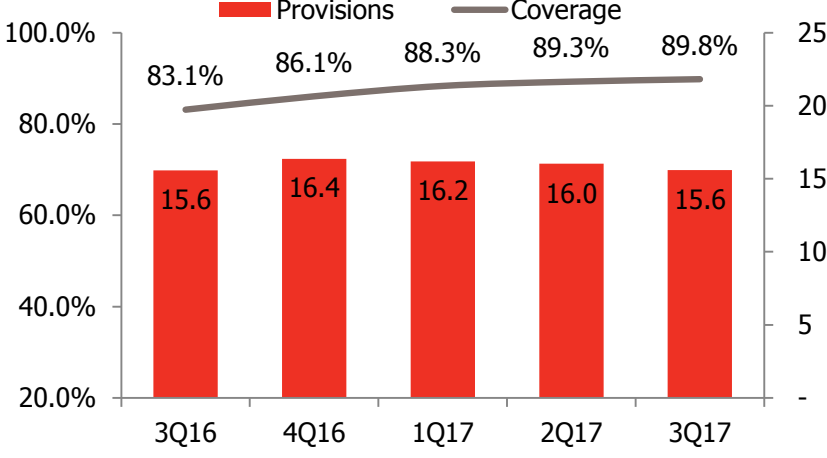
# 3Q 2017 Performance Review

# Advances & Asset Quality Trends

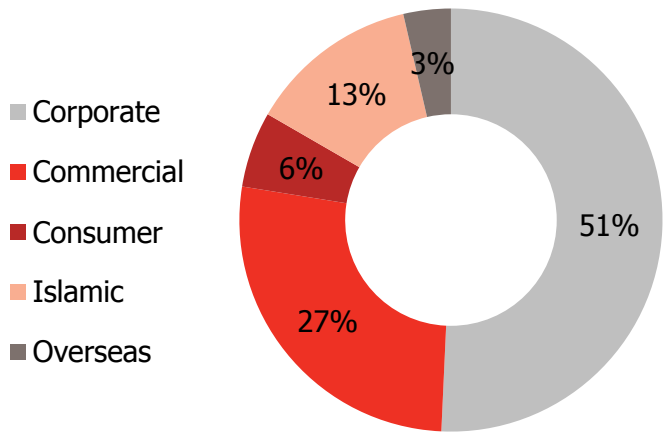
## NPLs Mostly Contained



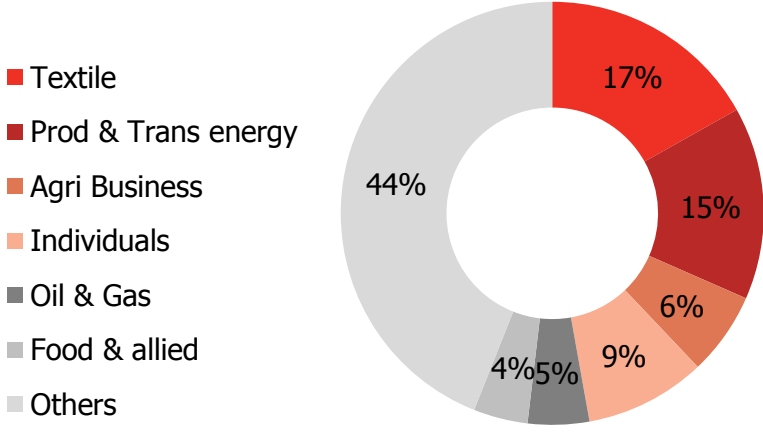
## Specific Coverage Improved To 90%



## Advances Composition (Sept 2017)

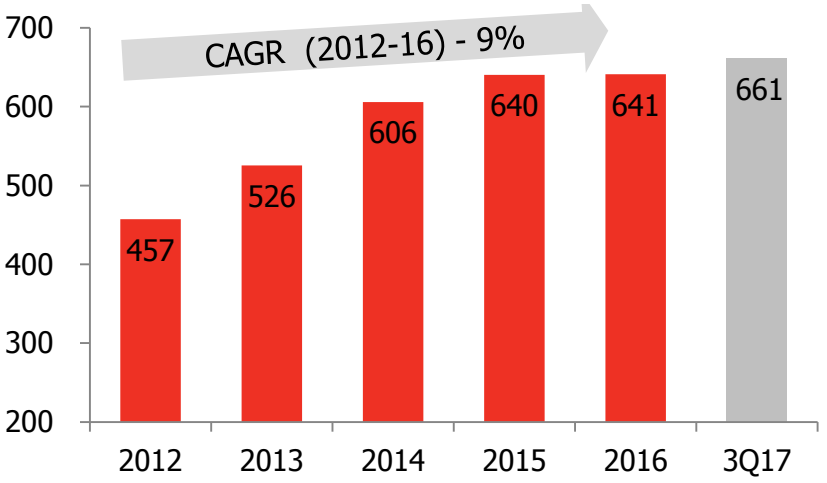


## Advances Concentration (Dec 2016)

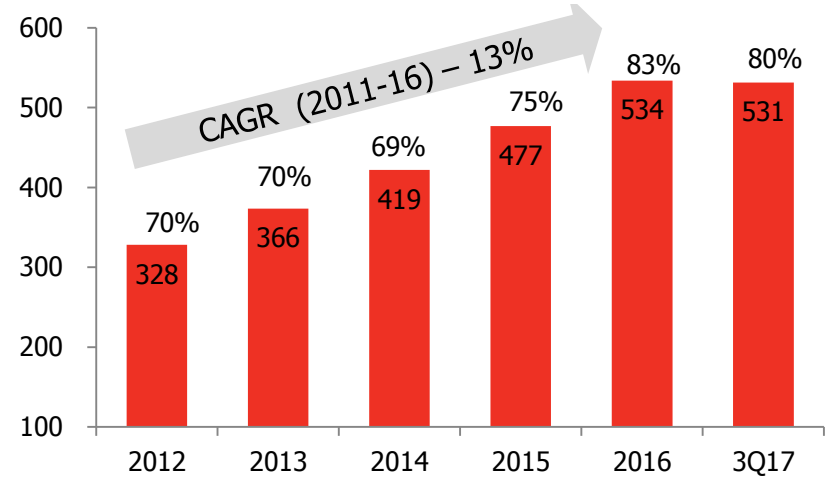


# Deposit Mix & Cost

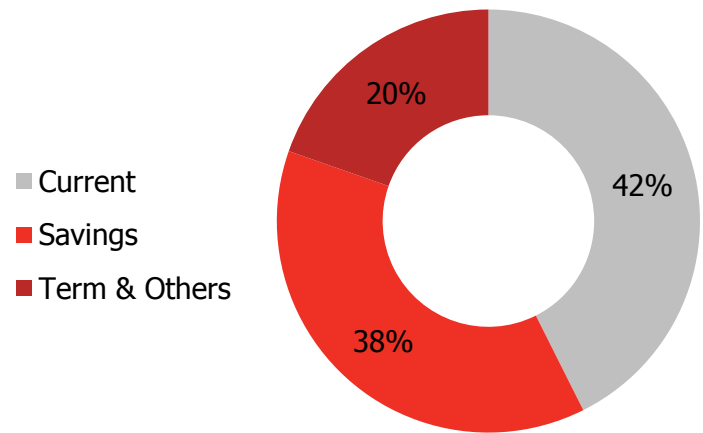
**Deposit Growth Trend (PKR bn)**



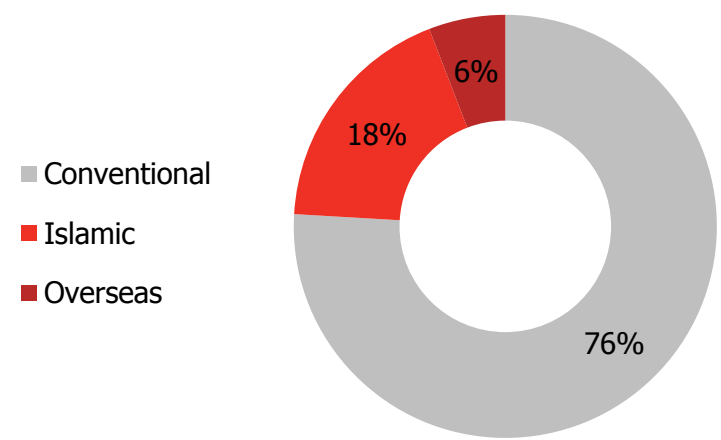
**CASA Continues To Remain Strong (PKR bn)**



**Deposit Mix (Sep 2017)**



**Deposits Composition (Sep 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 Excluding Reval. Surplus	16.4%	19.4%	18.0%	18.6%	19.0%	17.1%
ROE Including 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 (PKR bn)	64.0
Market Capitalization (USD mn)*	607
Average Daily Turnover (mn shares)	1.5
Average Daily Turnover (USD mn)*	0.6
Current Stock Price**	39.84
12M High / Low**	47.24 / 32.02

\* Using PKR / USD parity of PKR 105.5

\*\* Stock price as of November 02, 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 Alfalah Limited.

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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