



Bank Alfalah

# Analyst Briefing – 2018 Performance Review & Outlook

08<sup>th</sup> March 2019

## Introductory Snapshot – Data as of December 31<sup>st</sup> 2018

Commencement of Operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term / Short Term)	AA+ / A1+
Branches	649 (including 152 Islamic Branches)
Cities Covered	225 cities in Pakistan, 7 cities overseas
International Presence	11 International Branches in 4 countries
Market Share	5.1% of deposits
Assets	PKR 1,006bn / USD 7.3bn
Deposits	PKR 703bn / USD 5.1bn
Net Advances	PKR 502bn / USD 3.6bn
Capital Adequacy Ratio	14.95%
Staff Strength	8,530

## Profit & Loss Snapshot

Amount PKR mn	2017	2018	YoY	3Q18	4Q18	QoQ
Interest Income	56,176	59,318	6%	14,725	16,675	13%
Interest Expenses	27,199	27,727	2%	-6,923	-8,081	17%
<b>Net Int Income</b>	<b>28,976</b>	<b>31,591</b>	<b>9%</b>	<b>7,802</b>	<b>8,594</b>	<b>10%</b>
Provisions	-616	588	NA	44	-947	N/M
<b>Post Provision Int</b>	<b>29,593</b>	<b>31,003</b>	<b>5%</b>	<b>7,846</b>	<b>7,647</b>	<b>-3%</b>
<b>Non Int Income</b>	<b>9,076</b>	<b>10,200</b>	<b>12%</b>	<b>2,292</b>	<b>2,355</b>	<b>3%</b>
Admin expenses	24,672	23,967	-3%	5,901	6,580	12%
Other charges	292	399	37%	105	101	-4%
<b>Non int expense</b>	<b>24,964</b>	<b>24,365</b>	<b>-2%</b>	<b>6,006</b>	<b>6,681</b>	<b>11%</b>
<b>Profit before tax</b>	<b>13,705</b>	<b>16,838</b>	<b>23%</b>	<b>4,132</b>	<b>3,321</b>	<b>-20%</b>
Taxation	5,539	6,687	21%	-1,616	-1,348	-17%
<b>PAT - continued ops</b>	<b>8,166</b>	<b>10,150</b>	<b>24%</b>	<b>2,516</b>	<b>1,973</b>	<b>-22%</b>
Profit - discontinued ops	201	475	136%	74	24	-68%
<b>Profit After Tax</b>	<b>8,367</b>	<b>10,625</b>	<b>27%</b>	<b>2,590</b>	<b>1,996</b>	<b>-23%</b>
Diluted EPS (Rupees)	4.72	5.98	27%	1.46	1.13	-23%
DPS (Rupees)*	1.50	2.50	67%	-	1.50	N/M
Bonus	-	10%		-	-	N/M

\* DPS - on number of shares at time of declaration



- NII continued its strong momentum backed by combination of volumes and NIM increase.
- Subjective Classification & provisioning of NPLs in 4Q bumped up provisions.
- Stronger FX income & dividends led to Non Interest Income increasing 12% YoY.
- Admin expenses declined 3% YoY, despite new initiatives. Adjusting for one-offs in both years, admin expenses are flat YoY.
- Discontinued operations refer to Afghanistan. Subsequent to year end, DAB has declined approval of the sale and the operations are back to BAU mode.
- PAT grew 27% YoY to PKR10.6bn. EPS stands at PKR5.98 versus PKR4.72 last year.

## Balance Sheet Snapshot

Amount PKR mn	Dec-17*	Sep-18*	Dec-18*	YoY	QoQ
Cash	70,381	73,675	82,408	17%	12%
Bal with banks	3,754	4,631	3,875	3%	-16%
Lending to FI	48,896	74,387	62,172	27%	-16%
Advances (net)	400,655	472,753	501,636	25%	6%
Investments (net)	400,733	211,859	277,660	-31%	31%
Fixed & Others	74,408	68,558	78,466	5%	14%
<b>Total Assets</b>	<b>998,828</b>	<b>905,863</b>	<b>1,006,218</b>	<b>1%</b>	<b>11%</b>
Deposits	644,985	659,652	702,895	9%	7%
Sub Loans/ADT1	4,991	11,989	11,989	140%	0%
Borrowings	207,194	76,694	123,738	-40%	61%
Other Liabilities	75,859	87,943	91,948	21%	5%
<b>Total Liabilities</b>	<b>933,028</b>	<b>836,278</b>	<b>930,571</b>	<b>0%</b>	<b>11%</b>
Paid up Capital	16,076	16,131	17,744	10%	10%
Reserves	42,439	48,336	50,520	19%	5%
Reval Surplus	7,285	5,119	7,383	1%	44%
<b>Total Equity</b>	<b>65,800</b>	<b>69,585</b>	<b>75,647</b>	<b>15%</b>	<b>9%</b>

\* Afghanistan operations are classified as Held for Sale under Other Assets / Liabilities

- Advances increased 25% YoY to PKR502bn.
- All categories of loan book grew in double digits. Islamic book witnessed major growth of 54% YoY.
- Consumer and Commercial were up 16% and 15% YoY, while corporate loans grew 22%
- Deposits grew by 9% YoY to PKR703bn.
- YoY increase in sub loans reflects the PKR7bn ADT-1 issue earlier in 2018.
- Total equity increased 15% YoY to PKR76bn, despite impact of 2017 final and 2018 interim dividend.
- Surplus on revaluation of fixed assets increased by PKR3bn in 2018.

## Key Ratios

	2017	1Q18	2Q18	3Q18	4Q18	2018
Yield on Advances	7.0%	7.3%	7.3%	7.8%	8.9%	7.9%
Yield on Investments	6.9%	6.6%	6.6%	6.7%	7.2%	6.8%
Cost of Deposits	2.7%	2.8%	2.7%	3.0%	3.8%	3.1%
NIM	3.6%	3.8%	4.0%	4.1%	4.3%	4.0%
ROA	0.9%	1.4%	1.2%	1.1%	0.9%	1.2%
ROE exc. Surplus	15.5%	22.4%	18.1%	16.2%	12.6%	16.9%
Admin Cost : income	64.8%	57.8%	53.0%	58.5%	60.1%	57.3%
Gross ADR	64.7%	67.6%	75.6%	74.1%	73.8%	73.8%
CASA	76.9%	82.7%	82.3%	79.8%	75.4%	75.4%
CA	40.1%	43.8%	46.2%	42.3%	40.9%	40.9%
Net Loans (YoY )	5.8%	9.4%	17.0%	18.8%	25.2%	25.2%
Deposits (YoY)	1.6%	6.7%	2.9%	1.1%	9.0%	9.0%
NPL ratio	4.2%	4.0%	3.3%	3.5%	3.6%	3.6%
Coverage	89.2%	89.0%	90.7%	87.9%	84.4%	84.4%
CAR	13.4%	15.1%	14.7%	14.9%	15.0%	15.0%

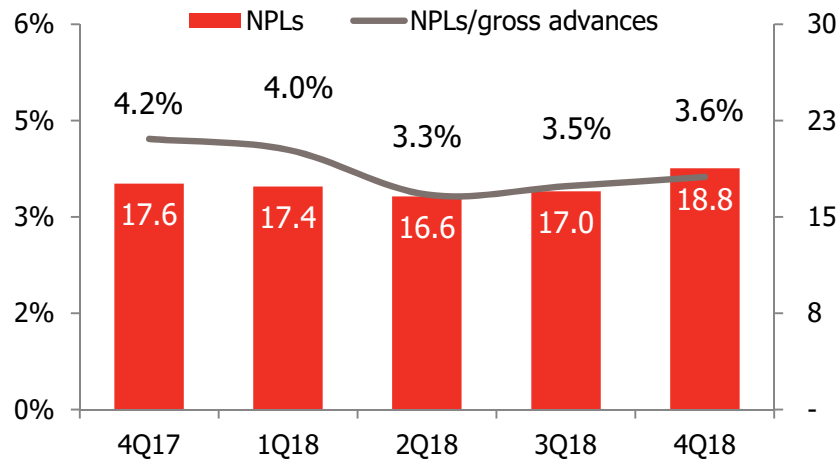
- NIMs expansion started to play out as full year NIMs came in 40bp higher YoY.
- Cost of deposits increased 40bps YoY but was more than offset by rising yield on advances.
- ROA improved to 1.2% versus 0.9% last year.
- Cost to income clocked in at 57.3%, posting meaningful YoY improvement, despite new initiatives.
- Current Accounts Mix clocked in 41% while CASA stood at 75.4%
- Subjective Classification and partial provisioning of the same masked robust asset quality metrics.
- CAR remained stable around the 15% mark.

The background features a large, abstract composition of overlapping shapes. On the left, a white, rounded shape extends from the edge towards the center. To its right, several overlapping, semi-transparent red shapes in various shades (from dark maroon to bright red) create a layered, geometric effect. The overall aesthetic is modern and minimalist.

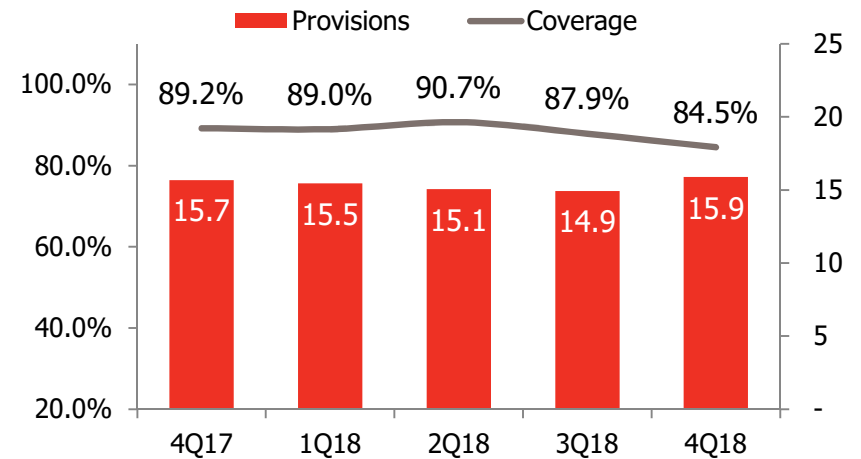
# 2018 Performance Review

# Advances & Asset Quality Trends

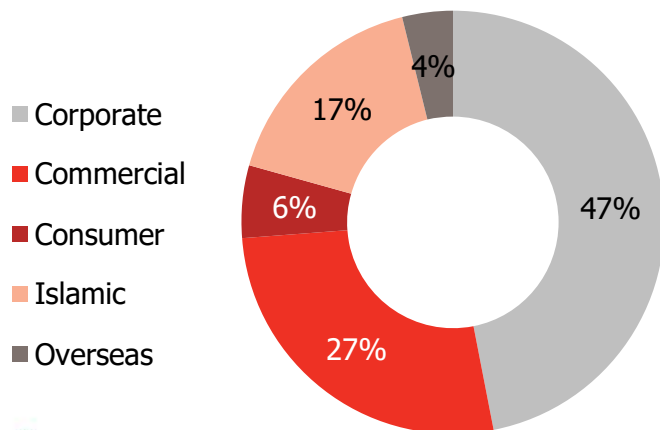
## NPLs contained despite subjective classification ...



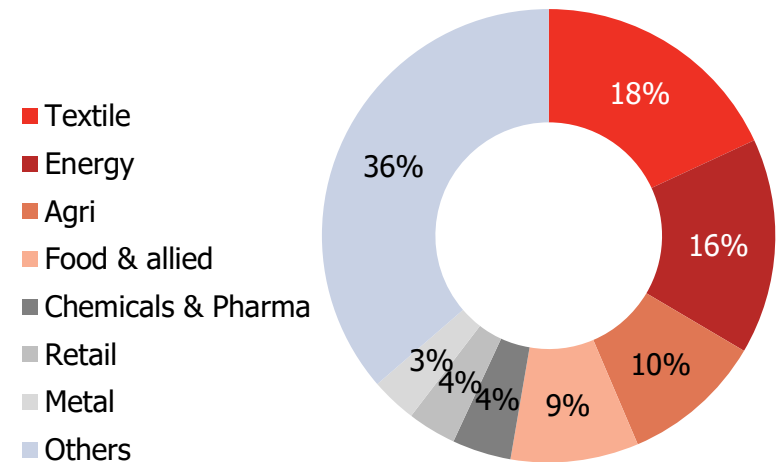
## ... resulting in specific coverage of 85%



## Advances composition (Dec 2018)

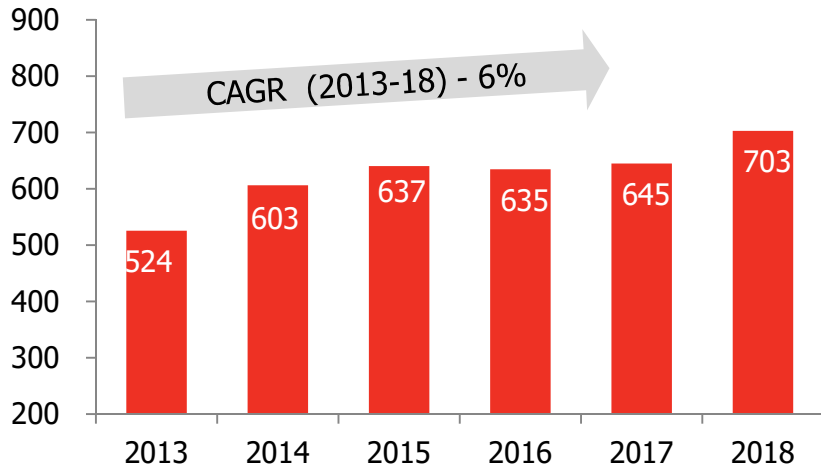


## Advances concentration (Dec 2018)

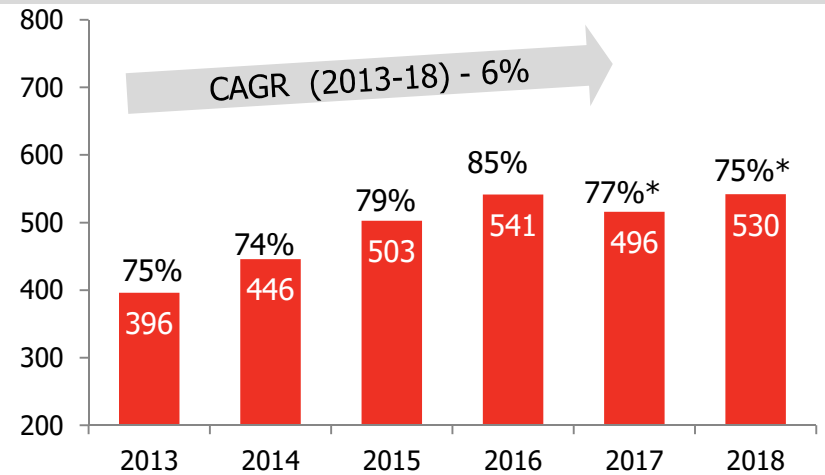


# Deposit Mix & Cost

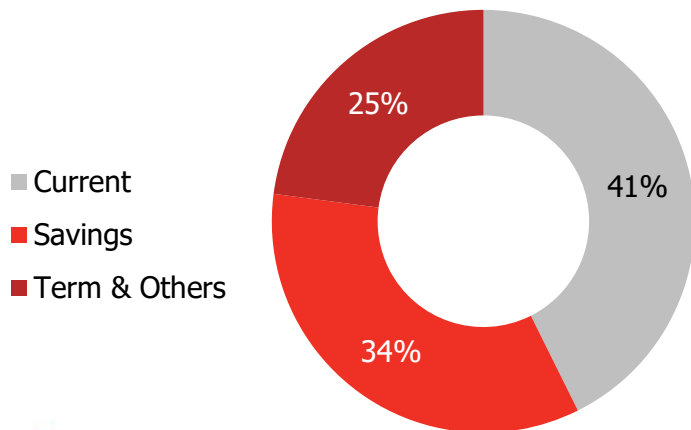
**Deposit Growth Trend (PKR bn)\***



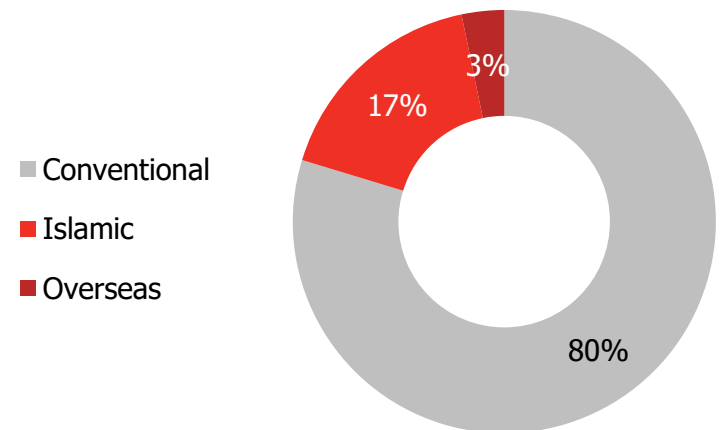
**CASA Continues to Remain Strong\* (PKR bn)**



**Deposit Mix (Dec 2018)**



**Deposits Composition (Dec 2018)**



\* Reclassification of Afghanistan operations disrupting trend analysis



# Appendix

The background features a large white shape on the left side, resembling a stylized letter 'C' or a partial circle, set against a background of overlapping, semi-transparent red and orange-red geometric shapes. The overall aesthetic is modern and minimalist.

## Balance Sheet Summary

Amounts in PKR mn	2013	2014	2015	2016	2017	2018	5yr CAGR
Cash & Bal. With Treasury Bank	61,205	50,516	62,369	74,071	70,381	82,408	6%
Balances With Other Banks	34,764	12,332	16,552	9,373	3,754	3,875	-36%
Lending to FIs	2,522	18,313	27,626	30,149	48,896	62,172	90%
Advances (Net)	260,780	290,597	334,159	378,720	400,733	501,636	14%
Investments (Net)	219,690	324,319	423,100	389,093	400,655	277,660	5%
Fixed & Other Assets	45,315	59,825	54,598	48,239	74,408	78,466	12%
<b>Total Assets</b>	<b>624,276</b>	<b>755,902</b>	<b>918,404</b>	<b>929,645</b>	<b>998,828</b>	<b>1,006,218</b>	<b>10%</b>
Deposits	524,080	603,440	636,863	634,740	644,985	702,895	6%
Subordinated Loans	9,991	9,987	9,983	8,318	4,991	11,989	4%
Borrowings	23,115	55,233	172,393	178,311	207,194	123,738	40%
Bills Payable & Other Liabilities	35,188	42,423	45,812	48,151	75,859	91,948	21%
<b>Total Liabilities</b>	<b>592,374</b>	<b>711,083</b>	<b>865,051</b>	<b>869,520</b>	<b>933,028</b>	<b>930,571</b>	<b>9%</b>
Paid - up Capital	13,492	15,872	15,898	15,952	16,076	17,744	6%
Reserves & Retained Profit	14,774	21,951	26,527	33,203	42,439	50,520	28%
Revaluation Surplus	3,636	6,995	10,928	10,970	7,285	7,383	15%
<b>Total Equity</b>	<b>31,902</b>	<b>44,818</b>	<b>53,353</b>	<b>60,125</b>	<b>65,800</b>	<b>75,647</b>	<b>19%</b>

Note: Afghanistan operations are classified as Held for Sale under Other Assets / Liabilities 2017 onwards

## Profit & Loss Summary

Amounts in PKR mn	2013	2014	2015	2016	2017	2018	5yr CAGR
Interest Income	43,961	55,378	61,439	57,144	56,176	59,318	6%
Interest Expense	27,066	33,505	32,811	28,153	27,199	27,727	0%
Net Interest Income	16,895	21,873	28,628	28,991	28,976	31,591	13%
NPL & Other Provisions	894	1,928	2,599	1,073	(616)	588	-8%
Post Provisions Interest Income	16,001	19,945	26,029	27,918	29,593	31,003	14%
Non - Interest Income	8,279	8,876	8,860	8,907	9,076	10,200	4%
Operating Expenses	17,473	20,308	22,286	23,802	24,964	24,365	7%
Profit Before Taxation	6,807	8,513	12,603	13,024	13,705	16,838	20%
Taxation	2,131	2,873	5,081	5,123	5,539	6,687	26%
PAT from Continuing Operations	4,676	5,640	7,522	7,900	8,166	10,150	17%
PAT from Discontinuing Ops					201	475	
<b>Profit for the Year</b>	<b>4,676</b>	<b>5,640</b>	<b>7,522</b>	<b>7,900</b>	<b>8,367</b>	<b>10,625</b>	<b>18%</b>
EPS (PKR)	2.64	3.18	4.24	4.45	4.72	5.99	18%
Stock Dividend	-	-	-	-	-	10.0%	N/M
Dividend (% of Paid - up)*	20.0%	20.0%	10.0%	0.0%	15.0%	25.0%	N/M

\*Percentage of paid up capital at time of declaration

Note: Afghanistan Operations were classified as Discontinuing Operations in 2017 & 2018

## Key Ratios

	2013	2014	2015	2016	2017	2018
Capital Adequacy Ratio (Tier - I)	8.4%	9.6%	9.7%	9.9%	10.9%	12.2%
Capital Adequacy Ratio Total	12.1%	12.8%	13.4%	13.2%	13.4%	15.0%
Net Interest Margins	3.5%	3.8%	4.0%	3.6%	3.6%	4.0%
Admin Cost to Income Ratio	68.8%	67.3%	60.3%	62.5%	64.8%	57.3%
Non - Interest Income as % of Total	32.9%	28.9%	23.6%	23.6%	25.3%	24.4%
Advance to Deposit Ratio (ADR)	49.8%	48.2%	52.5%	59.7%	62.1%	71.4%
YoY Deposit Growth	14.7%	15.1%	5.5%	-0.3%	1.6%	9.0%
YoY Advances Growth	11.0%	11.4%	15.0%	13.3%	5.8%	25.2%
YoY Investments Growth	15.9%	47.6%	30.5%	-8.0%	3.0%	-30.7%
Current Deposits Ratio*	35.8%	35.7%	38.0%	45.3%	40.1%	40.9%
CASA Ratio*	75.4%	73.6%	78.5%	85.3%	76.9%	75.4%
NPL Ratio	6.6%	6.4%	5.4%	4.8%	4.2%	3.6%
Coverage Ratio	69.3%	70.1%	83.7%	86.1%	89.2%	84.4%
ROA	0.8%	0.9%	1.0%	0.9%	0.9%	1.2%
ROE Excluding Reval. Surplus	18.0%	18.9%	19.1%	17.4%	15.5%	16.9%
ROE Including Reval. Surplus	16.4%	16.4%	15.4%	13.9%	13.2%	15.3%
Diluted BVPS (Incl. Reval.)	18.0	25.3	30.1	33.9	37.1	42.6

\* Reclassification of Afghanistan operations disrupting trend analysis

## Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1774.4
Market Capitalization (PKR bn)	85.3
Market Capitalization (USD mn)*	612
Average Daily Turnover (mn shares)	1.3
Average Daily Turnover (USD mn)*	0.5
Current Stock Price**	47.77
Adjusted 12M High / Low**	53.6 / 40.2

\*Using PKR / USD parity of PKR 138.5

\*\*Stock Price as of Mar 07, 2019

## 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

## Contact Information

### **For any queries:**

#### **Imtiaz Gadar, CFA**

Head of Capital Markets Division

Bank Alfalah Limited

Phone: +92 21 3242 3617

E-mail: [imtiaz.gadar@bankalfalah.com](mailto:imtiaz.gadar@bankalfalah.com)