



Analyst Briefing - 3Q 2013 Performance Review & Outlook

12, November 2013

Basic Data & Market Positioning

Commencement of operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term/ Short Term)	AA / A1+
Branches	501 (including 114 Islamic Branches)
Cities Covered	184 cities in Pakistan, 6 cities overseas
International Presence	11 International Branches in 3 countries
Market Share	6.9% of deposits (6 th Largest by size)
Assets (PRsbn/US\$bn)	Rs. 576 Bn / US\$ 5.4 Bn
Deposits (PRsbn/US\$bn)	Rs. 493 Bn / US\$ 4.6 Bn
Net Advances (PRsbn/US\$m)	Rs. 236 Bn / US\$ 2.2 Bn
Staff Strength	7,086

Data as of September 30th 2013

Balance Sheet Snapshot

Amount PRs Mn	Sep-12	Dec-12	Jun-13	Sep-13	YoY	YTD
Cash	42,957	58,044	55,854	62,375	45%	7%
Bal with banks	19,416	26,721	26,635	28,542	47%	7%
Lending to FI	11,196	877	5,834	2,480	-78%	183%
Advances (net)	211,741	233,933	234,664	236,297	12%	1%
Investments (net)	205,885	189,487	205,404	215,120	4%	14%
Fixed & Others	24,470	27,405	28,103	31,104	27%	13%
Total Assets	515,665	536,467	556,493	575,919	12%	7%
Deposits	418,794	457,119	479,628	493,006	18%	8%
Sub Debt	6,732	5,875	10,433	10,432	55%	78%
Other Liabilities	61,787	43,415	36,986	41,959	-32%	-3%
Total Liabilities	487,312	506,409	527,047	545,397	12%	8%
Paid up Capital	13,492	13,492	13,492	13,492	0%	0%
Reserves	10,665	12,009	11,470	13,383	25%	11%
Reval Surplus	4,197	4,558	4,484	3,647	-13%	-20%
Total Equity	28,353	30,058	29,446	30,522	8%	-2%

- Balance sheet size increased by 12% YoY to PRs576bn.
- Deposits increased 18% YoY with CASA mix rising to 74%.
- Gross Advances increased by 12% YoY to PRs251bn.
- Liquidity deployed in investments, specifically shorter tenor govt. paper.
- Subordinated loan of PRs5.0bn was raised in 2013.
- Total equity declined 2% vs Dec-12, due to impact of annual dividend payment and drop in revaluation surplus.

Profit & Loss Snapshot

Amount PRs Mn	3Q12	3Q13	YoY	9M12	9M13	YoY
Interest Income	12,032	10,851	-10%	34,775	32,291	-7%
Interest Expenses	7,272	6,195	-15%	20,896	19,773	-5%
Net Int Income	4,760	4,656	-2%	13,879	12,519	-10%
Impairment & Prov	952	204	-79%	1,932	1,077	-44%
Post Provision Int	3,808	4,452	17%	11,947	11,442	-4%
Non Int Income	1,968	2,065	5%	5,047	5,956	18%
Op. Expenses	4,136	4,479	8%	11,776	12,614	7%
Profit before tax	1,640	2,038	24%	5,219	4,784	-8%
Taxation	568	665	17%	1,820	1,468	-19%
Profit after tax	1,072	1,373	28%	3,399	3,316	-2%
EPS (Rupees)	0.79	1.02	28%	2.52	2.46	-2%

- Net Interest Income (NII) declined 2% YoY in 3Q due to lower discount rate. On QoQ basis, NII increased by 15% as NIMs improved.
- Interest cost has been curtailed despite strong growth in avg deposits and increase in minimum rate on saving deposits.
- Total provisions declined in absence of investment provisions and slowdown in bad loans accretion.
- Opex up 8% YoY due to branch expansion and inflationary pressures.

Key Ratios

Amount PRs Mn	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
IS & Bal Sheet							
ROA	1.0%	0.9%	0.8%	0.9%	0.7%	0.7%	1.0%
ROE exc. surplus	21.6%	20.1%	18.2%	18.6%	16.8%	15.2%	21.2%
NIM	4.7%	4.4%	4.4%	4.2%	3.3%	3.4%	3.9%
Cost: income	57.8%	65.4%	59.6%	53.0%	70.4%	67.4%	66.6%
Gross ADR	52.8%	54.3%	53.8%	54.3%	54.9%	52.0%	51.0%
CASA*	67.5%	67.5%	71.2%	71.8%	72.2%	74.6%	74.4%
YoY Growth							
Net Loans	0.3%	9.0%	8.3%	17.9%	16.3%	8.3%	11.6%
Deposits	19.2%	14.4%	14.2%	13.9%	11.3%	13.5%	17.7%
Asset Quality							
NPL ratio	9.6%	9.1%	8.8%	8.9%	9.6%	8.6%	8.5%
Coverage	62.3%	59.5%	65.4%	62.5%	57.9%	67.0%	68.2%
Capital Base							
CAR	11.74%	11.71%	12.51%	12.67%	12.45%	12.64%	12.68%

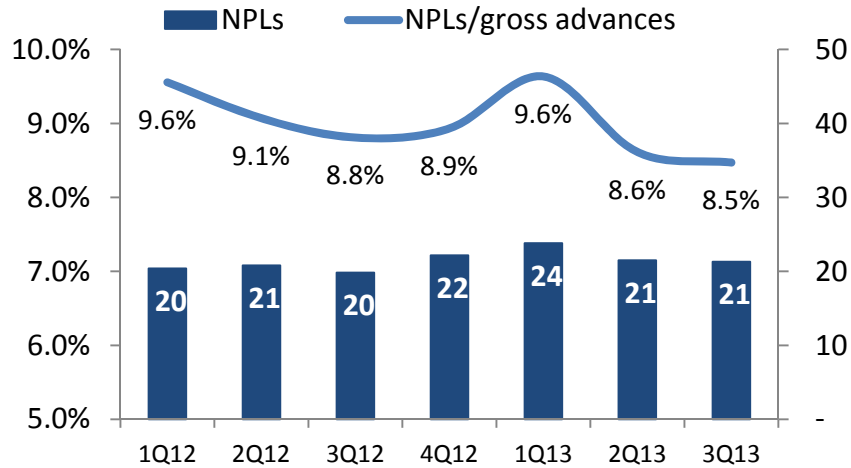
- Robust deposit growth of 18% YoY versus industry growth of 13% while CASA mix increased 280bps to 74%.
- Cost to income remained on higher side due to muted growth in total income.
- NPL recoveries of PKR 1.4bn resulted in reduction in infection ratio to 8.5% from 8.9% in Dec 12.
- Capital Adequacy improved to 12.68% as of Sep-13.

* Includes CASA deposits of FIs

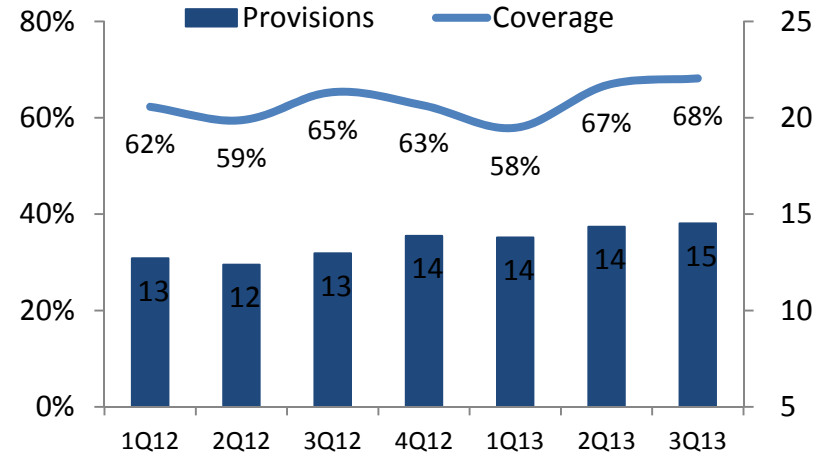
3Q13 Performance Review

Advances & Asset Quality Trends

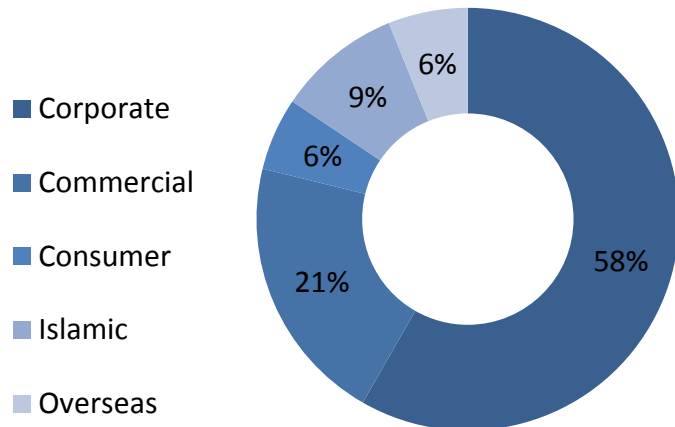
Improving asset quality with reduced NPL accretion



Coverage has increased to 68%

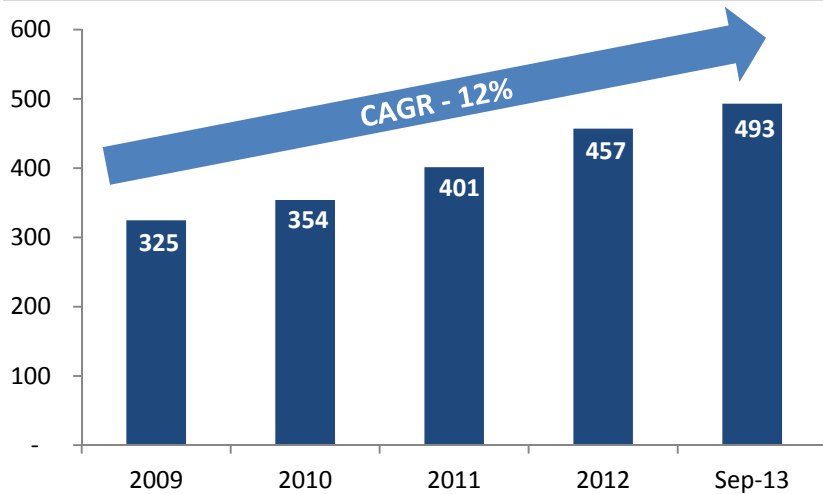


Advances composition as of September 2013

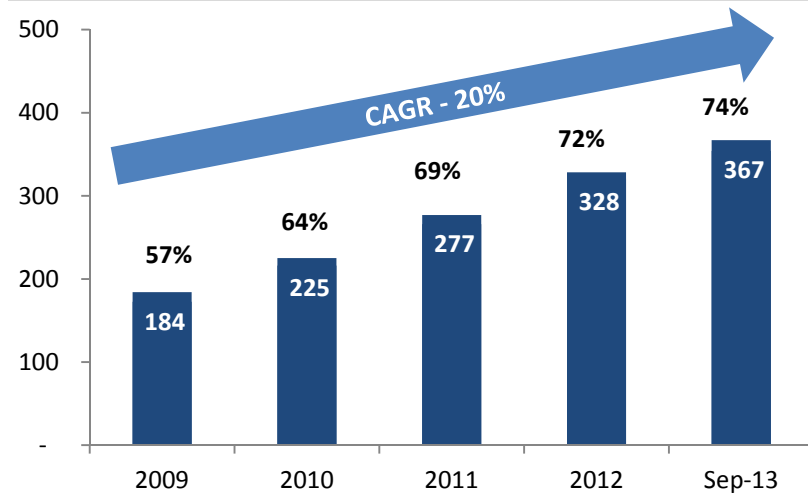


Deposit Mix & Cost

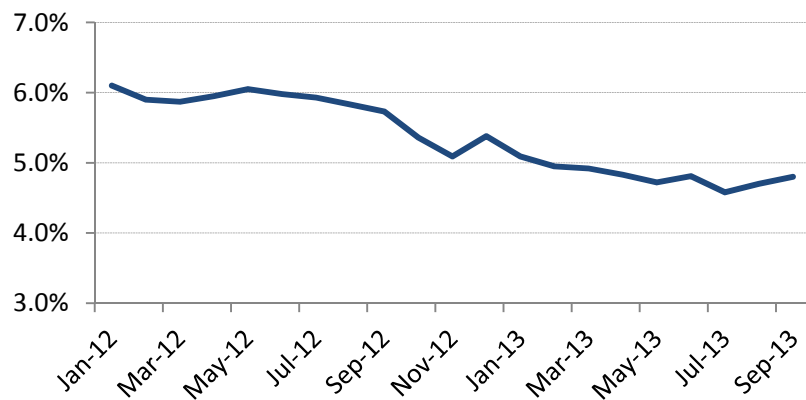
Continuous deposit growth



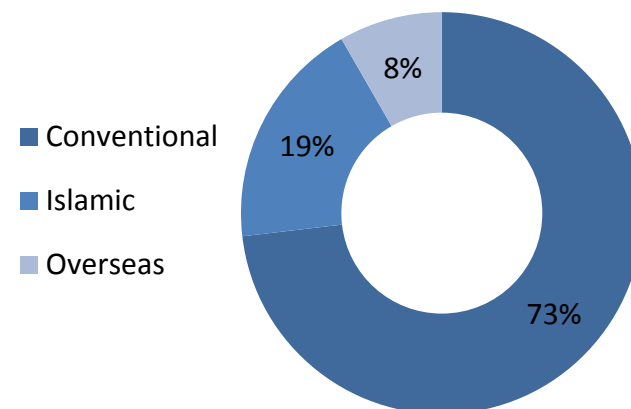
Rising CASA concentration



Cost of Deposits contained despite increase in MDR



Deposits composition September 2013



Non Interest Income

Non Interest Income (PRsmn)	9M12	9M13	YoY
Fee, Commission & Brokerage	1,841	2,082	13%
Dividend Income	221	375	70%
Income from dealing in FX	1,054	1,125	7%
Gain on sale & unrealized gain on HFT	589	1,032	75%
Other income	1,342	1,342	0%
Total	5,047	5,956	18%

Way Forward

Focus Areas

Bank Alfalah Platform

Diverse Customer Base

Banking Footprint Across all Segments

Reach and Scale - 6th Largest Bank

Leading position in SME, Consumer and Islamic

Robust Technology Platform



Future Areas of Focus

1

Transacting
Convenience

2

Cross-sell

3

Productivity
Enhancement

4

Leverage Leading
Segment Platforms
and Expand into new
businesses

Future Areas of Focus

1

Enhance Transacting Convenience

- Transacting ease – access through multiple channels, customized products, service quality
- Expand branches– increase network to 700 branches by 2015
- Multiple channels:
 - Mobile, internet and ATM platforms
 - Branchless banking platform (JV with cellular operator)
- Segmentation – customized products & solutions
- Customer TATs

2

Cross-sell

- 360 degree customer view - Comprehensive product set
 - Diversified fee income
- Invest in sales processes
- Improve cross sell across segments

3

Productivity enhancement

- Focus on intermediation cost
 - Centralization
 - Automation and BPR
- ‘Smart’ branch concept
- Increase ratio of sales/service : operations staff in branches
- Move transaction flows to low cost ADC channels

4

Leverage Segment Platforms & Expand into new businesses

- Expand Islamic banking
- Leverage strength in SME banking
- Leverage leading position in Consumer
- Wealth management business
- Capital markets, treasury risk products and merchant banking business

Appendix

Balance Sheet Summary

Amount in PRs Mn	2008	2009	2010	2011	2012	CAGR (2008-12)
Cash & Bal. with treasury bank	32,687	35,056	41,198	50,883	58,044	15%
Balances with other banks	21,581	22,723	16,179	17,424	26,721	6%
Lending to Financial Institutions	3,316	14,947	6,498	7,765	877	-28%
Advances (net)	191,791	188,042	207,153	198,469	233,933	5%
Investments (net)	75,973	99,160	113,426	166,532	189,487	26%
Fixed & Other Assets	23,643	29,142	27,031	27,101	27,405	4%
Total Assets	348,991	389,070	411,484	468,174	536,467	11%
Deposits	300,733	324,760	354,015	401,248	457,119	11%
Subordinated Loans	2,571	7,570	7,567	7,149	5,875	23%
Other Liabilities	28,642	34,607	27,596	34,000	43,415	11%
Total Liabilities	331,946	366,937	389,178	442,397	506,409	11%
Paid up Capital	7,995	13,492	13,492	13,492	13,492	14%
Reserves & Retained Profit	6,614	6,279	6,235	9,348	12,009	16%
Revaluation Surplus	2,436	2,363	2,579	2,937	4,558	17%
Total Equity	17,045	22,133	22,306	25,777	30,058	15%

Profit & Loss Summary

Amount in PRs Mn	2008	2009	2010	2011	2012	CAGR (2008-12)
Interest income	30,967	35,561	37,530	44,298	46,080	11%
Interest expense	20,494	24,654	23,855	25,687	27,500	8%
Net interest income	10,472	10,907	13,675	18,611	18,580	15%
Impairment & Provisions	3,543	4,072	4,260	4,330	3,559	0%
Post Provisions Interest Income	6,929	6,836	9,414	14,281	15,021	21%
Non interest income	4,823	5,182	4,708	5,368	7,281	11%
Operating expenses	9,957	11,002	12,754	14,215	15,519	12%
Profit before taxation	1,795	1,016	1,369	5,434	6,783	39%
Taxation	493	119	400	1,931	2,227	46%
Profit after taxation	1,301	897	968	3,503	4,556	37%
EPS (Rupees)	0.96	0.66	0.72	2.60	3.38	37%

Key Ratios

	2008	2009	2010	2011	2012
Capital Adequacy Ratio (CAR)	8.0%	12.5%	10.5%	11.6%	12.7%
Net Interest Margins	3.6%	3.5%	4.1%	5.1%	4.4%
Admin Cost to Income Ratio	64.1%	67.9%	68.4%	57.7%	58.8%
Non Interest Income as % of total	31.5%	32.2%	25.6%	22.4%	28.2%
Advance to Deposit Ratio (ADR)	66.1%	60.5%	61.7%	52.7%	54.3%
YoY Deposit Growth	10.1%	8.0%	9.0%	13.3%	13.9%
YoY Advances Growth	12.5%	-2.4%	10.2%	-4.2%	17.9%
YoY Investments Growth	-14.1%	30.5%	14.4%	46.8%	13.8%
CASA Ratio*	56.3%	56.7%	63.6%	69.0%	71.8%
NPL Ratio	4.5%	8.2%	8.4%	9.0%	8.9%
Coverage Ratio	56.6%	53.1%	58.0%	64.6%	62.5%
ROE exc. Reval surplus	9.2%	5.2%	4.9%	16.5%	18.8%
ROA	0.4%	0.2%	0.2%	0.8%	0.9%
Book Value /share (incl Revaluation)**	12.6	16.4	16.5	19.1	22.3

* Includes CASA deposits of FIs

** Diluted in PRs

Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1349.16
Market Capitalization (PRsbn)	33.39
Market Capitalization (US\$m)*	310.6
Average Daily Turnover (mn shares)	4.8
Average Daily Turnover (US\$m)*	1.0
Current Stock Price**	24.75
12M High/Low**	24.75/14.77

* Using PRs/US\$ parity of PRs107.5

** Stock Price as of 11th November 2013

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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