



Analyst Briefing – 1H 2014 Performance Review & Outlook

26 August 2014

Basic Data & Market Positioning

Commencement of operations	1997
Head Quarters	Karachi
Major Sponsors	Dhabi Group
Credit Rating (Long Term/ Short Term)	AA / A1+
Branches	580 (including 142 Islamic Branches)
Cities Covered	196 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. 673Bn / US\$ 6.6 Bn
Deposits (PRsbn/US\$bn)	Rs. 556 Bn / US\$ 5.5 Bn
Net Advances (PRsbn/US\$m)	Rs. 276 Bn / US\$ 2.7 Bn
Staff Strength	7,693

Data as of June 2014

Balance Sheet Snapshot

Amount PRs Mn	June-13	Dec-13	June-14	YoY	YTD
Cash	55,854	61,205	56,005	0%	-8%
Bal with banks	26,635	35,180	20,843	-22%	-41%
Lending to FI	5,834	2,522	14,687	152%	482%
Advances (net)	234,664	260,780	275,892	18%	6%
Investments (net)	205,404	219,690	264,034	29%	20%
Fixed & Others	28,103	31,237	41,071	46%	31%
Total Assets	556,493	610,614	672,532	21%	10%
Deposits	479,628	525,526	555,667	16%	6%
Sub Loans	10,433	9,991	9,989	-4%	0%
Other Liabilities	36,986	43,196	75,171	103%	74%
Total Liabilities	527,047	578,713	640,827	22%	11%
Paid up Capital	13,492	13,492	13,492	0%	0%
Ret Earnings & Res.	11,470	14,774	14,249	24%	-4%
Reval Surplus	4,484	3,636	3,964	-12%	9%
Total Equity	29,447	31,902	31,706	8%	-1%

- Balance sheet size increased by 21% YoY to PRs672bn.
- Deposits increased 16% YoY with CASA at 71%.
- Key underlying theme in deposits was rationalization of high cost Islamic Deposits.
- Pickup in Net Advances to PRs275bn (18% YoY).
- Investment book increased by 29% YoY. Significant shift towards longer duration govt paper.
- Total equity increased by 8% YoY to PRs31.7bn.

Profit & Loss Snapshot

Amount PRs Mn	2Q13	2Q14	YoY	1H13	1H14	YoY
Interest Income	10,868	13,120	21%	21,440	25,038	17%
Interest Expenses	6,830	7,839	15%	13,578	15,470	14%
Net Int Income	4,039	5,280	31%	7,863	9,569	22%
NPL provisions	549	141	-74%	483	203	-58%
Inv. impairment	192	(42)	NM	390	24	-94%
Post Provision Int	3,298	5,182	57%	6,990	9,341	34%
Non Int Income	2,028	2,319	14%	3,891	4,375	12%
Op. Expenses	4,107	5,227	27%	8,135	9,738	20%
Profit before tax	1,219	2,274	87%	2,746	3,978	45%
Taxation	286	793	177%	803	1,368	70%
Profit after tax	932	1,481	59%	1,943	2,610	34%
EPS (Rupees)	0.69	1.10	59%	1.44	1.93	34%

- Net Interest Income (NII) increased 22% YoY in 1H14, supported by NIM expansion and higher volumes.
- Overall provisions & impairment are contained due to decline in provisions against NPLs and reversal on investment impairment.
- Non interest income grew 12% YoY led by fees and FX income.
- Opex up 20% YoY due to full impact of branch expansion and inflationary pressures.

Key Ratios

Amount PRs Mn	2Q13	3Q13	4Q13	1Q14	2Q14
IS & Bal Sheet					
ROA	0.7%	1.0%	0.9%	0.7%	0.9%
ROE exc. surplus	15.2%	21.2%	19.7%	16.6%	22.0%
NIM	3.4%	3.9%	3.5%	3.3%	3.9%
Cost: income	67.4%	66.0%	71.1%	68.2%	67.2%
Gross ADR	52.0%	51.0%	52.1%	53.5%	52.0%
CASA*	74.6%	74.6%	71.1%	73.2%	71.0%
YoY Growth					
Net Loans	8.3%	8.3%	11.5%	9.6%	17.6%
Deposits	13.5%	13.5%	15.0%	11.3%	15.9%
Asset Quality					
NPL ratio	8.6%	8.6%	6.6%	6.8%	6.2%
Coverage	66.8%	66.8%	69.3%	68.2%	70.3%
Capital Base					
CAR	12.6%	12.6%	12.1%	11.4%	11.0%

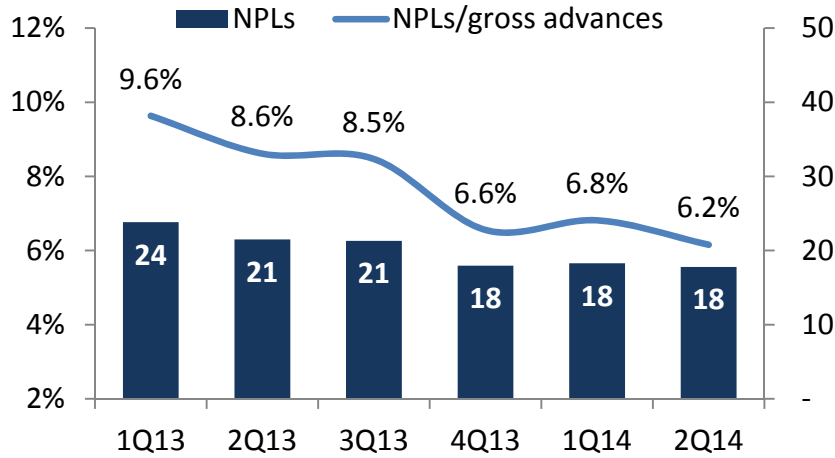
- NIMs improved due to shift in investment mix and repricing of loans.
- Idle liquidity at hand under Islamic Banking now reduced through shedding of high cost deposits, with liquidity at hand channeled through structured products.
- Cost to income ratio remained higher due to impact of more than 100 branches opened last year.
- CASA ratio stands at 71%
- NPL ratio improved to 6.2% with coverage improving to above 70%.
- Capital Adequacy ratio declined to 11% due to impact of 2013 dividend.

* Includes CASA deposits of FIs

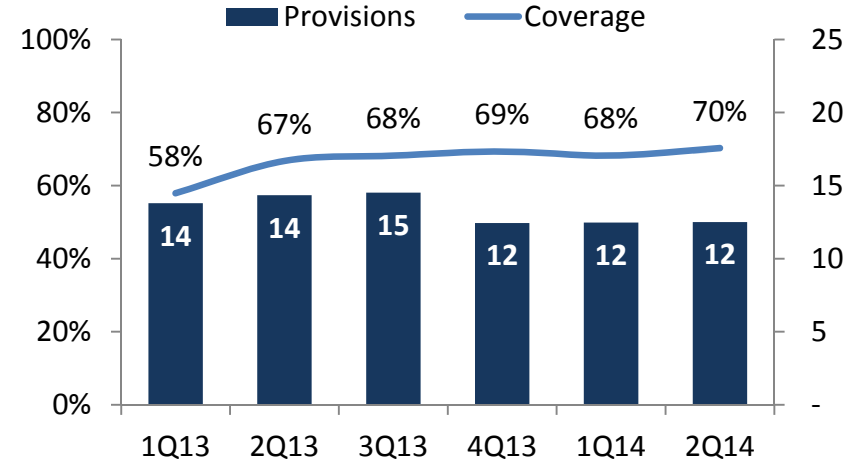
1HY14 Performance Review

Advances & Asset Quality Trends

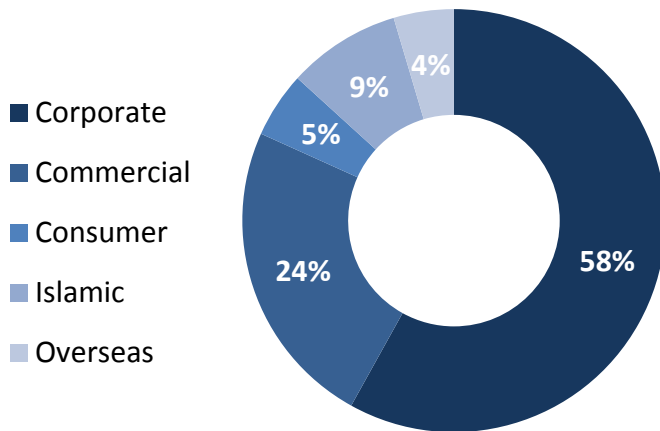
Contained NPL accretion



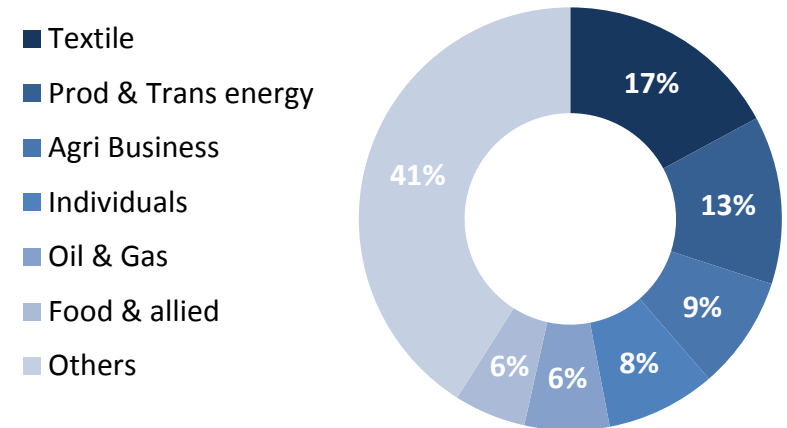
Coverage improved to 70%



Advances composition June 2014

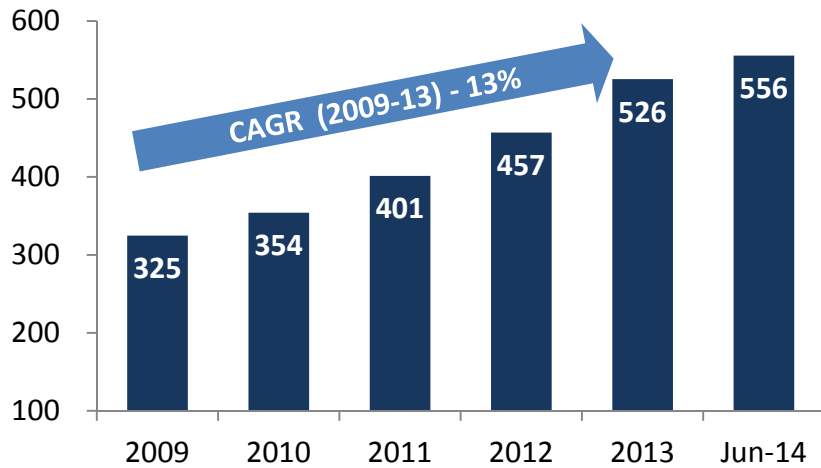


Advances concentration December 2013

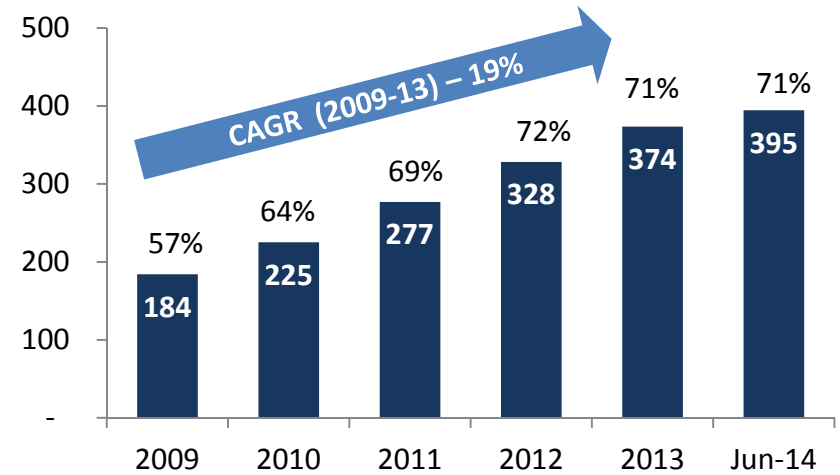


Deposit Mix & Cost

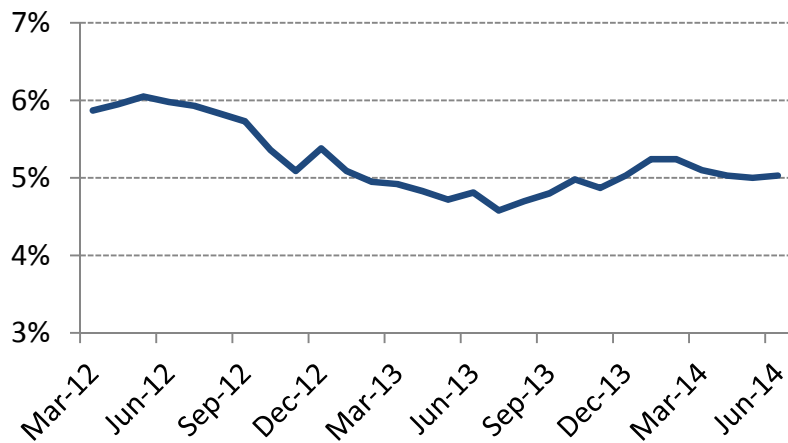
Continuous deposit growth



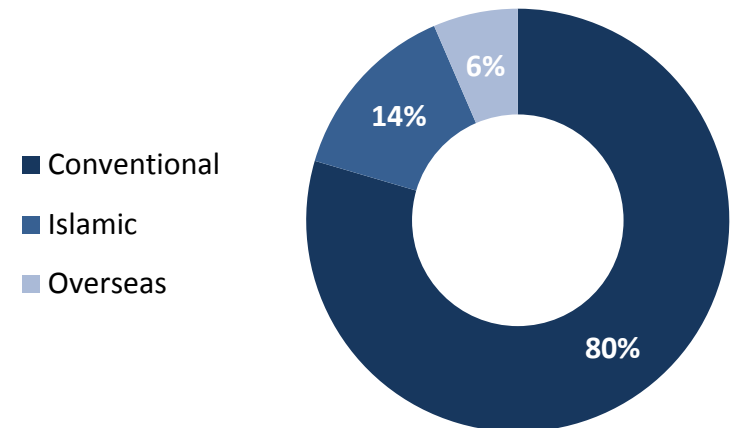
Rising CASA concentration



COD in check after regulatory changes



Deposits composition June 2014



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
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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	2009	2010	2011	2012	2013	CAGR (2009-13)
Cash & Bal. with treasury bank	35,056	41,198	50,883	58,044	61,205	15%
Balances with other banks	22,723	16,179	17,424	26,721	35,180	12%
Lending to FIs	14,947	6,498	7,765	877	2,522	-36%
Advances (net)	188,042	207,153	198,469	233,933	260,780	9%
Investments (net)	99,160	113,426	166,532	189,487	219,690	22%
Fixed & Other Assets	29,142	27,031	27,221	27,506	31,237	2%
Total Assets	389,070	411,484	468,294	536,468	610,614	12%
Deposits	324,760	354,015	401,233	457,044	525,526	13%
Subordinated Loans	7,570	7,567	7,149	5,875	9,991	7%
Other Liabilities	34,607	27,596	34,359	43,590	43,196	6%
Total Liabilities	366,937	389,178	442,741	506,509	578,713	12%
Paid up Capital	13,492	13,492	13,492	13,492	13,492	0%
Reserves & Retained Profit	6,279	6,235	9,125	12,010	14,774	24%
Revaluation Surplus	2,363	2,579	2,937	4,558	3,636	11%
Total Equity	22,133	22,306	25,554	30,059	31,902	10%

Profit & Loss Summary

Amount in PRs Mn	2009	2010	2011	2012	2013	CAGR (2009-13)
Interest income	35,561	37,530	44,298	46,080	43,961	5%
Interest expense	24,654	23,855	25,687	27,500	27,066	2%
Net interest income	10,907	13,675	18,611	18,580	16,895	12%
NPL Provisions	3,754	2,269	1,870	1,850	959	-29%
Investment impairment	317	1,991	2,459	1,709	95	-26%
Post Provisions Interest Income	6,836	9,414	14,281	15,021	15,841	23%
Non interest income	5,182	4,708	5,368	7,281	8,279	12%
Operating expenses	11,002	12,754	14,215	15,519	17,313	12%
Profit before taxation	1,016	1,369	5,434	6,783	6,807	61%
Taxation	119	400	1,931	2,227	2,131	106%
Profit after taxation	897	968	3,503	4,556	4,676	51%
EPS (Rupees) Diluted	0.66	0.72	2.60	3.38	3.47	51%
DPS (Rupees) Diluted	0.80	-	1.75	2.00	2.00	26%

Key Ratios

	2009	2010	2011	2012	2013
Capital Adequacy Ratio (Tier-I)	8.1%	7.1%	8.6%	8.5%	8.4%
Capital Adequacy Ratio Total	12.5%	10.5%	11.6%	12.6%	12.1%
Net Interest Margins	3.5%	4.1%	5.1%	4.4%	3.5%
Admin Cost to Income Ratio	67.9%	68.4%	57.7%	58.8%	68.7%
Non Interest Income as % of total	32.2%	25.6%	22.4%	28.2%	32.9%
Advance to Deposit Ratio (ADR)	60.5%	61.7%	52.7%	54.3%	52.1%
YoY Deposit Growth	8.0%	9.0%	13.3%	13.9%	15.0%
YoY Advances Growth	-2.4%	10.2%	-4.2%	17.9%	11.5%
YoY Investments Growth	30.5%	14.4%	46.8%	13.8%	15.9%
CASA Ratio*	56.7%	63.6%	69.0%	71.8%	71.1%
NPL Ratio	8.2%	8.4%	9.0%	8.9%	6.6%
Coverage Ratio	53.1%	58.0%	64.6%	62.5%	69.3%
ROA	0.2%	0.2%	0.8%	0.9%	0.8%
ROE exc. Reval surplus	5.2%	4.9%	16.5%	18.9%	17.4%
ROE inc. Reval surplus	4.6%	4.4%	14.6%	16.4%	15.1%
Book Value /share (incl Rev)**	16.4	16.5	19.1	22.3	23.6

* 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)	36.40
Market Capitalization (US\$m)*	356.9
Average Daily Turnover (mn shares)	3.84
Average Daily Turnover (US\$m)*	1.0
Current Stock Price**	26.98
12M High/Low**	29.07/20.33

* Using PRs/US\$ parity of PRs102

** Stock Price as of 25th Aug 2014

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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