



Bank Alfalah

# Analyst Briefing – 1Q 2018 Performance Review & Outlook

30<sup>th</sup> April 2018

## Introductory Snapshot – Data as of March 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	641 (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 864bn / USD 7.5bn
Deposits	PKR 645bn / USD 5.6bn
Net Advances	PKR 413bn / USD 3.6bn
Capital Adequacy Ratio	15.1%
Staff Strength	7,802

## Profit & Loss Snapshot

Amount PKR mn	1Q17*	4Q17*	1Q18	YoY	QoQ
Interest Income	13,830	14,946	14,269	3%	-5%
Interest Expenses	6,405	7,292	6,715	5%	-8%
<b>Net Int Income</b>	<b>7,425</b>	<b>7,654</b>	<b>7,554</b>	<b>2%</b>	<b>-1%</b>
NPL provisions	(79)	211	(201)	155%	NA
Inv. Impairment	(4)	65	(87)	NA	NA
<b>Post Provision Int</b>	<b>7,507</b>	<b>7,378</b>	<b>7,842</b>	<b>4%</b>	<b>6%</b>
<b>Non Int Income</b>	<b>2,474</b>	<b>1,699</b>	<b>2,865</b>	<b>16%</b>	<b>69%</b>
Admin expenses	5,642	7,136	5,953	6%	-17%
Other charges & prov	50	34	(322)	NA	NA
<b>Non interest expense</b>	<b>5,691</b>	<b>7,169</b>	<b>5,631</b>	<b>-1%</b>	<b>-21%</b>
<b>Profit before tax</b>	<b>4,290</b>	<b>1,908</b>	<b>5,075</b>	<b>18%</b>	<b>166%</b>
Taxation	1,502	716	1,811	21%	153%
<b>Profit after tax</b>	<b>2,788</b>	<b>1,192</b>	<b>3,264</b>	<b>17%</b>	<b>174%</b>
EPS (Rupees)	1.74	0.74	2.02		
DPS (Rupees)	-	1.50	-		

\* Restated



- NII increased 2% YoY due to higher YoY average volumes.
- Strong recoveries aided PKR201mn reversal in NPL provisions.
- Regulatory change in Afghanistan resulted in reversal of general provisions and aided a net reversal of PKR87mn on investments.
- Non interest income rose 16%, due to higher Fee and FX income.
- Admin expenses dipped 17% vs 4Q17 levels; while growing 6% YoY.
- Larger decline in total Opex was due to reversal of USD3.9mn provision, following resolution of dispute in favor of Bank.
- PAT grew 17% YoY and 2.7x QoQ to PKR3.3bn (EPS of 2.01).

## Balance Sheet Snapshot

Amount PKR mn	Mar-17*	Dec-17	Mar-18	YoY	YTD
Cash	63,407	70,381	66,465	5%	-6%
Bal with banks	7,374	4,509	2,782	-62%	-38%
Lending to FI	36,984	48,896	35,035	-5%	-28%
Advances (net)	377,529	400,636	413,084	9%	3%
Investments (net)	384,850	400,683	287,461	-25%	-28%
Fixed & Others	34,610	63,654	59,050	71%	-7%
<b>Total Assets</b>	<b>904,754</b>	<b>988,759</b>	<b>863,876</b>	<b>-5%</b>	<b>-13%</b>
Deposits	600,215	653,406	644,511	7%	-1%
Sub Loans/ADT1	8,317	4,991	11,990	44%	140%
Borrowings	204,537	206,224	84,671	-59%	-59%
Other Liabilities	29,463	58,391	56,053	90%	-4%
<b>Total Liabilities</b>	<b>842,532</b>	<b>923,011</b>	<b>797,225</b>	<b>-5%</b>	<b>-14%</b>
Paid up Capital	15,952	16,076	16,076	1%	0%
Reserves	36,032	42,386	43,615	21%	3%
Reval Surplus	10,239	7,285	6,960	-32%	-4%
<b>Total Equity</b>	<b>62,223</b>	<b>65,747</b>	<b>66,650</b>	<b>7%</b>	<b>1%</b>

- Advances increased 9% YoY to PKR413bn; Islamic lending grew 26% YoY.
- Major growth in advances came from Consumer and Commercial lending while Corporate loans remained flat YoY.
- Adjusted for Afghanistan reclassification, deposits grew 12%YoY.
- YTD deposits are down 1%, due to seasonality and re-profiling of mix as core current deposits are up 5% YTD.
- Borrowings dropped 59% both on YoY and YTD basis, due to lower Repo levels.
- Total equity increased 7% to PKR67bn. Opening Retained Earnings have been marginally restated due to change in accounting standards.

## Key Ratios

	1Q17	2Q17	3Q17	4Q17	1Q18
Yield on Advances	6.8%	7.0%	6.7%	7.5%	7.3%
Yield on Investments	7.2%	7.0%	6.6%	6.5%	6.6%
Cost of Deposits	2.5%	2.2%	2.7%	2.8%	2.7%
NIM	3.8%	3.7%	3.2%	3.4%	3.6%
ROA	1.3%	0.9%	1.0%	0.5%	1.4%
ROE exc. Surplus	22.4%	15.8%	16.6%	8.3%	22.4%
Admin Cost : income	57.0%	59.6%	64.2%	76.3%	57.1%
Gross ADR	65.7%	65.0%	62.6%	63.8%	66.6%
CASA*	87.4%	85.8%	82.8%	80.0%	82.9%
Net Loans (YoY )	16.7%	18.8%	21.4%	5.8%	9.4%
Deposits (YoY)	-3.7%	2.6%	3.1%	1.9%	7.4%
NPL ratio	4.6%	4.2%	4.2%	4.2%	4.0%
Coverage	88.3%	89.3%	89.8%	89.2%	89.0%
CAR	13.2%	12.7%	13.4%	13.7%	15.1%

\*Includes CASA deposits of FIs

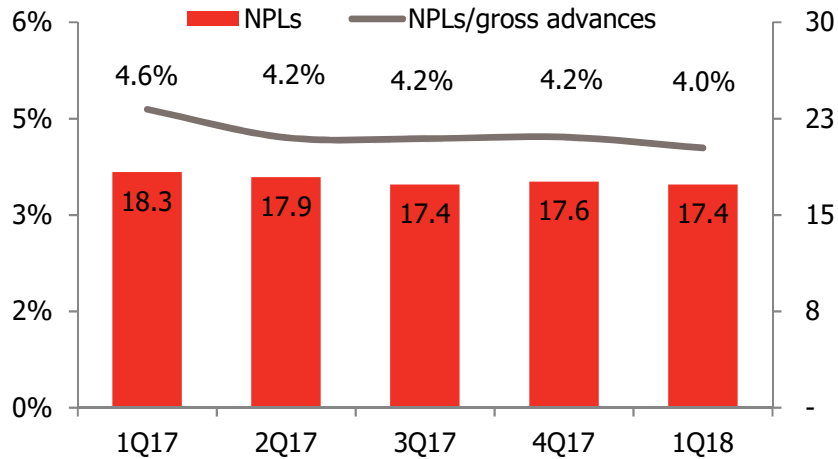
- NIMs grew 20bps QoQ, aided in part by reduced quantum of thin-margin Repo transactions.
- ROA increased to 1.4% in 1Q2018 with Tier1 ROE at 22.4%
- Admin cost to income ratio improved to 57.1% versus 76.3% in the previous quarter.
- Gross ADR further increased to 66.6%, SME and Consumer remaining the major driver for growth in advances.
- CASA mix improved to 83% against the year end level of 80%.
- NPL ratio further improved to 4.0%, while specific coverage remaining at 89%.
- CAR clocked in at 15.1%, reflecting impact of ADT1.

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 geometric shapes. The text is positioned within the white area.

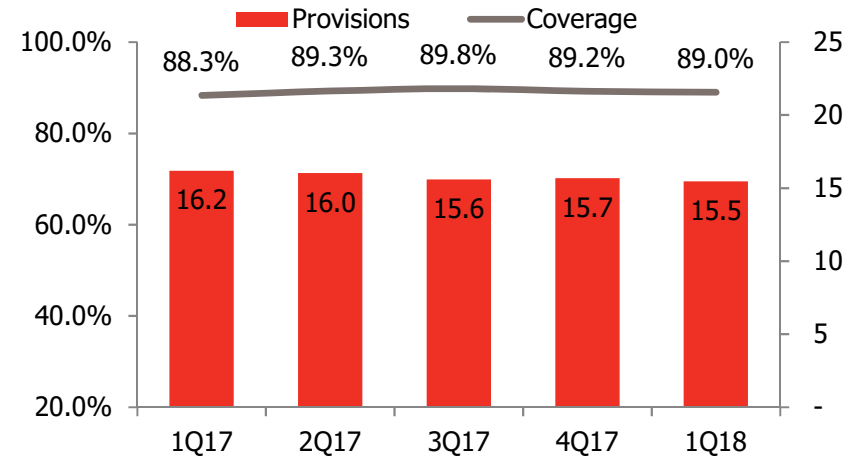
# 1Q 2018 Performance Review

# Advances & Asset Quality Trends

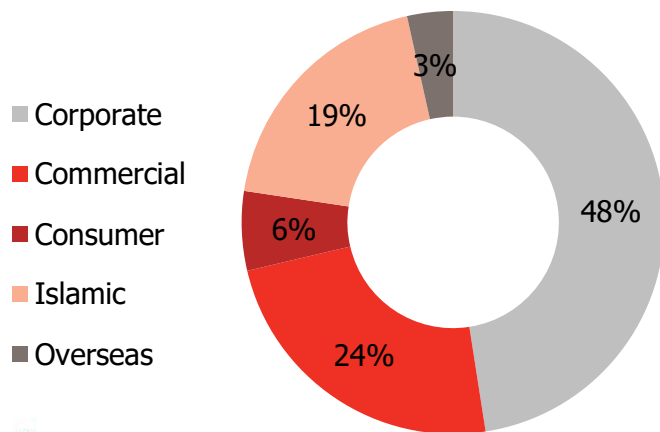
## NPLs mostly contained



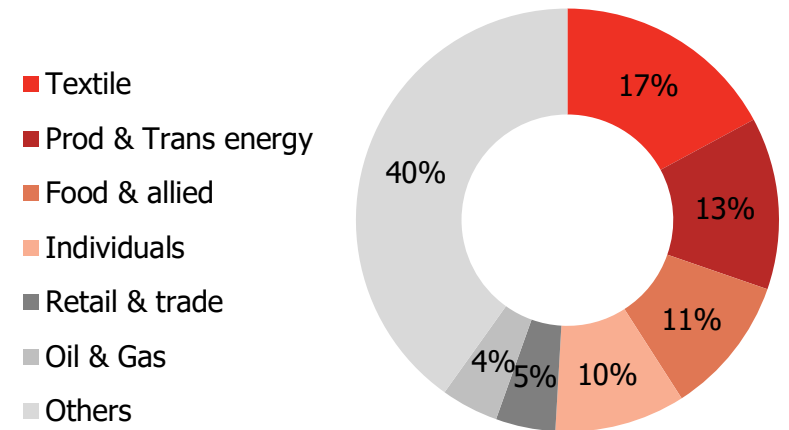
## Specific Coverage remained to 89%



## Advances composition (Mar 2018)

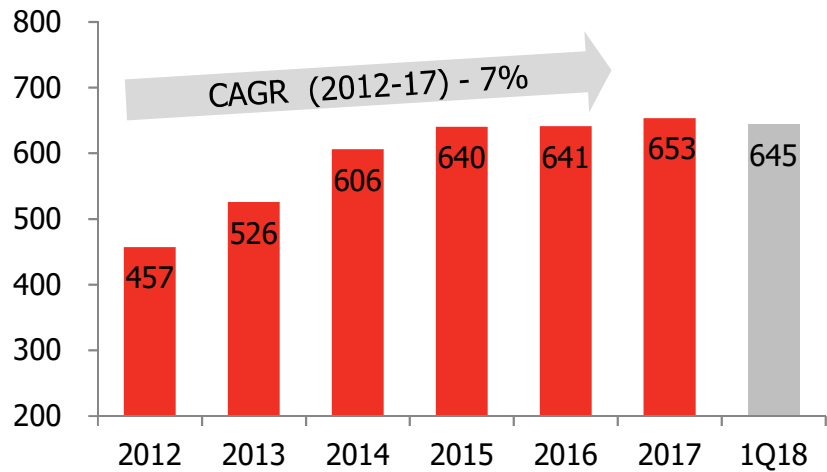


## Advances concentration (Dec 2017)

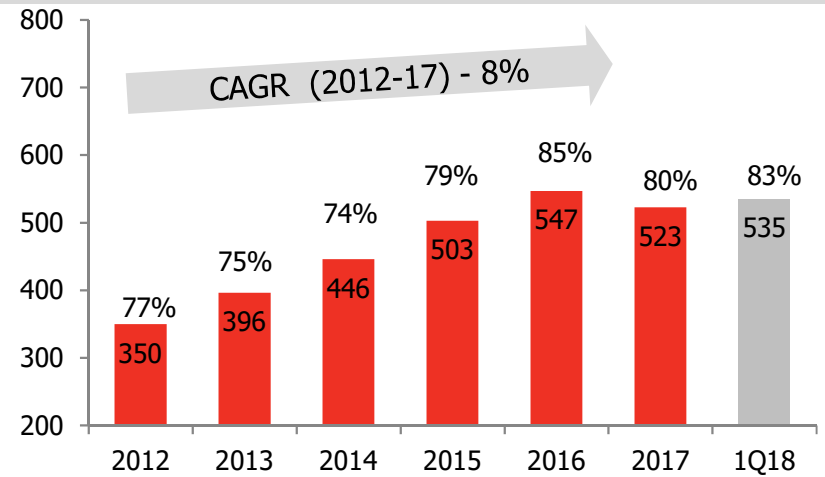


# Deposit Mix & Cost

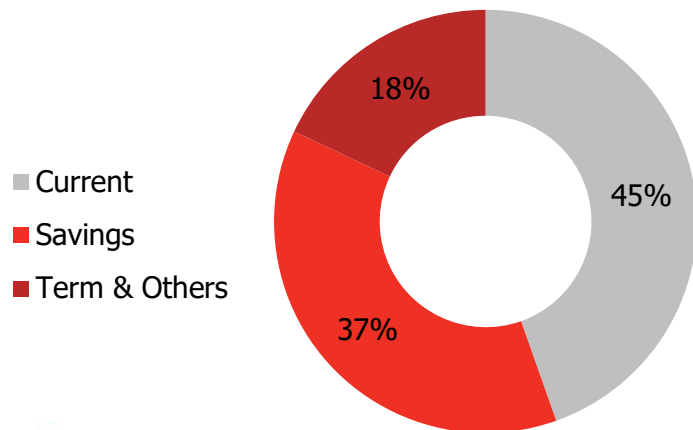
**Deposit Growth Trend\* (PKR bn)**



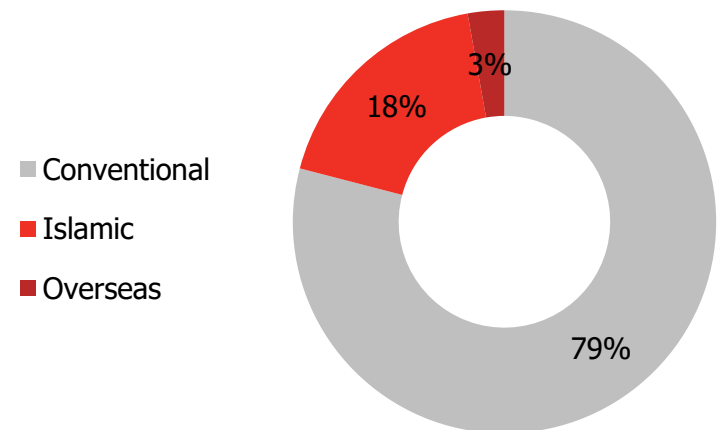
**CASA Continues to Remain Strong\* (PKR bn)**



**Deposit Mix (Mar 2018)**



**Deposits Composition (Mar 2018)**



\* Total & CASA deposit trends distorted due to reclassification of Afghanistan operations as Available for Sale 8



# Appendix

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

## Balance Sheet Summary

Amounts in PKR mn	2012	2013	2014	2015	2016	2017	5yr CAGR
Cash & Bal. With Treasury Bank	58,044	61,205	50,516	62,369	74,071	70,381	4%
Balances With Other Banks	26,721	34,764	12,332	16,552	9,373	4,509	-30%
Lending to Fis	877	2,522	18,313	27,626	30,149	48,896	123%
Advances (Net)	237,760	262,992	297,256	334,159	378,720	400,636	11%
Investments (Net)	189,487	219,690	324,319	423,100	389,093	400,683	16%
Fixed & Other Assets	23,680	30,254	40,392	38,802	36,050	63,654	18%
<b>Total Assets</b>	<b>536,568</b>	<b>611,428</b>	<b>743,128</b>	<b>902,608</b>	<b>917,456</b>	<b>988,759</b>	<b>13%</b>
Deposits	457,044	525,526	605,963	640,189	640,944	653,406	7%
Subordinated Loans	5,875	9,991	9,987	9,983	8,318	4,991	-3%
Borrowings	21,228	23,115	55,233	172,393	178,311	206,224	58%
Other Liabilities	22,362	20,894	27,126	26,690	29,759	58,391	21%
<b>Total Liabilities</b>	<b>506,509</b>	<b>579,526</b>	<b>698,309</b>	<b>849,255</b>	<b>857,332</b>	<b>923,011</b>	<b>13%</b>
Paid - up Capital	13,492	13,492	15,872	15,898	15,952	16,076	4%
Reserves & Retained Profit	12,010	14,774	21,951	26,527	33,233	42,386	29%
Revaluation Surplus	4,558	3,636	6,995	10,928	10,940	7,285	10%
<b>Total Equity</b>	<b>30,059</b>	<b>31,902</b>	<b>44,819</b>	<b>53,353</b>	<b>60,125</b>	<b>65,747</b>	<b>17%</b>

\* Afghanistan Operations were classified as Available for Sale in 2017 Financials

## Profit & Loss Summary

Amounts in PKR mn	2012	2013	2014	2015	2016	2017	5yr CAGR
Interest Income	46,080	43,961	55,378	61,438	57,245	56,919	4%
Interest Expense	27,500	27,066	33,505	32,811	28,474	27,639	0%
Net Interest Income	18,580	16,895	21,873	28,627	28,770	29,281	10%
NPL Provisions	1,850	959	1,448	2,150	1,083	(434)	NA
Investment Impairment	1,709	95	86	137	101	174	-37%
Post Provisions Interest Income	15,021	15,841	20,340	26,340	27,587	29,540	14%
Non - Interest Income	7,281	8,279	8,876	8,861	8,907	9,894	6%
Operating Expenses	15,519	17,313	20,702	22,598	23,692	25,389	10%
Profit Before Taxation	6,783	6,807	8,514	12,603	13,023	14,045	16%
Taxation	2,227	2,131	2,873	5,081	5,123	5,678	21%
Profit After Taxation	4,556	4,676	5,641	7,522	7,900	8,367	13%
EPS (PKR)	3.38	3.41	4.09	4.73	4.93	5.21	9.0%
Dividend (% of Paid - up)	20.0%	20.0%	20.0%	10.0%	0.0%	15%	

## Key Ratios

	2012	2013	2014	2015	2016	2017*
Capital Adequacy Ratio (Tier - I)	8.5%	8.4%	9.6%	9.6%	9.9%	11.2%
Capital Adequacy Ratio Total	12.6%	12.1%	12.8%	13.3%	13.2%	13.7%
Net Interest Margins	4.5%	3.5%	3.8%	4.0%	3.6%	3.5%
Admin Cost to Income Ratio	60.0%	68.8%	67.3%	60.3%	62.5%	64.1%
Non - Interest Income as % of Total	28.2%	32.9%	28.9%	23.6%	23.6%	25.3%
Advance to Deposit Ratio (ADR)	52.0%	50.0%	49.1%	52.2%	59.1%	61.3%
YoY Deposit Growth	13.9%	15.0%	15.3%	5.6%	0.1%	1.9%
YoY Advances Growth	17.9%	11.4%	13.0%	12.4%	13.3%	5.8%
YoY Investments Growth	13.8%	15.9%	47.6%	30.5%	-8.0%	3.0%
Current Deposits Ratio	35.2%	35.8%	35.7%	38.0%	45.3%	42.5%
CASA Ratio*	76.5%	75.4%	73.6%	78.5%	85.3%	80.0%
NPL Ratio	8.9%	6.6%	6.4%	5.4%	4.8%	4.2%
Coverage Ratio	62.5%	69.3%	70.1%	83.7%	86.1%	89.2%
ROA	0.9%	0.8%	0.9%	1.0%	0.9%	0.9%
ROE Excluding Reval. Surplus	19.4%	18.0%	18.9%	19.1%	17.4%	15.5%
ROE Including Reval. Surplus	16.8%	15.6%	16.1%	15.2%	13.6%	13.3%
Book Value / Share (Incl. Reval.)	22.28	23.65	28.24	33.56	37.69	40.90

\*Includes CASA deposits of Fis

\*\*Afghanistan Operations were classified as Available for Sale in 2017 Financials

## Stock Market Related Data

Bloomberg Code	BAFL PA
Reuters Code	BAFL.KA
Shares Outstanding (mn)	1607.6
Market Capitalization (PKR bn)	84.6
Market Capitalization (USD mn)*	732
Average Daily Turnover (mn shares)	1.5
Average Daily Turnover (USD mn)*	0.8
Current Stock Price**	52.65
12M High / Low**	36.50/56.00

\* Using PKR / USD parity of PKR 115.6

\*\* Stock price as of April 27, 2018

## 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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