



Analyst Briefing - 2Q 2013 Performance Review & Outlook

04, September 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	473 (including 110 Islamic Branches)
Cities Covered	163 cities in Pakistan, 6 cities overseas
International Presence	8 International Branches in 3 countries
Market Share	6.2% of deposits (6 th Largest by size)
Assets (PRsbn/US\$bn)	Rs. 556 Bn / US\$ 5.6 Bn
Deposits (PRsbn/US\$bn)	Rs. 480 Bn / US\$ 4.8 Bn
Net Advances (PRsbn/US\$m)	Rs. 235 Bn / US\$ 2.4 Bn
Staff Strength	7,147

Data as of June 30th 2013

Balance Sheet Snapshot

Amount PRs Mn	Jun-12	Dec-12	Mar-13	Jun-13	YoY	YTD
Cash	46,076	58,044	51,930	55,854	21%	-4%
Bal with banks	18,437	26,721	22,589	26,635	44%	0%
Lending to FI	5,211	877	9,513	5,834	12%	565%
Advances (net)	216,593	233,933	232,883	234,664	8%	0%
Investments (net)	182,394	189,487	200,525	205,404	13%	8%
Fixed & Others	25,897	27,405	27,285	28,103	9%	3%
Total Assets	494,608	536,467	544,724	556,493	13%	4%
Deposits	422,445	457,119	450,565	479,628	14%	5%
Sub Loans	6,732	5,875	10,875	10,433	55%	78%
Other Liabilities	39,373	43,415	55,254	36,986	-6%	-15%
Total Liabilities	468,550	506,409	516,694	527,047	12%	4%
Paid up Capital	13,492	13,492	13,492	13,492	0%	0%
Retain & Reserves	9,562	12,009	10,527	11,470	20%	-4%
Reval Surplus	3,005	4,558	4,012	4,484	49%	-2%
Total Equity	26,058	30,058	28,030	29,446	13%	-2%

- Balance sheet size increased by 13% YoY to PRs556bn.
- Deposits increased 14% YoY with concentration towards low cost deposits. This is visible in CASA growth of 25% YoY.
- Gross Advances increased by 9% YoY to PRs250bn, taking gross ADR to 52%.
- Liquidity deployed in investments, specifically to shorter tenor govt. papers.
- Total equity declined 2% vs Dec-12, due to impact of annual dividend payment.

Profit & Loss Snapshot

Amount PRs Mn	2Q12	2Q13	YoY	1H12	1H13	YoY
Interest Income	11,599	10,868	-6%	22,743	21,440	-6%
Interest Expenses	7,124	6,830	-4%	13,624	13,578	0%
Net Int Income	4,474	4,039	-10%	9,119	7,863	-14%
Impairment & Prov	262	741	183%	980	873	-11%
Post Provision Int	4,212	3,298	-22%	8,140	6,990	-14%
Non Int Income	1,616	2,028	25%	3,079	3,891	26%
Op. Expenses	4,074	4,107	1%	7,640	8,135	6%
Profit before tax	1,755	1,219	-31%	3,579	2,746	-23%
Taxation	631	286	-54%	1,252	803	-36%
Profit after tax	1,124	932	-17%	2,327	1,943	-17%
EPS (Rupees)	0.83	0.69	-17%	1.72	1.44	-17%

- Deferred tax liability in respect of leases amounting to PRs271 million have been reversed in the current period. Furthermore, this also reflects additional asset arising due to timing difference between tax and accounting profit on account of provisioning and impairments.

- Net Interest Income (NII) declined 10% YoY due to lower discount rate (down 250bps from 12% in 2Q12 to 9.5% in 2Q13).
- On QoQ basis, NII increased by 6% as volumes increased.
- Investment in Warid now stands fully impaired (PRs4.4bn on total cost)
- Non interest income increased 25% YoY and 9% QoQ on higher fees and capital market income.
- Opex contained at previous year's level despite inflation and branch expansion.

Key Ratios

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

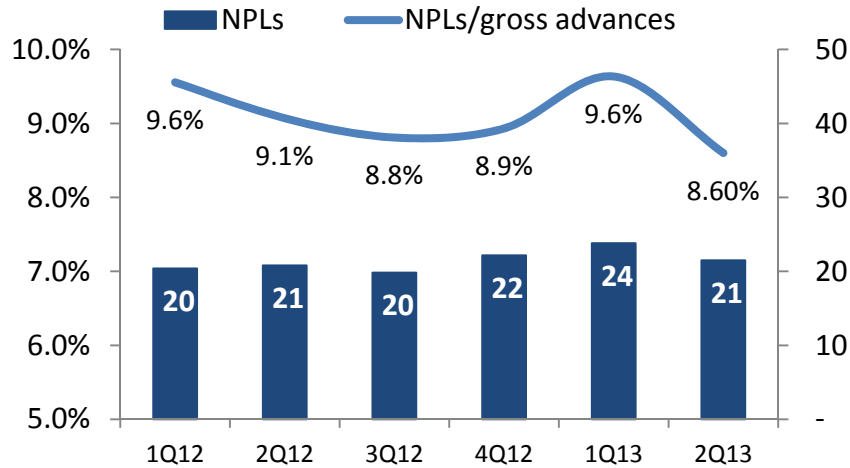
- Deposit growth continues to remain robust with focus on low cost deposits.
- Declining Advance to Deposit Ratio reflecting muted loan growth in the system.
- Muted cost growth not reflecting in cost / income ratio due to lower revenues.
- NPL recoveries of PKR 1bn during 1H13 resulted in NPL ratio improving to 8.6%. Coverage also improved to 67%.
- Capital Adequacy reflects impact of sub-debt of PRs5.0bn in Dec 2012.

* Includes CASA deposits of FIs

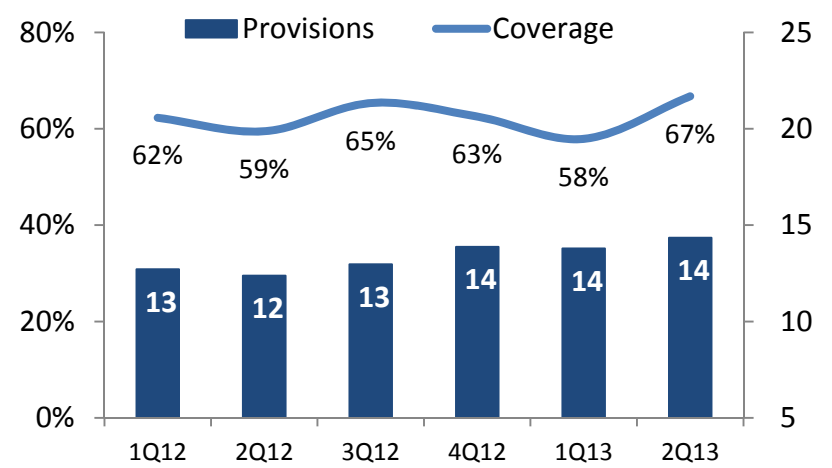
2Q13 Performance Review

Advances & Asset Quality Trends

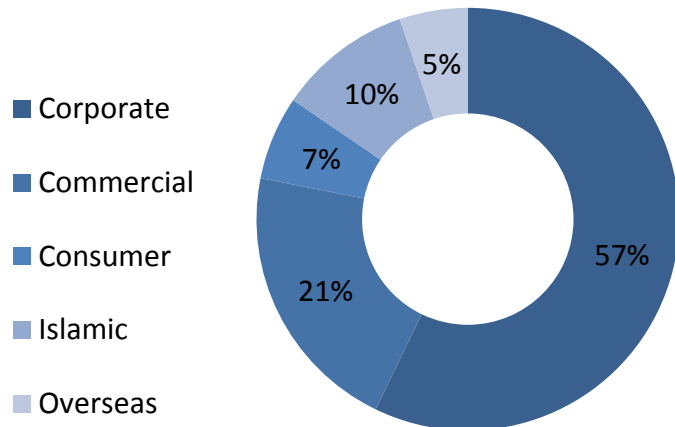
Improving asset quality with reduced NPL accretion



Coverage has increased to 67%

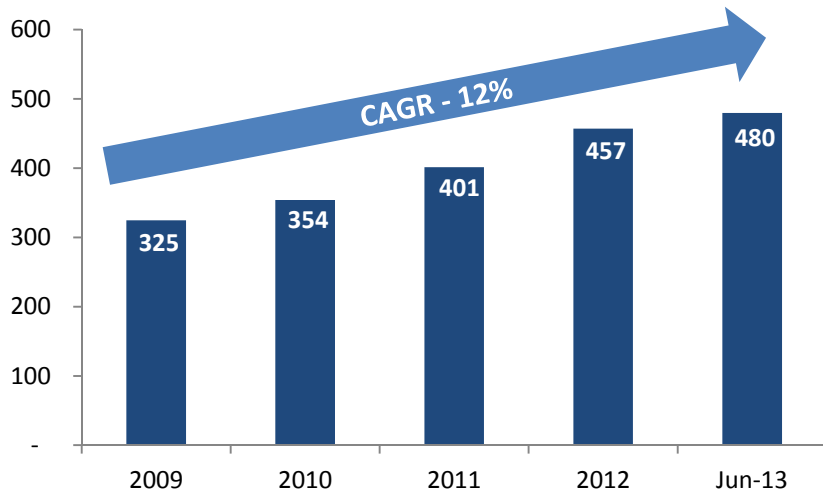


Advances composition June 2013

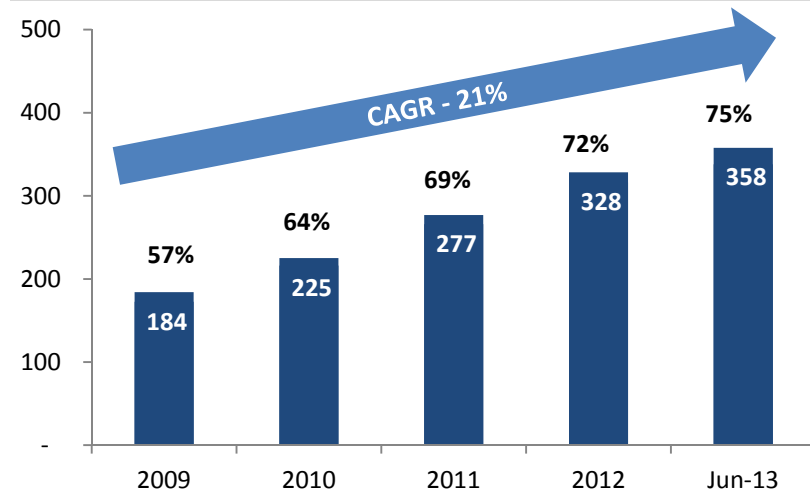


Deposit Mix & Cost

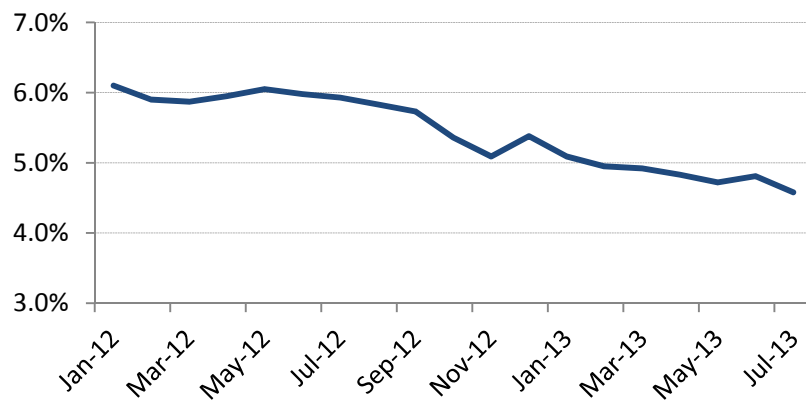
Continuous deposit growth



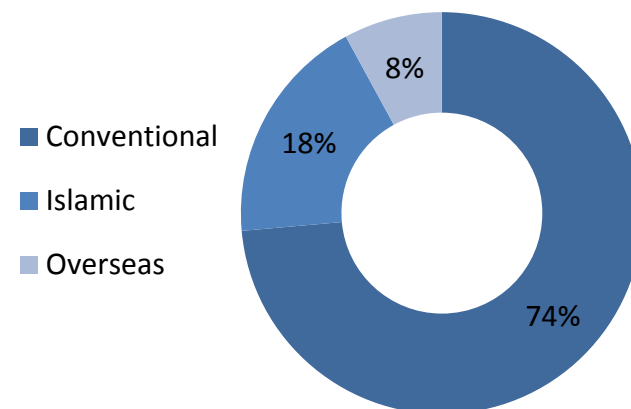
Rising CASA share



Cost of Deposits reducing with shift towards CASA



Deposits composition June 2013



Non Interest Income

Non Interest Income (PRsmn)	1H12	1H13	YoY
Fee, Commission & Brokerage	1,189	1,402	18%
Dividend Income	152	256	69%
Income from dealing in FX	711	631	-11%
Gain on sale & unrealized gain on HFT	96	677	607%
Other income	933	925	-1%
Total	3,079	3,891	26%

Fee, Commission & Brokerage (PRsmn)	1H12	1H13	YoY
Fee & Commission on Consumer Finance	334	384	15%
Commission on Remittances	103	151	46%
Commission on Bancassurance	103	130	25%
Other fees & commissions	648	737	14%
Total	1,189	1,402	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)	27.79
Market Capitalization (US\$m)*	265.96
Average Daily Turnover (mn shares)	5.66
Average Daily Turnover (US\$m)*	1.06
Current Stock Price**	20.60
12M High/Low**	22.04/14.77

* Using PRs/US\$ parity of PRs104.5

** Stock Price as of 30th August 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

Contact Information

For any queries:

Imtiaz Gadar, CFA

Head of Public Markets

Bank Alfalah Limited

Ph# +92 21 3241 6979

+92 21 3242 3617

Imtiaz.gadar@bankalfalah.com