

Flash Note

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Securities

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Commercial Banks

BAHL: Higher operating expenses dilutes +6%QoQ revenue growth; Profitability down by 18%QoQ to PKR 2.07/share

- Bank Al-Habib Limited (BAHL) reported its 1QCY17 unconsolidated earnings at PKR 2.3bn (or PKR 2.07/share) down by 18%QoQ (or 9%YoY).
- On a quarterly basis, bank's net interest income increased by +3%QoQ, along with +20%QoQ increase in fee income resulted in +6%QoQ increase in bank's total revenue.
- However, higher operating expense (up by +27%QoQ) dragged pre-provisioning income down by 13%QoQ.
- Compared to last quarter, bank booked in provision reversals of PKR 202mn.

Exhibit:

BAHL Result Highlights

PKRmn (Period end=Dec)	1QCY17	1QCY16	YoY	4QCY16	QoQ
Interest Earned	12,143	12,185	0%	11,527	5%
Interest Expensed	5,939	5,936	0%	5,519	8%
Interest Income	6,204	6,249	-1%	6,008	3%
Fee Income	811	604	34%	674	20%
Capital Gain & Div. Income	798	238	2.35x	793	1%
Non-Interest Income	2,009	1,217	65%	1,713	17%
Total Revenue	8,213	7,466	10%	7,721	6%
Operating Expenses	4,806	4,541	6%	3,799	27%
Pre-Provisioning Profits	3,407	2,925	16%	3,922	-13%
NPL (Rev.) / Prov.	(202)	(1,177)	n.m.	29	n.m
Pre-Tax Profits	3,610	4,102	-12%	3,892	-7%
Taxation	1,305	1,568	-17%	1,085	20%
Profit After Tax	2,305	2,535	-9%	2,807	-18%

EPS (PKR)	2.07	2.28	2.53
DPS (PKR)	-	-	3.50
BVPS (PKR)	40.33	33.34	38.25

KEY RATIOS

Cost-To-Income Ratio	59%	61%	49%
Effective Tax Rate	36%	38%	28%
Non-II / Total Income	24%	16%	22%

SOURCE: IGI Research, Company accounts, PSX notifications

Recommendation

With our Dec-17 based target price of PKR 75/share, the scrip offers +42% upside from its last closing. On CY17 forward basis, bank is trading at P/B and P/E comes at 1.3x and 8.0x. We recommend "BUY" call on BAHL.

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