

# Flash Note

Wednesday, 14 February 2018

## Commercial Banks

### BAHL: Profits up by +7%YoY to PKR 8.7bn in CY17 despite YoY decline in performance during the last quarter

- Bank Al-Habib Limited (BAHL) reported unconsolidated earnings for 4QCY17 of PKR 2.2bn (EPS: PKR 1.98) down by 22%YoY (up by +19%QoQ). This brings full year CY17 earnings to PKR 8.7bn (EPS: PKR 7.78), up by +7%YoY.
- The bank also announced DPS of PKR 3.00 for the quarter.
- During the quarter, BAHL increased net interest income by +12%YoY to PKR 6.7bn, taking CY17 total net interest income to PKR 25.9bn, up by +5%YoY.
- Despite +22%YoY increase in 4QCY17 fee income (up +27%YoY in CY17), non-interest income declined by 7%YoY (up 62%YoY in CY17) due to 61% decline in capital gains realized (up 1.43x in CY17) on account of high base effect from 4QCY16.
- Simultaneously, operating expenses rose by +35%YoY in 4QCY17 (up +17YoY in CY17) denting the bottom-line.
- Provision reversals supported the bottom-line during the quarter, wherein, the bank booked a reversal of PKR 282mn as against a charge of PKR 29mn in the same period last year. However, reversals declined by 82%YoY in CY17.

Exhibit:

#### BAHL Result Highlights

PKRmn (Period end=Dec)	4QCY17	4QCY16	YoY	CY17	CY16	YoY
Interest Earned	13,088	11,527	14%	50,305	47,804	5%
Interest Expensed	6,366	5,519	15%	24,387	23,133	5%
<b>Net Interest Income</b>	<b>6,722</b>	<b>6,008</b>	<b>12%</b>	<b>25,918</b>	<b>24,672</b>	<b>5%</b>
Fee Income	821	674	22%	3,192	2,521	27%
Capital Gain & Div. Income	309	793	-61%	3,188	1,310	1.43x
<b>Non-Interest Income</b>	<b>1,596</b>	<b>1,713</b>	<b>-7%</b>	<b>8,201</b>	<b>5,052</b>	<b>62%</b>
Total Revenue	8,317	7,721	8%	34,119	29,724	15%
Operating Expenses	5,143	3,799	35%	20,194	17,198	17%
Pre-Provisioning Profits	3,174	3,922	-19%	13,925	12,526	11%
Provision (Rev.) / Charge	(282)	29	n.m	(115)	(638)	-82%
Pre-Tax Profits	3,456	3,892	-11%	14,040	13,164	7%
Taxation	1,260	1,085	16%	5,391	5,045	7%
<b>Profit After Tax</b>	<b>2,196</b>	<b>2,807</b>	<b>-22%</b>	<b>8,650</b>	<b>8,119</b>	<b>7%</b>
EPS (PKR)	1.98	2.53		7.78	7.31	
DPS (PKR)	3.00	3.50		3.00	3.50	
BVPS (PKR) Est.	42.46	38.25		42.46	38.25	

#### KEY RATIOS

Cost-To-Income Ratio	62%	49%	59%	58%
Effective Tax Rate	36%	28%	38%	38%
Non-II / Total Income	19%	22%	24%	17%

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1,111.4

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