

Flash Note

Tuesday, 17 April 2018

Commercial Banks

BAHL: 1QCY18 EPS clocks in at PKR 1.88

- Bank Al-Habib Limited (BAHL) reported unconsolidated earnings for 1QCY18 of PKR 2.1bn (EPS PKR 1.88/share) down by 11%YoY (down by 5%QoQ) compared to PKR 2.4bn (EPS PKR 2.12/share) in same period last year.
- On a quarterly basis, bank's net interest income rose by +5% owing to a 3% decline in its interest expense along with a +1% rise in interest earned. In our view this decline in interest expense is attributable to ongoing restructuring of deposits (Casa deposits stood at ~67% by CY17 end) and lower borrowing during the quarter. Moreover, on asset side, expanding loan sheet and selective investments in shorter-tenor government paper has helped the bank lift its interest earned. On a yearly basis, interest income is up by +13%.
- However, bank's non-funded income dropped by 6% on a quarterly basis, owing to lower capital gain and dividend income, but growth in fee income, up by +12%QoQ, looks promising.
- Nevertheless, bank's operating expenses rose by +5%QoQ, taking the total cost-income ratio to 66%, up from 62% in last quarter. However, slightly lower provision reversal of PKR 271mn compared PKR 282mn in last quarter, restricted overall bank's earnings growth during the quarter.

Exhibit:

BAHL Result Highlights

PKRmn (Period end=Dec)	1QCY18	1QCY17	YoY	4QCY17	QoQ
Interest Earned	13,207	12,143	9%	13,088	1%
Interest Expensed	6,173	5,939	4%	6,366	-3%
Net Interest Income	7,033	6,204	13%	6,722	5%
Fee Income	917	811	13%	821	12%
Capital Gain & Div. Income	102	798	-87%	309	-67%
Non-Interest Income	1,503	2,009	-25%	1,596	-6%
Total Revenue	8,239	8,213	0%	8,317	-1%
Operating Expenses	5,402	4,753	14%	5,143	5%
Pre-Provisioning Profits	3,134	3,460	-9%	3,174	-1%
Provision (Rev.) / Charge	(271)	(202)	34%	(282)	-4%
Pre-Tax Profits	3,405	3,663	-7%	3,456	-1%
Taxation	1,317	1,305	1%	1,260	5%
Profit After Tax	2,088	2,358	-11%	2,196	-5%
EPS (PKR)	1.88	2.12		1.98	
DPS (PKR)	-	-		3.00	
BVPS (PKR) Est.	40.15	36.44		41.28	
KEY RATIOS					
Cost-To-Income Ratio	66%	58%		62%	
Effective Tax Rate	39%	36%		36%	
Non-Il / Total Income	18%	24%		19%	

SOURCE: IGI Research, Company accounts, PSX No. of shares (mn):1111.4

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