

Flash Note

Thursday, 24 October 2019

Commercial Banks

Bank Al-Habib Limited (BAHL)

9m pre-provision profits up by +55% y/y, earnings held back by higher provision charge; EPS PKR 2.3/share in 3q (PKR 6.3/share in 9m up by +19%/y/y)

- On unconsolidated basis, BAHL posted earnings of PKR 2.5bn (or PKR 2.29/share) up by +50% y/y for 3q, taking its 9m 2019, cumulative earnings to PKR 7.0bn (or PKR 6.30/share) an increase of +19% from last year same period. The bank did not announce any dividend.
- Bank's total revenue increased by a hefty +34% y/y to PKR 12.6bn (+18% y/y in 9m) led by a +38% y/y growth in net interest income and modest +16% y/y growth in non-funded income. Interest earned increased by a +86% y/y compared to interest expense up by +2.1x y/y, during the qtr. Break-up wise of NFI shows fee income up by +32% y/y and +39%/y/y during 9m.
- Operating expenses in-line with industry increased to PKR 7.4bn up by +21% y/y (+19% y/y in 9m) but had little impact on C/I ratio ~57% versus 63% on a 9m basis. On pre-provisioning profits basis, bank reported a growth of +60% y/y during the quarter and +55% y/y on 9m basis. Cumulative provision charge for 9m 2019 increased to PKR 2.8bn up from PKR 0.2bn last year same period.

Exhibit: Bank Al- Habib Limited (BAHL) Financial highlights

Period end (Dec) - PKRbn	3Q'19	2Q'19	1Q'19	9m' 19	9m' 18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Income	10.5	9.7	9.8	30.0	22.5	30.9	8.4	7.6	7.9	7.0	25.9	6.7	6.5	6.5	6.2	24.7
NII Growth YoY	38%	23%	40%	33%	17%	19%	25%	18%	21%	13%	5%	12%	9%	0%	-1%	-1%
Fee Income	1.3	1.5	1.4	4.2	3.0	4.1	1.1	1.0	1.1	0.9	3.2	0.8	0.8	0.8	0.8	2.5
Non-Interest Income	2.1	2.5	1.9	6.4	5.1	7.1	2.1	1.8	1.8	1.5	8.1	1.6	1.7	2.9	2.0	5.1
NFI Growth YoY	16%	36%	25%	26%	-23%	-12%	29%	4%	-37%	-25%	61%	-7%	78%	149%	65%	12%
Total Revenue	12.6	12.1	11.7	36.4	27.6	38.0	10.4	9.4	9.7	8.5	34.0	8.3	8.2	9.4	8.2	29.7
Non-II / Total Revenue	16%	20%	16%	18%	18%	19%	20%	19%	19%	18%	24%	19%	21%	31%	24%	17%
Total Revenue Growth YoY	34%	25%	37%	32%	7%	12%	26%	15%	3%	4%	15%	8%	19%	23%	10%	1%
Admin	7.4	6.5	6.4	20.3	17.3	23.2	5.9	6.2	5.8	5.4	19.8	5.0	5.2	4.9	4.8	17.7
Operating Expenses	7.6	6.7	6.4	20.7	17.5	23.5	6.0	6.3	5.8	5.4	20.1	5.1	5.3	5.0	4.8	17.2
OPEX Growth YoY	21%	15%	19%	19%	16%	17%	17%	19%	15%	14%	17%	35%	20%	12%	5%	14%
Cost-To-Income Ratio	60%	55%	55%	57%	63%	62%	58%	67%	60%	63%	59%	62%	64%	53%	58%	58%
PPOP	5.0	5.4	5.3	15.7	10.1	14.5	4.4	3.1	3.9	3.1	13.9	3.2	2.9	4.4	3.5	12.5
PPOP Growth YoY	60%	39%	69%	55%	-6%	4%	39%	7%	-12%	-9%	11%	-19%	17%	38%	18%	-12%
Provisioning Charge	0.6	1.3	0.8	2.8	0.2	(0.2)	(0.4)	0.3	0.2	(0.3)	(0.0)	(0.3)	0.0	0.3	(0.2)	(0.6)
EO/one-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Profits	4.3	4.1	4.4	12.9	9.9	14.8	4.9	2.8	3.7	3.4	14.0	3.5	2.9	4.1	3.7	13.2
Taxation	1.8	1.7	2.4	5.9	4.0	5.8	1.8	1.1	1.6	1.3	5.4	1.3	1.0	1.8	1.3	5.0
Effective Tax Rate	41%	42%	54%	46%	41%	40%	38%	40%	43%	39%	39%	36%	36%	44%	36%	38%
Profit After Tax	2.6	2.4	2.1	7.0	5.9	8.9	3.0	1.7	2.1	2.1	8.6	2.2	1.8	2.3	2.4	8.1
PAT Growth YoY	50%	13%	-1%	19%	-9%	4%	38%	-8%	-6%	-11%	6%	-22%	21%	80%	-7%	10%
EPS	2.30	2.15	1.85	6.30	5.31	8.05	2.73	1.53	1.90	1.88	7.74	1.98	1.66	2.03	2.12	7.31
DPS	-	-	-	-	-	2.50	2.50	-	-	-	3.00	3.00	-	-	-	3.50
BVPS	48.8	46.5	44.5	48.8	41.7	44.6	44.6	42.9	41.7	40.2	41.3	41.3	39.9	38.8	36.4	38.3
Interest Earned	28.7	23.5	21.5	73.7	42.8	60.7	17.9	15.5	14.2	13.2	50.3	13.1	12.6	12.5	12.1	47.8
Interest Expense	18.2	13.9	11.7	43.7	20.3	29.8	9.5	7.9	6.3	6.2	24.4	6.4	6.1	6.0	5.9	23.1
Interest Earned growth	86%	66%	63%	72%	74%	21%	37%	23%	13%	9%	5%	14%	10%	-1%	0%	-5%
Interest Expense growth	131%	120%	89%	115%	71%	22%	49%	29%	5%	4%	5%	15%	10%	-3%	0%	-9%

Analyst

Saad Khan

Saad.khan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext: 810