

Bank Al Habib (BAHL)

1Q2018 EPS of Rs1.9, down 10% YoY (-8% QoQ)

In-line with expectations

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Umair Naseer^{AC}

umair.naseer@topline.com.pk

Tel: +9221-35303330

Topline Securities, Pakistan

Earnings down amid lower capital gains

BAHL: Financial Highlights					
Rsmn	1Q2018	1Q2017	YoY	4Q2017	QoQ
Markup interest earned	13,209	12,147	9%	13,090	1%
Markup interest expensed	6,173	5,939	4%	6,366	-3%
Net Interest Income	7,036	6,208	13%	6,724	5%
NPL provisioning/reversal	(271)	(202)	NM	(387)	NM
Total provisioning expense	(271)	(202)	NM	(277)	NM
Non Interest Income	1,498	2,040	-27%	1,608	-7%
Non Interest Expense	5,415	4,822	12%	5,106	6%
Profit before Tax	3,389	3,628	-7%	3,503	-3%
Taxation	1,320	1,317	0%	1,260	5%
Profit attributable to equity holder	2,071	2,307	-10%	2,245	-8%
EPS	1.9	2.1		2.0	

Source: PSX, Topline Research

- Bank Al-Habib (BAHL) reported earnings of Rs2.1bn (EPS Rs1.9), down 10% YoY primarily due to lower capital gains during the quarter.
- In 1Q2018, Net Interest Income (NII) of the bank registered growth of 13% YoY to Rs7bn mainly driven by strong volumetric deposit growth and higher interest rates. NII of the bank remained in line with expectations.
- The bank continued to booked provision reversals against NPLs amid NPL recoveries given low NPL ratio and improving macros.

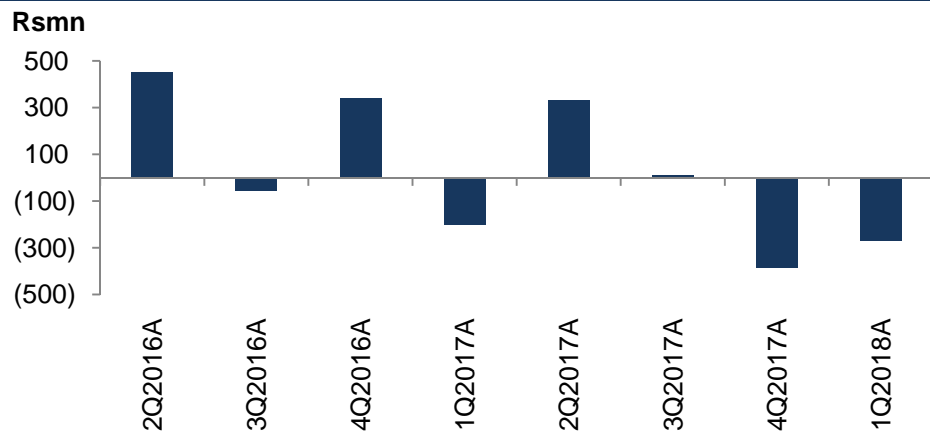
Earnings down amid lower capital gains

- The bank booked provision reversals of Rs271mn in 1Q2018 vs. a reversal of Rs202mn in 1Q2017.
- Non-interest income of the bank was 27% YoY lower in 1Q2018 compared to same period last year, driven by lower capital gains. Capital gains during 1Q2018 clocked in at Rs47mn vs. Rs770mn in 1Q2017 leading to lower profits. Fee & commission income and income from dealing in FCY continued to register strong growth.
- Non-interest expense of the bank increased by 12% to Rs5.4bn in line with quarterly average.
- On QoQ basis, earnings were down 8% as non-interest income was down 7% QoQ. NII of the bank registered 5% QoQ growth in 1Q2018 amid growing balance sheet and higher interest rates.
- Key risks for the company include 1) lower than expected hike in interest rate, 2) lower than expected advances and deposit growth, and 3) deterioration in Pakistan macros.

BAHL: Key Numbers					
	2013A	2014A	2015A	2016A	2017A
EPS	4.7	5.8	6.6	7.3	7.8
Earnings Growth	-5%	24%	14%	11%	6%
PE at Rs75	16.0	13.0	11.4	10.2	9.6
Dividend Yield	3%	4%	4%	5%	4%
ROE	20%	19%	19%	19%	18%
PBV	3.3	2.5	2.2	1.9	1.7

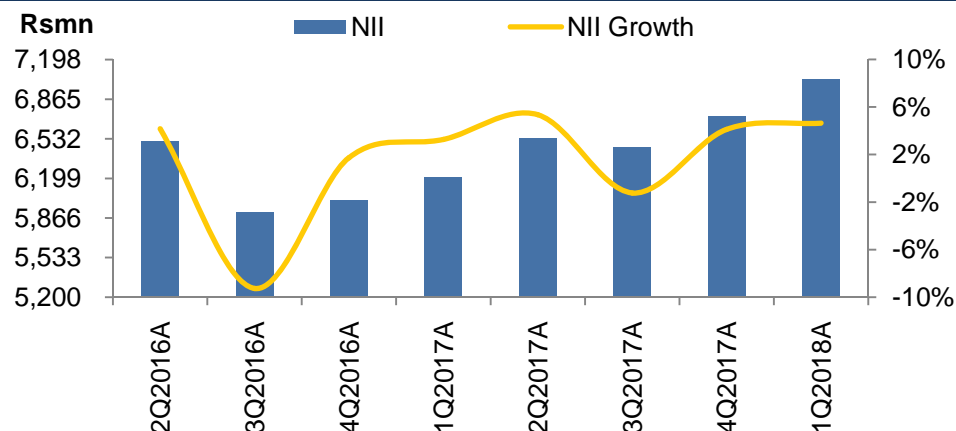
Source: Company Accounts, Topline Research

BAHL: Quarterly NPL provisioning / Reversal



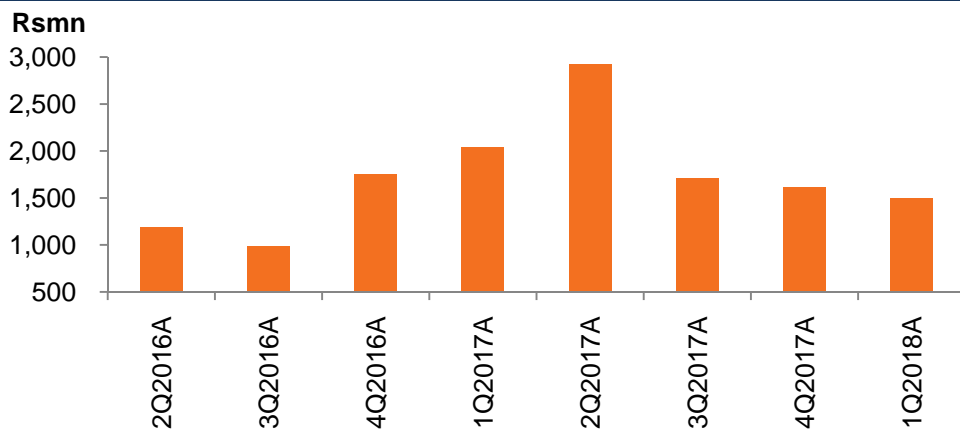
Source: Company Accounts, Topline Research

BAHL: Quarterly NII and NII Growth



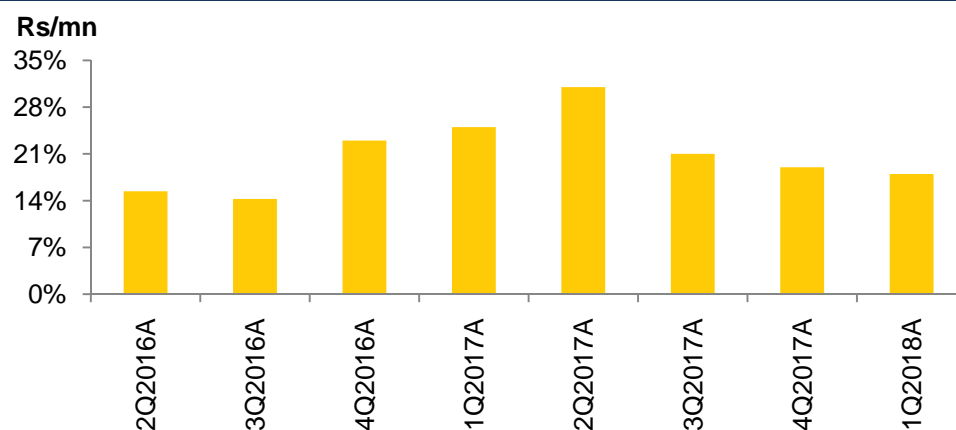
Source: Company Accounts, Topline Research

BAHL: Quarterly Non interest income



Source: Company Accounts, Topline Research

BAHL: Quarterly Non Interest Income to Total Income



Source: Company Accounts, Topline Research

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