

# Bank Al Habib (BAHL)

4Q2017 EPS of Rs2, down 17% YoY; 2017 EPS of Rs7.8, up 6%

Final Cash Dividend of Rs3/share

Above expectations

Umair Naseer<sup>AC</sup>

umair.naseer@topline.com.pk

Tel: +9221-35303330

Topline Securities, Pakistan



www.jamapunji.pk

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## Earnings better than expectations; payout on lower side

### BAHL: Financial Highlights

Rsmn	4Q2017	YoY	QoQ	2017	2016	YoY
Markup interest earned	13,090	14%	4%	50,316	47,820	5%
Markup interest expensed	6,366	15%	4%	24,385	23,132	5%
Net Interest Income	6,724	12%	4%	25,932	24,688	5%
NPL provisioning/reversal	(387)	NM	NM	(246)	(441)	NM
Total provisioning expense	(137)	NM	NM	(111)	(638)	NM
Non Interest Income	1,608	-8%	-6%	8,281	5,122	62%
Non Interest Expense	5,106	34%	-3%	20,271	7,252	17%
Profit before Tax	3,503	-8%	23%	14,052	3,196	6%
Taxation	1,260	16%	24%	5,398	5,051	7%
Profit attributable to equity holder	2,245	-17%	22%	8,654	8,143	6%
<b>EPS</b>	<b>2.0</b>			<b>7.8</b>	<b>7.3</b>	

Source: PSX, Topline Research

- BAHL reported 4Q2017 earnings of Rs2/share slightly higher than our estimates of Rs1.6/share. However, the dividend payout remained lower than expectations and lower from last year's cash dividend of Rs3.5/share. The bank has opted for a lower payout in order to support Capital Adequacy Ratio (CAR) of the bank in wake of future advances growth, we believe.
- Net Interest Income (NII) of BAHL was up 12% YoY to Rs6.7bn mainly driven by volumetric deposit growth. This remained largely in line with our estimates.

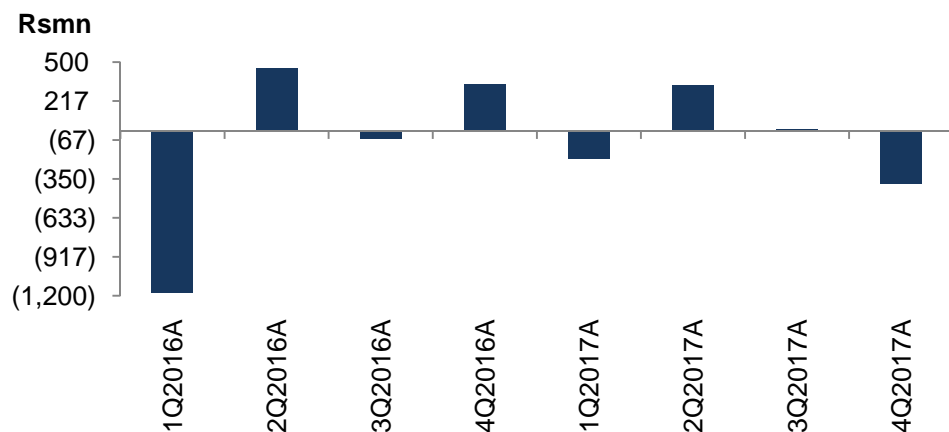
## Earnings better than expectations; payout on lower side

- The bank booked loan provisions reversal of Rs387mn in 4Q2017 as the bank continue to enjoy coverage of well over 100% & loss ratio of 2%. Provisions against equity investment due to fall in equity markets, stood at Rs250mn taking net provisions to Rs137mn.
- Non-interest income of B AHL was down 8% due to lower capital gains whereas Non-interest expense surged by 34% contributing to lower earnings.
- In 2017, B AHL reported earnings of Rs7.8/share, up 6%. NII of the bank increased by 5% whereas non markup income surged by 62% that supported bottom-line.
- The stock is trading at a PE and PBV of 7.9x and 1.4x respectively with ROE of 19% and we maintain our 'Buy' rating. Key risks for the company include 1) delay in hike in policy rate, 2) low than expected advances growth and deposit growth, and 3) deterioration in Pakistan macros.

<b>BAHL: Key Numbers</b>					
	<b>2013A</b>	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>
EPS	4.7	5.8	6.6	7.3	7.8
Earnings Growth	-5%	24%	8%	8%	6%
PE at Rs68	14.5	11.7	8.7	8.7	8.7
Dividend Yield	3%	4%	4%	5%	4%
ROE	20%	19%	19%	19%	18%
PBV	3.0	2.3	2.0	1.8	1.6

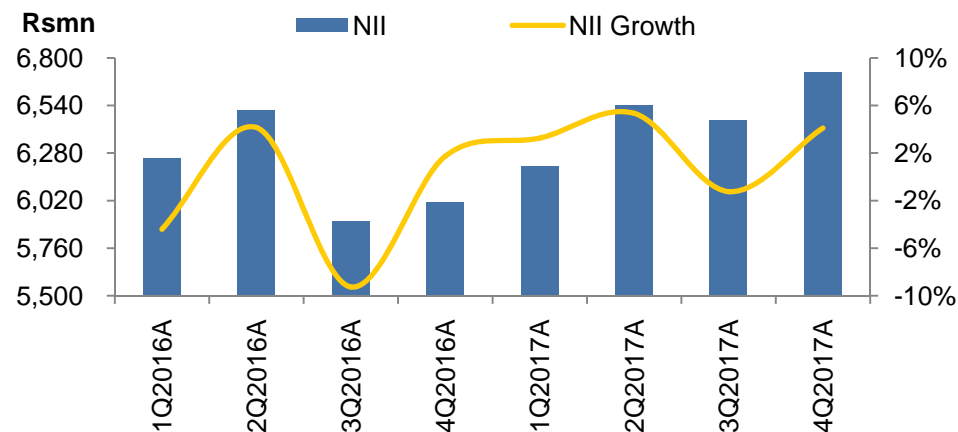
Source: Company Accounts, Topline Research

### BAHL: Quarterly NPL provisioning / Reversal



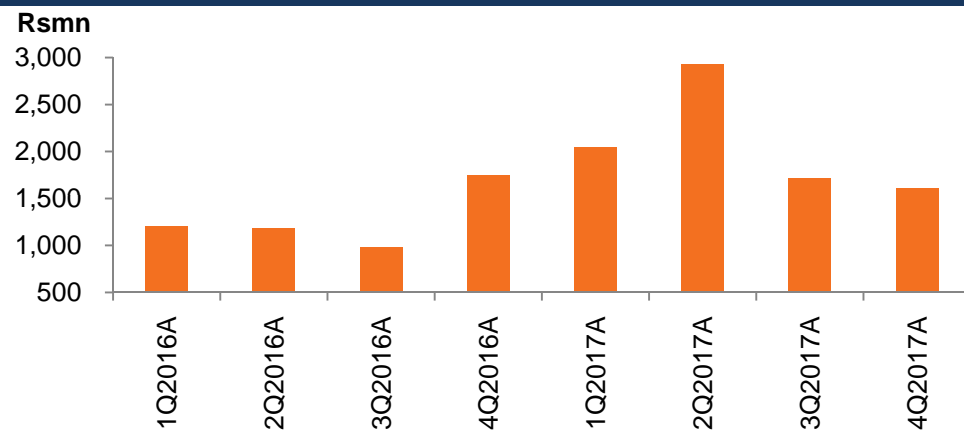
Source: Company Accounts, Topline Research

### BAHL: Quarterly NII and NII Growth



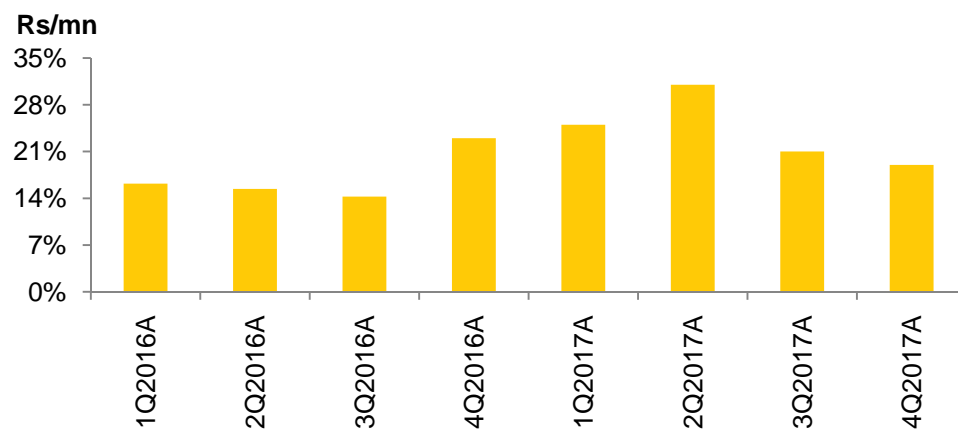
Source: Company Accounts, Topline Research

### 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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