

# Flash Note

Thursday, 26 January 2017

## Commercial Banks

### BAHL: Despite hefty NPL reversals, flattish interest income growth restricted bottom-line growth to 10%; EPS 7.31/share, DPS 3.5/share

- For CY16, BAHL reported earnings of PKR 8.1bn or PKR 7.31/share, up by +10%YoY (CY15: PKR 7.4bn or PKR 6.7/share)
- The company announced a PKR 3.5/share cash dividend (CY15: PKR 3.5/share)
- For the 4QCY16, earnings clocked in at PKR 2.8bn or PKR 1.89/share (9MCY16: 4.78/share, no cash dividend)
- Company's net interest income showed a meagre decline of 1%YoY to PKR 24.7bn (CY15: PKR 24.8bn), led by a 5% decline in interest income earned.
- Non-interest income surged by +12%YoY to PKR 5.1bn (PKR 1.7bn in 4QCY16 alone, +79%QoQ) on account of taking +10%YoY growth in fee income and hefty realisation of capital gain in the last quarter, PKR 673mn taking CY16 total capital gain to PKR 719mn.
- Operating expenses recorded +14%YoY growth, led by branch expansion and technology upgradation.
- BAHL booked provisioning against Non-performing loans (NPL)s to the tune of PKR 226mn in 4QCY16, taking CY16 total reversal against NPL to PKR 441mn (BAHL recorded a sizeable reversal of PKR 1.2bn in 1QCY16).

Exhibit:

#### BAHL Result Highlights

PKRmn (Period end=Dec)	CY16	CY15	YoY	4QCY16	QoQ
INTEREST INCOME	24,672	24,817	-1%	6,008	2%
NON-INTEREST INCOME	5,052	4,511	12%	1,713	79%
TOTAL REVENUE	29,724	29,328	1%	7,721	13%
OPERATING EXPENSES	17,198	15,036	14%	3,799	-13%
NPL (REV.) / PROV.	(638)	1,960	-133%	29	-49%
PRE-TAX PROFITS	13,164	12,332	7%	3,892	60%
TAXATION	5,045	4,927	2%	1,085	20%
PROFIT AFTER TAX	8,119	7,405	10%	2,807	84%
EPS (PKR)	7.31	6.66		1.89	
DPS (PKR)	3.50	3.50		3.50	
BVPS (PKR)	35.6	34.1		35.6	

#### KEY RATIOS

COST-TO-INCOME RATIO	58%	51%		49%	
EFFECTIVE TAX RATE	38%	40%		28%	
NON-INTEREST INCOME / TOTAL INCOME	17%	15%		22%	

Source: IGI Research, Company Financials

#### Recommendation

We maintain our "BUY" call on the scrip with our Dec-17 TP of PKR 82/share, offering upside of +40% from last closing. BAHL is currently trading at CY17E P/E of 8.0x and P/B of 1.4x, with an estimated ROE of ~18%.

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