

# Flash Note

Friday, 20 October 2017

## Commercial Banks

### HBL: 3QCY17 EPS (ex-penalty) down by 2%YoY, arrested by PKR 3.3bn capital gains

- Habib Bank Limited (HBL), for the period 3QCY17, reported consolidated loss of PKR 14.1bn (EPS PKR 9.7) compared to last year's profit of PKR 9.8bn (EPS PKR 6.7). This brings 9MCY17 cumulative earnings to PKR 1.6bn (EPS PKR 0.87) compared to PKR 25.7bn (EPS PKR 17.55) for same period last year.
- Major drop in earnings occurred due to realization of USD 225mn/PKR 23.7bn penalty pertaining to non-compliance of US regulations by the New York Branch.
- With respect to income sheet items, net interest income showed a decline of 1%YoY owing to inflated interest expense (up by +8%YoY), while non-interest income rose by +26%YoY on the back of higher capital gains (up by +74%YoY) and robust fee income (up by +21%YoY). Resultantly, total revenue rose by +6%YoY to PKR 30.4bn.
- Simultaneously, bank's operating expenses rose by +14%YoY while provision reversal declined by 75%YoY, depressing pre-tax profit (ex-penalty) by 3%YoY to PKR 14.8bn.
- The bank has not announced any cash dividend for 3QCY17, keeping 9MCY17 total cash dividend to PKR 7.0/share.

Exhibit:

#### HBL Result Highlights

PKRmn (Period end=Dec)	3QCY17	3QCY16	YoY	2QCY17	QoQ	9MCY17	9MCY16	YoY
Interest Earned	37,086.9	36,137.3	3%	37,370.6	-1%	109,389.6	107,373.4	2%
Interest Expensed	16,512.6	15,331.1	8%	16,095.2	3%	47,413.9	45,143.9	5%
<b>Net Interest Income</b>	<b>20,574.3</b>	<b>20,806.1</b>	<b>-1%</b>	<b>21,275.4</b>	<b>-3%</b>	<b>61,975.7</b>	<b>62,229.5</b>	<b>0%</b>
Fee Income	5,319.3	4,379.7	21%	5,407.7	-2%	15,520.5	13,587.3	14%
Capital Gain & Div. Income	3,334.5	1,916.2	74%	1,157.7	1.88x	5,901.5	4,394.1	34%
<b>Non-Interest Income</b>	<b>9,861.0</b>	<b>7,847.8</b>	<b>26%</b>	<b>8,120.4</b>	<b>21%</b>	<b>26,294.8</b>	<b>22,179.3</b>	<b>19%</b>
Total Revenue	30,435.3	28,654.0	6%	29,395.8	4%	88,270.5	84,408.8	5%
Operating Expenses	15,761.2	13,791.1	14%	14,891.3	6%	44,717.8	39,793.6	12%
Pre-Provisioning Profits	14,674.1	14,862.9	-1%	14,504.4	1%	43,552.6	44,615.2	-2%
NPL (Rev.) / Prov.	- 83.1	- 332.7	-75%	839.8	n.m	1,078.2	1,121.5	-4%
Extra-Ordinary Items	- 23,717					- 23,717		
Pre-Tax Profits	14,757.2	15,195.5	-3%	13,664.6	8%	42,474.4	43,493.7	-2%
Taxation	5,162.8	5,412.1	-5%	7,067.2	-27%	17,202.9	17,738.97	-3%
<b>Profit After Tax</b>	<b>- 14,122.7</b>	<b>9,783.4</b>	<b>n.m</b>	<b>6,597.4</b>	<b>n.m</b>	<b>1,554.4</b>	<b>25,754.7</b>	<b>-94%</b>
EPS (PKR)	- 9.70	6.61		4.41		0.87	17.47	
DPS (PKR)	-	3.50		3.50		7.00	10.50	
BVPS (PKR)	122.9	134.5		136.1				
<b>KEY RATIOS</b>								
Cost-To-Income Ratio	52%	48%		51%		51%	47%	
Effective Tax Rate	35%	36%		52%		41%	41%	
Non-II / Total Income	32%	27%		28%		30%	26%	

SOURCE: IGI Research, Company accounts, PSX notifications

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