

## Commercial Banks

### HBL: Profitability up by +10%YoY to PKR 23.9/share

- Habib Bank Limited (HBL) reported its CY15 earnings of PKR 35.1bn (EPS PKR 23.9) up by +10%YoY.
- Bank also announced a PKR 3.5/share cash dividend along with the result. This brings CY15 total payout to PKR 14.0/share.
- On quarterly basis, bank's 4QCY15 profitability clocked in at PKR 7.6bn (EPS PKR 5.18) down by 24%YoY.
- During the quarter, non-interest income came down by 36%QoQ/9%YoY to PKR 7.2bn. Although FX and Fee Income both recorded double digit growth, but this in our view was done on the expense of other income head.
- Bank booked in provisioning charge against advances to the tune of PKR 2.3bn in 4QCY15, bringing CY15 total charge to PKR 4.8bn
- Bank's operating cost is up by +17%YoY in CY15, by far the highest seen in top5 banks.

#### Recommendation

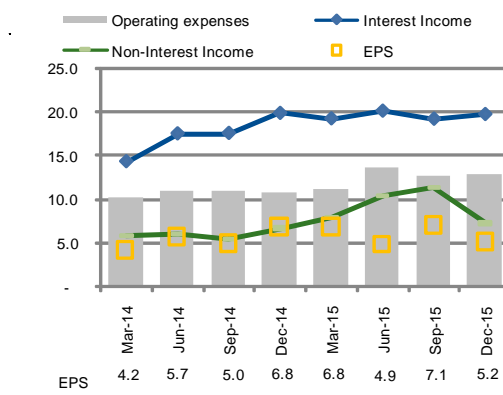
We will soon be revisiting our investment case on HBL.

#### Exhibit: Financial Highlights

PKRmn (Period end=Dec)	4QCY15	4QCY14	YoY	CY15	CY14	YoY
Interest Income	19,713	19,837	-1%	78,169	69,087	13%
Non-Interest Income	7,187	6,577	9%	36,584	23,512	56%
Total Revenue	26,900	26,414	2%	114,753	92,599	24%
Operating expenses	12,695	10,717	18%	49,959	42,590	17%
PPOP	14,205	15,697	-10%	64,794	50,008	30%
Provisioning Charge	1,790	373	380%	4,508	1,493	202%
Pre-Tax Profits	12,415	15,324	-19%	60,286	48,515	24%
Taxation	4,820	5,330	-10%	25,185	16,695	51%
Profit After Tax	7,596	9,994	-24%	35,102	31,820	10%
EPS	5.18	6.81		23.93	21.69	
DPS	3.50	5.50		14.00	12.00	

Source: IGI Research, Company Financials, KSE

#### Exhibit: Bank's Quarterly Earnings



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### Analyst Certification

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Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

### Valuation Methodology

The analyst<sup>^</sup> has used following valuation methodology to arrive at the target price of the said security (ies):

- Justified Price-to-book
- Dividend Discount Model

### Time Horizon

- Dec-16

### Risk

- Changes in State Bank of Pakistan Policy Rate
- Change in Country (Pakistan) macro-economic environment
- Changes in Company(ies) operating structure

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