

Flash Note

Thursday, 20 April 2017

Commercial Banks

HBL: Higher Interest earning income and lower operating expense, lifts quarterly earnings to PKR 6.16/share (up by +7%QoQ)

- Habib Bank Limited (HBL) reported consolidated earnings for the 1QCY17 of PKR 9.08bn (or PKR 6.16/share) up by +7%QoQ (or +0.1%YoY).
- The bank announced PKR 3.50/share cash dividend along with the result.
- During the quarter, bank interest earned increased by +4%QoQ, which helped increase net interest income by +2%QoQ to PKR 20.1bn, despite a +6%QoQ increase in interest expense.
- Moreover, bank's operating expense declined by 12%QoQ (one-off expense recorded in 4QCY16) to PKR 14.06bn which helped rescue bank's bottom-line.

Exhibit:

HBL Result Highlights

| PKRmn (Period end=Dec) | 1QCY17 | 1QCY16 | YoY | 4QCY16 | QoQ |
|----------------------------|---------------|---------------|-----------|---------------|------------|
| Interest Earned | 34,932 | 35,705 | -2% | 33,716 | 4% |
| Interest Expensed | 14,806 | 15,520 | -5% | 13,994 | 6% |
| Interest Income | 20,126 | 20,184 | 0% | 19,722 | 2% |
| Fee Income | 4,793 | 4,281 | 12% | 5,066 | -5% |
| Capital Gain & Div. Income | 1,409 | 755 | 87% | 2,222 | -37% |
| Non-Interest Income | 8,313 | 6,532 | 27% | 8,882 | -6% |
| Total Revenue | 28,439 | 26,716 | 6% | 28,604 | -1% |
| Operating Expenses | 14,065 | 12,395 | 13% | 15,977 | -12% |
| Pre-Provisioning Profits | 14,374 | 14,321 | 0% | 12,627 | 14% |
| NPL (Rev.) / Prov. | 322 | 468 | -31% | (404) | n.m |
| Pre-Tax Profits | 14,053 | 13,853 | 1% | 13,031 | 8% |
| Taxation | 4,973 | 4,819 | 3% | 4,580 | 9% |
| Profit After Tax | 9,032 | 9,022 | 0% | 8,452 | 7% |

| | | | |
|------------|--------|--------|--------|
| EPS (PKR) | 6.16 | 6.15 | 5.76 |
| DPS (PKR) | 3.50 | 3.50 | 3.50 |
| BVPS (PKR) | 136.46 | 129.84 | 133.80 |

KEY RATIOS

| | | | |
|-----------------------|-----|-----|-----|
| Cost-To-Income Ratio | 49% | 46% | 56% |
| Effective Tax Rate | 35% | 35% | 35% |
| Non-II / Total Income | 29% | 24% | 31% |

SOURCE: IGI Research, Company accounts, PSX notifications

Recommendation

With a forward P/B of 1.8x and dividend yield of 5.3%, we recommend "BUY" call on HBL with our Dec-17 target price of PKR 307/share, scrip offers +16% upside from its last closing of PKR 264/share.

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|----------------|--|
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