

# Flash Note

Friday, 24 July 2020

## Commercial Banks

### Habib Bank Limited (HBL)

#### Reduced deposit cost, higher non-funded income pushed revenues to over PKR 46bn, bringing EPS to 7.53 (up by +16x y/y); Cash dividend –nil-

- ✓ On a consolidated basis, Habib Bank Limited (HBL) posted earnings of PKR 11bn or PKR 7.53/share up by a +16x y/y for 2q 2020. On a quarterly basis and up by 2x on q/q basis.
- ✓ The bank did not announce any cash dividend which according to the bank is in compliance with the directives of SBP.
- ✓ From result bank's total revenue increased by a +79% y/y to PKR 46bn led by a growth of +44% y/y in net interest income and +8x y/y growth in non-interest income. Under non-funded income, bank posted PKR ~5.0bn income on capital gain and derivative trading. Absence of FX loss and a relatively steady fee income of PKR 4.2bn helped lift non-fund income. Moreover, bank's admin expenses also declined by 6%/y/y to PKR 22bn pulling down its C/I to ~49% (77% in previous qtr). On pre-provisioning profits basis, bank reported an increase of +11x y/y to PKR 23.5bn (in perspective HBL reported PPOP of PKR 32.2bn in CY19) and recorded a net provisioning charge of PKR 4.8bn (PKR 0.6bn in 1q of 2020).

#### Exhibit: Habib Bank Limited (HBL) Financial highlights

Period end (Dec) - PKRbn	2q/20	1q/20	2019	4q/19	3q/19	2q/19	1q/19	2018	4q/18	3q/18	2q/18	1q/18
Interest Income	35.1	28.0	101.3	27.3	26.4	24.3	23.4	81.7	20.6	20.8	20.2	19.7
NII Growth YoY	44%	20%	24%	33%	26%	20%	19%	0%	4%	1%	-5%	-2%
-- Fee Income	4.2	4.7	20.4	5.0	4.8	5.4	5.3	18.0	5.3	3.5	4.7	4.5
-- Treasury Income	5.5	0.9	(0.6)	0.6	2.1	(3.6)	0.4	(1.3)	(1.7)	0.7	0.8	(0.3)
-- Other	1.2	0.2	4.3	2.8	1.0	(0.4)	1.0	3.2	0.8	0.6	0.2	1.2
Non-Interest Income	10.9	5.8	24.2	8.4	7.8	1.3	6.6	19.9	4.4	4.7	5.7	5.4
NFI Growth YoY	724%	-13%	21%	90%	65%	-77%	22%	-42%	-44%	-52%	-30%	-35%
Total Revenue	45.9	33.8	125.5	35.7	34.2	25.7	30.0	101.6	25.0	25.6	25.9	25.1
Non-II / Total Revenue	24%	17%	19%	24%	23%	5%	22%	20%	18%	19%	22%	22%
Total Revenue Growth YoY	79%	13%	24%	43%	34%	-1%	19%	-12%	-10%	-16%	-12%	-12%
Admin	22.0	25.6	92.2	23.3	24.0	23.5	21.4	77.4	21.1	20.1	18.5	17.7
Operating Expenses	22.4	26.0	93.3	23.5	24.5	23.6	21.7	75.0	17.8	20.3	18.9	17.9
OPEX Growth YoY	-5%	20%	24%	32%	21%	25%	21%	20%	1%	29%	27%	27%
Cost-To-Income Ratio	49%	77%	74%	66%	72%	92%	72%	74%	71%	79%	73%	71%
PPOP	23.5	7.8	32.2	12.1	9.7	2.1	8.4	26.6	7.2	5.2	7.0	7.3
PPOP Growth YoY	1046.6%	-7.1%	21.1%	68.6%	84.1%	-70.6%	15.1%	-50.4%	-28.2%	-64.2%	-51.9%	-49.5%
Provisioning Charge	4.8	0.6	3.3	1.5	1.3	0.6	(0.1)	5.0	3.3	1.7	0.2	(0.1)
EO/one-offs	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Profits	18.7	7.1	28.9	10.6	8.4	1.5	8.4	21.6	3.9	3.6	6.8	7.4
Taxation	7.6	3.0	13.4	3.9	3.5	0.7	5.3	9.1	1.4	1.8	3.3	2.7
Effective Tax Rate	41%	42%	46%	37%	42%	49%	62%	42%	35%	50%	49%	36%
Profit After Tax	11.05	4.10	15.3	6.70	4.93	0.65	3.05	12.1	2.5	1.7	3.4	4.5
PAT Growth YoY	1595%	34%	27%	165%	186%	-81%	-33%	-179%	-115%	-82%	-49%	-50%
EPS	7.53	2.79	10.45	4.56	3.36	0.44	2.08	8.22	1.73	1.18	2.29	3.10
DPS	-	1.25	5.00	1.25	1.25	1.25	1.25	4.00	1.00	1.00	1.00	1.00
BVPS	166.98	160.70	153.22	153.22	145.53	142.98	139.18	135.83	135.84	133.06	133.65	133.68
Interest Earned growth	18%	41%	56%	57%	72%	55%	39%	12%	25%	12%	3%	6%
Interest Expense growth	1%	59%	88%	74%	118%	92%	63%	26%	47%	25%	14%	17%

No. of shares: 1466.9mn

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