

Flash Note

Monday, 19 March 2018



Securities

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Commercial Banks

HBL: Earnings end CY17 on a disappointing note

- Habib Bank Limited (HBL), for the period 4QCY17, reported consolidated earnings of PKR 6.6bn (EPS PKR 4.47), bringing CY17 cumulative earnings to PKR 7.8bn (EPS PKR 5.34). To recall, the bank incurred penalty of PKR 23.72bn or PKR 16/share during 3QCY17 on account of its NY Branch.
- The bank announced cash dividend of PKR 1.00/share in addition to PKR (3.5+3.5) 7.00/share dividend it paid in 1HCY17, which is contrary to market consensus.
- Nevertheless, bank's net interest income rose by +7%YoY due to a +15% growth in earning interest. However, decline of 26% in non-interest income dragged down total revenue by 3% to PKR 27.7bn. Key surprises on non-interest income include losses in FX income and share of JV and associates, while fee income failed to impress, posting PKR 3.98bn (lowest since 2015).
- Moreover, bank's opex recorded a substantial growth of +18%YoY in 4QCY17 stretching its cost-income ratio to 68% (a record high). To recall, back in Sep-17 the management attributed higher cost to penalty related remediation costs.
- Slight relief came from provisioning reversal to the tune of PKR 1.2 against its loan book and on off-balance sheet transaction.

Exhibit:

HBL Result Highlights

| PKRmn (Period end=Dec) | 4QCY17 | 4QCY16 | YoY | CY17 | CY16 | YoY |
|----------------------------|---------------|---------------|-------------|---------------|---------------|-------------|
| Interest Earned | 38,621 | 33,716 | 15% | 148,010 | 141,089 | 5% |
| Interest Expensed | 17,529 | 13,994 | 25% | 64,943 | 59,138 | 10% |
| Net Interest Income | 21,092 | 19,722 | 7% | 83,067 | 81,951 | 1% |
| Fee Income | 3,999 | 5,066 | -21% | 19,519 | 18,653 | 5% |
| Capital Gain & Div. Income | 3,083 | 2,222 | 39% | 8,984 | 6,616 | 36% |
| Non-Interest Income | 6,594 | 8,882 | -26% | 32,889 | 31,062 | 6% |
| Total Revenue | 27,686 | 28,604 | -3% | 115,957 | 113,013 | 3% |
| Operating Expenses | 18,824 | 15,977 | 18% | 63,541 | 55,771 | 14% |
| Pre-Provisioning Profits | 8,863 | 12,627 | -30% | 52,415 | 57,242 | -8% |
| Provision (Rev.) / Charge | (1,194) | (404) | 1.95x | (115) | 718 | n.m |
| Pre-Tax Profits | 10,055 | 13,031 | -23% | 52,529 | 56,525 | -7% |
| Taxation | 3,428 | 4,580 | -25% | 20,631 | 22,319 | -8% |
| Profit After Tax | 6,558 | 8,452 | -22% | 7,828 | 34,206 | -77% |
| EPS (PKR) | 4.47 | 5.76 | | 5.34 | 23.32 | |
| DPS (PKR) | 1.00 | 3.50 | | 8.00 | 14.00 | |
| BVPS (PKR) Est. | 127.39 | 133.80 | | | | |
| KEY RATIOS | | | | | | |
| Cost-To-Income Ratio | 68% | 56% | | 55% | 49% | |
| Effective Tax Rate | 34% | 35% | | 39% | 39% | |
| Non-Il / Total Income | 24% | 31% | | 28% | 27% | |

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1466.9

Analyst

Syed Daniyal Adil

daniyal.adil@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 973

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Research Team

| | | | |
|-------------------|----------------------|------------------------------------|----------------------------|
| Saad Khan | Head of Research | Tel: (+92-21) 111-234-234 Ext: 810 | saad.khan@igi.com.pk |
| Abdullah Farhan | Senior Analyst | Tel: (+92-21) 111-234-234 Ext: 912 | abdullah.farhan@igi.com.pk |
| Syed Daniyal Adil | Research Analyst | Tel: (+92-21) 111-234-234 Ext: 973 | daniyal.adil@igi.com.pk |
| Suleman Ashraf | Research Analyst | Tel: (+92-21) 111-234-234 Ext: 957 | suleman.ashraf@igi.com.pk |
| Muhammad Saad | Research Analyst | Tel: (+92-21) 111-234-234 Ext: 816 | muhammad.saad@igi.com.pk |
| Tanweer Kabbeer | Research/Fund Select | Tel: (+92-21) 111-234-234 Ext: 966 | tanweer.kabbeer@igi.com.pk |
| Umesh Solanki | Database Manager | Tel: (+92-21) 111-234-234 Ext: 974 | umesh.solanki@igi.com.pk |

Equity Sales

| | | | |
|-------------------|--|---------------------------|----------------------------|
| Faisal Jawed Khan | Head of Equities | Tel: (+92-21) 35301779 | faisal.jawed@igi.com.pk |
| Zaeem Haider Khan | Regional Head (North) | Tel: (+92-42) 35777863-70 | zaeem.haider@igi.com.pk |
| Muhammad Naveed | Regional Manager (Islamabad & Upper North) | Tel: (+92-51) 2604861-62 | muhammad.naveed@igi.com.pk |
| Ejaz Rana | Regional Manager (Faisalabad) | Tel: (+92-41) 2540843-45 | ejaz.rana@igi.com.pk |
| Asif Saleem | Branch Manager (RY Khan) | Tel: (+92-68) 5871652-56 | asif.saleem@igi.com.pk |
| Mehtab Ali | Branch Manager (Multan) | Tel: (+92-61) 4512003 | mehtab.ali@igi.com.pk |
| Zeeshan Kayani | Branch Manager (Abbottabad) | Tel: (+92-992) 408243-44 | zeeshan.kayani@igi.com.pk |
| Ihsan Mohammad | Branch Manager (Peshawar) | Tel: (92-91) 5253035 | ihsan.mohammad@igi.com.pk |

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780

Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, PSX Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Tel: (92-992) 408243 - 44

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Peshawar Cantt.
Tel: (92-91) 5253035, 5278448

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area, Islamabad
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah Shopping Center, Opp. Rad
Station, Mansehra Road, Abbottabad
Tel: (+92-99) 2408243 - 44

Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,
Mubarak Pura, Sialkot.
Tel: (+92-52) 3258437, 3258762