

Flash Note

Thursday, 02 August 2018

Commercial Banks

Habib Bank Limited (HBL)

Higher Deposit Cost, Low NFI and Higher OPEX Takes Quarter Net Revenue Position of the Bank to a Record 5Yr Low Level; EPS PKR 2.35 – down by 48%YoY / DPS PKR 1.0

- On consolidated basis, Habib Bank Limited (HBL) reported earnings of PKR 2.35/share or PKR 3.4bn for the 2QCY18, compared to PKR 4.4/share or PKR 6.6bn last year same quarter, posting a decline of 48%YoY. On a quarterly basis, earnings are down by 27%.
- The bank also announced a cash dividend of PKR 1.0/share for the 2QCY18, taking 1HCY18 total payout to PKR 2.0/share
- Biggest disappointment came on banks NII fell by 4%YoY, led by higher interest expense ~+13%YoY (+7%QoQ). Moreover, NFI dropped 31%YoY largely in absence of capital gains.
- Operating expenses are up by +27%YoY (+20%QoQ), in our view due to higher base of pension related cost.
- On provisioning side, bank reported provisioning charge of PKR 0.2bn.

Exhibit:

HBL Result Highlights

PKRmn (Period end=Dec)	2QCY18	2QCY17	YoY	1HCY18	1HCY17	YoY	1QCY18	QoQ
Interest Earned	38,506	37,371	3%	75,529	72,303	4%	37,023	4%
Interest Expensed	18,187	16,095	13%	35,247	30,901	14%	17,060	7%
Net Interest Income	20,319	21,275	-4%	40,283	41,401	-3%	19,964	2%
Fee Income	4,709	5,408	-13%	9,217	10,201	-10%	4,509	4%
Capital Gain & Div. Income	548	1,158	-53%	772	2,567	-70%	224	1.44x
Non-Interest Income	5,578	8,120	-31%	10,743	16,434	-35%	5,165	8%
Total Revenue	25,897	29,396	-12%	51,025	57,835	-12%	25,128	3%
Operating Expenses	18,912	14,891	27%	36,875	28,957	27%	17,963	5%
Pre-Provisioning Profits	6,985	14,504	-52%	14,150	28,879	-51%	7,165	-3%
Provision (Rev.) / Charge	226	840	-73%	21	1,161	-98%	(205)	n.m.
Extraordinary Item	-	-	n.m.	-	-	n.m.	-	n.m.
Taxation	3,318	7,067	-53%	6,001	12,040	-50%	2,682	24%
Profit After Tax	3,440	6,597	-48%	8,128	15,677	-48%	4,688	-27%
EPS (PKR)	2.35	4.41		5.47	10.56		3.12	
DPS (PKR)	1.00	3.50		2.00	7.00		1.00	
BVPS (PKR) Est.	135.03	136.12						
Key Ratio								
Cost-To-Income Ratio	73%	51%		72%	50%			
Effective Tax Rate	49%	52%		42%	43%			
Non-II / Total Income	22%	28%		21%	28%			

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1466.85

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