

Flash Note

Friday, 16 October 2020

Commercial Banks

Habib Bank Limited (HBL)

Lower interest expenses pushed qtrly EPS to PKR 6.85/share (up by +2.0xy/y); Cash dividend –nil–

- On a consolidated basis, Habib Bank Limited (HBL) posted earnings of PKR 10.0bn or PKR 6.85/share up by a +2.0x y/y for 3q 2020. On a quarterly basis profitability is down by 9%q/q. This takes 9m'20 cumulative earnings to PKR 25.2bn or PKR 17.2/share up by +2.9xy/y.
- In compliance with State Bank of Pakistan (SBP) directives of suspension of dividends, the bank did not announce any cash dividend.
- For the Sep-20 ending quarter, bank's total revenue increased by a +26% y/y to PKR ~43.1bn led by +35% y/y growth in net interest income. Bank's interest expense declined by 56% (in 2q +1%y/y, 1q +59%) compared to a 9% decline in interest earned. We suspect this is likely to do away with lower fixed deposit cost and decline in borrowing during the qtr. Nevertheless, bank's non-interest income declined by 5%y/y to PKR 7.4bn, amid 6% and 26%y/y drop in fee and treasury income respectively. Admin expenses declined by 6%y/y to PKR 23.0bn, which brings bank's C/I to ~53% (92% in 3q 2019). Bank's pre-provisioning profit almost doubled to PKR 20.1bn compared to last year, whereas on a 9m basis total PPOP are up by 2.6x. Net provisioning charge reduced by PKR 1.8bn from last qtr to PKR 3.8bn.

Exhibit: Habib Bank Limited (HBL) Financial highlights													
Period end (Dec) - PKRbn	3q/20	2q/20	1q/20	2019	4q/19	3q/19	2q/19	1q/19	2018	4q/18	3q/18	2q/18	1q/18
Interest Income	35.7	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	35%	44%	20%	24%	33%	26%	20%	19%	0%	4%	1%	-5%	-2%
Fee Income	4.5	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	1.5	5.5	0.9	(0.6)	0.6	2.1	(3.6)	0.4	(1.3)	(1.7)	0.7	0.8	(0.3)
-- Capital Gain	1.0	5.0	2.0	(2.8)	(1.0)	0.1	(1.7)	(0.2)	0.1	(0.2)	0.1	0.2	(0.0)
-- Fx Income	0.4	0.5	(1.2)	1.7	1.4	1.9	(2.1)	0.5	(2.4)	(1.8)	0.5	0.3	(0.4)
-- Dividend Income	0.1	0.1	0.1	0.6	0.2	0.1	0.2	0.1	1.0	0.3	0.1	0.3	0.2
Non-Interest Income	7.4	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	-5%	724%	-13%	21%	90%	65%	-77%	22%	-42%	-44%	-52%	-30%	-35%
Total Revenue	43.1	45.9	33.8	125.5	35.7	34.2	25.7	30.0	101.6	25.0	25.6	25.9	25.1
Total Revenue Growth YoY	26%	79%	13%	24%	43%	34%	-1%	19%	-12%	-10%	-16%	-12%	-12%
Admin	(22.6)	(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	(23.0)	(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	-6%	-5%	20%	24%	32%	21%	25%	21%	20%	1%	29%	27%	27%
Cost-To-Income Ratio	-53%	-49%	-77%	-74%	-66%	-72%	-92%	-72%	-74%	-71%	-79%	-73%	-71%
PPOP	20.1	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	108.2%	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	(3.0)	(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	17.1	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	(7.0)	(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%	-41%	-42%	-46%	-37%	-42%	-49%	-62%	-42%	-35%	-50%	-49%	-36%
Profit After Tax	10.1	11.1	4.1	15.3	6.7	4.9	0.7	3.2	12.1	2.5	1.8	3.4	4.7
PAT Growth YoY	106%	1378%	29%	27%	164%	175%	-78%	-32%	42%	-115%	-81%	-48%	-48%
EPS	6.9	7.6	2.8	10.5	4.6	3.3	0.5	2.2	8.2	1.7	1.2	2.3	3.2
DPS	-	-	1.25	5.00	1.25	1.25	1.25	1.25	4.00	1.00	1.00	1.00	1.00
Interest Earned growth	-9%	18%	41%	56%	57%	72%	55%	39%	12%	25%	12%	3%	6%
Interest Expense growth	-56%	1%	59%	88%	74%	118%	92%	63%	26%	47%	25%	14%	17%

Source: PSX, IGI Research,

No. of shares: 1466.9mn

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Time Horizon: Dec – 2020

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