

Flash Note

Friday, 22 April 2016

Commercial Banks

HBL: 1QCY16 Profitability up by +19%QoQ to PKR 6.16/share

- Habib Bank Limited (HBL) reported its 1QCY16 earnings of PKR 9.0bn (or PKR 6.16/share) up by +19%QoQ. On yearly basis, bank's profitability is down by 9%. Along with result, the bank announced a PKR 3.5/share cash dividend.
- Overall revenue of the bank witnessed a drop of 1%QoQ to PKR 26.9bn led by meagre 2%QoQ growth in interest income and 9%QoQ decline in non-interest income – owing to lower capital gains and Fee income.
- However, bank provision charge was considerably low, to PKR 0.47bn compared to previous quarter PKR 1.8bn, which helped offset overall impact of lower revenue stream during the quarter. Lower provision charge is likely due to slower accretion in domestic NPLs, we believe. Moreover, bank's operating expense recorded a 2%QoQ (+11%YoY) increase owing to ongoing branch expansion, we view.

Recommendation

At current price of PKR 175/share, we recommend a 'BUY' based on our Dec-16 target price of PKR 253/share, offering a sizeable +45% upside. The scrip is trading at CY16F P/B of 1.3x and P/E of 7.1x, offering a decent 8.0% dividend yield.

Exhibit: Financial Highlights

PKRmn (Period end=Dec)	1QCY16	1QCY15	YoY	4QCY15	QoQ
Interest Income	20,184	19,198	5%	19,713	2%
Non-Interest Income	6,532	7,811	-16%	7,187	-9%
Total Revenue	26,716	27,009	-1%	26,900	-1%
Operating expenses	12,395	11,150	11%	12,695	-2%
Pre-provisioning Operating Profits	14,321	15,859	-10%	14,205	1%
Provisioning Charge	468	556	-16%	1,790	-74%
Pre-Tax Profits	13,853	15,303	-9%	12,415	12%
Taxation	4,819	5,332	-10%	4,820	0%
Profit After Tax	9,035	9,971	-9%	7,596	19%
EPS	6.16	6.80		5.18	
DPS	3.50	3.50		3.50	
BVPS	127.2	120.2	6%	124.5	2%

Source: IGI Research, Company Financials

Analyst

Saad Khan

saad.khan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 810

Analyst Certification

The analyst[^] hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer

This document has been prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose.

Rating system

IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- Justified Price to book

Time Horizon

- Dec-16

Risk

- Changes in State Bank of Pakistan Policy Rate

Contact Details

Research Team

Saad Khan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext.: 810	saad.khan@igi.com.pk
Rashmina Lalani	Senior Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 826	rashmina.lalani@igi.com.pk
Abdullah Farhan	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 912	abdullah.farhan@igi.com.pk
Yawar Saeed	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 973	yawar.saeed@igi.com.pk
Abdul Sajid	Database	Tel: (+92-21) 111-234-234 Ext.: 974	abdul.sajid@igi.com.pk
Umesh Solanki	Database Assistant	Tel: (+92-21) 111-234-234 Ext.: 966	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	Branch Manager (Islamabad)	Tel: (+92-51) 2604861-2	muhammad.naveed@igi.com.pk
Gul Hussain	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	gul.hussain@igi.com.pk
Laiq-Ur-Rehman	Branch Manager (RY Khan)	Tel: (+92-68) 5871653-6	Laiq.queeshi@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Karachi Stock Exchange Limited and Lahore 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, KSE 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- Liaquat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

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