

# Flash Note

Wednesday, 20 February 2019

## Commercial Banks

### Habib Bank Limited (HBL)

#### Multiple trouble for the bank, earnings down to PKR 1.65/share for 4QCY18; DPS at PKR 1.25/share

- On consolidated basis, Habib Bank Limited (HBL) posted earnings of PKR 1.65/share up by +42%QoQ for 4QCY18. On PPOP basis, bank reported a decline of 65%YoY during the quarter under review. Nevertheless, HBL CY18 now comes at PKR 8.22/share compared to PKR 5.79/share last year same period. On a pre-tax basis, CY18 showed a decline by 27%YoY to PKR 21.6bn compared to PKR 29.5bn. The bank along with the result also announced a cash dividend of PKR 1.25/share taking total payout during CY18 to PKR 4.3/share (PKR 8.0/share last year in CY17).
- On a quarterly basis, a) high interest expense b) higher tax charge and, c) 67%YoY decline in capital gain and dividend income led to a disappointing quarter result.

Exhibit:

#### HBL Result Highlights

PKRmn (Period end=Dec)	4QCY18	4QCY17	YoY	CY18	CY17	YoY	3QCY18	QoQ
Interest Earned	48,212	38,620	25%	165,283	148,010	12%	41,542	16%
Interest Expensed	27,656	18,763	47%	83,606	66,177	26%	20,703	34%
<b>Net Interest Income</b>	<b>20,556</b>	<b>19,857</b>	<b>4%</b>	<b>81,677</b>	<b>81,833</b>	<b>0%</b>	<b>20,839</b>	<b>-1%</b>
Fee Income	5,315	3,999	33%	18,024	19,519	-8%	3,491	52%
Capital Gain & Div. Income	1,022	3,083	-67%	2,016	8,984	-78%	222	4.6x
<b>Non-Interest Income</b>	<b>4,402</b>	<b>7,821</b>	<b>-44%</b>	<b>19,894</b>	<b>34,116</b>	<b>-42%</b>	<b>4,750</b>	<b>-7%</b>
Total Revenue	24,958	27,679	-10%	101,571	115,949	-12%	25,588	-2%
Operating Expenses	20,166	16,582	22%	77,380	61,300	26%	20,339	-1%
Pre-Provisioning Profits	7,194	10,025	-28%	26,593	53,578	-50%	5,249	37%
Provision (Rev.) / Charge	3,291	(704.4)	n.m.	5,009	374	13.4x	1,696	94%
Pre-Tax Profits	3,903	10,730	-64%	21,585	29,487	-27%	3,553	10%
Extraordinary Item	-	-	n.m.	-	23,717	n.m.	-	-
Taxation	1,373	3,436	-60%	9,144	20,639	-56%	1,771	-22%
<b>Profit After Tax</b>	<b>2,531</b>	<b>7,294</b>	<b>-65%</b>	<b>12,441</b>	<b>8,848</b>	<b>41%</b>	<b>1,782</b>	<b>42%</b>
EPS (PKR)	1.65	4.92		8.22	5.79		1.15	
DPS (PKR)	1.3	1.0		4.3	8.0		1.0	

#### Key Ratio

Cost-To-Income Ratio	81%	60%		76%	53%		79%	
Effective Tax Rate	35%	32%		42%	70%		50%	
Non-II / Total Income	18%	28%		20%	29%		19%	

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1466.85

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