

Flash Note

Monday, 19 February 2018

Commercial Banks

HMB: CY17 income falls by 10%YoY due to lower capital gains and dividend income

- Habib Metropolitan Bank Limited (HMB) reported unconsolidated earnings for 4QCY17 of PKR 2.3bn (PKR 2.15/share), down by 2%YoY (up +1.2xQoQ). This brings full year CY17 total earnings to PKR 5.5bn (PKR 5.26/share), down by 10%YoY.
- The bank also announced a cash dividend of PKR 3.00/share for 4QCY17.
- During the quarter, the bank recorded +20%YoY rise in interest income due to slower growth in interest expense (up +18%YoY) compared to growth in interest earned (up +19%YoY). However, for CY17, interest expense declined by 7%YoY, leading to 19%YoY rise in net interest income.
- Non-interest income declined by 47%YoY during the quarter as a result of 91% fall in capital gains and dividend income, despite +9%YoY uptick in fee income. The same trend was witnessed in CY17 cumulatively, wherein, non-interest income fell by 36%YoY due to 81%YoY decline in capital gains and dividend income, despite +12%YoY uptick in fee income.
- Operating expenses for the quarter were contained, falling by 4%YoY. However, for CY17, operating expenses were up +11%YoY.
- Provision reversal provided significant support to the bottom-line in 4QCY17, clocking in at PKR 654mn (up by 2.2xYoY). Resultantly, the cumulative provision charge for CY17 declined by 91%YoY, supporting profitability.

Exhibit:

HMB Result Highlights

PKRmn (Period end=Dec)	4QCY17	4QCY16	YoY	CY17	CY16	YoY
Interest Earned	9,142	7,679	19%	33,838	33,172	2%
Interest Expensed	5,558	4,695	18%	19,867	21,410	-7%
Net Interest Income	3,584	2,984	20%	13,971	11,762	19%
Fee Income	863	791	9%	3,390	3,030	12%
Capital Gain & Div. Income	158	1,681	-91%	861	4,446	-81%
Non-Interest Income	1,480	2,796	-47%	5,682	8,836	-36%
Total Revenue	5,065	5,780	-12%	19,653	20,598	-5%
Operating Expenses	2,332	2,430	-4%	10,449	9,420	11%
Pre-Provisioning Profits	2,732	3,350	-18%	9,203	11,178	-18%
NPL (Rev.) / Prov.	(654)	(202)	2.23x	74	845	-91%
Pre-Tax Profits	3,386	3,552	-5%	9,129	10,334	-12%
Taxation	1,133	1,252	-10%	3,620	4,214	-14%
Profit After Tax	2,253	2,301	-2%	5,509	6,119	-10%
EPS (PKR)	2.15	2.20		5.26	5.84	
DPS (PKR)	3.00	3.00		3.00	3.00	
BVPS (PKR) Est.	39.87	37.86				

KEY RATIOS

Cost-To-Income Ratio	46%	42%		53%	46%	
Effective Tax Rate	33%	35%		40%	41%	
Non-II / Total Income	29%	48%		29%	43%	

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1047.8

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