

# Habib Bank (HBL)

1Q2018 EPS of Rs3.1, -49% YoY (-30% QoQ)

Interim cash dividend of Rs1/share

Below expectations

**ASIAMONEY**

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Umair Naseer<sup>AC</sup>

umair.naseer@topline.com.pk

Tel: +9221-35303330

Topline Securities, Pakistan

# Pension cost, FX losses & lower capital gains impacts earnings

## HBL: Financial Highlights

Rsmn	1Q2018	1Q2017	YoY	QoQ
Markup interest earned	37,023	34,932	6%	-4%
Markup interest expensed	17,060	14,806	15%	-3%
Net Interest Income	19,964	20,126	-1%	-5%
NPL provisioning	(156)	143	NM	-57%
Total provisioning expense	(205)	322	NM	-83%
Non Interest Income	5,165	8,313	-38%	-22%
Non Interest Expense	17,963	14,065	28%	-5%
Profit before Tax	7,370	14,053	-48%	-26%
Taxation	2,682	4,973	-46%	-22%
Profit after Tax	4,583	9,032	-49%	-30%
<b>EPS</b>	<b>3.1</b>	<b>6.2</b>		

Source: PSX, Topline Research

- HBL declared earnings of Rs3.1/share, which is down 49% YoY and lower than expectations. Earnings decline was mainly led by pension cost, foreign exchange losses & lower capital gains during the quarter.
- HBL booked foreign exchange losses to the tune of Rs657mn during the quarter on its foreign currency loans. Capital gains booked during the quarter stood at Rs100mn in 1Q2018 vs. Rs1.3bn in same period last year.
- Consequently, Non-Interest Income of the bank was down 38% YoY to Rs5bn which led to lower earnings for the bank.

# Pension cost, FX losses & lower capital gains impacts earnings



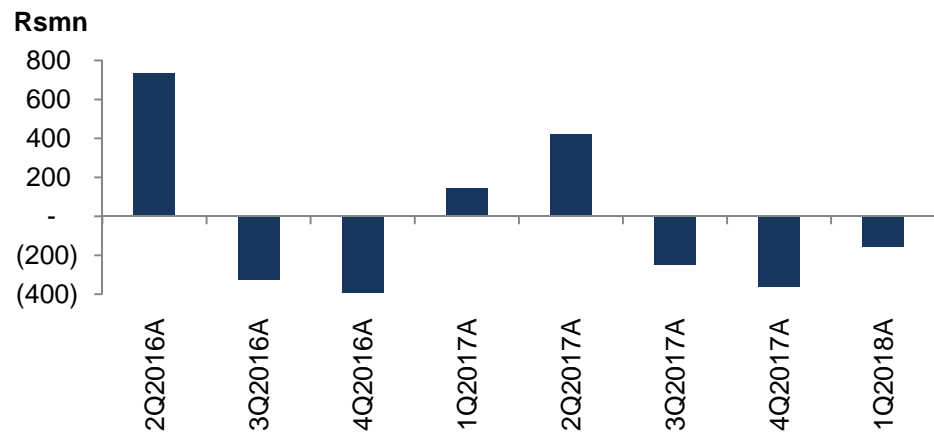
- The bank also recorded Net Interest Income (NII) of Rs19.9bn which was flat on YoY basis and below our estimates.
- Non-markup expense of HBL was up 28% YoY to Rs17.9bn, higher than its historical quarterly average. This is due to one-off pension cost of Rs2.2bn booked during the quarter.
- Provisioning reversal during the quarter stood at Rs205mn which provided some support to bottom-time as against provisioning charge of Rs322mn in same period last year.
- Key risks for the stock includes: 1) delay in expected hike in interest rates, 2) lower than expected advances growth, 3) deterioration of Pakistan macros, and 4) exchange rate movement.

## HBL: Key Numbers

	2013A	2014A	2015A	2016A	2017A
EPS	15.6	21.5	23.9	23.2	5.3
Earnings Growth	1%	38%	12%	-3%	-77%
PE at Rs196	12.6	9.1	8.2	8.4	36.7
Dividend Yield	4%	5%	7%	7%	4%
ROE	16%	19%	19%	17%	4%
PBV	2.0	1.7	1.6	1.5	1.4

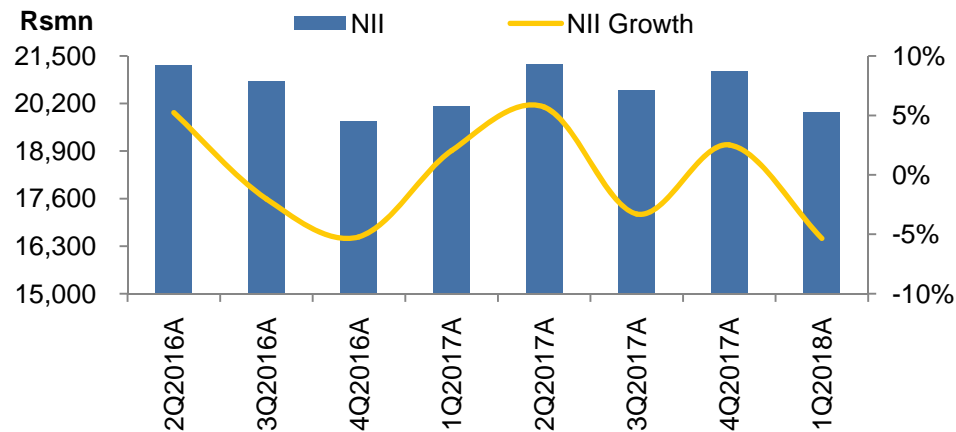
Source: Company Accounts, Topline Research

### HBL: Quarterly NPL provisioning / Reversal



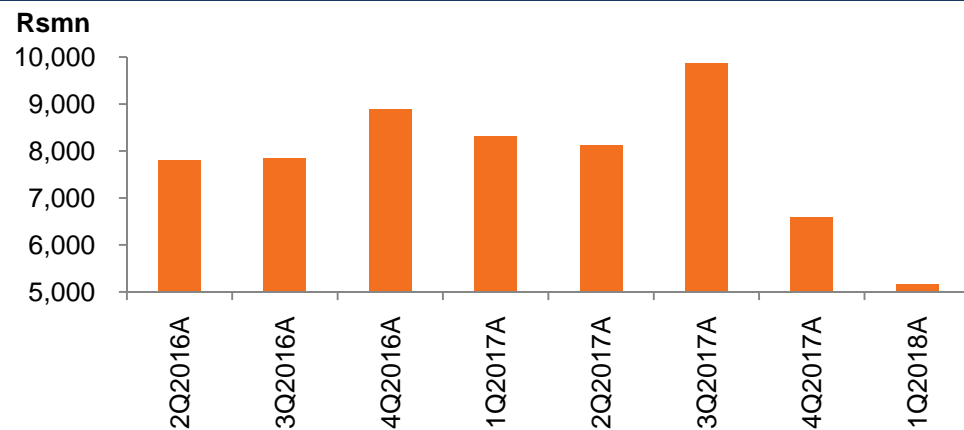
Source: Company Accounts, Topline Research

### HBL: Quarterly NII and NII Growth



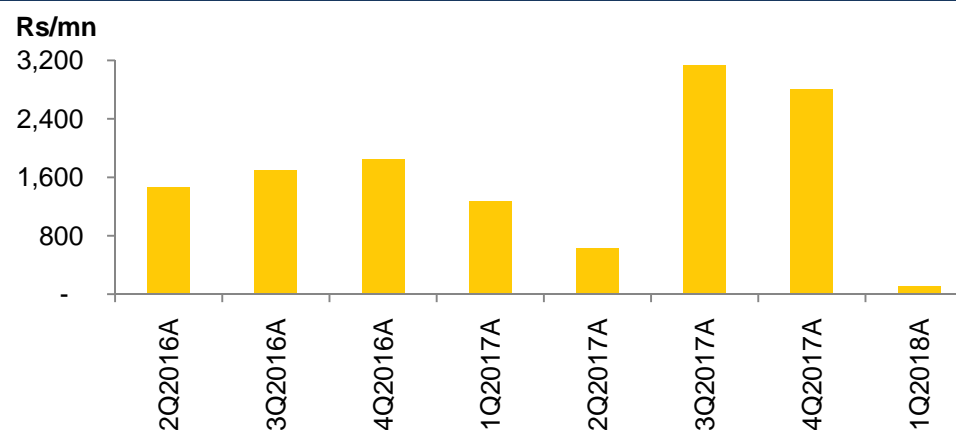
Source: Company Accounts, Topline Research

### HBL: Quarterly Non interest income



Source: Company Accounts, Topline Research

### HBL: Quarterly Capital gains



Source: Company Accounts, Topline Research

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Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

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Market Weight	= Weight in KSE-100 Index
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