

Habib Bank (HBL)

**4Q2017 EPS of Rs4.5, -22% YoY; 2017 EPS Rs5.3, -77% YoY;
Final cash dividend of Rs1/share
In-line with expectations**

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Earnings on lower side due to sharp drop in non-markup income

HBL: Financial Highlights

Rsmn	4Q2017	4Q2016	YoY	QoQ	2017	2016	YoY
Markup interest earned	38,621	34,242	13%	4%	148,010	141,089	5%
Markup interest expensed	17,529	14,521	21%	6%	64,943	59,138	10%
Net Interest Income	21,092	19,722	7%	3%	83,067	81,951	1%
NPL provisioning	-362	-393	NM	NM	-50	491	NM
Total provisioning expense	-1,195	-404	NM	NM	-115	718	NM
Non Interest Income	6,594	8,882	-26%	-33%	32,889	31,435	5%
Non Interest Expense	18,824	15,910	18%	19%	63,541	56,144	13%
Extraordinary items	83	-	NM	NM	-23,717	-	NM
Profit before Tax	9,974	13,099	-24%	NM	28,813	56,525	-49%
Taxation	3,428	4,580	-25%	-34%	20,631	22,319	-8%
Profit after Tax	6,558	8,448	-22%	NM	7,829	34,070	-77%
EPS	4.5	5.8			5.3	23.2	

Source: PSX, Topline Research

- Net Interest Income (NII) of HBL was up 7% YoY to Rs21bn in 4Q2017 and remained in line with expectations. This is likely supported by bank's balance sheet that grew by 11% YoY as of Sep 2017.
- The bank continued to post provision reversals as it booked reversal of Rs1.2bn during 4Q2017 vs. Rs404mn in the same period last year.
- Non-markup income was lower by 26% YoY to Rs6.6bn in 4Q2017 which mainly led to lower profits during the quarter. This was on the back of lower fee, commission & brokerage income and share of loss from associated companies.

Earnings on lower side due to sharp drop in non-markup income

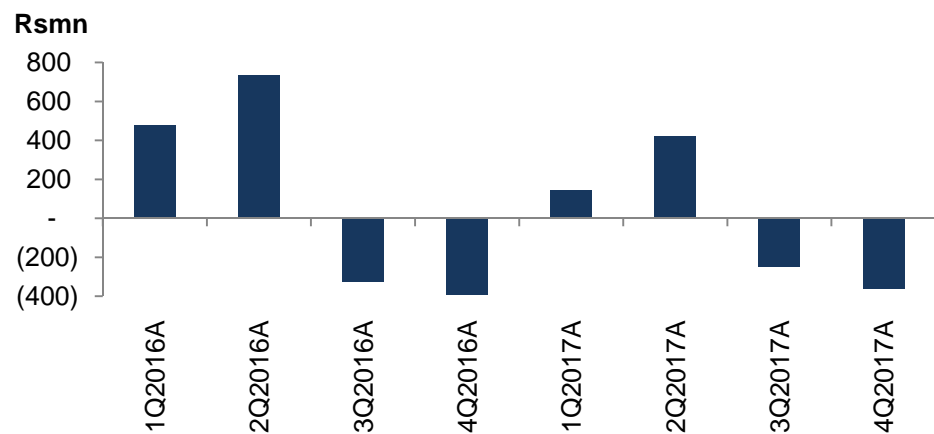
- Fee, commission & brokerage income was down 21% YoY and remain lower than expectations. Share of loss from associates clocked in at Rs226mn in 4Q2017 vs. share of profit of Rs1bn during same period last year. We believe, this could be due to loss on share of investment in HBL Asset Management's funds, which are classified as associates of the company. We wait for management comments on the 2017 accounts.
- Capital gains during the quarter stood at Rs2.8bn, up 52% YoY, supporting non-interest income to a little extent.
- Non-interest expense of HBL also increased by 18% YoY to Rs19bn mainly on account of higher admin expense.
- In 2017, earnings were down 77% YoY to Rs7.8bn as the bank incurred a one-off fine to the tune of Rs24bn (US\$225mn) against its New York operations during 3Q2017.
- Key risks for the stock includes: 1) delay in expected hike in interest rates, 2) lower than expected advances growth and 3) deterioration of Pakistan macros.

HBL: Key Numbers

	2013A	2014A	2015A	2016A	2017A
EPS	15.6	21.5	23.9	23.2	5.4
Earnings Growth	1%	38%	343%	-3%	-77%
PE at Rs201.8	12.9	9.4	37.2	8.7	37.2
Dividend Yield	4%	5%	7%	7%	4%
ROE	16%	19%	19%	17%	4%
PBV	2.1	1.7	1.6	1.5	1.5

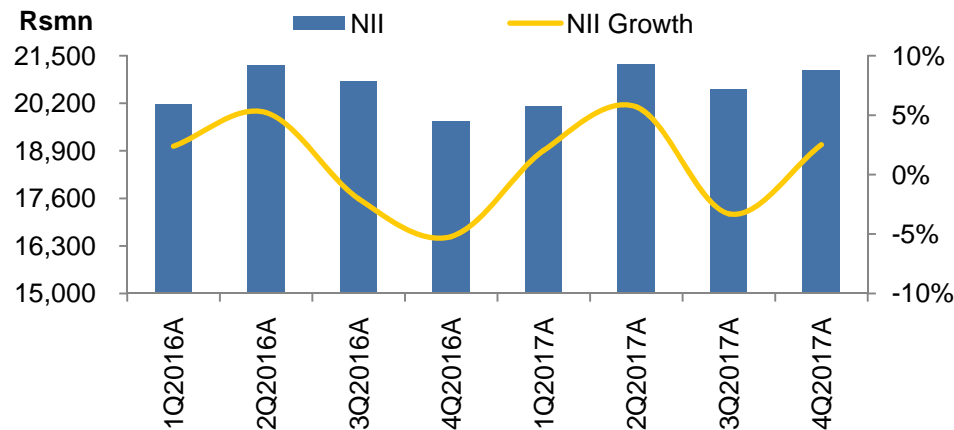
Source: Company Accounts, Topline Research

HBL: Quarterly NPL provisioning / Reversal



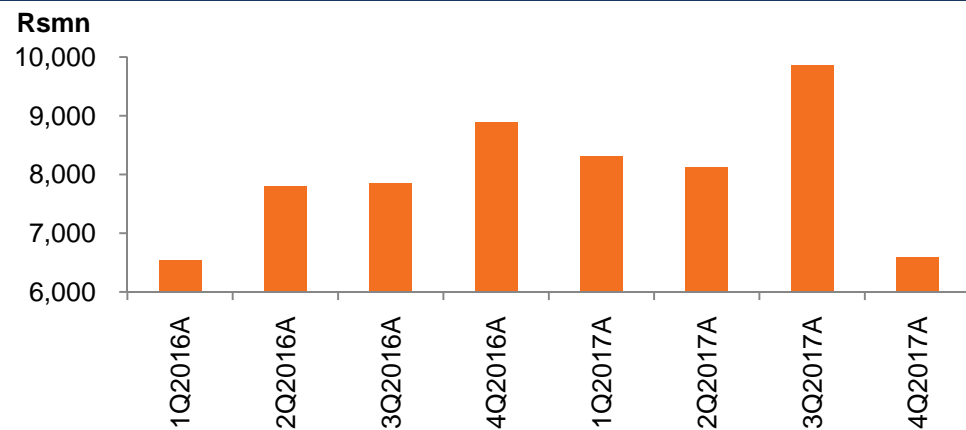
Source: Company Accounts, Topline Research

HBL: Quarterly NII and NII Growth



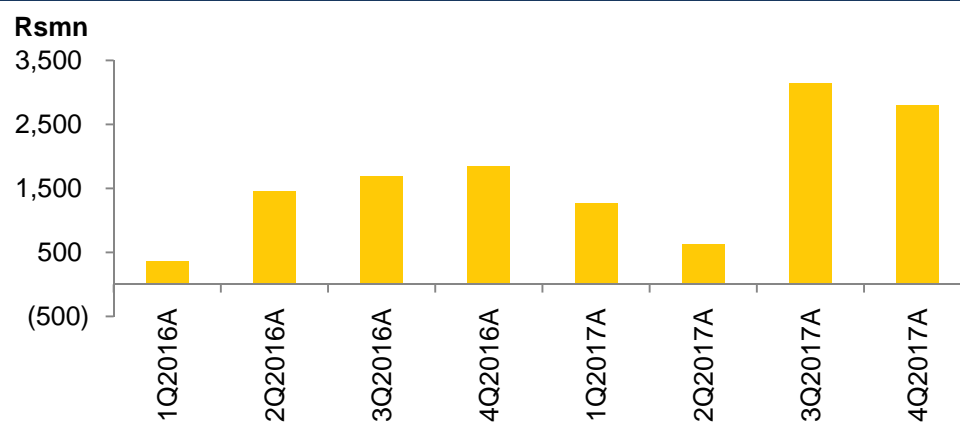
Source: Company Accounts, Topline Research

HBL: Quarterly Non interest income



Source: Company Accounts, Topline Research

HBL: Quarterly Capital gains



Source: Company Accounts, Topline Research

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