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16 October 2024

HBL: 3QCY24 EPS to clock in at PKR 10.83, down 4% YoY; DPS PKR 4.00

Habib Bank Limited

PSX: HBL | Bloomberg: HBL PA | Reuters: HBL.PSX

- Habib Bank Limited (HBL) is scheduled to announce its 3QCY24 financial result on 16 October, 2024, wherein we expect the bank to post a consolidated EPS of PKR 10.83 during 3QCY24, down 4% YoY. Along with the results, we expect HBL to announce an interim cash dividend of PKR 4.00/sh.
- Net interest income (NII) for the quarter is anticipated to increase to PKR 62.9bn (down by -3% YoY), with interest expense expected to outpace interest income, growing by 23% YoY vs 14% YoY during 3Q.
- Non-interest income is estimated to increase by 40% YoY to PKR 18.3bn during 3QCY24. Fee & commission income is expected to stand at PKR 13.0bn (up 22% YoY), with forex income estimated to clock in at PKR 1.4bn.
- The provisioning expense for 3Q is likely to clock in at PKR 3.2bn, compared to PKR 1.4bn in 2QCY24. In the case where HBL incurs a similar provision expense as 2QCY24, we expect our earnings estimate to decrease to an EPS of PKR 9.68 (down by 10% from our estimate of 10.83).
- We expect administrative expenses to stay muted at PKR 47.2bn (up 6% YoY) on the back of higher legal and professional charges being offset by lower software and maintenance expenses.
- We have a 'Buy' rating on the scrip with Dec-25 PT of PKR 159/share, providing an upside of 16%, along with a dividend yield of 11%.

Key Data

PSX Ticker	HBL
Target Price (PKR)	159
Current Price (PKR)	137
Upside/(Downside) (%)	+16%
Dividend Yield (%)	11%
Total Return (%)	27%
12-month High (PKR)	137
12-month Low (PKR)	93
Outstanding Shares (mn)	1,467
Market Cap (PKR mn)	201,325

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	3QCY23	3QCY24E	YoY	9MCY23	9MCY24E	YoY
M/up Earned	190,769	217,612	14%	509,966	625,166	23%
M/up Expense	125,783	154,746	23%	331,025	440,734	33%
Net Interest Income	64,986	62,866	-3%	178,941	184,432	3%
Non-Interest Income	13,031	18,298	40%	37,111	57,828	56%
Total Provisions	1,432	3,225	125%	7,431	13,323	79%
Admin Expenses	44,565	47,239	6%	125,092	140,385	12%
Profit Before Tax	32,019	30,700	-4%	83,529	88,553	6%
Tax	15,388	15,043	-2%	40,557	43,834	8%
Profit After Tax	16,631	15,657	-6%	42,971	44,719	4%
EPS	11.34	10.83	-	29.20	31.02	-
DPS	2.3	4.00	-	5.75	12.00	-

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	23.9	23.2	39.3	40.0	35.8	31.3
EPS Growth	13.4%	-2.7%	69.3%	1.7%	-10.5%	-12.6%
DPS	7.5	6.8	9.8	15.5	13.8	15.0
BVPS	190.6	192.3	247.6	268.4	279.8	303.2
PER	5.7	5.9	3.5	3.4	3.8	4.4
Dividend Yield	5.5%	4.9%	7.1%	11.3%	10.0%	10.9%
P/B	0.7	0.7	0.6	0.5	0.5	0.5
ROE	13.0%	12.1%	17.9%	15.5%	13.0%	10.7%

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for HBL has been computed using the dividend discounting method, with the justified P/B ratio applied to calculate the terminal value. We have used a sustainable ROE of 14% to determine the exit P/B ratio, along with a risk-free rate of 14%, a beta of 1.0, and a market risk premium of 6% to arrive at a cost of equity of 21%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our Dec-25 PT of 159/share. Our price target provides a capital upside of 16% along with a dividend yield of 12%. Our investment case on HBL is based on (1) NIMs expansion on the back of strong balance sheet growth, (2) balance sheet positioned to benefit from monetary easing.

Risks

Key risks to our investment thesis are 1) the cost-to-income ratio remains elevated longer than anticipated, 2) a higher-than-expected decline in the interest rates 3) lower-than-anticipated growth in advances and deposits, and 4) a higher-than-anticipated increase in NPLs.

Company Description

Founded in 1947 and privatized in 2004, Habib Bank Limited (HBL) is the largest bank in Pakistan, engaged in commercial banking services both in the country and overseas. The bank operates through an extensive network of 1,728 branches, including 408 Islamic banking branches, and 30 branches outside Pakistan. The Aga Khan Fund for Economic Development S.A. (AKFED) is the majority shareholder in the bank.

Financial Highlights - HBL

Income Statement (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest earned	262,254	436,101	712,345	833,886	637,309	507,156
Mark-up/interest expensed	130,835	270,538	470,212	579,765	367,185	250,045
Net interest income	131,419	165,563	242,133	254,121	270,125	257,111
Non-interest income	36,311	46,732	57,451	78,824	88,102	93,969
Provision charged	8,087	8,482	13,266	19,423	18,748	16,233
Operating expenses	97,615	126,783	172,767	189,967	212,849	229,979
Profit after tax	35,022	34,070	57,676	58,636	52,459	45,864

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & treasury balances	441,252	296,015	547,529	438,264	473,325	544,324
Investments	1,948,956	1,948,801	2,562,299	3,278,192	3,504,769	4,118,409
Advances	1,507,047	1,782,498	1,861,345	2,060,942	2,250,748	2,493,214
Operating fixed assets	111,307	132,294	164,615	143,092	145,713	148,335
Other assets	308,906	479,198	398,561	433,902	467,341	523,502
Total Assets	4,317,468	4,638,806	5,534,348	6,354,392	6,841,897	7,827,784
Borrowings from Fls	436,258	583,771	665,043	513,652	554,744	637,955
Deposits	3,381,998	3,469,342	4,142,352	5,136,516	5,547,438	6,379,553
Other liabilities	215,526	300,671	360,933	308,625	327,138	363,109
Total Liabilities	4,033,782	4,353,784	5,168,328	5,958,793	6,429,319	7,380,617
Equity	283,686	285,022	366,021	395,599	412,578	447,166
Total Liabilities & Equity	4,317,468	4,638,806	5,534,348	6,354,392	6,841,897	7,827,784

Source: Company Accounts, Akseer Research

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Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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