

Habib Bank Ltd: Earnings growth story

Habib Bank Limited (HBL) reported CY15 earnings of Rs35.4bn (EPS: Rs 24.18/sh) as against Rs 31.11bn (EPS: Rs 21.21/sh) reported last year thus depicting YoY growth of 11%. The earnings could have been more had HBL not provided full year provisioning of Rs4.6bn which we weren't expecting earlier.

HBL paid final cash dividend of Rs 3.5/sh (cumulative cash of Rs10.50/sh) thus translating into annual dividend yield of 5.9% (in CY14 the payout was around 57% by virtue of cash dividend Rs12/sh).

Asset growth on the cards as per estimations in CY16

- Even though the balance sheet figures have yet to be released we expect HBL growth in assets is likely to increase by 2% at Rs1.9 trillion (in CY14 there was a growth of 9%). We expect both advances and investments to grow by mere 1% to Rs600bn and Rs937bn respectively. Going forward, we expect HBL advance to grow with the recent surge in private sector lending. We see many LNG & coal fired power projects are in the offing wherein lending rates are relatively attractive and wherein HBL could be the biggest beneficiary of CPEC given its branch base in China. **We expect ADR to improve up to 39%**

Deposits – we expect deposit growth at the premise of 18% total market share

- We expect banks deposits to increase by 1% in CY15 wherein we expect that to grow up to Rs1.66trillion in CY16 at the premise that it could notch CY15 deposit base of Rs1.525 trillion. This indeed is a good omen given the backdrop of recent trend of withdrawal of deposit issue due to WHT issues. We expect these issues could also be resolved with the advent of FY17 finance bill. At present HBL holds 18% of total deposits in all Banks.

Valuation

HBL is yielding CY16 PE & PBV of 7.4x & 1.4x respectively. HBL also depicts dividend yield of 6% which is equivalent to our Pakistan market dividend yield of 6%. Given our premise of increase in CY16 earnings – we remain positive in HBL.

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REK-66

Valuations

Price Rs 177.8
Chg +0.41

CY14 EPS Rs 21.56
CY15 EPS Rs 24.18
CY16E EPS Rs 25.60

CY14 PE 8.2x
CY15 PE 7.4x
CY16E PE 6.9x

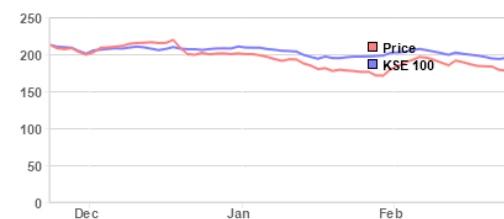
CY15 BV Rs115
CY16E BV Rs125

CY15E PBV 1.54x
CY16E PBV 1.4x

CY14 DPS Rs 12
CY15 DPS Rs 10.5
CY16E DPS Rs 12

CY15 Div.yield 5.9%

HBL relative index ~ Indeed outperformance vis-a-vis KSE100

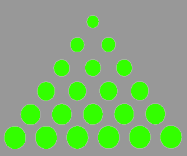


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