Habib Bank Limited

Corporate Briefing Takeaways

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REP-300

Management Conference Call

The management of HBL held an analyst briefing today to discuss the CY23 results and give an outlook of the bank's strategy going forward. Below are the key takeaways.

Brief Takeaways

- To recall, HBL announced earnings (PAT) for 4QCY23 at PKR 14.8bn (EPS: PKR 10.12, CY23: PKR 39.32), depicting an increase of 39% YoY | -11% QoQ (4QCY22 EPS: PKR 7.27, CY22: PKR 23.23). This jump in overall earnings was mainly on the back of growth in total revenue during the year. Along with the result, the bank announced a final DPS of PKR 4, taking the total dividend for the year to PKR 9.75/share (CY22: PKR 6.75/share).
- The bank's total deposits stood at PKR 4.1trn as of Dec'23, marking a rise of ~19.4% compared to Dec'22. Domestic deposits, on average, saw an uptick of PKR 357bn to reach PKR 3.1trn in CY23, with the majority of growth stemming from low-cost deposits. the bank is targeting a deposit growth rate of 18-19%, aligning with the M2 growth rate.
- The investment portfolio remained highly liquid, primarily allocated to T-bills and floating rate PIBs in Dec'23, totaling PKR 2.6trn. Of this, 17% was invested in T-bills (PKR 424bn), 19% in Fixed Rate PIBs (PKR 494bn), and ~41%, equivalent to PKR 1.1trn, in Floating Rate PIBs.
- There was a reduction of PKR 12.3bn in the investment deficit due to the recovery in Pakistan's Eurobond yields. Moreover, the management reported that the average yield on the banking book is ~19.6%, while the yield on the trading book stands at ~21.6%.
- Bank's ADR as at Dec'23 declined to 44.9% as compared to 51.4% in Dec'22, mainly on the back of credit demand slowdown. For CY24, the management anticipates the loan book to grow by ~12-13% YoY, representing a growth rate in the low teens.
- As of Dec'23, the infection ratio stood at 5.2%, with total coverage reaching 101.4%. Management is optimistic that as advances increase, the infection ratio will either stabilize or decrease in the future. They expressed confidence in the current asset quality and foresee no additional significant non-performing loans.
- HBL anticipates that the monetary policy will remain unchanged in the upcoming Mar'24 meeting, with a likely cut expected in Apr'24. Furthermore, HBL expects the policy rate to reach around the 17-17.5% by the end of CY24.

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- The implementation of IFRS-9 is expected to result in an impact of ~PKR 19bn on the Bank's equity. However, the SBP has permitted the phased-wise transfer of this impact for the calculation of Tier-I capital over a five-year period. During the first year of implementation, an impact of ~PKR 1.9bn is projected on Tier-I capital. The remainder will be phased in gradually over a span of five years to ensure that CAR levels are not adversely affected.
- Regarding the potential implementation of ADR tax, management acknowledges the likelihood of its imposition. However, they advocate for a more suitable approach that considers average weekly balances. They believe that relying on period-end numbers, which banks can manipulate, may not effectively promote lending.
- Legal charges amounting to ~PKR 10.7bn were incurred during the year, arising from the New York litigation case. Management remains assured of the strength of their case and intends to continue pursuing it. However, there are currently no further updates available on the matter.

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