

# AHL Brief Note: Commercial Banks

## Habib Bank Limited

### Corporate Briefing Takeaways

#### Management Conference Call

Arif Habib Limited hosted HBL's analyst briefing session today, during which the HBL management delved into the 2QCY24 results and offered valuable insights into the bank's forthcoming strategy. Here are the key highlights from the session.

#### Brief Takeaways

- To recall, HBL announced earnings for 2QCY24 at PKR 14.4bn (EPS: PKR 9.8), depicting an uptick of 11% YoY | -6% QoQ. For 1HCY24, total earnings amounted to PKR 29.6bn, marking a 13% YoY increase. The rise in earnings on YoY basis is fueled by a jump in total income. The bank also announced a cash dividend of PKR 4/share in 2QCY24 along with the result taking total payout for 1HCY24 to PKR 8/share.
- As of Jun'24, the Bank's total deposits reached PKR 4.8trn, reflecting a robust 17% growth since Dec'23. This increase was primarily fueled by a rise in low-cost deposits, with Current Accounts alone contributing an additional PKR 186bn since Dec'23.
- By the end of Jun'24, the Bank's investment portfolio was heavily weighted towards T-bills and floating rate PIBs, which together made up 79% of the total investment book. Specifically, the Bank invested PKR 854bn in T-bills, accounting for 27% of the portfolio, PKR 558bn in Fixed Rate PIBs, representing 18%, and PKR 1.08trn in Floating Rate PIBs, which constituted 34% of the total investment book. The average yield on the fixed portfolio is 15.5%, with an average duration of 3 to 4 years.
- The Bank's Advance-to-Deposit Ratio (ADR) declined to 36.7% as of Jun'24, down from 44.9% in Dec'23, largely due to a slowdown in credit demand. Going forward, the management is optimistic about reaching the 50% target by year-end to avoid the ADR-related tax.
- HBL is aiming for a ROE in the range of 17% to 19%, with the current ROE standing at 17% as of Jun'24.
- The Bank's infection rate increased to 5.8% by Jun'24, up from 5.2% in Dec'23. Meanwhile, the coverage ratio improved slightly to 90.7%, compared to 83.3% at the end of Dec'23.
- Management noted that the high provisioning charge in 1HCY24 was driven by the adoption of IFRS-9 and additional provisions for sectors such as autos, construction, and steel. Going forward, with an improving economic environment and anticipated rate cuts, the management expects provisioning charges to come down in the latter half of CY24.
- HBL anticipates a potential reduction in the policy rate by the SBP, expecting it to decrease to ~14-15% by Jun'25. To counter the expected compression in NIMs, the Bank plans to expand its balance sheet and continue growing current accounts.

# Habib Bank Limited

## Corporate Briefing Takeaways

**Disclaimer:** This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.