

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 CY24 results and offered valuable insights into the bank's forthcoming strategy. Here are the key highlights from the session.

Brief Takeaways

- HBL announced earnings (PAT) for 4QCY24 at PKR 14.4bn (EPS: PKR 9.8), depicting a decline of 3% YoY | 0% QoQ (4QCY23 EPS: PKR 10.1). This took the CY24 earnings to PKR 58.5bn (EPS: PKR 39.9) up by 1% YoY. The jump in overall earnings was mainly on the back of growth in NFI, which surged by 68% YoY. Along with the result, HBL announced a final dividend of PKR 4.25/share in 4QCY24, taking full year, CY24, dividend to PKR 16.25/share (CY23: PKR 9.75/share).
- Total deposits increased 5.5% YoY during Dec'24 up to PKR 4.4trn. The management expects deposit growth to remain around 17% in CY25.
- Banks' net advances surged by 30.8% YoY to PKR 2.4trn, fueled by increased lending in 4QCY24. Consequently, the Bank's ADR climbed to 55.7% as of Dec'24, up from 38.4% in Sep'24, driven by compliance with the 50% ADR requirement.
- The bank expects advances to grow in the range of 12-13% in CY25.
- Total investments remained stable YoY at PKR 2.5trn. By the end of Dec'24, the Bank's investment portfolio was heavily weighted towards T-bills and floating rate PIBs, which together made up 52% of the total investment book. Specifically, the Bank invested PKR 447bn in T-bills, accounting for 18% of the portfolio, PKR 498bn in Fixed Rate PIBs, representing 20%, and PKR 870bn in Floating Rate PIBs, which constituted 34% of the total investment book.
- The management noted that the high provisioning charge in CY24 was driven by the adoption of IFRS-9 and some provisions for sectors such as construction, oil and gas and steel.
- The bank's other income increased by 5.5x to PKR 16.3bn, mainly on the back of sale of Mauritius and Oman branches.
- The cost-to-income ratio currently stands at 56.3%, and the management aims to bring it down to around 50% going forward.
- The management anticipates interest rates to bottom out in the range of 10.5-11% range, with the SBP adopting a more cautious approach to monetary easing this year.

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In order to avoid any conflict of interest, we hereby disclosed that;
Arif Habib Limited (AHL) has a shareholding in HBL.