

Tuesday, 23 June 2020

Saudi Arabia closes the hajj - religious tourism = 1 month of oil exports – Charles Robertson  
Halyk Bank declares FY19 dividend, lifting COVID-19 suspension – Ilan Stermer

**Saudi Arabia closes the hajj - religious tourism = 1 month of oil exports**

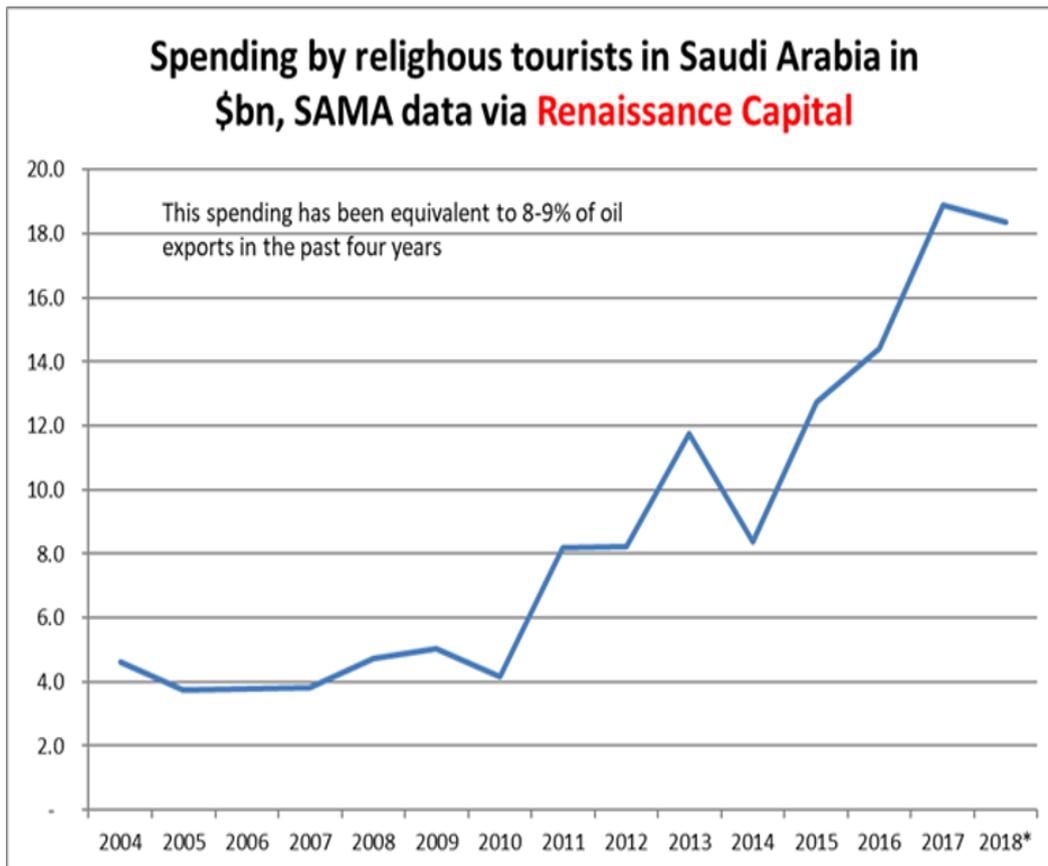
It's unprecedented but not a surprise that Saudi has closed the hajj to international visitors.

This carries an economist cost. Religious tourists brought in \$18bn to Saudi in 2018 – and over 2015-18, religious tourism was equivalent to 8-9% of oil exports. So it's equivalent to about a month of oil exports and hampers Saudi efforts to diversify their economy.

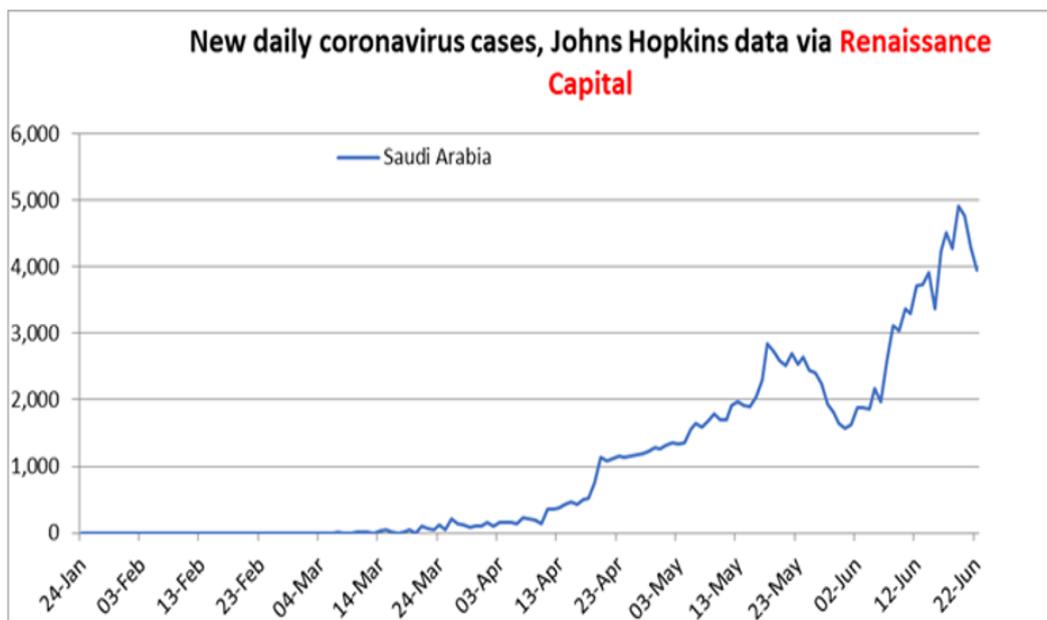
Saudi is one of the very few oil exporting nations that makes serious money from tourism.

Saudi new cases are running at around 4k a day at the moment (more than 3 times higher than the UK in absolute numbers, nearly 20 times higher than Italy) down from a 5k peak just five days ago. Lockdown never succeeded in crushing the #coronavirus in Saudi.

The only positive economic impact is that some Muslim countries like Pakistan or Bangladesh might now see less dollar outflows to Saudi Arabia.



Source: SAMA



Source: Johns Hopkins

Charles Robertson  
Telephone: +44 (207) 005 7835

#### Halyk Bank declares FY19 dividend, lifting COVID-19 suspension

Ticker: HSBK LI  
Rating: **BUY**  
Target price: \$14.40/GDR  
Current price: \$12.40/GDR

**EGM to vote on dividend on 23 July. Halyk Bank supervisory board has recommended an FY19 dividend of KZT17.08/share (20% above our expectations), a pay-out ratio of 60% and a current dividend yield of 13.7%.**

- Halyk published its AGM information note (attached) and motivated its decision by the recovery of oil prices, recent tenge appreciation, and stabilisation of economic activity in Kazakhstan. It was careful to assure of its strong capital position even under pessimistic scenarios.
- On 22 April, Halyk suspended payment of FY19 dividends given the uncertainty around the impact of COVID-19 and low oil price on the Kazakh economy. It was to reconsider in the latter half of the year once conditions stabilised and improved. Clearly this has happened ahead of expectation. We expect the announcement was made in coordination with the regulator.
- We consider this announcement positive for the share price. We remain of the view that Halyk is impressively capitalised and has plenty of room to pay dividends. Halyk is currently trading at 1.0x 2020E P/B and remains our top pick among FSU frontier banks.

Ilan Stermer  
Telephone: +44 (207) 005-7860