

## Earnings Review

### HBL: 3QCY21 EPS clocked in at Rs6.17, DPS 1.75

#### Event

- Habib Bank Limited (HBL PA) announced its 3QCY21 result with consolidated earnings of Rs6.17/sh (down by 10/3% YoY/QoQ). This takes cumulative earnings during 9MCY21 to Rs18.21/sh (↑6% YoY). The result is accompanied with a cash dividend of Rs1.75/sh translating into a cumulative dividend of Rs5.25/sh
- The result is in line with our estimates.

#### Impact

- The bank posted a PAT of Rs8.96bn in 3QCY21 (down by 11/5% YoY/QoQ). On on YoY basis, decline in profitability was a result of lower Net Interest Income (NII). However, QoQ basis, drop in profitability is primarily attributed to lower non-markup income.
- During 3QCY21, interest income/expense increased by 2/15% YoY while it registering a growth of 4/8% QoQ. This has translated into flattish NII for the quarter clocking in at Rs32.29bn. On the other hand, NII recorded a significant decline (↓10%, YoY) on YoY basis as a result of sharp reduction in interest rates.
- Non-markup income (excl. profit from associates) clocked in at Rs7.40bn (up/down by 21/12% over YoY/QoQ). On YoY basis, surge in non-markup income was driven by strong recovery in fee income (↑37% YoY) due to low base in 3QCY20. This was further supported by impressive increase in FX income (↑3.5x YoY) during the quarter. However on QoQ basis, lower capital gains and loss on derivatives was the prime reason of drop in non-markup income.
- Operating expense continued to remain under control as it clocked in at Rs23.16bn translating into a minimal increase of 2/1% YoY/QoQ. However, drop in total income increased cost/income by 5/2% YoY/QoQ to stand at 57%.
- The bank reported a provisioning expense of Rs1.76bn against an expense of Rs1.82bn in the previous quarter.

#### Outlook

- Going forward, we expect NII to recover due to recovery in banking spreads in the medium term. Whereas, recovery in economic activity and the delay in implementation of IFRS9 may keep the provisioning expense on the lower side. To highlight, the bank has booked a cumulative provisioning expense of Rs9.2bn in past four quarters.
- We have an 'Outperform' rating on the stock with the Jun-22 TP of Rs174/sh.

#### Analyst

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Table 01: Earnings Review HBL 3QCY21 (Rs mn)

	3QCY21	3QCY20	YoY	QoQ	9MCY21	9MCY20	YoY
Interest Earned	65,880	64,800	2%	4%	192,743	207,931	-7%
Interest Expensed	33,591	29,090	15%	8%	95,591	109,147	-12%
<b>Net Interest Income (NII)</b>	<b>32,288</b>	<b>35,709</b>	<b>-10%</b>	<b>0%</b>	<b>97,152</b>	<b>98,784</b>	<b>-2%</b>
Fee Income	6,163	4,484	37%	5%	17,940	13,383	34%
Dividend Income	148	91	63%	-42%	521	288	81%
Foreign Exchange Income	1,447	409	254%	155%	2,911	(333)	-973%
Gain on Securities	88	655	-87%	-95%	1,570	7,362	-79%
Other Income	(441)	466	-195%	n.a	836	821	2%
<b>Total Non-Markup Income</b>	<b>7,404</b>	<b>6,104</b>	<b>21%</b>	<b>-12%</b>	<b>23,778</b>	<b>21,521</b>	<b>10%</b>
<b>Share of Profit from Associates</b>	<b>709</b>	<b>1,319</b>	<b>-46%</b>	<b>-27%</b>	<b>1,945</b>	<b>2,546</b>	<b>-24%</b>
<b>Total Income</b>	<b>40,401</b>	<b>43,133</b>	<b>-6%</b>	<b>-3%</b>	<b>122,874</b>	<b>122,852</b>	<b>0%</b>
<b>Non-Markup Expense</b>	<b>23,463</b>	<b>23,012</b>	<b>2%</b>	<b>1%</b>	<b>71,002</b>	<b>71,434</b>	<b>-1%</b>
Operating Expense	23,161	22,612	2%	1%	70,013	70,285	0%
WWF	274	340	-19%	-13%	910	857	6%
Other Charges	27	60	-54%	183%	79	292	-73%
<b>Profit Before Provisions</b>	<b>16,939</b>	<b>20,121</b>	<b>-16%</b>	<b>-8%</b>	<b>51,873</b>	<b>51,418</b>	<b>1%</b>
Provisions	1,758	3,047	-42%	-3%	5,495	8,515	-35%
<b>Profit Before Taxation</b>	<b>15,180</b>	<b>17,074</b>	<b>-11%</b>	<b>-9%</b>	<b>46,377</b>	<b>42,903</b>	<b>8%</b>
Taxation	6,224	6,991	-11%	-14%	19,391	17,631	10%
<b>Profit After Taxation</b>	<b>8,956</b>	<b>10,083</b>	<b>-11%</b>	<b>-5%</b>	<b>26,986</b>	<b>25,272</b>	<b>7%</b>
<b>PAT Attributable to Shareholders</b>	<b>9,051</b>	<b>10,048</b>	<b>-10%</b>	<b>-3%</b>	<b>26,707</b>	<b>25,192</b>	<b>6%</b>
<b>EPS</b>	<b>6.17</b>	<b>6.85</b>			<b>18.21</b>	<b>17.17</b>	
<b>DPS</b>	<b>1.75</b>	<b>-</b>			<b>5.25</b>	<b>1.25</b>	
<b>Cost/Income</b>	<b>57%</b>	<b>52%</b>			<b>57%</b>	<b>57%</b>	
<b>ETR</b>	<b>41%</b>	<b>41%</b>			<b>42%</b>	<b>41%</b>	

Source: Company Accounts, Foundation Research, October 2021

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.