

## Earning Review

### HBL: 4QCY21 EPS at Rs5.67, DPS Rs2.25

#### Event

- Habib Bank Limited (HBL PA) announced its 4QCY21 result with consolidated earnings of Rs8.3bn (EPS Rs5.67/sh), up/down by 46/8% YoY/QoQ. This translates into CY21 earnings of Rs35.0bn (EPS Rs23.88/sh), up by 13% YoY.
- The result is accompanied with a cash dividend of Rs2.25/sh taking total payout during CY21 to Rs7.5/sh.

#### Impact

- The bank posted a PAT of Rs8.3bn in 4QCY21 (up/down by 46/8% YoY/QoQ), mainly due to (1) higher Net interest income, (2) higher non-markup income and (3) lower provisions during the quarter. This cumulated profitability to Rs35.0bn, increasing by 13% in CY21.
- However on sequential basis, the profitability declined by 8%, mainly due to (1) higher provisioning, (2) higher taxation charge and (3) higher operating cost.
- Net interest income (NII) increased by 9/6% YoY/QoQ. Bank's NII increased as policy rate increased by 275bps during the quarter supported by high IDR. On cumulative basis, NII increased marginally by 3% due to increase in interest rate in latter half of CY21.
- Non funded income increased by 63/34% YoY/QoQ due to increase in fee income inclining by 38/22% YoY/QoQ and FX income of Rs2.4bn in 4QCY21 as compared to Rs172mn SPLY. The cumulated NFI for CY21 clocked in at Rs33.7bn, up by 22% YoY.
- Operating expense increased by 9/11% YoY/QoQ to Rs25.8bn in 4QCY21. This translated into Cost/income of 59% (down/up by 4/1ppts YoY/QoQ).
- The bank recorded provision reversal of Rs2.6bn in 4QCY21, depicting decline/incline of 30/47% YoY/QoQ. This took full provisioning expense for CY21 at Rs8.1bn, down 34% YoY.
- Effective tax rate for 4QCY21 clocked in at 46% (↑ 2/5% YoY/QoQ), translating into ETR of 43% for CY21.

#### Outlook

- We have Outperform stance on the stock with target price of Rs176.0 for Dec-22. High ADR and improving CAR would support profitability and payout outlook for the bank. The stock is currently trading at an attractive P/B of 0.63.

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Table 1: Earnings Review HBL 4QCY21

	4QCY21	4QCY20	YoY	3QCY21	QoQ	CY21	CY20	YoY
Interest Earned	69,511	63,306	10%	65,880	6%	262,254	271,237	-3%
Interest Expensed	35,244	31,986	10%	33,591	5%	130,835	141,133	-7%
<b>Net Interest Income (NII)</b>	<b>34,267</b>	<b>31,320</b>	<b>9%</b>	<b>32,288</b>	<b>6%</b>	<b>131,419</b>	<b>130,104</b>	<b>1%</b>
Fee Income	7,493	5,412	38%	6,163	22%	25,433	18,796	35%
Dividend Income	393	202	95%	148	166%	914	489	87%
Foreign Exchange Income	2,470	172	1338%	1,447	71%	5,381	(162)	-3428%
Gain on Securities	(1,752)	(307)	470%	88	-2091%	(182)	7,055	-103%
Other Income	1,344	632	113%	(441)	-404%	2,180	1,454	50%
<b>Total Non Markup Income</b>	<b>9,948</b>	<b>6,111</b>	<b>63%</b>	<b>7,404</b>	<b>34%</b>	<b>33,726</b>	<b>27,632</b>	<b>22%</b>
<b>Share of Profit from Associates</b>	<b>641</b>	<b>417</b>	<b>54%</b>	<b>709</b>	<b>-10%</b>	<b>2,586</b>	<b>2,963</b>	<b>-13%</b>
<b>Total Income</b>	<b>44,856</b>	<b>37,847</b>	<b>19%</b>	<b>40,401</b>	<b>11%</b>	<b>167,730</b>	<b>160,699</b>	<b>4%</b>
Operating Expense	25,772	23,734	9%	23,161	11%	95,785	94,018	2%
WWF	364	253	44%	274	32%	1,273	1,110	15%
Other Charges	478	28	1587%	27	1655%	557	321	74%
<b>Non-Markup Expense</b>	<b>26,614</b>	<b>24,015</b>	<b>11%</b>	<b>23,463</b>	<b>13%</b>	<b>97,615</b>	<b>95,449</b>	<b>2%</b>
<b>Profit Before Provisions</b>	<b>18,242</b>	<b>13,832</b>	<b>32%</b>	<b>16,939</b>	<b>8%</b>	<b>70,115</b>	<b>65,250</b>	<b>7%</b>
Provisions	2,592	3,705	-30%	1,758	47%	8,087	12,220	-34%
<b>Profit Before Taxation</b>	<b>15,651</b>	<b>10,127</b>	<b>55%</b>	<b>15,180</b>	<b>3%</b>	<b>62,028</b>	<b>53,031</b>	<b>17%</b>
Taxation	7,130	4,486	59%	6,224	15%	26,521	22,117	20%
<b>Profit After Taxation</b>	<b>8,521</b>	<b>5,641</b>	<b>51%</b>	<b>8,956</b>	<b>-5%</b>	<b>35,507</b>	<b>30,913</b>	<b>15%</b>
<b>PAT Attributable to Shareholders</b>	<b>8,315</b>	<b>5,700</b>	<b>46%</b>	<b>9,051</b>	<b>-8%</b>	<b>35,022</b>	<b>30,892</b>	<b>13%</b>
EPS	5.67	3.89		6.17		23.88	21.06	
DPS	2.25	3.00		1.75		7.50	4.25	
Cost/Income	59%	63%		58%		58%	59%	
Effective Tax rate	46%	44%		41%		43%	42%	

Source: Company Accounts, Foundation Research, Feb 2022

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