

Earning Review

HBL: 1QCY22 EPS at Rs5.78, DPS Rs2.25

Event

- Habib Bank Limited (HBL PA) announced its 1QCY22 result with consolidated earnings of Rs8.6bn (EPS Rs5.78/sh), up by 2/2% YoY/QoQ.
- The result was accompanied by cash dividend of Rs2.25/sh.

Impact

- The bank posted a PAT of Rs8.5bn in 1QCY22 (up by 2/2% YoY/QoQ), mainly due to (1) higher Net interest income, (2) higher Non-funded income and (3) lower provisioning expense.
- Net interest income (NII) increased by 12/6% YoY/QoQ in 1QCY22. Bank's NII was supported by increase in interest earned of 36/25% YoY/QoQ, meanwhile interest expensed increased by 62/43% YoY/QoQ.
- Non-funded income increased by 29/3% YoY/QoQ mainly due to higher Fee income (↑24% YoY), and increased FX income (↑2.8x/2% YoY/QoQ).
- Operating expense increased by 27/18% YoY/QoQ to Rs30.35bn in 1QCY22. This translated into Cost/income of 66% (up by 6/7ppts YoY/QoQ).
- The bank recorded provision expense of Rs1.2bn in 1QCY22, (↓35/52% YoY/QoQ) as compared to provision expense of Rs1.9bn in 1QCY21.
- Effective tax rate for 4QCY21 clocked in at 41% (↓0/5% YoY/QoQ).

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 01: Earnings Review HBL 1QCY22

	1QCY22	1QCY21	YoY	4QCY21	QoQ
Interest Earned	86,554	63,463	36%	69,511	25%
Interest Expensed	50,288	30,994	62%	35,244	43%
Net Interest Income (NII)	36,266	32,469	12%	34,267	6%
Fee Income	7,342	5,904	24%	7,493	-2%
Dividend Income	255	118	117%	393	-35%
Foreign Exchange Income	2,527	896	182%	2,470	2%
Gain on Securities	194	(206)	-194%	(1,752)	-111%
Other Income	(50)	1,251	-104%	1,344	-104%
Total Non-Markup Income	10,268	7,963	29%	9,948	3%
Share of Profit from Associates	93	259	-64%	641	-85%
Total Income	46,627	40,691	15%	44,856	4%
Operating Expense	30,357	23,902	27%	25,772	18%
WWF	287	319	-10%	364	-21%
Other Charges	159	42	277%	478	-67%
Non-Markup Expense	30,803	24,263	27%	26,614	16%
Profit Before Provisions	15,824	16,428	-4%	18,242	-13%
Provisions	1,243	1,920	-35%	2,592	-52%
Profit Before Taxation	14,581	14,508	1%	15,651	-7%
Taxation	5,967	5,948	0%	7,130	-16%
Profit After Taxation	8,614	8,560	1%	8,521	1%
PAT Attributable to Shareholders	8,479	8,336	2%	8,315	2%
EPS	5.78	5.68		5.67	
DPS	2.25	1.75		2.25	
Cost/Income	66%	60%		59%	
Effective Tax rate	41%	41%		46%	

Source: Company Accounts, Foundation Research, April 2022

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Recommendations definitions

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