

Earning Review

HBL: 2QCY22 EPS at Rs2.32, DPS Rs1.5

Event

- Habib Bank Limited (HBL PA) announced its 2QCY22 result with consolidated earnings of Rs3.4bn (EPS Rs2.32), down by 63/60% YoY/QoQ, This cumulates into 1HCY22 profitability of Rs11.9bn (EPS Rs8.10), down 33% YoY.
- The result was accompanied by cash dividend of Rs1.5/sh, taking half year payout to Rs3.75/sh.

Impact

- The bank posted a PAT of Rs3.4bn in 2QCY22 (down by 63% YoY), mainly due to (1) higher taxation charge and (2) higher operating expense.
- Net interest income (NII) increased by 16/4% YoY/QoQ in 2QCY22. Bank's NII was supported by increase in interest earned of 59/17% YoY/QoQ, meanwhile interest expense increased by 105/26% YoY/QoQ.
- Non-funded income increased by 50/23% YoY/QoQ mainly due to (1) higher fee income (↑31% YoY), and (2) increased FX income (↑7.7x/73% YoY/QoQ).
- Operating expense increased by 25% YoY to Rs28.7bn in 2QCY22. This translated into Cost/income of 58%, up by 2ppts YoY.
- The bank recorded provision expense of Rs1.6bn in 2QCY22, (↓14/↑26% YoY/QoQ) as compared to provision expense of Rs1.8bn in 2QCY21.
- Effective tax rate for the 2QCY22 clocked in at 83% (↑129/177% YoY/QoQ) given imposition of super tax at the rate of 10% and increase in taxation rate on incremental investment in Government securities.

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 0.45.

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Table 1: HBL Earnings Review 2QCY22

	2QCY22	2QCY21	YoY	1QCY22	QoQ	1HCY22	1HCY21	YoY
Interest Earned	101,081	63,401	59%	86,554	17%	187,634	126,864	48%
Interest Expensed	63,450	31,006	105%	50,288	26%	113,738	62,000	83%
Net Interest Income (NII)	37,630	32,394	16%	36,266	4%	73,896	64,864	14%
Fee Income	7,716	5,873	31%	7,342	5%	15,057	11,777	28%
Dividend Income	155	256	-39%	255	-39%	410	373	10%
Foreign Exchange Income	4,376	568	670%	2,527	73%	6,903	1,464	372%
Gain on Securities	210	1,688	-88%	194	8%	403	1,482	-73%
Other Income	135	26	414%	(50)	-371%	85	1,278	-93%
Total Non-Markup Income	12,591	8,411	50%	10,268	23%	22,858	16,374	40%
Share of Profit from Associates	723	977	-26%	93	674%	816	1,236	-34%
Total Income	50,944	41,782	22%	46,627	9%	97,571	82,473	18%
Operating Expense	28,690	22,950	25%	30,357	-5%	59,047	46,852	26%
WWF	400	316	27%	287	40%	687	635	8%
Other Charges	283	10	2838%	159	78%	442	52	753%
Non-Markup Expense	29,373	23,276	26%	30,803	-5%	60,176	47,539	27%
Profit Before Provisions	21,571	18,506	17%	15,824	36%	37,395	34,934	7%
Provisions	1,560	1,817	-14%	1,243	26%	2,803	3,737	-25%
Profit Before Taxation	20,011	16,689	20%	14,581	37%	34,591	31,197	11%
Taxation	16,517	7,219	129%	5,967	177%	22,484	13,167	71%
Profit After Taxation	3,494	9,470	-63%	8,614	-59%	12,108	18,030	-33%
PAT Attributable to Shareholders	3,407	9,320	-63%	8,479	-60%	11,886	17,656	-33%
EPS	2.32	6.35		5.78		8.10	12.04	
DPS	1.50	1.75		2.25		3.75	3.50	
Cost/Income	58%	56%		66%		62%	58%	
Effective Tax rate	83%	43%		41%		65%	42%	

Source: Company Accounts, Foundation Research, July 2022

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