

## Earning Review

### HBL: 3QCY22 EPS at Rs7.85, DPS Rs1.5

#### Event

- Habib Bank Limited (HBL PA) announced its 3QCY22 result with consolidated earnings of Rs11.5bn (EPS Rs7.85), up by 27/238% YoY/QoQ, This cumulates into 9MCY22 profitability of Rs23.4bn (EPS Rs15.95), down 12% YoY.
- The result was accompanied by cash dividend of Rs1.5/sh, taking 9MCY22 payout to Rs5.25/sh.
- The result is broadly in line with our expectation however cash payout is below our expectation of Rs2.5/sh.

#### Impact

- The bank posted a PAT of Rs11.5bn in 3QCY22 (up by 27/238% YoY/QoQ), mainly due to higher (1) net interest income and (2) non-markup income.
- Net interest income (NII) increased by 31/12% YoY/QoQ in 3QCY22. Bank's NII was supported by increase in interest earned of 84/20% YoY/QoQ, meanwhile interest expense increased by 136/25% YoY/QoQ.
- Non-funded income increased by 44% YoY mainly due to (1) higher fee income (↑25% YoY), and (2) increased FX income adjusted for derivative losses (↑77% YoY).
- Operating expense increased by 38/11% YoY/QoQ to Rs31.9bn in 3QCY22. This translated into Cost/income of 60%, up by 1.6/2.0ppts YoY/QoQ.
- The bank recorded provision expense of Rs788mn in 3QCY22, (↓55/49% YoY/QoQ) as compared to provision expense of Rs1.8bn in 3QCY21.
- Effective tax rate for the 3QCY22 clocked in at 45% (↑4.2ppt YoY) given imposition of super tax at the rate of 10% for the tax year 2023.

#### Outlook

- 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 0.37. However, ongoing case in US court for determination of secondary liability, in which plaintiffs had alleged the bank aided and abetted terrorism that killed 370 people in Afghanistan between 2010 and 2019 would continue to haunt investor sentiments.

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Table 01: Earnings Review 3QCY22

	3QCY22	3QCY21	YoY	QoQ	9MCY22	9MCY21	YoY
Interest Earned	121,465	65,880	84%	20%	309,099	192,743	60%
Interest Expensed	79,323	33,591	136%	25%	193,061	95,591	102%
<b>Net Interest Income (NII)</b>	<b>42,142</b>	<b>32,288</b>	<b>31%</b>	<b>12%</b>	<b>116,038</b>	<b>97,152</b>	<b>19%</b>
Fee Income	7,716	6,163	25%	0%	22,773	17,940	27%
Dividend Income	150	148	2%	-3%	560	521	8%
Foreign Exchange Income	2,556	1,447	77%	-42%	9,459	2,911	225%
Gain on Securities	127	88	45%	-39%	531	1,570	-66%
Other Income	106	(441)	na	na	191	836	-77%
<b>Total Non-Markup Income</b>	<b>10,655</b>	<b>7,404</b>	<b>44%</b>	<b>-15%</b>	<b>33,514</b>	<b>23,778</b>	<b>41%</b>
<b>Share of Profit from Associates</b>	<b>1,277</b>	<b>709</b>	<b>80%</b>	<b>77%</b>	<b>2,093</b>	<b>1,945</b>	<b>8%</b>
<b>Total Income</b>	<b>54,075</b>	<b>40,401</b>	<b>34%</b>	<b>6%</b>	<b>151,645</b>	<b>122,874</b>	<b>23%</b>
Operating Expense	31,879	23,161	38%	11%	90,926	70,013	30%
WWF	391	274	43%	-2%	1,078	910	19%
Other Charges	9	27	-68%	-97%	451	79	470%
<b>Non-Markup Expense</b>	<b>32,279</b>	<b>23,463</b>	<b>38%</b>	<b>10%</b>	<b>92,455</b>	<b>71,002</b>	<b>30%</b>
<b>Profit Before Provisions</b>	<b>21,795</b>	<b>16,939</b>	<b>29%</b>	<b>1%</b>	<b>59,190</b>	<b>51,873</b>	<b>14%</b>
Provisions	788	1,758	-55%	-49%	3,591	5,495	-35%
<b>Profit Before Taxation</b>	<b>21,007</b>	<b>15,180</b>	<b>38%</b>	<b>5%</b>	<b>55,599</b>	<b>46,377</b>	<b>20%</b>
Taxation	9,487	6,224	52%	-43%	31,971	19,391	65%
<b>Profit After Taxation</b>	<b>11,520</b>	<b>8,956</b>	<b>29%</b>	<b>230%</b>	<b>23,628</b>	<b>26,986</b>	<b>-12%</b>
<b>PAT Attributable to Shareholders</b>	<b>11,514</b>	<b>9,051</b>	<b>27%</b>	<b>238%</b>	<b>23,400</b>	<b>26,707</b>	<b>-12%</b>
<b>EPS</b>	<b>7.85</b>	<b>6.17</b>			<b>15.95</b>	<b>18.21</b>	
DPS	1.50	1.75			5.25	5.25	
Cost/Income	60%	58%			61%	58%	
Effective Tax rate	45%	41%			58%	42%	

Source: Company Accounts, Foundation Research, October 2022

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