

Earning Review

HBL: 4QCY22 EPS at Rs7.27, DPS Rs1.5

Event

- Habib Bank Limited (HBL PA) announced its 4QCY22 result with consolidated earnings of Rs10.7bn (EPS Rs7.27), up 28/ down 7% YoY/QoQ, This cumulates into CY22 profitability of Rs34.1bn (EPS Rs23.23), down 3% YoY.
- The result was accompanied by cash dividend of Rs1.5/sh, taking CY22 payout to Rs6.75/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 Rs10.7bn in 4QCY22 (up 28% YoY), mainly due to higher (1) net interest income and (2) non-markup income.
- Net interest income (NII) increased by 45/18% YoY/QoQ in 4QCY22. Bank's NII was supported by increase in interest earned of 83/5% YoY/QoQ, meanwhile interest expense increased by 120% YoY and decline 2% on sequential basis.
- Non-funded income increased by 2% YoY mainly due to (1) higher fee income (↑17% YoY), and (2) increased dividend income (↑2.4x YoY).
- Operating expense increased by 31/6% YoY/QoQ to Rs33.9bn in CY22. This translated into Cost/income of 57%, down by 2.7ppts YoY.
- The bank recorded provision expense of Rs4.9bn in 4QCY22, (↑89%/6.2x YoY/QoQ) as compared to provision expense of Rs2.6bn in 4QCY21.
- Effective tax rate for the 4QCY22 clocked in at 50% (↑4.2ppts YoY) given imposition of super tax at the rate of 10% for the tax year 2023.

Outlook

- Elevated interest rates would support profitability of the bank going forward that 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.

Analyst

Foundation Research
 +92 21 3561 2290-94

research@fs.com.pk
 Ext: 312

Table 01: Earnings Review 4QCY22

	4QCY22	4QCY21	YoY	3QCY22	QoQ	CY22	CY21	YoY
Interest Earned	127,002	69,511	83%	121,465	5%	436,101	262,254	66%
Interest Expensed	77,478	35,244	120%	79,323	-2%	270,539	130,835	107%
Net Interest Income (NII)	49,524	34,267	45%	42,142	18%	165,562	131,419	26%
Fee Income	8,737	7,493	17%	7,716	13%	31,510	25,433	24%
Dividend Income	948	393	141%	150	531%	1,509	914	65%
Foreign Exchange Income	(129)	2,470	na	2,556	-105%	9,329	5,381	73%
Gain on Securities	335	(1,752)	na	127	163%	866	(182)	na
Other Income	298	1,344	-78%	106	181%	489	2,180	-78%
Total Non-Markup Income	10,189	9,948	2%	10,655	-4%	43,703	33,726	30%
Share of Profit from Associates	935	641	46%	1,277	-27%	3,028	2,586	17%
Total Income	60,649	44,856	35%	54,075	12%	212,294	167,730	27%
Operating Expense	33,881	25,772	31%	31,879	6%	124,807	95,785	30%
WWF	421	364	16%	391	7%	1,499	1,273	18%
Other Charges	26	478	-95%	9	195%	477	557	-14%
Non-Markup Expense	34,327	26,614	29%	32,279	6%	126,783	97,615	30%
Profit Before Provisions	26,321	18,242	44%	21,795	21%	85,511	70,115	22%
Provisions	4,891	2,592	89%	788	521%	8,482	8,087	5%
Profit Before Taxation	21,431	15,651	37%	21,007	2%	77,030	62,028	24%
Taxation	10,661	7,130	50%	9,487	12%	42,632	26,521	61%
Profit After Taxation	10,770	8,521	26%	11,520	-7%	34,398	35,507	-3%
PAT Attributable to Shareholders	10,670	8,315	28%	11,514	-7%	34,070	35,022	-3%
EPS	7.27	5.67		7.85		23.23	23.88	
DPS	1.50	2.25		1.50		6.75	7.50	
Cost/Income	57%	59%		60%		60%	58%	
Effective Tax rate	50%	46%		45%		55%	43%	

Source: Company Accounts, Foundation Research, February 2023

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If	
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Expected return <-10%	Underperform.