

Earning Review

HBL: 1QCY23 EPS at Rs9.0, DPS Rs1.5

Event

- Habib Bank Limited (HBL PA) announced its 1QCY23 result with consolidated earnings of Rs13.2bn (EPS Rs9.0), up 56%/24% YoY/QoQ,
- The result was accompanied by cash dividend of Rs1.5/sh.
- The result is above our expectation given lower than expected interest expense incurred by the bank on its deposits, lower provisioning expense and reduced effective tax rate.

Impact

- The bank posted a PAT of Rs13.2bn in 1QCY23 (up 56%/24% YoY/QoQ), mainly due to higher net interest income.
- Net interest income (NII) increased by 54/13% YoY/QoQ in 1QCY23. Bank's NII was supported by increase in interest earned of 72/17% YoY/QoQ, meanwhile interest expense increased by 84%/20% YoY/QoQ.
- Non-funded income decreased by 24% YoY/QoQ mainly due to (1) lower foreign exchange income (down 70%/70% YoY/QoQ), (2) loss on securities and (3) higher loss from derivatives.
- However, fee income of the bank increased by 27%/7% YoY/QoQ to Rs9.3bn in 1QCY23.
- Operating expense increased by 29/16% YoY/QoQ to Rs39.2bn in 1QCY23. This translated into Cost/income of 62%, down by 4.4ppts YoY.
- The bank recorded provision expense of Rs3.2bn in 1QCY23, (↑156%/↓35% YoY/QoQ) as compared to provision expense of Rs1.2bn in 1QCY22.
- Effective tax rate for the 1QCY23 clocked in at 38% (↓2.6ppt YoY) due to relaxation on ADR based tax rate.

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 along with constrained CAR would continue to haunt investor sentiments.

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Table 01: Earnings Review 1QCY23

	1QCY23	1QCY22	YoY	4QCY22	QoQ
Interest Earned	148,551	86,554	72%	127,002	17%
Interest Expensed	92,708	50,288	84%	77,478	20%
Net Interest Income (NII)	55,843	36,266	54%	49,524	13%
Fee Income	9,344	7,342	27%	8,737	7%
Dividend Income	851	255	234%	948	-10%
Foreign Exchange Income	759	2,527	-70%	2,489	-70%
Gain on Securities	(1,081)	194	na	335	na
Other Income	(2,106)	(50)	4131%	(2,320)	-9%
Total Non-Markup Income	7,766	10,268	-24%	10,189	-24%
Share of Profit from Associates	810	93	767%	935	-13%
Total Income	64,419	46,627	38%	60,649	6%
Operating Expense	39,196	30,357	29%	33,881	16%
WWF	528	287	84%	421	26%
Other Charges	16	159	-90%	26	-38%
Non-Markup Expense	39,740	30,803	29%	34,327	16%
Profit Before Provisions	24,680	15,824	56%	26,321	-6%
Provisions	3,177	1,243	156%	4,891	-35%
Profit Before Taxation	21,502	14,581	47%	21,431	0%
Taxation	8,245	5,967	38%	10,661	-23%
Profit After Taxation	13,257	8,614	54%	10,770	23%
PAT Attributable to Shareholders	13,201	8,479	56%	10,670	24%
EPS	9.00	5.78		7.27	
DPS	1.50	2.25		1.50	
Cost/Income	62%	66%		57%	
Effective Tax rate	38%	41%		50%	

Source: Company Accounts, Foundation Research, April 2023

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