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## HBL: 3QCY24 EPS clocks in at PKR 9.85, down 13% YoY; DPS PKR 4.00

### Habib Bank Limited

PSX: HBL | Bloomberg: HBL PA | Reuters: HBL.PSX

- HBL announced the 3QCY24 result today wherein the bank recorded an EPS of PKR 9.85, down 13% YoY. Along with the result announcement, the bank declared a cash dividend of PKR 4.0/sh, taking the payout for 9MCY24 to PKR 12.0/sh.
- Net interest income arrived at PKR 63.7bn (-2% YoY) for 3QCY24. As expected, interest expense accelerated at a faster pace (+23% YoY) to PKR 154.2bn, versus interest income which was recorded at PKR 217.9bn (+14% YoY).
- Non-interest income increased by 63% YoY to PKR 21.2bn on the back of notable capital gains of PKR 6.5bn in 3QCY24.
- HBL booked a significant increase in provisioning expense of PKR 8.9bn, compared to PKR 1.4bn in SPLY (up by 4x YoY) due to the absence of credit allowance reversal against investments during 3QCY24.
- Admin expenses for 3QCY24 remained flat at PKR 47.9bn (up by 8% YoY), translating to a cost-to-income ratio of 57% versus a similar 57% in 3QCY23.
- Effective tax rate clocked in at 49% in 3QCY24.
- We have a 'Buy' rating on the scrip with a Dec-25 price target of PKR 159/sh, providing an upside of 17% along with a dividend yield of 12%.

#### Key Data

Key Data	HBL
PSX Ticker	HBL
Target Price (PKR)	159
Current Price (PKR)	136
Upside/(Downside) (%)	+17%
Dividend Yield (%)	12%
Total Return (%)	29%
12-month High (PKR)	149
12-month Low (PKR)	94
Outstanding Shares (mn)	1,467
Market Cap (PKR mn)	198,685

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)	3QCY23	3QCY24	YoY	9MCY23	9MCY24	YoY
M/up Earned	190,769	217,894	14%	509,966	625,449	23%
M/up Expense	125,783	154,172	23%	332,106	440,160	33%
<b>Net Interest Income</b>	<b>64,986</b>	<b>63,722</b>	<b>-2%</b>	<b>177,859</b>	<b>185,288</b>	<b>4%</b>
Non-Interest Income	13,031	21,179	63%	38,192	60,706	59%
Total Provisions	1,432	8,933	524%	7,431	19,032	156%
Admin Expenses	44,565	47,939	8%	125,092	141,085	13%
<b>Profit before Tax</b>	<b>32,019</b>	<b>28,029</b>	<b>-12%</b>	<b>83,529</b>	<b>85,877</b>	<b>3%</b>
Tax	15,388	13,831	-10%	40,557	42,622	5%
<b>Profit after Tax</b>	<b>16,631</b>	<b>14,198</b>	<b>-15%</b>	<b>42,971</b>	<b>43,255</b>	<b>1%</b>
EPS	11.34	9.85	-	29.20	30.03	-
DPS	2.25	4.00	-	5.75	12.00	-

Source: Company Accounts, Akseer Research

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	23.9	23.2	39.3	39.2	35.4	30.8
EPS Growth	13.4%	-2.7%	69.3%	-0.3%	-9.6%	-13.2%
DPS	7.5	6.8	9.8	15.8	13.8	14.8
BVPS	190.6	192.3	247.6	269.5	280.3	303.2
PER	5.7	5.8	3.4	3.5	3.8	4.4
Dividend Yield	5.5%	5.0%	7.2%	11.6%	10.1%	10.9%
P/B	0.7	0.7	0.5	0.5	0.5	0.4
ROE	13.0%	12.1%	17.9%	15.2%	12.9%	10.5%

Source: Company Accounts, Akseer Research

## Valuation Basis

Our PT for HBL has been computed using the dividend discounting method, with justified P/B for the ratio to calculate the terminal value. We have used a sustainable ROE of 14% to arrive at exit P/B ratio, along with a risk-free rate of 14%, a beta of 1.0, and a market risk premium of 6% to reach a cost of equity of 20%.

### Investment Thesis

We have a 'Buy' recommendation on the stock based on our Dec-25 PT of 159/sh. Our price target provides a capital upside of 17% along with a dividend yield of 12%. Our investment case on HBL is based on (1) NIMs expansion on the back of strong balance sheet growth, (2) balance sheet positioned to benefit from monetary easing.

### Risks

Key risks to our investment thesis are 1) the cost-to-income ratio remains elevated longer than anticipated, 2) a higher-than-expected decline in the interest rates 3) lower-than-anticipated growth in advances and deposits, and 4) a higher-than-anticipated increase in NPLs.

### Company Description

Founded in 1947 and privatized in 2004, Habib Bank Limited (HBL) is the largest bank in Pakistan, engaged in commercial banking services both in the country and overseas. The bank operates through an extensive network of 1,728 branches, including 408 Islamic banking branches, and 30 branches outside Pakistan. The Aga Khan Fund for Economic Development S.A. (AKFED) is the majority shareholder in the bank.

### Financial Highlights - HBL

Income Statement (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest Earned	262,254	436,101	712,345	835,072	636,037	506,142
Mark-up/interest Expensed	130,835	270,538	470,212	579,328	367,094	250,737
<b>Net interest Income</b>	<b>131,419</b>	<b>165,563</b>	<b>242,133</b>	<b>255,744</b>	<b>268,943</b>	<b>255,405</b>
<b>Non-interest Income</b>	<b>36,311</b>	<b>46,732</b>	<b>57,451</b>	<b>81,704</b>	<b>88,102</b>	<b>93,969</b>
Provision Charged	8,087	8,482	13,266	25,132	18,748	16,233
Operating Expenses	97,615	126,783	172,767	190,667	212,849	229,979
<b>Profit after Tax</b>	<b>35,022</b>	<b>34,070</b>	<b>57,676</b>	<b>57,483</b>	<b>51,982</b>	<b>45,127</b>

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	441,252	296,015	547,529	438,264	473,325	544,324
Investments	1,948,956	1,948,801	2,562,299	3,269,796	3,492,205	4,104,837
Advances	1,507,047	1,782,498	1,861,345	2,060,942	2,250,748	2,493,214
Operating Fixed Assets	111,307	132,294	164,615	143,092	145,713	148,335
Other Assets	308,906	479,198	398,561	430,371	466,834	522,955
<b>Total Assets</b>	<b>4,317,468</b>	<b>4,638,806</b>	<b>5,534,348</b>	<b>6,342,465</b>	<b>6,828,825</b>	<b>7,813,665</b>
Borrowings from Fls	436,258	583,771	665,043	513,652	554,744	637,955
Deposits	3,381,998	3,469,342	4,142,352	5,136,516	5,547,438	6,379,553
Other Liabilities	215,526	300,671	360,933	295,380	313,626	349,325
<b>Total Liabilities</b>	<b>4,033,782</b>	<b>4,353,784</b>	<b>5,168,328</b>	<b>5,945,548</b>	<b>6,415,808</b>	<b>7,366,834</b>
Equity	283,686	285,022	366,021	396,917	413,018	446,831
<b>Total Liabilities &amp; Equity</b>	<b>4,317,468</b>	<b>4,638,806</b>	<b>5,534,348</b>	<b>6,342,465</b>	<b>6,828,825</b>	<b>7,813,665</b>

Source: Company Accounts, Akseer Research

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