

Foundation Alert

HBL: Conference call Key Takeaways

Event

- Habib Bank Limited (HBL PA) held its conference call today to discuss CY21 results and outlook of the bank. Following are the key takeaways of the briefing.

Impact

- The bank posted highest-ever PAT of Rs35.02bn (EPS: 23.88) in CY21 (up by 13% YoY). The result was accompanied with a DPS of Rs2.25 in 4QCY21 taking cumulative DPS for CY21 to Rs7.5/sh.
- Management accredited better profitability to high non-funded income, lower provisioning and contained admin expenses.
- The increase in NFI was mainly because of high fees and commission as trade volume increased during the year to US\$16.8bn (↑75% YoY), increasing cash management of Rs8.0tn (↑57% YoY) and increase in remittances flows (↑29% YoY in volumes).
- Similarly NFI was also boosted due to better FX income which was due to the volatile movement in currency during the year.
- Provisions during the year decreased by 34% YoY in CY21, this was mainly due to COVID related general provisioning last year. Coverage by the end of CY21 stood at 104%, with specific coverage of 90%. Coverage is expected to be range bound in future as well. Infection ratio has dropped to 5.1% as compared to 6.3% SPLY.
- Cost to income ratio clocked in at 58%, management plans to optimize cost and is targeting 50% ratio going forward.
- Advances grew by 23% YoY to 1.5tn by end of CY21. This translated into ADR of 44.6%, up by ↑140/130bps YoY/QoQ. Management also disclosed international advances has clocked in at US\$1.6bn (Rs280bn) mainly on account of FI lending.
- Loan portfolio includes 43.0/18.2/10.5/6.8/2.6% in Corporate/International/Islamic/Consumer/Agriculture. Consumer loans increased to Rs102.8bn with Rs41/40/16/5bn in Personal/Auto/Cards/Mortgage.
- Banks deposits clocked in at Rs3.38tn, increasing by 19% YoY. Management targets 14% growth deposits in line with M2.
- Banks CAR declined to 15.6%, down by 160/100bps YoY/QoQ. Management called out the decline in CAR to devaluation of rupee and significant balance sheet growth during the year. Management aims to keep CAR at 2% above regulatory requirement.
- Tax for 4QCY21 was higher at 46%, management disclosed high ETR for reassessment of subsidiary, and subsequently deferred tax writing back.
- NIMs for 4QCY21 sequentially improved to 4.6% as compared to 4.5% in 3QCY21. Management plans to keep NIMs at 5% during CY22.

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 0.63.

Table 01: Earnings Review HBL 4QCY21

	4QCY21	4QCY20	YoY	QoQ	CY21	CY20	YoY
Interest Earned	69,511	63,306	10%	6%	262,254	271,237	-3%
Interest Expensed	35,244	31,986	10%	5%	130,835	141,133	-7%
Net Interest Income (NII)	34,267	31,320	9%	6%	131,419	130,104	1%
Fee Income	7,493	5,412	38%	22%	25,433	18,796	35%
Dividend Income	393	202	95%	166%	914	489	87%
Foreign Exchange Income	2,470	172	1338%	71%	5,381	(162)	na
Gain on Securities	(1,752)	(307)	470%	-2091%	(182)	7,055	-103%
Other Income	1,344	632	113%	-404%	2,180	1,454	50%
Total Non Markup Income	9,948	6,111	63%	34%	33,726	27,632	22%
Share of Profit from Associates	641	417	54%	-10%	2,586	2,963	-13%
Total Income	44,856	37,847	19%	11%	167,730	160,699	4%
Non-Markup Expense	26,614	24,015	11%	13%	97,615	95,449	2%
Operating Expense	25,772	23,734	9%	11%	95,785	94,018	2%
WWF	364	253	44%	32%	1,273	1,110	15%
Other Charges	478	28	1587%	1655%	557	321	74%
Profit Before Provisions	18,242	13,832	32%	8%	70,115	65,250	7%
Provisions	2,592	3,705	-30%	47%	8,087	12,220	-34%
Profit Before Taxation	15,651	10,127	55%	3%	62,028	53,031	17%
Taxation	7,130	4,486	59%	15%	26,521	22,117	20%
Profit After Taxation	8,521	5,641	51%	-5%	35,507	30,913	15%
PAT Attributable to Shareholders	8,315	5,700	46%	-8%	35,022	30,892	13%
EPS	5.67	3.89			23.88	21.06	
DPS	2.25	3.00			7.50	4.25	
Cost/Income	59%	63%			58%	59%	
Effective Tax rate	46%	44%			43%	42%	

Source: Company Accounts, Foundation Research, Feb 2022

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Recommendations definitions

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