

Foundation Alert

HBL: Conference call Key Takeaways

Event

- Habib Bank Limited (HBL PA) held its conference call today to discuss 1QCY22 results and outlook of the bank. Following are the key takeaways of the briefing.

Impact

- The bank posted PAT of Rs8.5bn (EPS: 5.78) in 1QCY22 (up by 2/2% YoY/QoQ). The result was accompanied with interim cash dividend of Rs2.25 per share.
- Management accredited better profitability to higher net interest income, higher non-funded income and lower provisioning.
- The increase in NFI was mainly because of high fees and commission as (1) trade volume increased to US\$4.9bn (↑48% YoY), and (2) higher remittances volume of US\$751mn (↑31% YoY) during the quarter.
- Similarly NFI was also boosted due to better FX income which was due to the volatile movement in currency during the year.
- Bank's deposits sequentially declined by 6% due to high cost of deposits. CA increased by 2% QoQ, meanwhile SA/term deposits declined by 7/16% QoQ. This was translated to CASA improving to 81.7% (↓/↑1.3/1.5% QoQ).
- Advances grew by 3.8% QoQ to Rs1.65tn in 1QCY22. This improved ADR to 51.6% (↑5.2/4.6ppt YoY/QoQ). The growth in advances was mainly driven by increasing microfinancing and agri portfolio. Similarly international advances grew strongly to US\$1.6bn.
- Infection ratio was at 5.2%, ↓/↑ 1.1/0.1ppt YoY/QoQ. Meanwhile coverage for the bank remained strong at 100% with 87% of specific NPLs accounted for.
- Loan portfolio includes 42/18/13/6/3% in Corporate/International/Islamic/Consumer/Agriculture. The International loan book remained dominated by Bahrain/UK/UAE (29/22/20%).
- Banks CAR declined to 15.3%, down by 264/37bps YoY/QoQ. Management called out the decline in CAR due to devaluation of rupee and significant balance sheet growth during the year. Management aims to keep CAR at 2% above regulatory requirement.
- Book value per share for the bank clocked in at Rs191/sh, declining by Rs2/sh, due to increase in mark-to-market deficit on investments.
- NIMs for 1QCY22 sequentially improved to 5.0% as compared to 4.6% in 4QCY21. 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 1QCY22

	1QCY22	1QCY21	YoY	4QCY21	QoQ
Interest Earned	86,554	63,463	36%	69,511	25%
Interest Expensed	50,288	30,994	62%	35,244	43%
Net Interest Income (NII)	36,266	32,469	12%	34,267	6%
Fee Income	7,342	5,904	24%	7,493	-2%
Dividend Income	255	118	117%	393	-35%
Foreign Exchange Income	2,527	896	182%	2,470	2%
Gain on Securities	194	(206)	-194%	(1,752)	-111%
Other Income	(50)	1,251	-104%	1,344	-104%
Total Non-Markup Income	10,268	7,963	29%	9,948	3%
Share of Profit from Associates	93	259	-64%	641	-85%
Total Income	46,627	40,691	15%	44,856	4%
Operating Expense	30,357	23,902	27%	25,772	18%
WWF	287	319	-10%	364	-21%
Other Charges	159	42	277%	478	-67%
Non-Markup Expense	30,803	24,263	27%	26,614	16%
Profit Before Provisions	15,824	16,428	-4%	18,242	-13%
Provisions	1,243	1,920	-35%	2,592	-52%
Profit Before Taxation	14,581	14,508	1%	15,651	-7%
Taxation	5,967	5,948	0%	7,130	-16%
Profit After Taxation	8,614	8,560	1%	8,521	1%
PAT Attributable to Shareholders	8,479	8,336	2%	8,315	2%
EPS	5.78	5.68		5.67	
DPS	2.25	1.75		2.25	
Cost/Income	66%	60%		59%	
Effective Tax rate	41%	41%		46%	

Source: Company Accounts, Foundation Research, April 2022

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Recommendations definitions

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