

HBL has announced its 1HCY22 result where it posted a profit after tax of Rs11.51bn (EPS: Rs7.85) as compared to a profit after tax of Rs17.48bn (EPS: Rs11.92) in the same period last year, down by 34.2% YoY.

The bank has posted a net interest income of Rs67.68bn against Rs59.93bn in SPLY, recording an increase of 12.9%.

Non-interest income has increased by 28.4% YoY to Rs20bn as compared to Rs15.58bn during SPLY, mainly due to the increase in foreign exchange and fee & commission income.

The operating cost-to-income ratio has increased to 59.7% as compared to 55% during SPLY. Furthermore, effective taxation has increased to 64.5% as compared to the 42% SPLY due to the imposition of super tax by the government.

HBL is currently trading at CY22E PE of 4.97x. Furthermore, the scrip is trading at a CY22E P/B of 0.46x which offers a discount of 9% relative to its historical 3-year average of 0.51x. We recommend our investors to **BUY** the scrip with a Justified PB Jun-23 TP of Rs.110 which provides an upside potential of 39%. Furthermore, it also offers an attractive dividend yield of 6% which makes a total return of 45%.

Rupees' millions	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Interest earned	94,461	59,361	59.1% ▲	175,332	118,971	47.4% ▲
Interest expensed	-59,947	-29,493	103.3% ▲	-107,658	-59,041	82.3% ▲
Net Interest Income	34,514	29,868	15.6% ▲	67,675	59,930	12.9% ▲
Fee and commission income	6,755	5,157	31.0% ▲	13,201	10,271	28.5% ▲
Dividend income	224	553	59.4% ▼	822	889	7.5% ▼
Foreign exchange income	4,339	453	857.3% ▲	6,356	1,278	635454.8% ▲
(Loss) / gain on securities	277	1,974	85.9% ▼	476	1,807	73.7% ▼
Other income	144	353	59.1% ▼	242	440	45.0% ▼
Non-Interest Income	10,797	8,202	31.6% ▲	20,002	15,576	28.4% ▲
Operating expenses	-25,263	-20,211	25.0% ▲	-52,341	-41,561	25.9% ▲
Workers' Welfare Fund	-368	-314	17.0% ▲	-649	-631	2.9% ▲
Other charges	-283	-10	2844.6% ▲	-442	-52	753.2% ▲
Profit Before Provisions	19,397	17,535	10.6% ▲	34,244	33,262	3.0% ▲
Provisions	-1,042	-1,435	27.4% ▼	-1,828	-3,162	42.2% ▼
Profit Before Taxation	18,356	16,100	14.0% ▲	32,416	30,100	7.7% ▲
Taxation	-15,138	-6,914	119.0% ▲	-20,903	-12,616	65.7% ▲
Profit After Taxation	3,217	9,186	65.0% ▼	11,512	17,484	34.2% ▼
Earnings Per Share	2.19	6.26	65.0% ▼	7.85	11.92	34.2% ▼
Dividend	1.50	1.75	14.3% ▼	3.75	3.50	7.1% ▲
Bonus	0%	0%		0%	0%	

Closing period 9 August 2022 - 11 August 2022

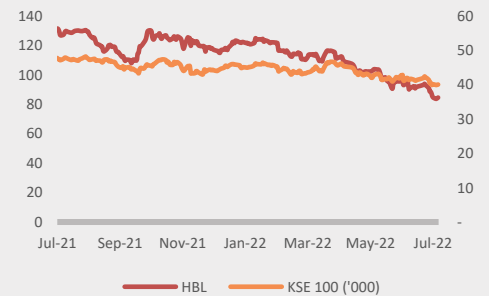
Operating Cost to Income	-55.8%	-53.1%	2.7% ▲	-59.7%	-55.0%	4.7% ▲
Effective Taxation	-82.5%	-42.9%	39.5% ▲	-64.5%	-41.9%	22.6% ▲

Source: ACPL Research, Company Financials

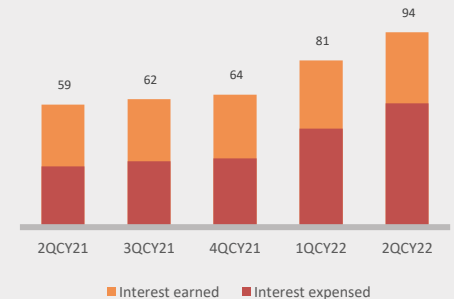
Key Statistics

Symbol	HBL
TP - Jun 23	110
LDCP	80
Upside (%)	39
Free Float ('mn)	733
Market Cap. (Rs.'mn)	126,809

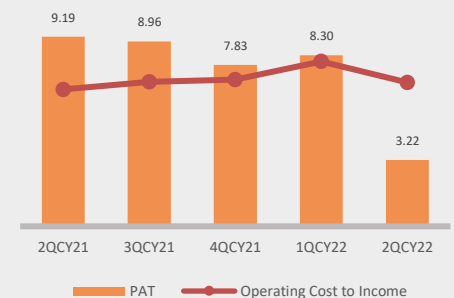
HBL vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	2019	2020	2021E	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	246,425	257,777	245,252	370,873	482,886	501,953	508,914
Mark-up / Return / Interest expensed	-151,799	-135,725	-124,305	-228,304	-280,491	-283,103	-272,973
Net Mark-up / Interest Income	94,626	122,052	120,947	142,569	202,395	218,850	235,941
Fee and commission income	18,197	16,353	22,244	26,248	28,872	31,760	34,936
Dividend income	1,311	1,668	1,509	1,662	1,848	2,056	2,291
Foreign exchange income	176	-422	4,598	11,495	11,495	11,495	11,495
(Loss) / gain from derivatives	-186	1,078	-182	-1,821	-910	-455	-455
(Loss) / gain on securities	-1,566	7,027	1,442	647	727	816	917
Other income	827	38	1,114	1,092	546	519	513
Total non-markup / interest income	18,759	25,743	30,724	39,322	42,577	46,190	49,696
Non mark-up / interest expenses							
Operating expenses	-82,709	-83,152	-84,608	-109,135	-134,735	-145,772	-157,100
Workers' Welfare Fund	-567	-1,104	-1,180	-1,280	-1,378	-1,491	-1,607
Other charges	-480	-321	-557	-843	-1,097	-1,140	-1,156
Profit Before Provisions	29,628	63,218	65,327	70,634	107,763	116,637	125,774
Provisions / (reversal of provisions)	-2,530	-10,224	-6,353	-4,140	-4,515	-4,474	-4,356
Profit before income tax	27,099	52,994	58,974	66,495	103,248	112,163	121,418
Income tax expense	-12,035	-21,471	-24,703	-42,879	-46,461	-50,473	-54,638
Profit for the year	15,064	31,524	34,271	23,616	56,786	61,689	66,780
EPS	10.27	21.49	23.36	16.10	38.71	42.06	45.53

Horizontal Analysis

Horizontal Analysis	2019	2020	2021E	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	56.8%	4.6%	-4.9%	51.2%	30.2%	3.9%	1.4%
Mark-up / Return / Interest expensed	87.1%	-10.6%	-8.4%	83.7%	22.9%	0.9%	-3.6%
Net Mark-up / Interest Income	24.5%	29.0%	-0.9%	17.9%	42.0%	8.1%	7.8%
Fee and commission income	13.1%	-10.1%	36.0%	18.0%	10.0%	10.0%	10.0%
Dividend income	-19.4%	27.2%	-9.5%	10.1%	11.2%	11.3%	11.4%
Foreign exchange income	-105.3%	-339.4%	-1190.8%	150.0%	0.0%	0.0%	0.0%
(Loss) / gain on securities	-161.5%	-548.7%	-79.5%	-55.1%	12.3%	12.3%	12.3%
Other income	109.4%	-95.4%	2815.2%	-2.0%	-50.0%	-5.0%	-1.0%
Total non-markup / interest income	14.1%	37.2%	19.4%	28.0%	8.3%	8.5%	7.6%
Non mark-up / interest expenses							
Operating expenses	17.6%	0.5%	1.8%	29.0%	23.5%	8.2%	7.8%
Workers' Welfare Fund	-119.9%	94.7%	6.8%	8.5%	7.7%	8.2%	7.8%
Other charges	-3.2%	-33.2%	73.7%	51.2%	30.2%	3.9%	1.4%
Profit Before Provisions	21.0%	113.4%	3.3%	8.1%	52.6%	8.2%	7.8%
Provisions / (reversal of provisions)	-45.5%	304.1%	-37.9%	-34.8%	9.1%	-0.9%	-2.7%
Profit before income tax	36.5%	95.6%	11.3%	12.8%	55.3%	8.6%	8.3%
Income tax expense	49.3%	78.4%	15.1%	73.6%	8.4%	8.6%	8.3%
Profit for the year	27.8%	109.3%	8.7%	-31.1%	140.5%	8.6%	8.3%
EPS	27.8%	109.3%	8.7%	-31.1%	140.5%	8.6%	8.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Yield on Earning Assets	%	8.81	7.59	6.47	8.92	10.41	9.69	8.78
Interest Cost	%	5.55	4.14	3.38	5.65	6.19	5.56	4.78
Net Interest Margin	%	3.26	3.45	3.09	3.27	4.22	4.13	4.01
Operating Cost to Income	%	73.87	57.23	56.93	61.17	56.01	55.99	55.97
Return on Equity	%	7.48	12.99	13.29	9.30	19.39	18.39	17.49
Return on Assets	%	0.49	0.87	0.84	0.52	1.12	1.09	1.06
Balance Sheet Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Deposits Growth	%	13.95	15.97	19.28	10.00	12.29	12.29	12.29
CASA to Deposits	%	78.57	74.03	70.78	70.78	70.78	70.78	70.78
Advances to Deposits	%	46.61	41.86	43.48	47.69	47.54	47.39	47.24
Investments to Deposits	%	58.73	71.63	59.83	60.00	59.41	58.88	58.41
PIBs to Investments	%	47.32	55.04	63.14	48.97	48.97	48.97	48.97
T Bills to Investments	%	46.04	33.26	20.66	20.66	20.66	20.66	20.66
Gross Infection Ratio	%	6.34	6.32	5.07	5.07	4.77	4.47	4.17
Provisioning Coverage	%	91.78	88.89	93.15	90.56	90.56	90.56	90.56
Net Infection Ratio	%	0.55	0.75	0.37	0.45	0.43	0.40	0.38
Capital Adequacy Ratio	%	15.35	17.24	15.63	15.14	15.55	15.86	16.09
Leverage Ratio	%	4.42	4.25	4.38	4.16	4.29	4.40	4.47
Operational Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Market Share - Deposits	%	15.73	14.93	15.18	14.54	14.22	13.91	13.60
Market Share - Advances	%	14.01	14.05	14.42	13.63	13.32	13.03	12.74
Market Share - Investments	%	15.35	16.47	13.54	12.98	12.57	12.18	11.81
No. of Branches		1712	1697	1697	1697	1697	1697	1697
Investment Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Dividend Per Share		5.00	4.25	7.50	5.25	12.50	13.50	14.50
Dividend Yield	%	6.25	5.31	9.38	6.56	15.63	16.88	18.13
Dividend Cover	x	2.05	5.06	3.12	3.07	3.10	3.12	3.14
Retention Ratio	%	51.31	80.22	67.90	67.90	67.90	67.90	67.90
Payout Ratio	%	48.69	19.78	32.10	32.10	32.10	32.10	32.10
No. of Shares	('m)	1467	1467	1467	1467	1467	1467	1467
Earnings Per Share		10.27	21.49	23.36	16.10	38.71	42.06	45.53
Book Value Per Share		137.32	165.47	175.84	173.05	199.69	228.74	260.31
Price to Earnings	x	7.79	3.72	3.42	4.97	2.07	1.90	1.76
Price to Book Value	x	0.58	0.48	0.45	0.46	0.40	0.35	0.31

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
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