

## HBL 2QCY22 earnings drop 63%YoY – Below expectations

- HBL announced 2QCY22 profit of PKR3,407mn (EPS PKR2.32) compared to a PAT of PKR9,320mn (EPS PKR6.35) of the same quarter last year and PKR8,479mn (EPS PKR5.78) of the previous quarter, representing a decline of 63%YoY and 60%QoQ, respectively.
- The earnings came below our expectations primarily due to higher than expected operating expenses, provisions and tax, despite better than expected core income.
- The bank announced second interim cash dividend of PKR1.5/share bringing CY22TD cash payout to PKR3.75/share. The payout was better than expected with a payout ratio of 65% compared to 28% of the same quarter last year and 39% of the previous quarter.
- NII of the bank came better than expected and recorded a growth of 16%YoY/4%QoQ. The out-performance of NII to expectations may be attributed to better than expected NIMs.
- Non-interest income recorded a massive growth of 42%YoY/28%QoQ, over-shooting expectations, primarily due to foreign exchange income amounting to PKR5,318mn compared to PKR568mn of 2QCY21 and PKR2,527mn of the previous quarter.
- Operating expenses continue to report higher growth as was the case with 1QCY22. They reported an increase of 25%YoY, while declining 5% on QoQ basis. We estimated a 10%YoY growth in operating expenses.
- Cost/income ratio on the other hand portrays a positive picture where it stood at 56% compared to 55% of the same quarter last year and 65% of the previous quarter.
- Effective tax rate for the quarter stood at 83% where the overall tax charge was higher than what we estimated.
- For 1HCY22, HBL earnings declined by 33%YoY to a PAT of PKR11,886mn (EPS PKR8.1) compared to a PAT of PKR17,656mn (EPS PKR12.04) of the same period last year.

### HBL Financial Highlights

PKRmn	2QCY22	YoY	1QCY22	QoQ	1HCY22	YoY
Interest Earned	101,081	59%	86,554	17%	187,634	48%
Interest Expensed	63,450	105%	50,288	26%	113,738	83%
<b>Net Interest Income</b>	<b>37,630</b>	<b>16%</b>	<b>36,266</b>	<b>4%</b>	<b>73,896</b>	<b>14%</b>
Fee, Commission etc.	7,716	31%	7,342	5%	15,057	28%
Dividend Income	155	-31%	255	-39%	410	20%
FX Income	5,318	836%	2,527	110%	7,845	436%
Capital Gains/(Losses)	210	-88%	194	8%	403	-73%
Share of Associates' Profits	723	-26%	93	674%	816	-34%
Others	-808	n/a	-50	n/a	-858	n/a
<b>Non-Interest Income</b>	<b>13,314</b>	<b>42%</b>	<b>10,361</b>	<b>28%</b>	<b>23,675</b>	<b>34%</b>
<b>Total Income</b>	<b>50,944</b>	<b>22%</b>	<b>46,627</b>	<b>9%</b>	<b>97,571</b>	<b>18%</b>
Operating Expenses	28,690	25%	30,357	-5%	59,047	26%
Other Items	683	110%	446	53%	1,129	64%
Provisions	1,560	-14%	1,243	26%	2,803	-25%
<b>Profit Before Tax</b>	<b>20,011</b>	<b>20%</b>	<b>14,581</b>	<b>37%</b>	<b>34,591</b>	<b>11%</b>
Tax	16,517	129%	5,967	177%	22,484	71%
<b>PAT</b>	<b>3,494</b>	<b>-63%</b>	<b>8,614</b>	<b>-59%</b>	<b>12,108</b>	<b>-33%</b>
<b>PAT - Holding Co.</b>	<b>3,407</b>	<b>-63%</b>	<b>8,479</b>	<b>-60%</b>	<b>11,886</b>	<b>-33%</b>
EPS	2.32		5.78		8.10	
DPS	1.50		2.25		3.75	

Source: Company Accounts, NEXT Capital Research

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# Annexure

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