

HBL has announced its CY21 result where it posted a profit after tax of Rs34.271bn (EPS: Rs23.36) as compared to profit after tax of Rs31.524bn (EPS: Rs21.49) in the same period last year, up by 8.7% YoY.

The bank has posted a net interest income of R120.947bn against Rs122.052bn in SPLY, recording a decline of 0.9%.

Non-interest income has been increased by 19.4% YoY to Rs30.724bn as compared to Rs25.743bn during SPLY, mainly due to the increase in foreign exchange and fee & commission income.

The operating cost to income ratio has been decreased to 55.8% as compared to 56.3% during SPLY.

HBL is currently trading at CY22E PE of 4.45x. Furthermore, the scrip is trading at a CY22E P/B of 0.57x which offers a discount of 22% relative to its historical 3-year average of 0.73x. We recommend our investors to **BUY** the scrip with a Justified PB Dec-22 TP of Rs.160 which provides an upside potential of 37%. Furthermore, it also offers an attractive dividend yield of 7% which makes the total return of 44%.

Rupees' millions	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Interest earned	64,254	59,718	7.6% ▲	245,252	257,777	4.9% ▼
Interest expensed	-33,318	-30,629	8.8% ▲	-124,305	135,725	8.4% ▼
Net Interest Income	30,936	29,089	6.4% ▲	120,947	122,052	0.9% ▼
Fee and commission income	6,582	4,673	40.9% ▲	22,244	16,353	36.0% ▲
Dividend income	423	204	107.7% ▲	1,509	1,668	9.5% ▼
Foreign exchange income	2,120	520	307.4% ▲	4,598	-422	459884.6% ▲
(Loss) / gain on securities	-459	-310	48.1% ▲	1,442	7,027	79.5% ▼
Other income	137	174	21.2% ▼	1,114	38	2815.2% ▲
Non-Interest Income	8,698	5,716	52.2% ▲	30,724	25,743	19.4% ▲
Operating expenses	-22,567	-20,383	10.7% ▲	-84,608	-83,152	1.8% ▲
Workers' Welfare Fund	-276	-251	9.9% ▲	-1,180	-1,104	6.8% ▲
Other charges	-478	-28	1586.7% ▲	-557	-321	73.7% ▲
Profit Before Provisions	16,314	14,142	15.4% ▲	65,327	63,218	3.3% ▲
Provisions	-2,437	-2,938	17.1% ▼	-6,353	-10,224	37.9% ▼
Profit Before Taxation	13,877	11,204	23.9% ▲	58,974	52,994	11.3% ▲
Taxation	-6,051	-4,666	29.7% ▲	-24,703	-21,471	15.1% ▲
Profit After Taxation	7,826	6,538	19.7% ▲	34,271	31,524	8.7% ▲
Earnings Per Share	5.34	4.46	19.7% ▲	23.36	21.49	8.7% ▲
Dividend	2.25	3.00		7.50	4.25	76.5% ▲
Bonus	0%	0%		0%	0%	

Closing Period: 24 Mar 2022 – 30 Mar 2022

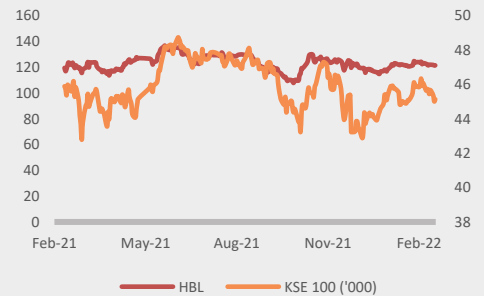
Operating Cost to Income	-56.9%	-58.6%	1.6% ▼	-55.8%	-56.3%	0.5% ▼
Effective Taxation	-43.6%	-41.6%	2.0% ▲	-41.9%	-40.5%	1.4% ▲

Source: ACPL Research, Company Financials

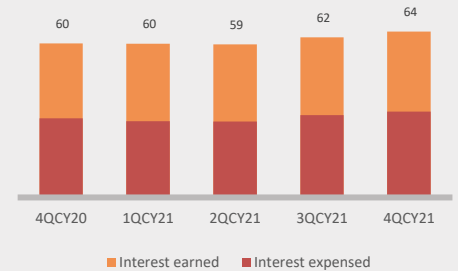
Key Statistics

Symbol	HBL
TP - Dec 22	160.00
LDCP	117.00
Upside (%)	37
Free Float ('mn)	733
Market Cap. (Rs.'mn)	171,622

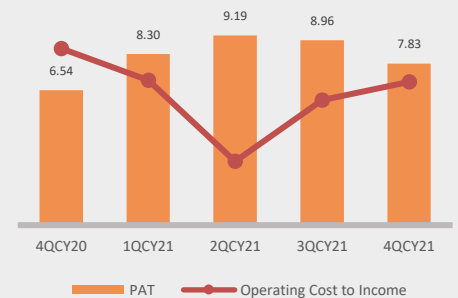
HBL vs KSE 100



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	344,964	407,435	452,283	504,755
Mark-up / Return / Interest expensed	-151,799	-135,725	-124,305	-214,039	-244,328	-273,379	-305,916
Net Mark-up / Interest Income	94,626	122,052	120,947	130,924	163,107	178,904	198,839
Fee and commission income	18,197	16,353	22,244	26,693	29,362	32,298	35,528
Dividend income	1,311	1,668	1,509	1,653	1,814	1,995	2,197
Foreign exchange income	176	-422	4,598	4,598	4,598	4,598	4,598
(Loss) / gain from derivatives	-186	1,078	-182	-182	-182	-182	-182
(Loss) / gain on securities	-1,566	7,027	1,442	1,606	1,791	1,997	2,228
Other income	827	38	1,114	1,114	1,114	1,114	1,114
Total non-markup / interest income	18,759	25,743	30,724	35,482	38,496	41,819	45,483
Non mark-up / interest expenses							
Operating expenses	-82,709	-83,152	-84,608	-92,827	-112,461	-123,127	-136,291
Workers' Welfare Fund	-567	-1,104	-1,180	-1,294	-1,568	-1,716	-1,900
Other charges	-480	-321	-557	-784	-926	-1,028	-1,147
Profit Before Provisions	29,628	63,218	65,327	71,501	86,649	94,852	104,984
Provisions / (reversal of provisions)	-2,530	-10,224	-6,353	-5,164	-5,304	-5,404	-5,451
Profit before income tax	27,099	52,994	58,974	66,337	81,344	89,448	99,533
Income tax expense	-12,035	-21,471	-24,703	-27,787	-34,073	-37,468	-41,692
Profit for the year	15,064	31,524	34,271	38,550	47,271	51,981	57,841
EPS	10.27	21.49	23.36	26.28	32.23	35.44	39.43

Horizontal Analysis

Horizontal Analysis	2019	2020	2021E	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	56.8%	4.6%	-4.9%	40.7%	18.1%	11.0%	11.6%
Mark-up / Return / Interest expensed	87.1%	-10.6%	-8.4%	72.2%	14.2%	11.9%	11.9%
Net Mark-up / Interest Income	24.5%	29.0%	-0.9%	8.2%	24.6%	9.7%	11.1%
Fee and commission income	13.1%	-10.1%	36.0%	20.0%	10.0%	10.0%	10.0%
Dividend income	-19.4%	27.2%	-9.5%	9.5%	9.8%	10.0%	10.1%
Foreign exchange income	-105.3%	-339.4%	-1190.8%	0.0%	0.0%	0.0%	0.0%
(Loss) / gain on securities	-161.5%	-548.7%	-79.5%	11.4%	11.5%	11.5%	11.6%
Other income	109.4%	-95.4%	2815.2%	0.0%	0.0%	0.0%	0.0%
Total non-markup / interest income	14.1%	37.2%	19.4%	15.5%	8.5%	8.6%	8.8%
Non mark-up / interest expenses							
Operating expenses	17.6%	0.5%	1.8%	9.7%	21.2%	9.5%	10.7%
Workers' Welfare Fund	-119.9%	94.7%	6.8%	9.7%	21.2%	9.5%	10.7%
Other charges	-3.2%	-33.2%	73.7%	40.7%	18.1%	11.0%	11.6%
Profit Before Provisions	21.0%	113.4%	3.3%	9.5%	21.2%	9.5%	10.7%
Provisions / (reversal of provisions)	-45.5%	304.1%	-37.9%	-18.7%	2.7%	1.9%	0.9%
Profit before income tax	36.5%	95.6%	11.3%	12.5%	22.6%	10.0%	11.3%
Income tax expense	49.3%	78.4%	15.1%	12.5%	22.6%	10.0%	11.3%
Profit for the year	27.8%	109.3%	8.7%	12.5%	22.6%	10.0%	11.3%
EPS	27.8%	109.3%	8.7%	12.5%	22.6%	10.0%	11.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2019	2020	2021E	2022E	2023E	2024E	2025E
Yield on Earning Assets	%	8.81	7.59	6.93	8.02	8.55	8.47	8.45
Interest Cost	%	5.55	4.14	3.82	5.21	5.32	5.31	5.31
Net Interest Margin	%	3.26	3.45	3.11	2.81	3.23	3.16	3.14
Operating Cost to Income	%	73.87	57.23	56.93	57.03	57.02	57.03	57.03
Return on Equity	%	7.48	12.99	12.69	12.82	13.99	13.72	13.63
Return on Assets	%	0.49	0.87	0.82	0.84	0.93	0.91	0.90
Balance Sheet Analysis		2019	2020	2021E	2022E	2023E	2024E	2025E
Deposits Growth	%	13.95	15.97	12.00	12.00	12.00	12.00	12.00
CASA to Deposits	%	78.57	74.03	74.03	74.03	74.03	74.03	74.03
Advances to Deposits	%	46.61	41.86	47.47	47.31	47.16	47.02	46.87
Investments to Deposits	%	58.73	71.63	69.81	68.27	66.90	65.68	64.58
PIBs to Investments	%	47.32	55.04	55.04	55.04	55.04	55.04	55.04
T Bills to Investments	%	46.04	33.26	33.26	33.26	33.26	33.26	33.26
Gross Infection Ratio	%	6.34	6.32	6.10	5.80	5.50	5.20	4.90
Provisioning Coverage	%	91.78	88.89	88.89	88.89	88.89	88.89	88.89
Net Infection Ratio	%	0.55	0.75	0.64	0.61	0.58	0.55	0.52
Capital Adequacy Ratio	%	15.35	17.24	16.89	16.97	17.17	17.20	17.22
Leverage Ratio	%	4.42	4.25	4.15	4.16	4.21	4.25	4.27
Operational Analysis		2019	2020	2021E	2022E	2023E	2024E	2025E
Market Share - Deposits	%	15.73	14.93	14.80	14.67	14.54	14.41	14.28
Market Share - Advances	%	14.01	14.05	13.93	13.80	13.68	13.56	13.44
Market Share - Investments	%	15.35	16.47	15.93	15.44	15.00	14.59	14.22
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	8.50	10.25	11.50	12.75
Dividend Yield	%	4.27	3.63	6.41	7.26	8.76	9.83	10.90
Dividend Cover	x	2.05	5.06	3.12	3.09	3.14	3.08	3.09
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	26.28	32.23	35.44	39.43
Book Value Per Share		137.32	165.47	184.10	204.98	230.43	258.25	289.28
Price to Earnings	x	11.39	5.44	5.01	4.45	3.63	3.30	2.97
Price to Book Value	x	0.85	0.71	0.64	0.57	0.51	0.45	0.40

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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