

HBL's Q1'23 Profit rises to Rs 21.5 billion, setting new benchmarks in challenging times

Pakistan, Karachi – 27 April 2023: HBL today declared another record quarterly profit in Q1'23 with a profit before tax (PBT) of Rs 21.5 billion, 47% higher than the PBT of Rs 14.6 billion last year. This strong performance was driven by excellent results across all domestic businesses and sustainable operating profit from the international franchise. The Bank's profit after tax rose by 54% to Rs 13.3 billion with earnings per share improving from Rs 5.78 in Q1'22 to Rs 9.00 in Q1'23. Along with the results, the Bank declared a dividend of Rs 1.50 per share (15%).

The Bank's balance sheet grew by 7% to Rs 4.96 trillion with deposits increasing to Rs 3.6 trillion. A growth of Rs 260 billion in average low-cost domestic deposits enabled HBL to contain the rise in deposit cost. The record policy rate of 21% has resulted in muted credit demand with a net reversal in private sector credit growth. However, total advances were maintained at December 2022 levels of Rs 1.8 trillion.

In the rapidly rising rate environment, a combination of significantly higher net interest margins and a 13% growth in the average domestic balance sheet drove a 53% growth in net interest income. This was well supported by a 46% higher interest income from international business. Consequently, HBL's total net interest income increased to Rs 55.8 billion. HBL continues to lead the market in fees, with another robust growth of 27% to Rs 9.3 billion. The flagship Cards business continued to deliver stellar results, accounting for two-thirds of the fee increase. Trade cash management and consumer finance made solid contributions, delivering high double-digit fee growth. The Bank's total revenue for Q1'23 thus increased by 38% over Q1'22, to Rs 64.4 billion.

HBL continues to invest in its people and its digital infrastructure while ensuring it gives back to the communities in which it operates. In Q1'23, unprecedented inflation levels and Rupee devaluation further impacted administrative expenses which increased to Rs 39.2 billion. However, with the strong revenue growth, the cost/income ratio improved from 65.1% in Q1'22 to 60.8% in Q1'23. With the slowdown in loan growth, the infection ratio has increased to 5.4% but remains below industry levels; prudent provisioning ensured that the Bank's total coverage was maintained at above 100%.

Commenting on the Bank's performance, Muhammad Aurangzeb, President & CEO - HBL said, "We have remained steadfast in the course we have set for ourselves i.e. setting new benchmarks in challenging times. Given this was achieved while Pakistan faces perhaps the most challenging economic conditions in its history, speaks for the continued patronage of our clients, the robustness of our business model and the dedication of the entire HBL team. As we navigate the current environment, we remain live to risks; we will pursue a course that ensures the highest possible standards of client experience whilst ensuring that business controls are robust across the franchise."

Business Developments

The Bank is in good health with solid business fundamentals, enjoying leadership positions across most areas of our operations.

HBL's investments in technology over many years are coming to fruition. During Q1'23, HBL's Mobile and Internet Banking user base increased by 25% to 3.4 million users; transactions grew by 46% YoY, channeling a total value of over Rs 940 billion. HBL is driving Pakistan's e-commerce payments landscape, with its recently launched HBL Digital Invoicing. HBL's Billing Aggregator continues to make online bill payments accessible to millions of Pakistanis across the world. During Q1'23, the channel processed around Rs 400 billion, a 60% YoY rise, and recorded another industry-first by enabling clients of other banks to use their own app to pay education fees for HBL-registered institutions.

Konnect provides services to over 8.9 million clients, of which 23% are women. Konnect has been instrumental in implementing the government's welfare programs; in Q1'23, HBL disbursed Rs 102 billion to over 6.3 million BISP beneficiaries, to support underprivileged women. HBL also collaborated with BISP on the Waseela-e-Taleem Program to promote education and literacy, disbursing Rs 9.4 billion to 4.8 million beneficiaries in Q1'23.

HBL's cards remain the first choice of clients as usage of both debit and credit cards grew by 54% over the same period last year with spend reaching nearly Rs 94 billion in Q1'23. HBL is growing the SME business in a significant and sustainable way; the business registered a 20% YoY. New cashflow-based lending products witnessed good momentum, growing the portfolio to over 3,000 clients by the end of Q1'23. Supply chain financing has also recorded the highest ever growth by any bank in the country.

HBL made significant growth in Agriculture financing, with new business acquisition of Rs 3.7 billion during Q1'23. HBL maintains a dominant role in Agriculture financing with a market share of 35% and the largest portfolio amongst commercial banks. As the champion bank for Balochistan, HBL continues to lead the industry with the highest agriculture disbursements in the province. After the hugely successful agriculture pilot interventions in Punjab, which saw farmer incomes double, HBL is expanding this to KPK.

HBL maintained its dominance in the Investment Banking space by closing 8 deals worth over Rs 300 billion. Despite a plethora of headwinds, the Bank secured 8 mandates covering the entire Investment Banking spectrum and valuing over USD 1 billion. Transaction & Employee Banking has maintained its leadership position with cash management throughput up by 40% to Rs 3.6 trillion in Q1'23; 70% of this was through digital transactions. HBL's market-leading employee banking proposition, HBL@Work, provided payroll services to 3.2 million employees, and tablet-based real-time account opening, and activation were commercially launched to facilitate implementation.

HBLPSL 8 was successfully held in Q1'23. This year for the first time ever, the month long, 34 match tournament was played across 4 cities in the country. HBLPSL has put Pakistan back on the map of world cricket and brought untold joy to tens of millions of Pakistanis.