

Habib Metropolitan Bank Limited

KATS: HMB
Bloomberg: HMB PA

Price: PKR 72
Fair Value: PKR 90

OUTPERFORM

NII double digit contraction continued in 2QCY24

23 August 2024

- **EPS posted at PKR 5.3 in 2QCY24.** NII continued its double-digit contraction of 14% Q/Q in 2QCY24 to PKR 15.6 BN (down 17% Y/Y) due to declining yields amid 1) a high term deposit & savings account mix and 2) OMO borrowings. However, the NII drop was offset by a 52% Q/Q jump in Non-Funded Income. The result was inline with expectation with HMB's EPS at PKR 5.3, taking 1HCY24 EPS to PKR 10.97 (down 2.4% Y/Y).
- **PKR 2.5 DPS announced.** The result was accompanied by PKR 2.5/sh dividends, in line with the company's quarterly dividend policy since the start of 2024. This took 1HCY24 dividends to PKR 5/sh, flat Y/Y.
- **Non-Funded Income jumped 52% Q/Q.** FX income jumped 63/42% Q/Q / Y/Y to PKR 2.1 BN, whereas HMB also booked PKR 0.95 BN in capital gains against a loss of PKR 0.27 BN last quarter. However, fee income remained largely flat at PKR 2.4 BN in Jun-24.
- **Operating expenses up 10% Y/Y.** HMB's cost to income ratio sequentially increased to 40.7% from 38.1% last quarter, due to a declining trend in total revenues. The bank's operating costs ticked up 7% Q/Q and only 10% Y/Y. 1HCY24 operating costs were also up nominal 12% Y/Y, considering the high inflation during the period.
- **Outlook.** We maintain an outperform stance on HMB as the bank, despite being conservative, offers a good dividend yield of ~15.3% in CY24E and is trading at a low P/B and P/E value of 0.7 and 3.0, respectively based on CY24 estimates.

PKR	CY23	CY24E	CY25E	CY26E
EPS	23.3	24.3	25.2	24.7
DPS	10.5	11.0	12.0	12.0
BVPS	89.0	98.7	112.1	124.9
P/E	3.1	3.0	2.8	2.9
D/Y	14.6%	15.3%	16.7%	16.7%
P/B	0.8	0.7	0.6	0.6

Source: Company Accounts, Optimus Research

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REN: REP-107



Earnings Snapshot

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PKR MN (Unconsolidated)	2QCY24E	2QCY24	1QCY24	4QCY23	3QCY23	2QCY23	Q/Q	Y/Y	1HCY24	1HCY23	Y/Y
Net Interest Income	15,645	14,124	16,345	20,017	20,568	17,062	-14%	-17%	30,468	30,833	-1%
Mark up earned	61,877	59,765	58,907	57,732	52,021	51,666	1%	16%	118,672	95,859	24%
Mark up expensed	46,232	45,641	42,562	37,714	31,454	34,604	7%	32%	88,203	65,027	36%
Non Interest Income	4,046	5,673	3,732	4,411	2,950	3,969	52%	43%	9,405	7,934	19%
Fee and commission income	2,540	2,408	2,466	2,352	2,510	2,388	-2%	1%	4,874	4,533	8%
Dividend income	152	140	207	179	181	138	-32%	1%	347	266	31%
Foreign exchange income	1,327	2,119	1,301	1,758	138	1,493	63%	42%	3,419	3,307	3%
Total Income	19,690	19,797	20,076	24,429	23,517	21,031	-1%	-6%	39,873	38,766	3%
Non Mark up Exp.	7,815	8,050	7,649	7,955	7,892	7,505	5%	7%	15,699	14,130	11%
Operating Expense	7,486	7,838	7,339	7,547	7,640	7,116	7%	10%	15,177	13,566	12%
Total Provisions	1,250	1,183	855	1,513	1,052	1,130	38%	5%	2,038	2,174	-6%
Profit Before Tax	10,626	10,563	11,573	14,960	14,573	12,397	-9%	-15%	22,136	22,462	-1%
Taxation	5,207	4,966	5,671	9,759	7,172	6,340	-12%	-22%	10,637	10,681	0%
Profit After Tax	5,419	5,597	5,901	5,201	7,402	6,056	-5%	-8%	11,498	11,781	-2%
EPS	5.17	5.34	5.63	4.96	7.06	5.78			10.97	11.24	
DPS	2.50	2.50	2.50	5.50	-	5.00			5.00	5.00	
Effective Tax Rate	49.0%	47.0%	49.0%	65.2%	49.2%	51.1%			48.1%	47.6%	
Cost to Income	39.7%	40.7%	38.1%	32.6%	33.6%	35.7%			39.4%	36.4%	
NII to Total Income	79.5%	71.3%	81.4%	81.9%	87.5%	81.1%			76.4%	79.5%	

Source: Company Accounts, Optimus Research

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