

# Habib Bank (HBL)

## 2017 Conference Call Notes

**Topline Research**  
research@topline.com.pk  
Tel: +9221-35303330  
**Topline Securities, Pakistan**



www.jamapunji.pk

**ASIAMONEY**

Best Local Brokerage House  
Brokers Poll 2011-14, 2016-17



Best Local Brokerage House 2015-16

## Key Takeaways

- Overall deposit growth of the bank witnessed during 2017 was 6%. Domestic Deposits were up 11.8% while there was contraction on the deposits of international book.
- HBL and also other banks have filed a review petition regarding the pension case as the final judgment is not clear. However, HBL does not expect the pension liability to increase beyond the stated range in the annual accounts which is Rs1bn to Rs4.5bn.
- The FX loss of Rs413mn in 4Q2017 was related to the foreign loans HBL had taken for the fine against New York Operations.
- The bank carried out revaluation of its land/properties which resulted in revaluation of land/properties by Rs10bn during 2017. Consequently, total revaluation surplus on consolidated books of HBL stood at Rs21bn in 2017 vs. Rs24bn in 2016 despite deficit of Rs408mn on revaluation of investments in 2017 (following downturn in equity markets and lower revaluation on PIBs).
- Bank targets to maintain its CAR ratio at 16% and for the purpose it may issue Additional Tier 1 Capital and may remain conservative in its payout ratio.
- Over Rs100bn high yielding PIBs will be maturing in July 2018. And weighted average maturity of Bank's PIBs is 1.7 years.
- The management expects around 25bps hike in interest in upcoming monetary policy.
- Management expects advances growth of 13-14% going forward.

# Analyst Certification and Disclosures

The research analyst(s), denoted by an “AC” on the cover of this report, primarily involved in the preparation of this report, certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject companies/securities/sectors and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Furthermore, it is stated that the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months.

Additionally, as per regulation 8(2)(i) of the Research Analyst Regulations, 2015, we currently do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company.

## Rating System

Topline Securities employs three tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Stock will outperform the average total return of stocks in universe
Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

For sector rating, Topline Securities employs three tier ratings system, depending upon the sector’s proposed weight in the portfolio as compared to sector’s weight in KSE-100 Index:

Rating	Sector’s Proposed Weight in Portfolio
Over Weight	> Weight in KSE-100 Index
Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

Ratings are updated daily to account for the latest developments in the economy/sector/company, changes in stock prices and changes in analyst’s assumptions or a combination of any of these factors.

## Valuation Methodology

To arrive at our 12-months Target Price, Topline Securities uses different valuation methods which include: 1). Present value methodology, 2). Multiplier methodology, and 3). Asset-based methodology.

## Research Dissemination Policy

Topline Securities endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time.

# Disclaimer

This report has been prepared by Topline Securities and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Topline Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Topline Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Topline Research Department and do not necessarily reflect those of Topline or its directors. Topline as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report.

**All rights reserved by Topline Securities. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Topline Securities. Action could be taken for unauthorized reproduction, distribution or publication.**