HBL: Conference Call Takeaways 1HCY19

- HBL posted 1HCY19 consolidated PAT of Rs3.9bn (EPS: Rs2.53) as compared to PAT of Rs8.1bn (EPS: Rs5.42) in SPLY, down by 52% YoY. HBL also announced Rs1.25 DPS in 2QCY19 taking 1HCY19 DPS to Rs2.50.
- Decline in PAT is due to FX loss on foreign borrowing (Rs6bn), impairment charges on listed equity and higher operating expense (up by 23% YoY) due to NY branch related cost.
- Net interest income of bank increased by 18.4% YoY due to full repricing of CY18 rate hike and roll over of maturing investments at higher rate.
- HBL fee income increased by 16% YoY due to higher investment banking, trade loan and card related fees.
- Management expense expected to come down in 2HCY19 and expected to be normalized in CY21. The Bank also expect to complete the windup process of NY branch by 1HCY20
- Management expect loan growth of around 9 to 11 percent in CY19.
- Deposit of bank surpass Rs2tr mark while bank management expect deposit grow by 12% in CY19.
- HBL has raised Rs8.5bn in ADT-1 Capital and it plans to increase it to Rs15bn. According to management every Rs1bn capital raised by bank will result in 8bps increase in Tier1 and total capital ratio of bank.
- We have BUY stance on stock with Dec-19 TP of Rs145 providing 20% upside from last closing.

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If;

- **Expected return >15%** - Buy Call
- **Expected Return is in between 0% to 15%** - Neutral/Hold Call
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To arrive at our period end target prices, DSL uses different valuation methodologies including:

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- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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