

HBL's profit for 9M'23 rises to Rs 83.5 billion, whilst serving clients through sustainable banking

Pakistan, Karachi – 25 October 2023: HBL today declared another record quarterly profit for Q3'23 with a profit before tax (PBT) of Rs 32.0 billion. The Bank's consolidated PBT of Rs 83.5 billion for the nine months of 2023 was 50% higher than the PBT for 9M'22. Despite continued excessive taxation on the banking sector, the Bank's profit after tax (PAT) for 9M'23 grew by 82% to Rs 43.0 billion over the same period last year. Earnings per share for the first nine months were Rs 29.20 compared to Rs 15.95 for 9M'22. Along with the results, the Bank declared an interim cash dividend of Rs 2.25 per share (22.50%). This is in addition to the Interim Cash Dividend already paid at Rs 3.50 per share (35%).

HBL's fortress balance sheet grew by 19% over December 2022 to cross Rs 5.5 trillion, on the back of robust deposit growth. Domestic deposits grew by more than Rs 400 billion over December 2022 and now stand at Rs 3.3 trillion; HBL's total deposits reached ~Rs 4.0 trillion. During the quarter, domestic advances increased by 5%; even in the face of macroeconomic headwinds, Consumer loans grew by Rs 4 billion over December 2022, agriculture lending touched new highs and microfinance loans increased by 12%.

The impact of rising rates continues to flow through to asset prices; the average domestic balance sheet grew by Rs 433 billion, while net interest margins improved by 194 bps. This was well supported by substantially higher interest income from the international business. Consequently, HBL's total net interest income grew by 53% to Rs 178 billion. Trade, consumer finance and cash management also made solid contributions, delivering high double-digit fee growth. Total fees increased by 34% to Rs 30 billion, and the Bank's total revenue for the first nine months of 2023 increased by 42%, to Rs 216 billion.

Despite record inflationary levels, proactive cost management and strong revenue growth enabled us to reduce the cost / income ratio from 60.0% in 9M'22 to 57.1% in 9M'23. With the growth in loans during the quarter, the infection ratio reverted down to 5% from 5.5% in Q2'23. Prudent provisioning has ensured that coverage remains in excess of 100%. The strong profitability also improved the Bank's Capital Adequacy Ratio by 91 bps, to 16.1%

Commenting on the Bank's performance, Muhammad Aurangzeb, President & CEO - HBL said, "HBL had a record quarter, driven by excellent results across all domestic business segments and a further improvement in profitability from the international franchise. The Bank continues to provide innovative products and financial solutions to its clients whilst promoting sustainable practices within the HBL community and across the financial services industry. We are investing in cutting-edge methods, practices and technologies to support Pakistani farmers and address the related challenges of agriculture, food security, and climate change. In Q3'23 HBL became a signatory of the UN Principles of Responsible Banking; this commitment will help us accelerate the transition to a net zero economy. The Bank's Impact & Sustainability Report – 2022 illustrates the new standards for sustainable banking that we are setting in Pakistan, on our journey to being "More Than Just a Bank"."

Business Developments

HBL's digital channels continue to play a significant role in shaping Pakistan's financial landscape, connecting both clients and businesses. HBL Mobile, and Konnect by HBL's user base expanded to over 4 million users, resulting in 49% more digital transactions than

to the same period last year. This led to over Rs 1.3 trillion processed by our mobile apps, double the amount in Q3'22.

HBL's mission is to rapidly digitalize the payments landscape of Pakistan. E-commerce products i.e., checkout, tap & pay, and digital invoicing collectively processed over Rs 14 billion through 1.6 million transactions, growing throughput and transactions by 58% and 45% respectively, since Q3'22. The Billing Aggregator enabled over Rs 640 billion in payments made through over 24 million transactions, registering growths of 60% and 16% respectively since Q2'22. HBL remains the first bank in the industry to provide the end-to-end debit card e-commerce acquiring and issuing journey on the domestic PayPak scheme.

HBL continues to lead the market in terms of fees, with another stellar performance from its flagship Cards business, which accounted for more than most of the fee increase. Credit Card usage grew 43% over the previous year; Rs 1 out of every Rs 3 spent is on the HBL Credit Card. The portfolio is now more than Rs 30 billion, representing a massive 39% increase over the previous year. With over 7 million Debit Cards in circulation, HBL Debit Cards continues to be the largest card issuer. Spend has increased by 55% over the previous year; Rs 1 out of every Rs 5 spent in Pakistan is on the HBL Debit Card.

HBL is fully committed to growing the SME business in a significant and sustainable way with a portfolio size of Rs 84 billion, the highest in the industry. During the year, the Bank disbursed over Rs 1.5 billion to more than 550 women entrepreneurs in underserved areas. HBL Nisa, a platform dedicated to developing financial solutions for women, crossed over 1,000,000 clients with a deposit base of Rs 165 billion. HBL plays a leading role in developing the agriculture sector and promoting sustainable food supply chains. With a market share of 35%, HBL has the largest Agriculture financing portfolio amongst commercial banks. The Bank continues to grow lending to this critical component of Pakistan's economy. In line with its financial inclusion goals, HBL championed the banking industry in Balochistan, with 78% growth in Agriculture financing in the province.

Reiterating our commitment to providing clients with Shariah-compliant solutions for all their banking needs, more than 70,000 new accounts were added to the Konnect Islamic portfolio. The brick-and-mortar footprint was also expanded, reaching a total of 330 branches.

Transaction & Employee Banking maintained its leadership position in cash management with throughput increased from Rs 9.1 trillion in 2022 to Rs 10.8 trillion in 2023, showing a 19% volume growth.

Under the guidelines of the Aga Khan Development Network, HBL remains focused on sustainability and green operations initiatives. The Bank became a member of UNEP FI making it a signatory to Principles of Responsible Banking (PRB) and Net Zero Banking Alliance (NZBA). Moreover, the Bank also joined the Capacity Building Alliance of Sustainable Investment (CASI) and became the first CASI member in Pakistan. HBL has also installed solar panels on a total of 232 sites, which has resulted in a reduction of 433MT of CO2 emissions annually. Through the Annual Plantation Drive, the Bank has planted 86,130 saplings during the year. HBL has contributed over Rs 4 billion - spread over a decade - for the social uplift of Pakistan. In 2022 alone, the Bank contributed over Rs 580 million.

HBL's TikTok-led campaign for HBLPSL 8 was a record-shattering - 21 billion video views - initiative, setting new standards not just for HBL but for TikTok in Pakistan. TikTok has published a case study on HBLPSL on their global website. The case celebrates the

#JahanFansWahanStadium campaign and highlights the ground-breaking achievements of HBL with 21 billion video views on the platform.

During the quarter, HBL has won multiple awards including Best Investment Bank Pakistan 2023 and Best Project Finance Bank Pakistan 2023 by Global Banking & Finance Awards. The Bank was also awarded Digital Business Banking Initiative of the Year – Pakistan and Digital Consumer Banking Initiative of the Year – Pakistan by Asian Banking & Finance Retail Banking Awards 2023.