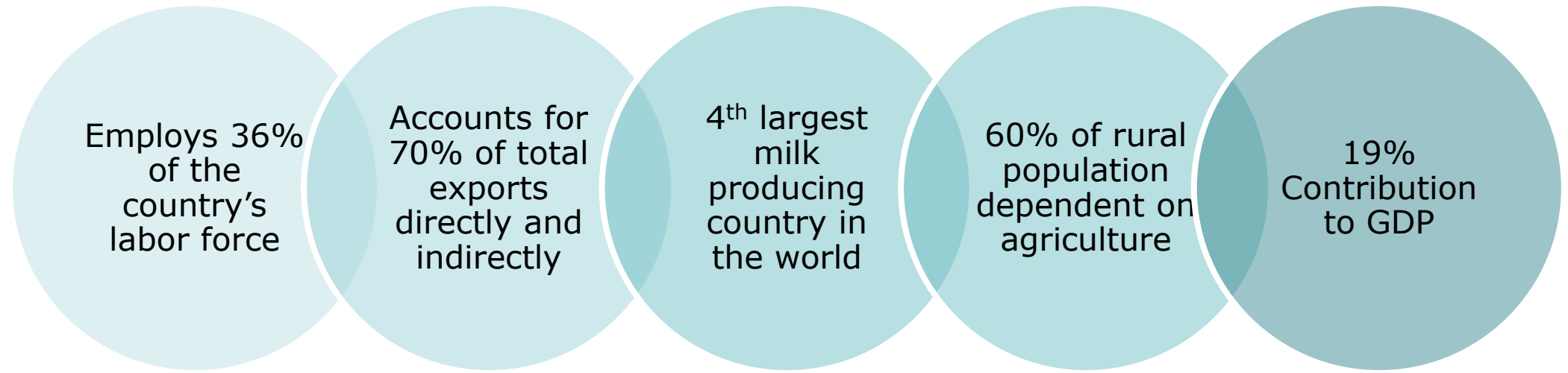


HBL

HBL کا خواب
خوشحال آپ!






Providing Solutions to Farmers



Pakistan Economic Survey 2019-20

	Agriculture Growth		
	2017 - 2018	2018 - 2019	2019 - 2020
Crops	1.2%	-5.0%	3.0%
Livestock	3.7%	3.8%	2.6%
Forestry	2.6%	7.9%	2.3%
Fishing	1.6%	0.8%	0.6%

Major Crops Production

		M Tonnes
	WHEAT	25
	MAIZE	7
	RICE	7
	SUGARCANE	67
	COTTON - M Bales	6



Market leadership with 31% share of farmer financing amongst Commercial Banks



Country-wide outreach with 650+ Rural lending branches



Largest on-ground Field Force (600+)



Convenient account access via Branchless agents and Mobile Banking



Field teams equipped with hand-held devices



Best Bank For Agriculture
2016, 2017, 2018

 <p>HBL زرعی کا عزم، کاروبار کی ترقی میں ہم قدم HBL زرعی بینکنگ</p> <p>111-111-425 www.hbl.com قرض کی سہولت</p> <p>Farm Production (Running Finance for Crop Input)</p>	 <p>HBL زرعی کا عزم، کاروبار کی ترقی میں ہم قدم HBL زرعی بینکنگ</p> <p>111-111-425 www.hbl.com قرض کی سہولت</p> <p>Poultry Financing (Working Capital and Asset Purchase)</p>	 <p>HBL زرعی کا عزم، کاروبار کی ترقی میں ہم قدم HBL زرعی بینکنگ</p> <p>111-111-425 www.hbl.com قرض کی سہولت</p> <p>Dairy & Livestock Financing (Working Capital and Asset Purchase)</p>	 <p>HBL زرعی کا عزم، کاروبار کی ترقی میں ہم قدم HBL زرعی بینکنگ</p> <p>111-111-425 www.hbl.com قرض کی سہولت</p> <p>Tractor Financing (Conventional and Islamic)</p>	 <p>HBL زرعی کا عزم، کاروبار کی ترقی میں ہم قدم HBL زرعی بینکنگ</p> <p>111-111-425 www.hbl.com قرض کی سہولت</p> <p>Fisheries Financing (Working Capital and Asset Purchase)</p>	 <p>پانی کی مناسب مقدار، فصلوں کی بھرپور پیداوار HBL زرعی بینکنگ</p> <p>111-111-425 www.hbl.com قرض کی سہولت</p> <p>Farm Irrigation Solutions (Purchase and Installation of Irrigation equipment)</p>
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AUDIENCE

- Progressive farmers engaged in various parts of the agriculture chain

SCOPE OF THIS PLATFORM

- Organized structured programs of town halls where farmers are informed about agricultural finance products
- Value added discussions on agronomy and better farm management techniques
- Enhanced financial literacy amongst the prospective farming community in underserved agricultural regions



FINANCIAL LITERACY



SESSIONS

- Imparting knowledge and understanding to farmers about financial concepts, banking / financial products and services
- Since the onset of Covid these sessions are being held virtually. HBL's field teams reach out to farmers in their villages for convenient participation through HBL's handheld devices

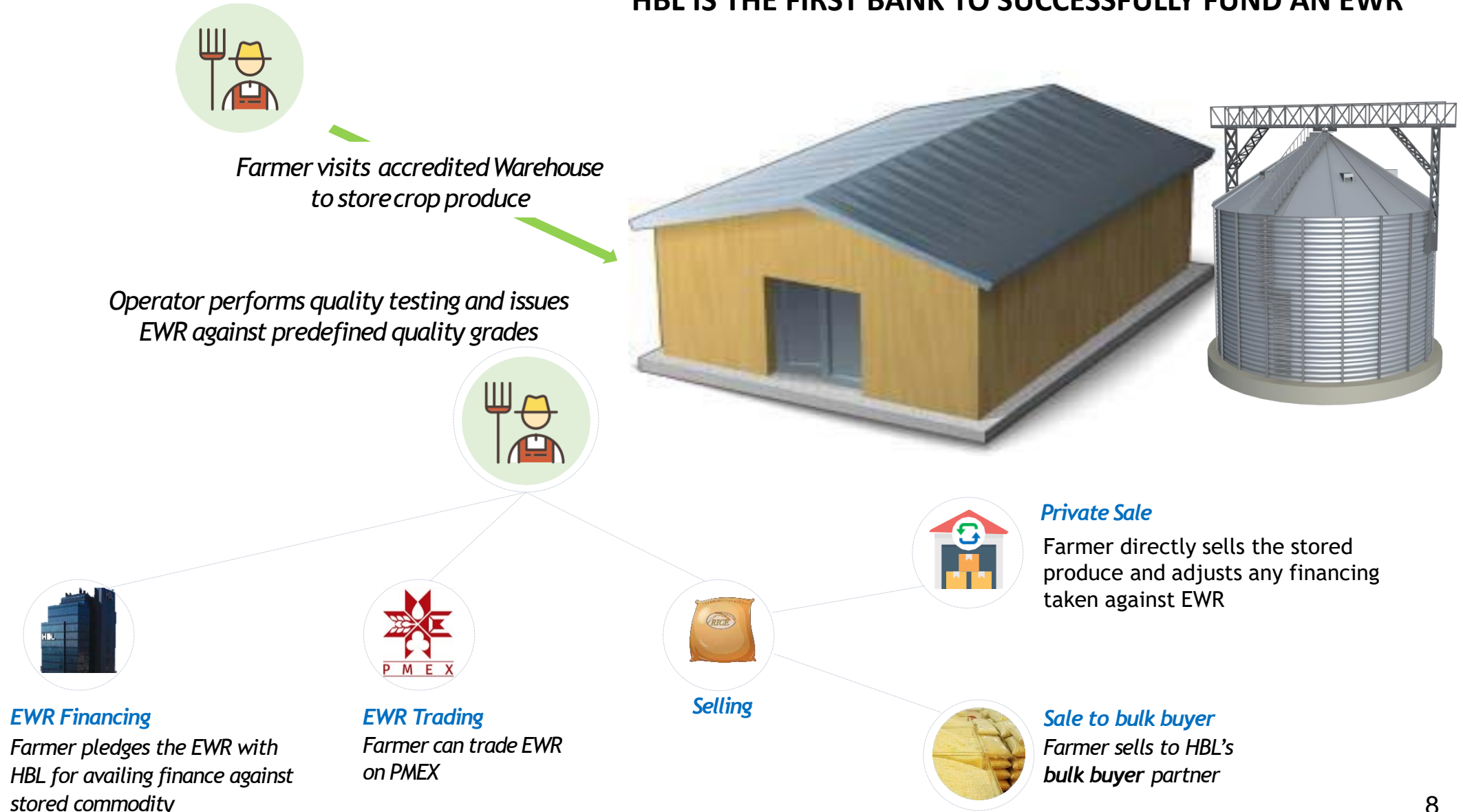
- Non-Crop contributes 61% of Agricultural GDP
- Portfolio diversification with enhanced growth in the Dairy segment
- Targeting dairy farmers with a herd size > 50 animals
- Financing product for working capital needs as well as animal purchase
 - Working capital for feed, medicines, inoculation, etc.
 - Term loans for purchase of local, exotic and hybrid breeds
- Robust controls through independent stock inspection of the herd



HBL has invested in Naymat Collateral Management Ltd for the development of an Electronic Warehouse Receipt (EWR) ecosystem

- An EWR is a document issued to farmers, traders, processors, etc. against storage of their agricultural commodities in accredited warehouses with specific quality control parameters
- It gives financial institutions real time access to information on agri commodities, allows the creation of an on-line lien, and thus enables lending to farmers and other agriculture chain players with reduced transaction and operational risks
- This ecosystem should result in inclusive growth of the rural population with ease in access to finance, reduced wastage, improved quality and market-based price discovery

HBL IS THE FIRST BANK TO SUCCESSFULLY FUND AN EWR



- Only Bank in the industry using this technology – a repository of more than 13,000 images
- 500+ devices provided to the field force with 3G/4G connectivity
- Actual crop / farm assessment through this App
- Centralized storage of farm coordinates along with time and date stamp



1

The in-house developed app can be downloaded from Google Play Store – “HBL Rural Banking”



2

Pictures of farmlands are captured using geographic coordinates for geo-tagging



3

Each farm image is auto date / time stamped

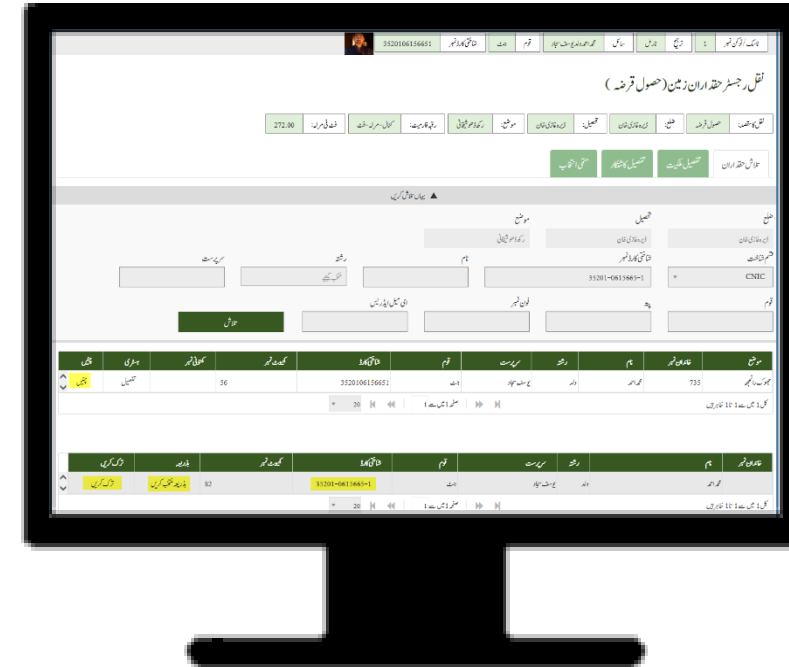
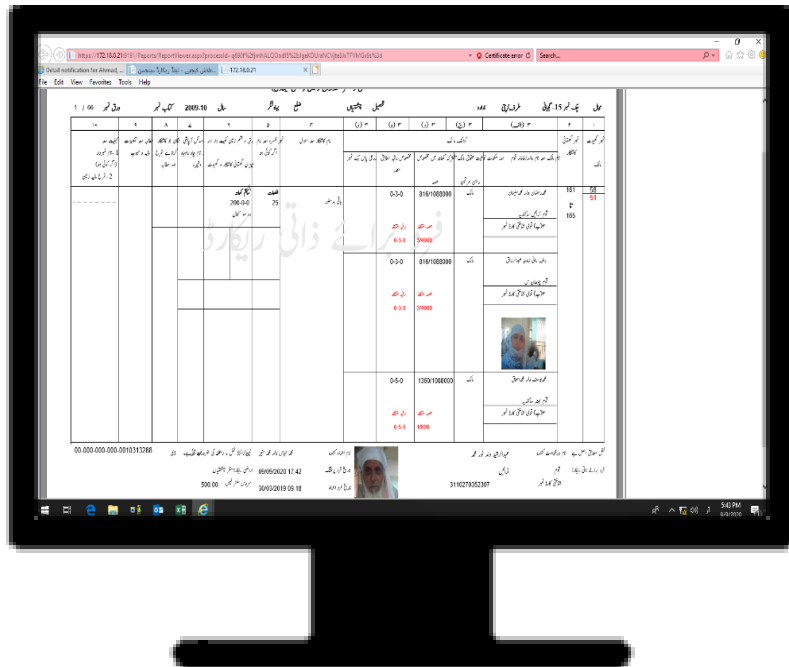


4

Centralized view and data repository of images.

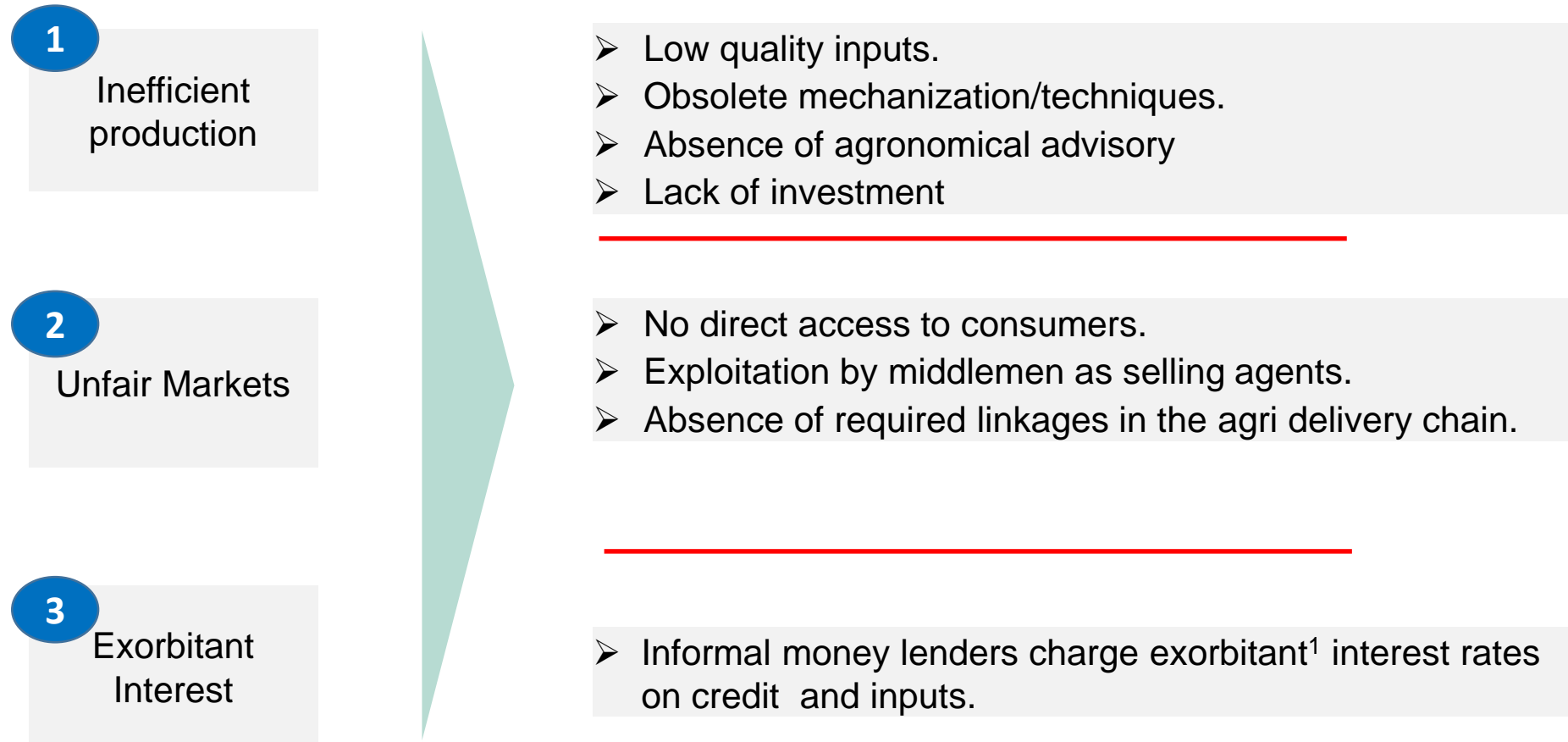


- HBL is the first bank in the industry to have integrated its system with Punjab Land Record Authority (PLRA)
- Implemented in 200+ branches across Punjab – the highest in the banking industry
- HBL is leading the market with 11,000+ extractions made from PLRA portal
- Recognized by SBP – on their invitation, HBL conducted trainings for the banking industry



- As Pakistan's pre-eminent financial institution HBL is conscious of its responsibility and role in contributing to the country's economic development
- HBL is the only bank with a Board-level Development Finance Committee, formed in 2018
- The Development Finance mandate is to reach out to economically significant but marginalized and underserved sectors of the economy, through:
 - Testing innovative approaches.
 - Technology.
 - Major focus on rural economy and augmenting the Agri value chain.
 - Supporting the right partners in Agri value chain.

Majority of farmers spend their lives in debt and poverty traps making barely enough to make ends meet.



Millions live in poverty and the overall agrarian economy suffers heavily.

1. Informal money lenders charge ~80% APR on average vs. banking spread of 17-18% on average

HBL is reaching out to economically significant yet marginalized and underserved sectors of the economy, leading to a more financially inclusive country.

- 1

In-kind financing instead of cash financing. The Bank will pay the cost of inputs directly to the supplier through the farmer's finance account.
- 2

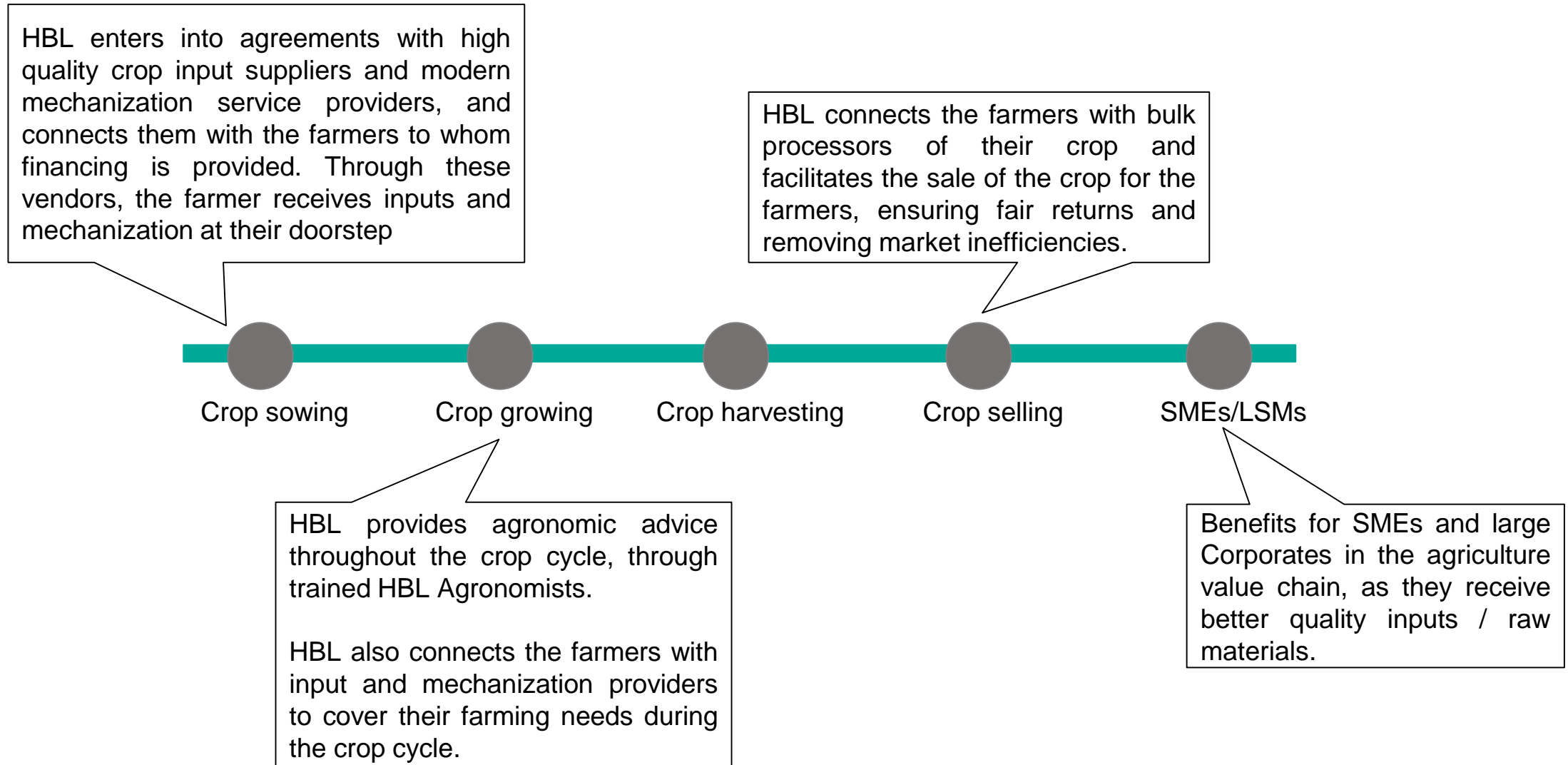
Inputs will be provided through an input supplying company, at the farmer's doorstep.
- 3

On-farm advisory will be given by HBL agronomists.
- 4

Bank will arrange all mechanization services required by the farmer including land preparation and crop harvesting.
- 5

The harvested crop is sold to the pre-agreed bulk buyer who pays HBL the proceeds. This eliminates the middlemen / *Arthi* from the process.
- 6

After settling the loan, HBL transfers the excess amount to the farmer's account, as profit.



HBL is developing an Agriculture services ecosystem by working with multiple partners across the value chain

Input suppliers

To give farmers access to high quality crop inputs at their farmgate.



Mechanization service providers

For Agricultural mechanization, HBL has engaged organizations in pilots to provide latest machines to farmers on a rental model.



Bulk buyers

HBL has engaged with bulk buyers to insulate the farmer from market inefficiencies at the time of crop selling





Latest Land Preparation Agricultural Implements



Latest High-Powered Tractors



Drones for Aerial Spray of Pesticides / Fertilizers etc.



Mechanical Transplanting of Rice

During the pilots on Maize and Rice, HBL provided the latest agricultural machinery to its financed farmers on a rental basis, through mechanization services providers. The rentals were paid from the farmers' in-kind finance facility.

These machines are expensive and are only used 2-3 times a year. Instead of purchasing them, procuring their services on rent is more efficient and cost-effective.

Mechanization introduced during DFG pilots included tractors, farm implements, rice transplanters and harvesters.

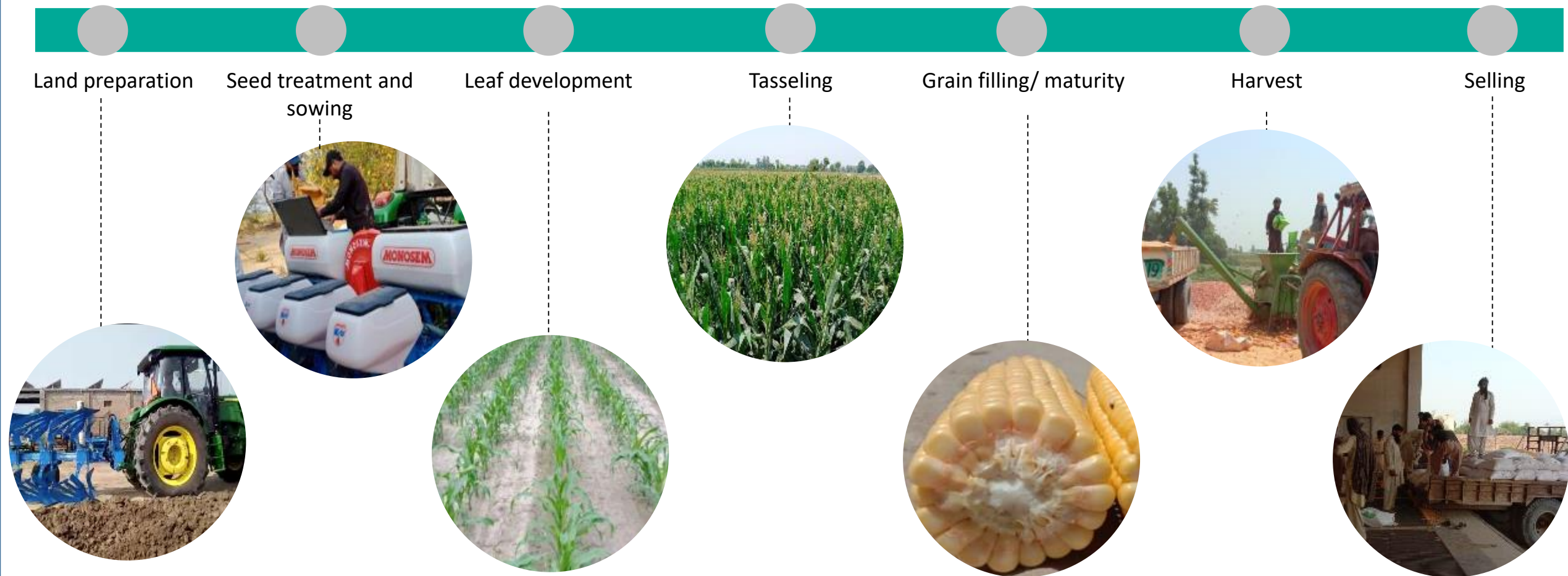
Quantitative Impact

	Yield per acre	Total cost	Farmer's profit
Maize	<div><div>↑</div><div>11.2%</div></div>	<div><div>↓</div><div>9.9%</div></div>	<div><div>↑</div><div>46.0%</div><div>PKR 14,200 / acre</div></div>
Rice	<div><div>↑</div><div>6.4%</div></div>	<div><div>↓</div><div>4.3%</div></div>	<div><div>↑</div><div>33.0%</div><div>PKR 6,767 / acre</div></div>

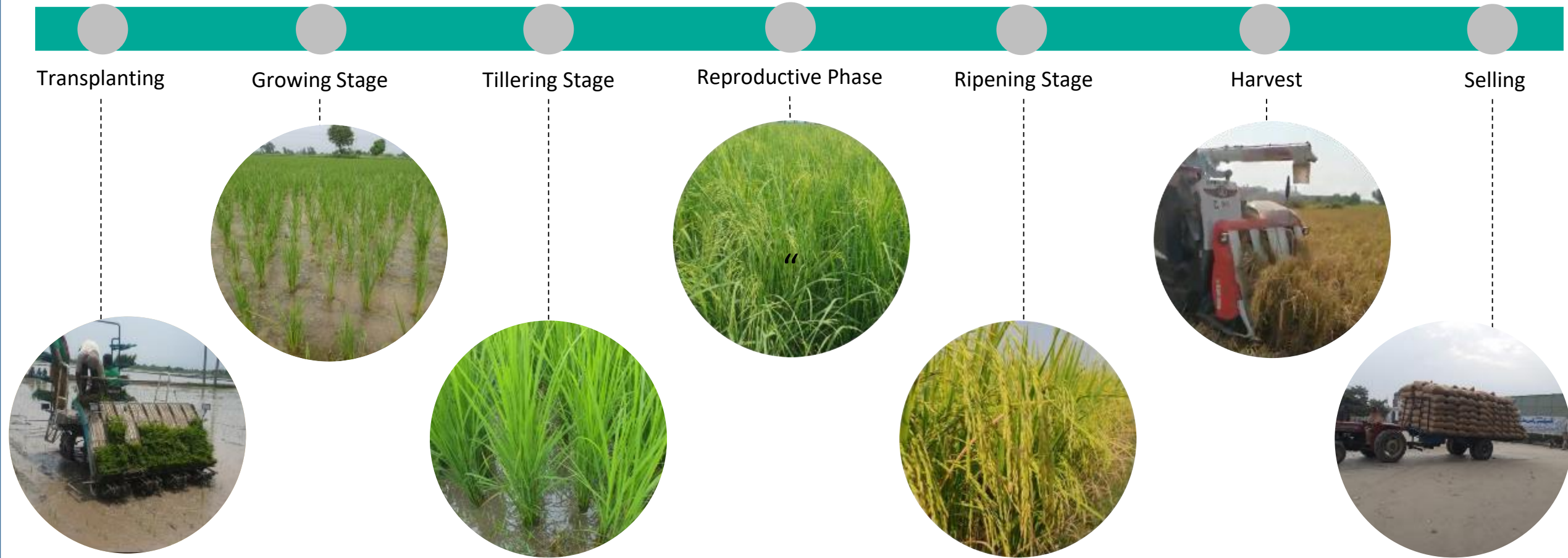
Qualitative Impact

- Farmers paid cash in 15 days – Normal cash payment happens in 42-50 days with 6-7 weekly tranches.
- Service providers paid in 3 days.
- HBL made the first clean lending under this model to help finance farmers who are currently unable to provide security collateral, as they do not own land and farm on leased lands.

HBL remains with the farmers throughout their crop cycle



HBL remains with the farmers throughout their crop cycle



Digital Onboarding Journey



- Digitally onboarding farmers in Gujranwala for the ongoing rice pilot by opening their basic Konnect accounts
- On-boarded farmers cover 133 acres
- Future upgrades will enable :
 - Full digitization of crop plan
 - Instant loan approvals against approved risk acceptance criteria

Pre-Simplification

Post-Simplification

HBLPay

Handoffs



26

-7



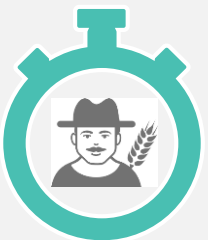
19

-7



12

Farmer Visits



08

-6



02

-



02

Turnaround Time



18 days

-8



10 days

-3



07 days

- Account Opening and filling of application form has been converted to a digital process via the *HBLPay* App.
- Application moves virtually from desk to desk and with fewer handoffs.

- HBL's agronomy team and Konnect agents visit the farmers with digital devices in order to:
 - Open Accounts
 - Create Crop Plans
 - Apply for in-kind loans
 Via the *HBLPay* application.

- The **entire application is processed digitally** where the next **user receives a notification** when any application falls in their bucket.
- An **escalation matrix** enables **quicker decision making**.
- All **reports are also pre-populated** by the system, **lowering errors and discrepancies**.
- There is **no involvement of mailing documents** which further reduces TAT.

Room for further improvement through MISYS API integration which will lead to an improved TAT and reduced handoffs.

- Pilots initiated by HBL have been successful in creating a double-bottom line impact, by generating income for the Bank (with 100% recovery), and at the same time improving the economic well-being of farmers through increased yields and disintermediation of middlemen.
- HBL is currently running new pilots in Okara and Gujranwala. The present model finances local farmers through production loans for field crops. Going forward, we will be rolling out solutions for Livestock, Dairy and Fisheries.
- This journey will segue HBL into the informal economy of Pakistan and will help HBL reach a large and currently unbanked population, which is not reachable through a brick-and-mortar model. This will be driven by creating a digital ecosystem.
- HBL will also have the opportunity to meet the personal financial needs of the significant, but currently excluded, rural population of Pakistan.

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