HBL HABIB BANK حبیب بینک

Financial Results – September 2016

Investor Presentation

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Key Highlights

Consolidated PAT for 9M’16 is Rs 25.8 Bn, marginally higher than in 9M’15

- PBT is Rs 43.5 Bn, 8% lower than 9M’15 primarily due to significant capital gains in 9M’15. Excluding capital gains, PBT is 10% higher than for 9M’15 and PAT is 25% higher.

Net interest income has increased by 7% to Rs 62.2 Bn

- Average balance sheet has grown by 15% over 9M’15
- Average domestic loans grew by 9% YoY and average PIB volumes are up by 58% over 9M’15
- Average domestic current deposits have increased by 19% (Rs 71 Bn) YoY
- Overall net interest margins are down by only 39 bps from 4.6% in 9M’15 to 4.2% in 9M’16

Non markup income at Rs 22.2 Bn, down 21% YoY (Ex-Capital Gains, up 8% YoY)

- Fees and commissions have grown by 18% to Rs 13.7 Bn. The increase is primarily driven by increases in income from investment banking, asset management fees and general banking charges. Bancassurance and trade related fees continued to remain major contributors.
- Capital gains are Rs 3.5 Bn, lower by Rs 7.2 Bn YoY
  - Exceptional capital gains on sale of government bonds in 9M’15, mainly due to re-profiling of PIB portfolio (Impact Rs 6.2 Bn)
  - Equity capital gains are lower YoY, as 2015 included one-off gains (Rs 1.1 Bn)

Administrative expenses are up 10% YoY to Rs 38.9 Bn

- The growth is primarily due to the full impact of increase in the branch network, certain 1-off costs, the rupee devaluation impact on international expenses and the consolidation impact of First Microfinance Bank
- The cost to income ratio has increased from 40.8% in 9M'15 to 46.0% in 9M'16, mainly as a result of the lower revenue.

Provisions

- Gross NPLs have increased by Rs 0.5 Bn over Dec'15, due to increase in overseas NPLs.
- However, asset quality ratio has improved from 10.9% in Dec'15 to 10.4% in Sep'16 mainly as a result of growth in the loan book
- Overall provisions of Rs 1.2 Bn in 9M'16, are Rs 1.7 Bn (58%) lower YoY.
- The coverage ratio is 90% as at September 30, 2016, flat at Dec'15 levels

In Sep’16, the Balance Sheet has grown by 7% over Dec’15 to Rs 2.4 trillion

Deposits have increased by 5% over Dec’15 to Rs 1.7 trillion

- Domestic current deposits have increased by 9% over Dec’15 to Rs 511 Bn, current deposit mix now at 35.6% (Dec’15: 34.4%)
- Domestic CASA ratio has improved to 89% in Sep’16 (Dec’15: 85.6%)
- Consequently, the cost of domestic deposits has reduced by 104bps to 2.8% in 9M’16

Net advances increased by Rs 34 Bn (5%) to Rs 671 Bn in Sep’16

- Domestic advances have increased by Rs 33 Bn (7%) over Dec’15, largely driven from seasonal increase in commodity financing, with contribution from commercial and consumer lending.
- Average domestic advances have grown by Rs 38 Bn (9.2%) over 9M’15. All segments have shown lending growth.
- International advances are flat at Dec’15 levels.

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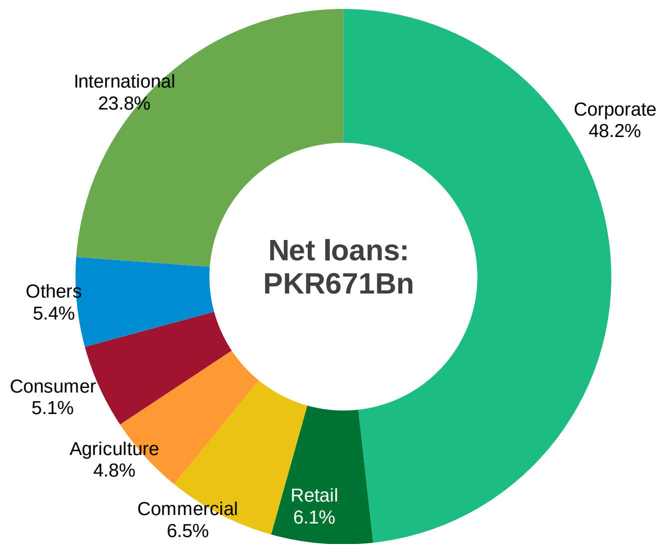
Balance Sheet

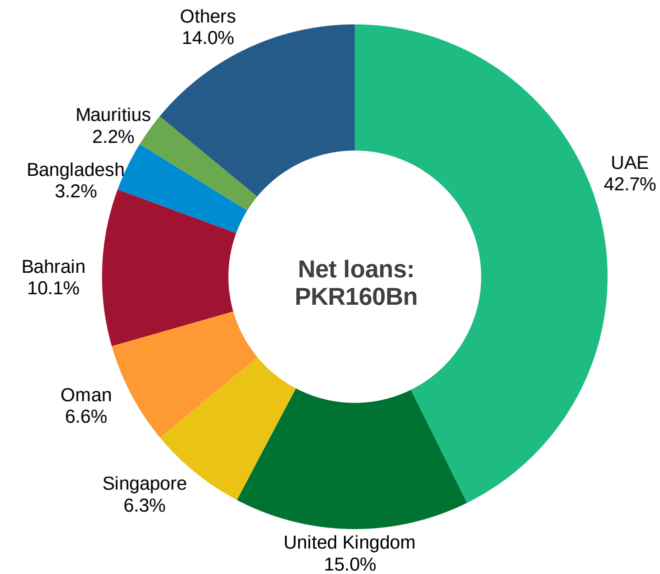
PKR Bln	Sep'16	Dec'15	Var%
Cash & Bank Balances	240.6	207.7	16%
Lending to Financial Institutions	11.7	18.4	-37%
Investments	1,367.5	1,270.8	8%
Performing Advances	663.3	629.8	5%
Non Performing advances - net of provision	7.8	7.6	2%
Others	92.1	84.1	9%
Total Assets	**2,382.9**	**2,218.4**	**7%**
Deposits - Domestic	1,434.6	1,367.2	5%
Deposits - International + Dom Subs	282.0	267.8	5%
Total Deposits	1,716.6	1,634.9	5%
Borrowings	376.7	314.3	20%
Subordinated loan	10.0	10.0	0%
Others	82.4	76.5	8%
Total Liabilities	**2,185.6**	**2,035.8**	**7%**
Shareholders' equity	167.3	158.4	6%
Non - controlling interest	3.5	1.7	105%
Surplus on revaluation of assets - net of tax	26.5	22.6	18%
Total Liabilities & Equity	**2,382.9**	**2,218.4**	**7%**

Net Advances

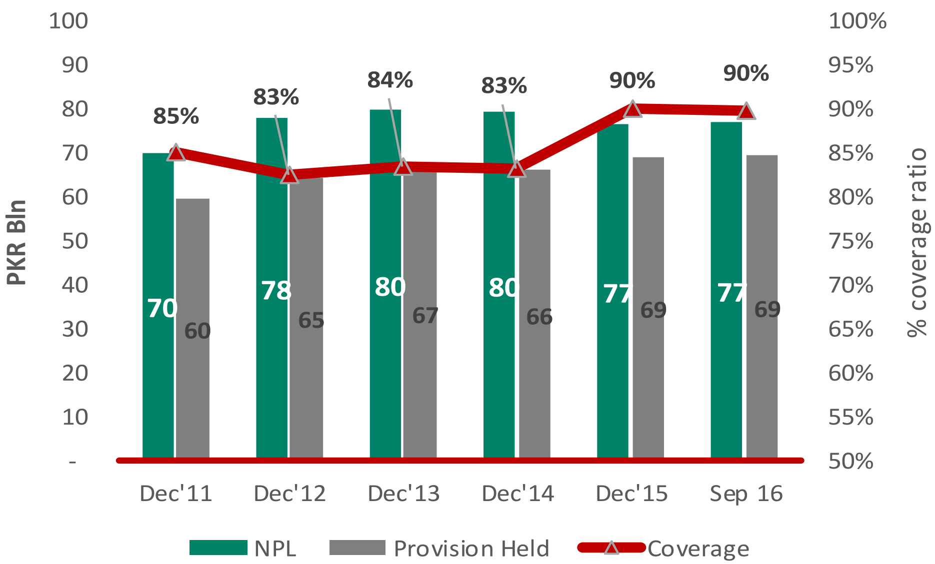
Loan portfolio composition by line of business



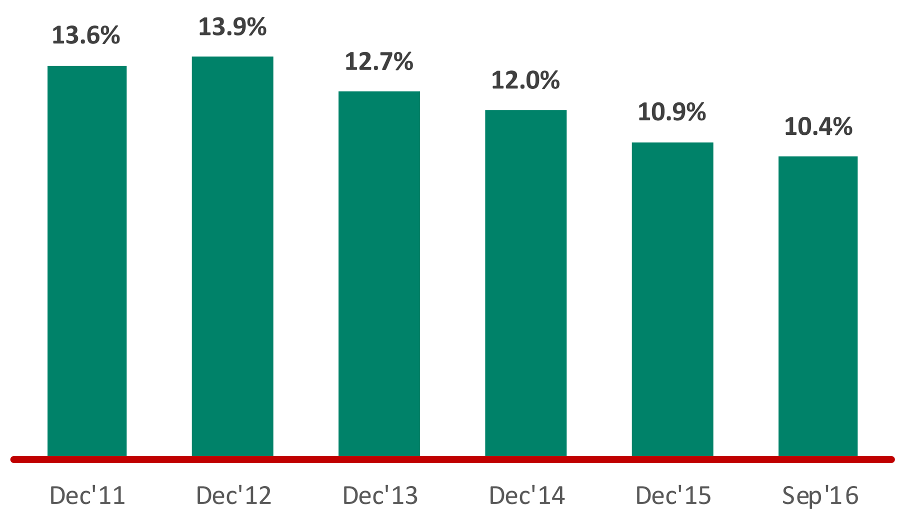
International Advances – Location wise



Coverage ratio



Asset quality



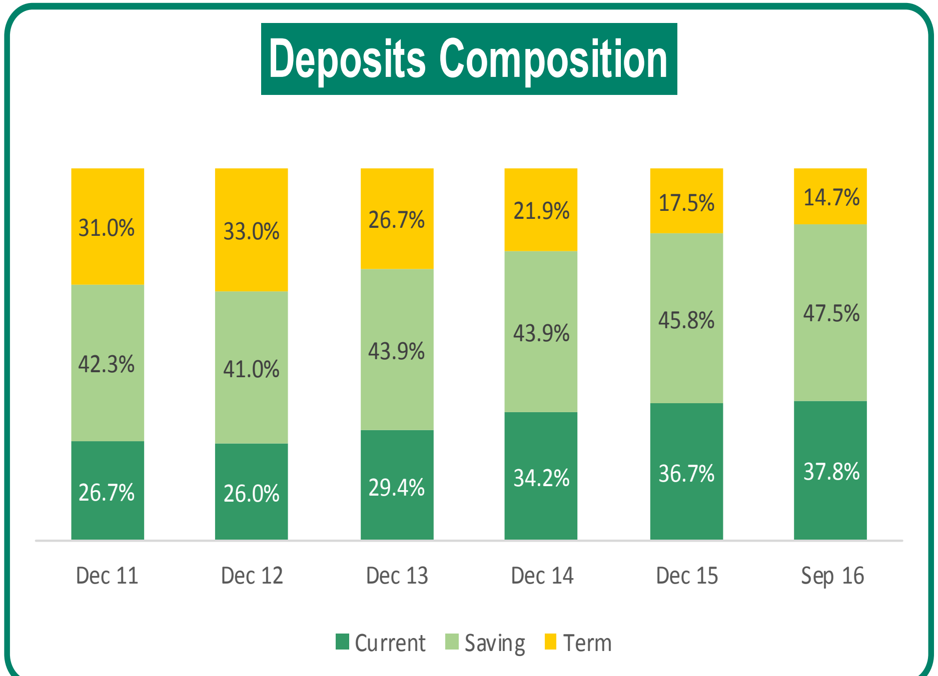
Deposits

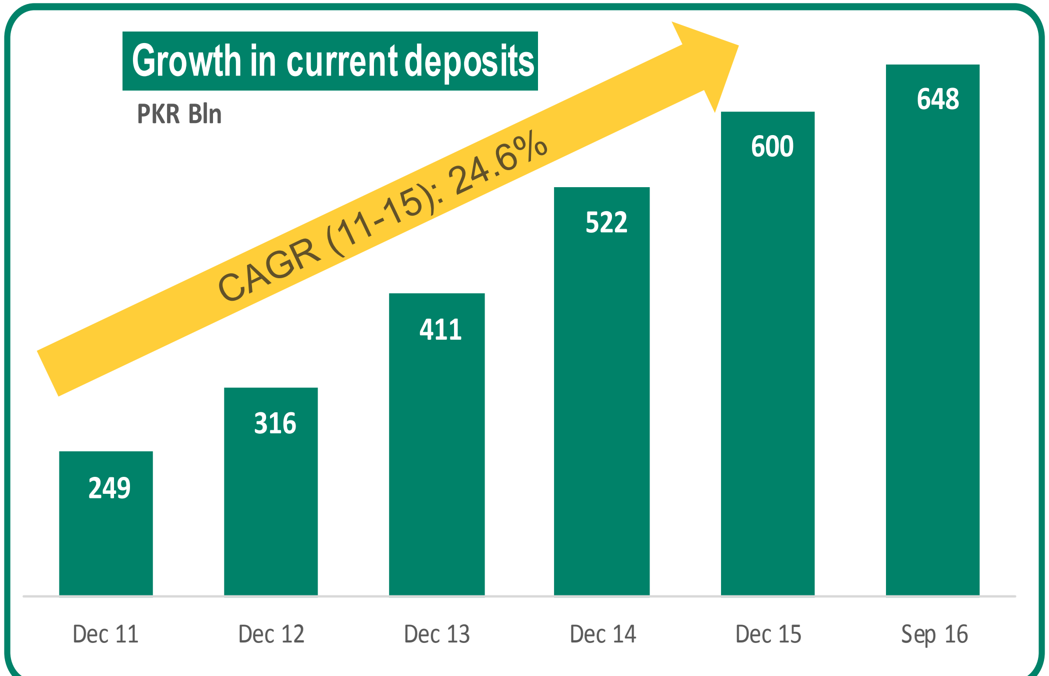
Growth in Period End Deposits

PKR Bln	Sep'16	Dec'15	Var%
Current	510.6	469.7	9%
Saving	766.1	701.0	9%
Term	157.8	196.5	-20%
Domestic	**1,434.6**	**1,367.2**	**5%**
International	282.0	267.8	5%
Group	**1,716.6**	**1,634.9**	**5%**
CASA Ratio	**85.3%**	**82.5%**	**2.8%**

Growth in Average Deposits

PKR Bln	9M'16	9M'15	Var%	Q3'16	Q2'16	Var%
Current	455.1	383.8	19%	473.1	458.1	3%
Saving	722.6	655.9	10%	761.3	703.8	8%
Term	172.0	219.7	-22%	180.8	169.8	6%
Domestic	**1,349.7**	**1,259.3**	**7%**	**1,415.2**	**1,331.7**	**6%**
International	276.0	249.9	10%	280.8	276.1	2%
Group	**1,625.7**	**1,509.1**	**8%**	**1,695.9**	**1,607.8**	**5%**
Cost of deposits - Group	**2.5%**	**3.3%**	**-0.9%**	**2.5%**	**2.4%**	**0.0%**





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Income Statement

PKR Bn	9M'16	9M'15	Var%
Interest Income	106.8	106.6	0%
Interest expensed	(44.6)	(48.4)	8%
Net Interest Income	**62.2**	**58.2**	**7%**
Capital Gain	3.5	10.7	-68%
NFI Ex Capital Gain	18.7	17.3	8%
Non Interest Income	22.2	28.1	-21%
Gross Revenue	**84.4**	**86.2**	**-2%**
Admin Expenses	(38.9)	(35.2)	-10%
Operating Expenses	**(39.7)**	**(36.2)**	**-10%**
Pre Provision Operating Profit	**44.7**	**50.0**	**-11%**
Provisions	(1.2)	(2.9)	58%
Profit Before Tax	**43.5**	**47.1**	**-8%**
Tax	(17.7)	(21.4)	17%
Profit After Tax	**25.8**	**25.7**	**0%**

Non Fund Income

PKR Mln	9M'16	9M'15	Var%
Fee, commission and brokerage income	13,651	11,530	18%
Gain on sale of securities	3,483	10,725	-68%
Share of profit of associates and joint venture	2,496	2,323	7%
Dividend income	905	1,158	-22%
Income from dealing in foreign currencies	1,066	1,701	-37%
Other income	579	622	-7%
Total non interest income	**22,179**	**28,060**	**-21%**

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Key Ratios

Ratios	Sep'16	Dec'15
Advances : Deposits	43.1%	43.2%
Asset Quality	10.4%	10.9%
Coverage	90.0%	90.1%
Capital Adequacy	16.4%	17.0%

Ratios	9M'16	9M'15
Yield on advances	8.0%	8.5%
Cost of deposits	2.5%	3.3%
Net Interest Margin	4.2%	4.6%
Spreads	3.6%	3.9%
NCL ratio	0.3%	0.6%
Return on average assets	1.5%	1.7%
Return on shareholders' equity*	20.8%	22.4%
Cost : Income ratio	46.0%	40.8%
NFI : Gross revenue	26.3%	32.5%

excluding surplus on revaluation