



# Financial Results – December 2018

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Investor Presentation

- **PAT for 2018 is Rs 12.4 bn vs Rs 8.8 bn in 2017. PBT is Rs 21.6 bn for 2018 compared to Rs 29.5 bn in 2017**
- Ex settlement payment, PBT for 2018 is Rs 31.6 bn (59%) lower YoY. This is mainly due to:
  - Impact of on-going remediation activities in New York – Rs 6.4 bn
  - Cost of overseas borrowings and impact of rupee devaluation – Rs 6.7 bn higher YoY
  - Lower capital gains on fixed income bonds – Rs 6.1 bn
  - Higher admin. expenses – business transformation project (Rs 5.6 bn), deposit protection scheme premium (Rs 1.0 bn) and pensions (Rs 1.1 bn)
  - As a result of balance sheet shrinkage, the international business has recorded a loss of \$ 28.3 mn (Rs 3.4 bn) in 2018 vs a profit of \$ 19.9 mn (Rs 2.1 bn) in 2017

### **Net Interest income of Rs 81.7 bn in 2018 is marginally lower than the Rs 81.8 bn in 2017**

- Domestic NII increased by 2% over 2018 – driven by a Rs 183 bn (8%) growth in the average balance sheet
  - Average total domestic deposits have increased by Rs 163 bn (10%), with a Rs 132 bn growth in CASA deposits
  - Average domestic advances grew by 32.4% (Rs 189 bn)
- Spreads declined by 15bps YoY to 3.2% in 2018, mainly due to lower investment yields and lagged effect of loan repricing.

**Non markup income is at Rs 19.9 Bn, Rs 14.2 Bn lower than in 2017**

- Domestic fees, excluding the expected Rs 1.4bn drop in home remittances income, have increased by 8% YoY driven by card related fees and consumer financing fee. However, International fees are Rs 1.3 bn lower YoY
- Core FX income grew by 14% YoY as a result of higher trading revenue. However, headline FX earnings declined due to revaluation loss of Rs 6.8 bn on overseas borrowings (Rs 5.7 bn higher than 2017)
- Capital gains are Rs 1.0 bn in 2018 vs Rs 7.8 bn in 2017

**Administrative expenses are up 26% (Rs 16.1 bn) YoY, primarily as a result of the following**

- Higher New York related expenses– Rs 5.9 bn
- Business transformation costs – Rs 5.6 bn
- Pensions charge – Rs 1.1 bn
- Deposit insurance premium – Rs 1.0 b

Excluding these, expense growth has been contained to single digits

**Provisions**

- Domestic NPLs have reduced by Rs 1.5 bn from Dec'17. However, total NPLs have increased by Rs 5.0 bn as the Rupee devaluation has increased overseas NPLs by Rs 6.6 bn (International NPLs remained flat in USD).
- Asset quality improved from 8.2% in Dec'17 to 7.0% in Dec'18, its lowest level since privatization
- Provisions of Rs 5.0 bn in 2018 are due to an impairment charge of Rs 2.9 bn on listed equities and Rs 2.8 bn charge from international business. The domestic business has a net reversal of Rs 0.9 bn in credit provisions in 2018

## Balance sheet has increased by 12% over Dec'17 to Rs 3.0 trillion

### Total deposits increased by 7% over Dec'17 to Rs 2.1 trillion

- Domestic deposits grew by 7% to Rs 1.9 trillion, with market share of 13.9%
- Domestic current deposits have increased by 12.9% (Rs 81 bn) over Dec'17 to Rs 709 bn, with the mix improving from 35.6% in Dec'17 to 37.6% in Dec'18
- Average domestic current deposits have increased by 14.9% (Rs 80 bn) YoY.
- Resultantly, the cost of domestic deposits has been contained to 3.3% (63bps higher YoY) in 2018, even though the average policy rate has increased by 167bps YoY
- Overseas deposits down by \$ 345m to \$ 1.6b but turnaround evident in Q4 with \$ 69m growth.

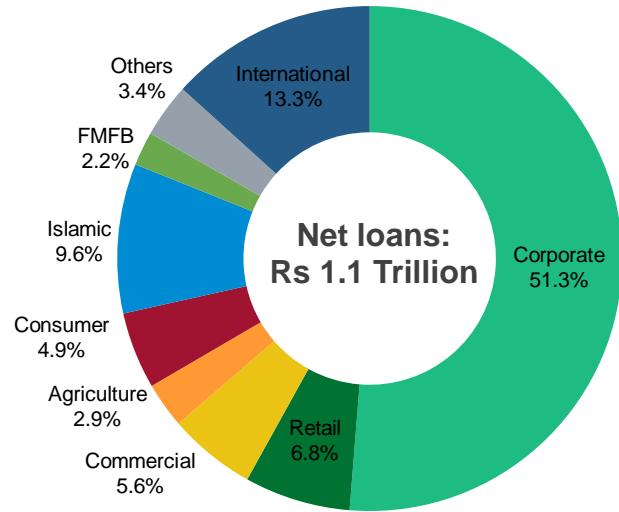
### Total net advances crossed Rs 1.0 trillion in Dec'18, a 27% growth over 2017

- Domestic advances grew by over 30% to Rs 913b, as more than Rs 200b were added to the loan book.
- International advances have reduced by \$ 195m against Dec'17. However, with the rebuilding of international balance sheets, loans have grown by 7.3% (\$ 70m) in Q4'18.

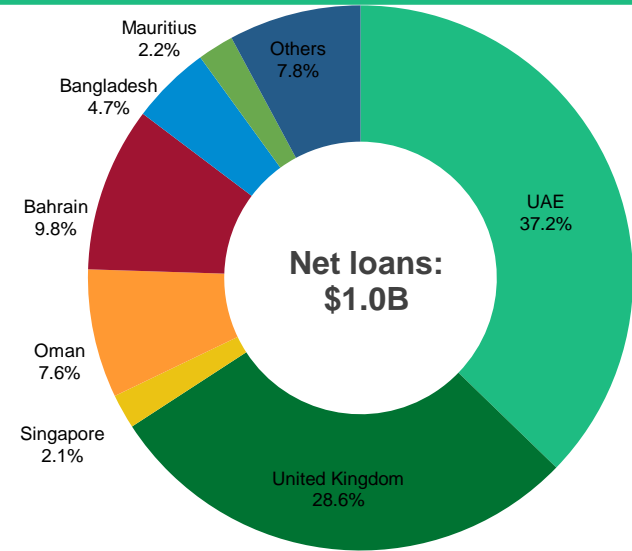
PKR Bln	Dec'18	Dec'17	Var%
Cash & Bank Balances	322.1	286.8	12%
Lending to Financial Institutions	51.3	33.9	51%
Investments	1,390.1	1,374.8	1%
Performing Advances	1,068.1	842.1	27%
NPLs (Net)	12.4	9.4	31%
<b>Net Advances</b>	<b>1,080.4</b>	<b>851.5</b>	<b>27%</b>
Others	182.0	149.2	22%
<b>Total Assets</b>	<b>3,025.9</b>	<b>2,696.2</b>	<b>12%</b>

Deposits - Domestic	1,882.8	1,762.3	7%
Deposits - FMFB	31.1	20.9	49%
Deposits - International	223.4	215.8	4%
<b>Total Deposits</b>	<b>2,137.3</b>	<b>1,998.9</b>	<b>7%</b>
Borrowings	523.3	397.8	32%
Subordinated loan	10.0	10.0	0%
Others	156.0	100.7	55%
<b>Total Liabilities</b>	<b>2,826.6</b>	<b>2,507.5</b>	<b>13%</b>
Shareholders' equity	184.7	167.3	10%
Surplus on revaluation (Net)	14.5	21.4	-32%
<b>Total Liabilities &amp; Equity</b>	<b>3,025.9</b>	<b>2,696.2</b>	<b>12%</b>

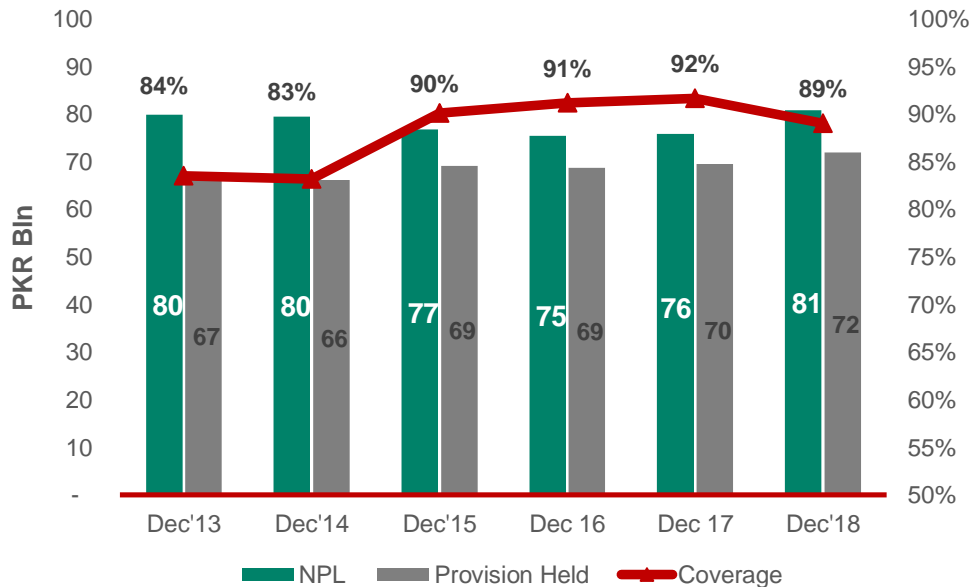
## Loan portfolio composition by line of business



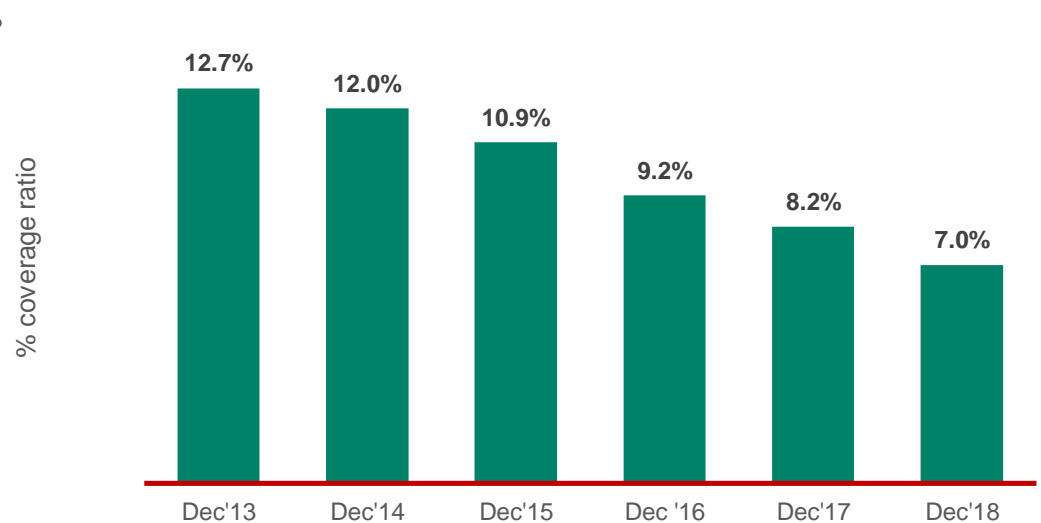
## International Advances – Location wise



## Coverage ratio



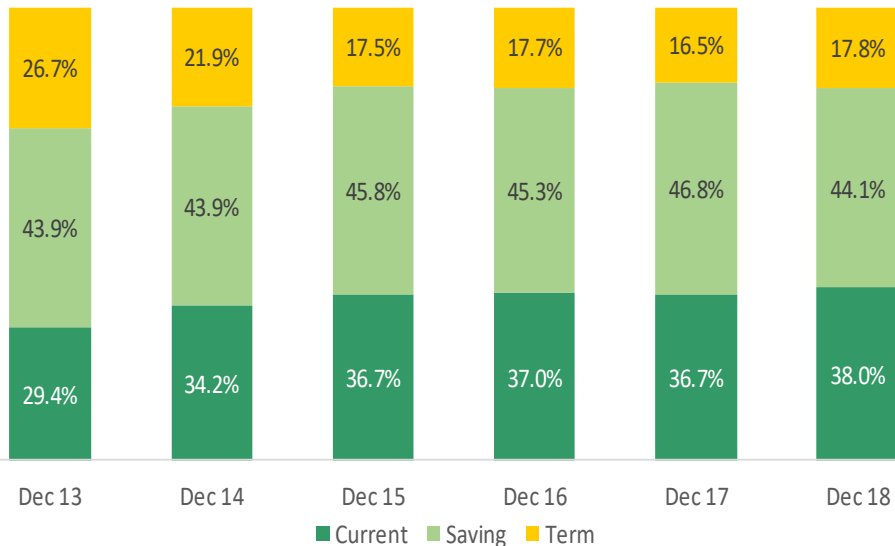
## Asset quality



Period End Deposits			
PKR Bln	Dec'18	Dec'17	Var%
Current	708.7	627.8	13%
Saving	901.0	894.3	1%
Term	273.1	240.2	14%
<b>Domestic</b>	<b>1,882.8</b>	<b>1,762.3</b>	<b>7%</b>
International	223.4	215.8	4%
FMFB	31.1	20.9	49%
<b>Group</b>	<b>2,137.3</b>	<b>1,998.9</b>	<b>7%</b>
CASA - Domestic	85.5%	86.4%	-0.9%
CASA - Group	82.2%	83.5%	-1.3%

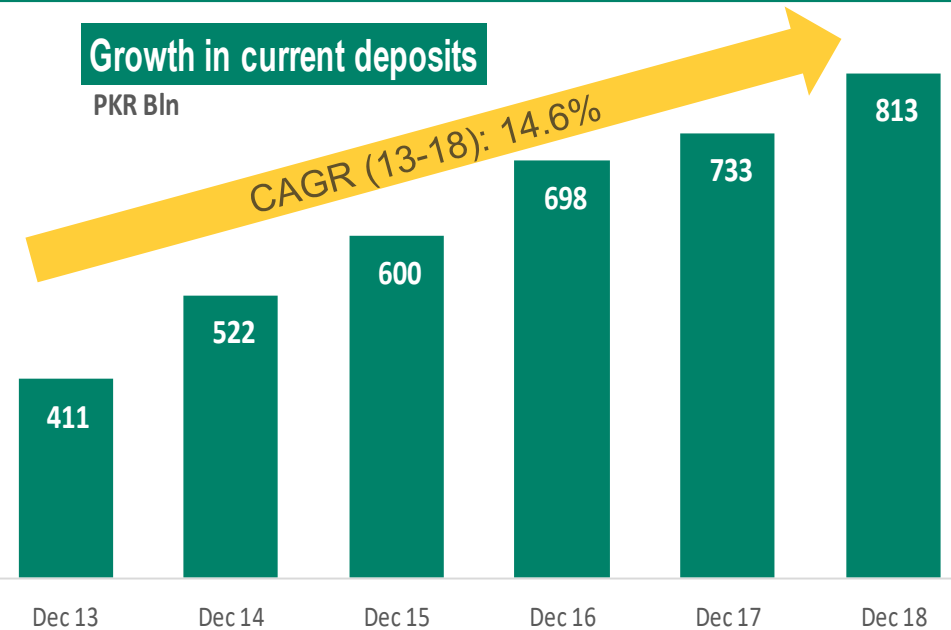
Average Deposits			
PKR Bln	FY'18 (Actual)	FY'17 (Actual)	Var%
Current	619.4	539.1	15%
Saving	891.3	839.0	6%
Term	229.0	198.6	15%
<b>Domestic</b>	<b>1,739.8</b>	<b>1,576.7</b>	<b>10%</b>
International	201.5	286.9	-30%
FMFB	24.5	14.6	68%
<b>Group</b>	<b>1,965.7</b>	<b>1,878.1</b>	<b>5%</b>
CoD - Dom	3.32%	2.69%	+ 63 bps
CoD - Group	3.13%	2.44%	+ 69 bps

## Deposits Composition



## Growth in current deposits

PKR Bln



PKR Mn	FY-18 (Actual)	FY-17 (Actual)	Var%
Interest Income	165,283	148,010	12%
Interest expensed	(83,606)	(66,177)	-26%
<b>Net Interest Income</b>	<b>81,677</b>	<b>81,833</b>	<b>0%</b>
Non Interest Income	19,894	34,116	-42%
<b>Gross Revenue</b>	<b>101,571</b>	<b>115,949</b>	<b>-12%</b>
Admin Expenses	(77,380)	(61,300)	-26%
<b>Operating Expenses</b>	<b>(74,978)</b>	<b>(62,371)</b>	<b>-20%</b>
<b>Pre Provision Operating Profit</b>	<b>26,593</b>	<b>53,578</b>	<b>-50%</b>
Provisions	(5,009)	(374)	-1241%
<b>Profit before extra ordinary item</b>	<b>21,585</b>	<b>53,204</b>	<b>-59%</b>
Extra ordinary / unusual item	-	(23,717)	100%
<b>Profit Before Tax</b>	<b>21,585</b>	<b>29,487</b>	<b>-27%</b>
Tax	(9,144)	(20,639)	56%
<b>Profit After Tax</b>	<b>12,441</b>	<b>8,848</b>	<b>41%</b>



PKR Mn	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Interest Income	38,621	37,023	38,506	41,542	48,212
Interest expensed	(17,969)	(17,322)	(18,304)	(21,336)	(26,643)
<b>Net Interest Income</b>	<b>20,652</b>	<b>19,701</b>	<b>20,202</b>	<b>20,206</b>	<b>21,568</b>
Non Interest Income	7,026	5,427	5,695	5,382	3,389
<b>Gross Revenue</b>	<b>27,678</b>	<b>25,128</b>	<b>25,897</b>	<b>25,588</b>	<b>24,957</b>
Admin Expenses	(17,806)	(17,724)	(18,466)	(20,073)	(21,117)
<b>Operating Expenses</b>	<b>(18,057)</b>	<b>(17,870)</b>	<b>(18,898)</b>	<b>(20,292)</b>	<b>(17,918)</b>
<b>Pre Provision Operating Profit</b>	<b>9,621</b>	<b>7,258</b>	<b>7,000</b>	<b>5,296</b>	<b>7,040</b>
Provisions	1,108	111	(241)	(1,743)	(3,136)
<b>Profit Before Tax</b>	<b>10,730</b>	<b>7,370</b>	<b>6,759</b>	<b>3,553</b>	<b>3,903</b>
Tax	(3,436)	(2,682)	(3,318)	(1,771)	(1,373)
<b>Profit After Tax</b>	<b>7,294</b>	<b>4,688</b>	<b>3,440</b>	<b>1,782</b>	<b>2,531</b>

- In Q4'18, the Bank has reclassified the full year cost of foreign currency swaps from FX income to Interest Expense in line with the revised SBP format.
- To make the QoQ comparisons meaningful, the above table shows the numbers restated to reflect this change for each quarter.
- Net Interest income, on a comparable basis, is up 7% in Q4'18 vs Q3'18.

Ratios	Dec'18	Dec'17
Advances : Deposits	53.9%	46.1%
Asset Quality	7.0%	8.2%
Coverage	89.1%	91.6%
Capital Adequacy - Tier I	12.0%	12.0%
Capital Adequacy - Total	16.2%	16.0%

Ratios	FY 2018	FY 2017
Yield on advances	8.6%	7.6%
Cost of deposits	3.1%	2.4%
Net Interest Margin	3.8%	3.8%
Spreads	3.1%	3.3%
NCL ratio	0.2%	0.1%
Return on average assets	0.4%	0.3%
Return on shareholders' equity*	7.1%	5.2%
Cost : Income ratio	76.2%	52.9%
NFI : Gross revenue	19.6%	29.4%

\* Excluding surplus on revaluation