

Habib Bank Limited

Investor Presentation – EFG Hermes

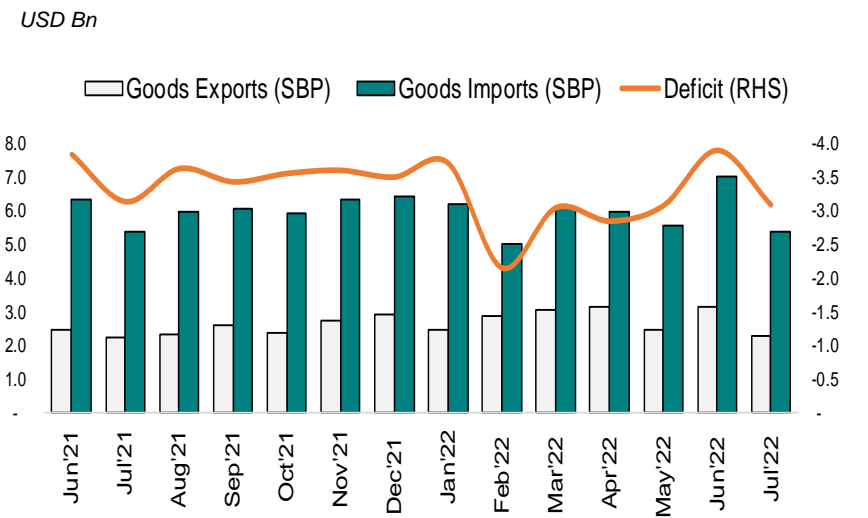
September 19th, 2022



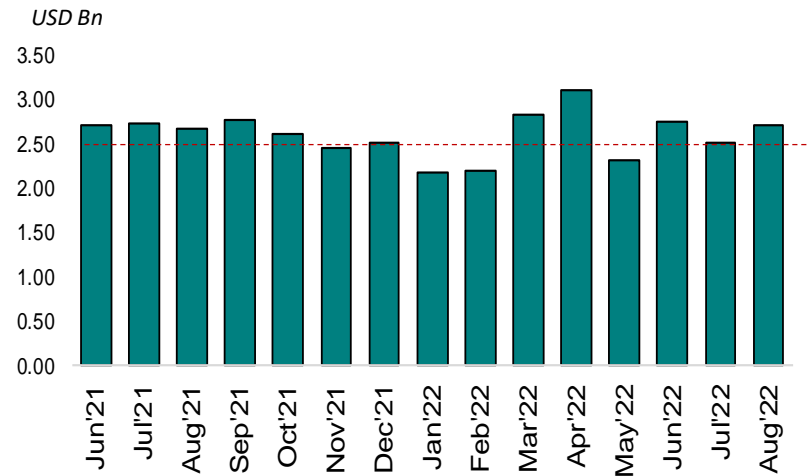
Key Indicators	Despite challenges from all sides, recent positive news flows easing pressures
BoP crisis averted, but new challenges to face	<ul style="list-style-type: none">Despite the devastating impact of climate changes for most OECD countries, along with heightened geopolitical tensions across the globe, Pakistan has somewhat stabilized its external position on the back of:<ul style="list-style-type: none">➤ Successful IMF 7th & 8th review which has led to the resumption of the EFF and the release of ~\$1.2b tranche.➤ Flows pledged by Qatar, China, Saudi Arabia and UAE, cumulatively forming \$7.3b, and;➤ Fresh rollover of loans worth \$2.5b by China.Though the above developments had led to positive investor sentiments, the recent floods have devastated the economy with the damage estimated to be USD 17 – 18 billion. GDP growth for FY’23 now expected to be < 3%.
Inflation – A tough nut to crack..	<ul style="list-style-type: none">CPI for Aug’22 came in at 27.3% up from 8.4% in Aug’21, taking YTD average inflation to 17.3% vs. 9.0% for SPLY.Despite easing oil prices, inflation remains on an upward trajectory, fueled largely by elevated food and commodity prices and subsidy removals.
Nascent improvement in CAD	<ul style="list-style-type: none">CAD for FY’22 was \$17.3b vs. \$2.8b during FY’21. However, owing to import curbs, the CAD for Jul’22 remained well managed, at \$1.2b vs. \$2.2b in Jun’22.Though remittances remain strong (+6.1% YoY) and provide some cushion to the CAD, burgeoning twin deficits continue to weigh on the BoP.
Reserves supported by new inflows... but Rupee slide continues	<ul style="list-style-type: none">FX reserves remained under stress till Aug’22 amid debt repayments and rising imports; however, pressures eased on the back of IMF flows which have taken reserves from \$13.4b at Aug’22 end to \$14.5b in Sep’22.With flows expected from friendly countries and other multilaterals, the country’s external FX needs for FY’23 have already been fully arranged.After a brief retracing following the EFF inflow, the PKR has continued to depreciate, falling 15% since Jun’22.
...Cooling an overheated economy	<ul style="list-style-type: none">Since Sep’21, the SBP has raised rates by 800 bps to 15%, to mitigate inflationary pressure and moderate demand. The SBP expects average inflation for FY’23 to be in the range of 18 – 20%.To moderate the demand pressures, a) the cash reserve requirement for banks was increased b) Prudential Regulations for consumer financing were tightened and c) 100% cash margins were imposed on more than 500 items.
Market sentiments bouncing back – Best Aug’22 in 10 years	<ul style="list-style-type: none">The floods, coupled with continued political uncertainty have resulted in a bearish stock market for most of the year. There has been a recent rally with renewed investor sentiments and the KSE100 index portrayed a gain of 5.4% MoM closing at 42,351 points in end-August.

Key economic indicators – floods and inflation a key risk to GDP growth; IMF FY'23 GDP forecast at 3.5%

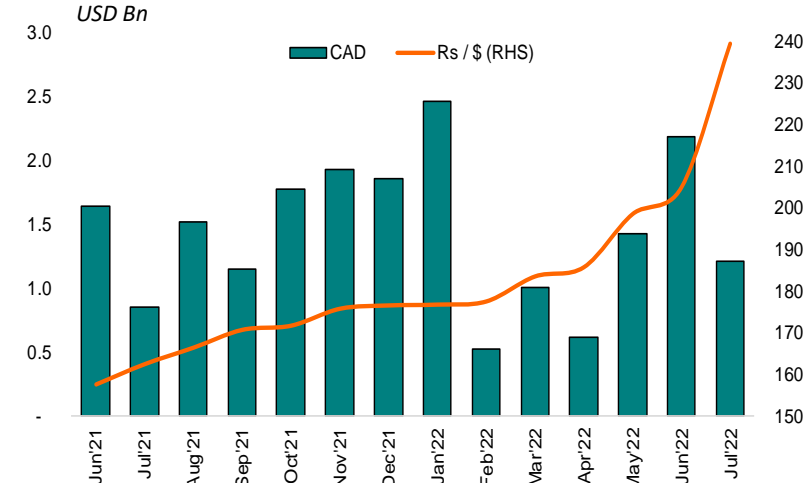
Consumption & Commodity price led trade deficit



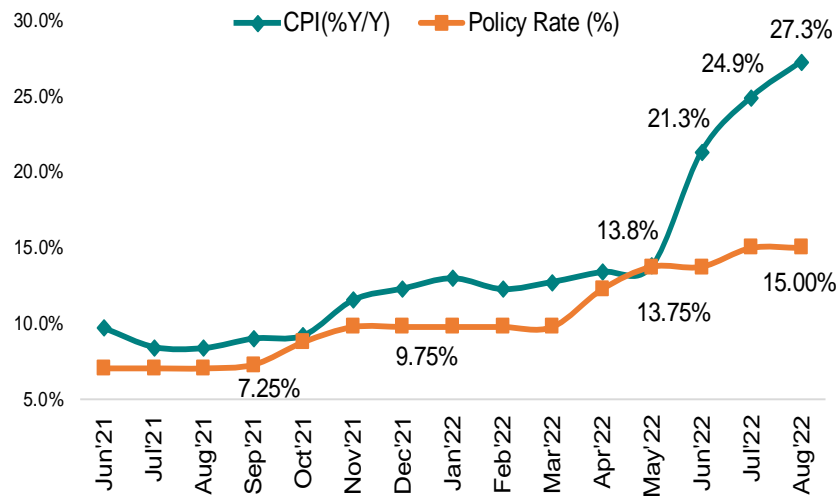
Remittances – Monthly flows maintained at \$2.0b+ mark for more than 26 months.



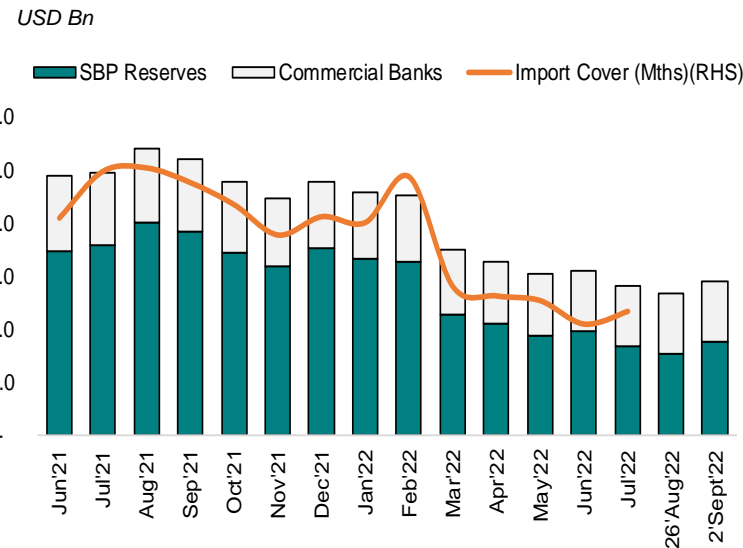
CAD reached a record high in Jan'22 before import restrictions imposed – currency bearing the brunt



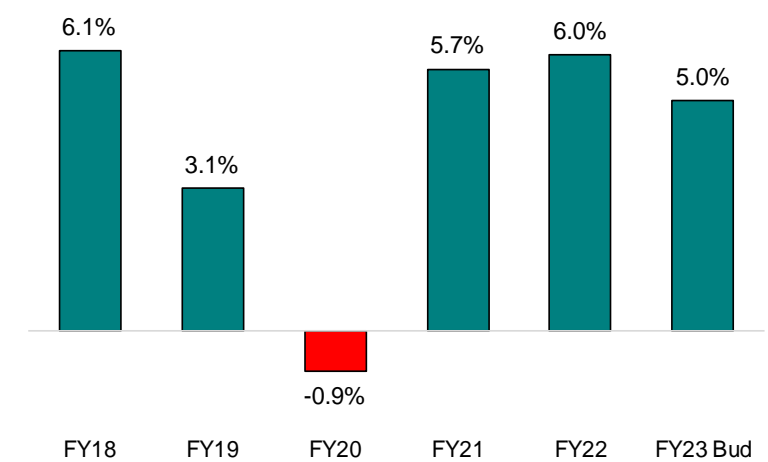
Upward trending inflation – but tightening likely to take a breather



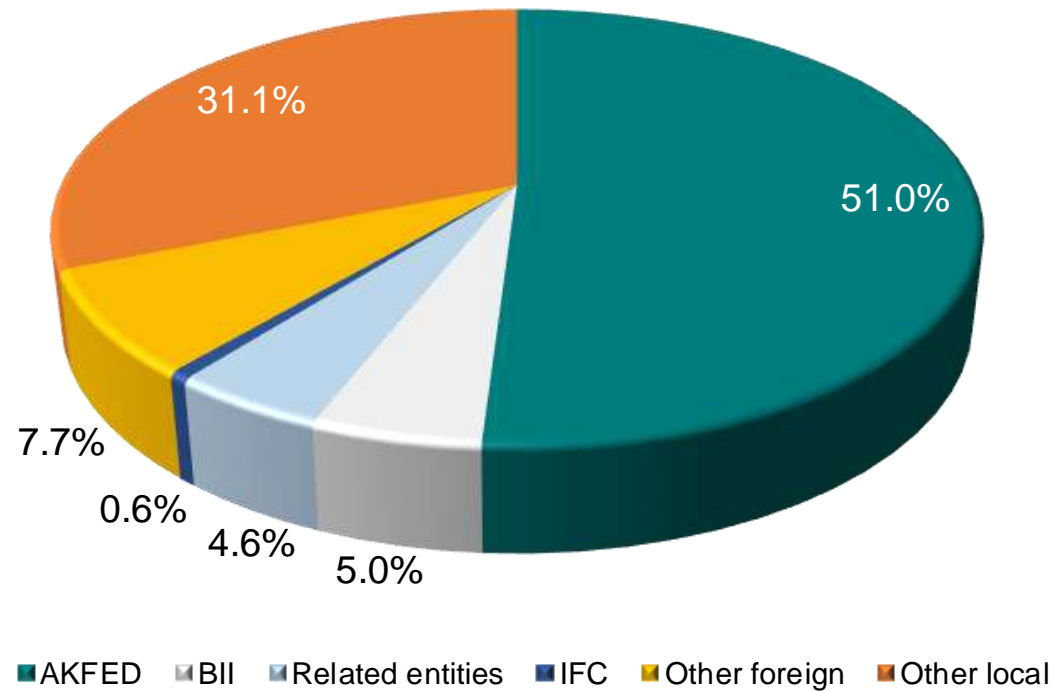
SBP reserves reinforced by recent IMF inflows



External headwinds a key challenge to 4-5% GDP growth



Shareholding Pattern – Jun'22



We are more than just a Bank...

HBL

HBL ASSET MANAGEMENT LTD.
ایس ایٹ مینجمنٹ لمیٹڈ
100%

HBL CURRENCY EXCHANGE
کرنسی ایکسچینج
100%

HBL MICROFINANCE BANK
مائیکرو فنانس بینک
76.4%

Himalayan Bank Ltd
हिमालय बैंक लिमिटेड
20%

Jubilee
GENERAL INSURANCE
19.8%

Jubilee
LIFE INSURANCE
18.52%

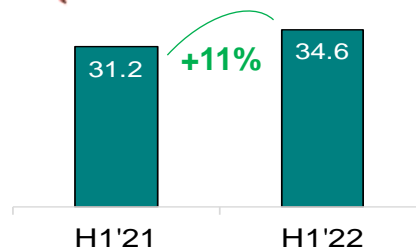
KICB
KYRUZ INVESTMENT
AND CREDIT BANK
18%

DTB
DIAMOND
TRUST BANK
16.15%

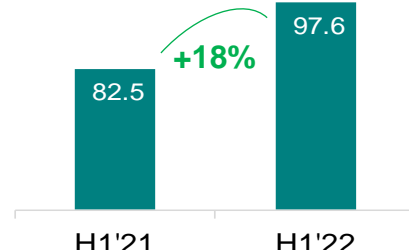
HBL
Foundation

HBL contributes 1.5% of its annual Profit After Tax to HBL Foundation as part of Bank's CSR agenda.

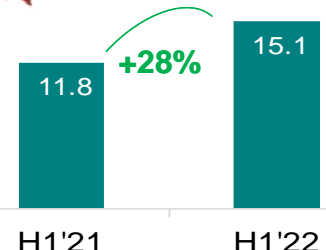
#2 PBT — Rs in B



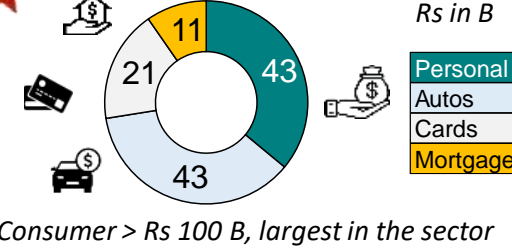
#1 Gross Revenue — Rs in B



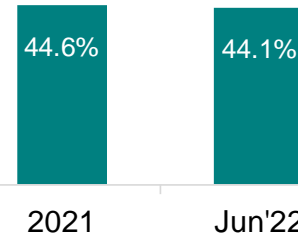
#1 Fee — Rs in B



#1 Consumer Lending



ADR



#1 ASSETS



Rs **5.0** Trillion

#1 ADVANCES



Rs **1.7** Trillion
Market share of
~**12.1%**

#1 DEPOSITS



Rs **3.8** Trillion
Market share of
14.3%

#1 CUSTOMERS SERVED



32M+
Incl. 8m+ BISP
beneficiaries

#1 BANK BRANCHES



1,725

#1 ATMs



2,232

#1 KONNECT AGENTS



61,118

QR CODE LOCATIONS



52,927

#1 POS TERMINALS



44,891
8M'22 spend
Rs **164B**

#1 AGRI FINANCE



Rs **45B**
35% Market
Share amongst
Commercial
Banks

#1 SME FINANCE



Rs **73B**
Market
Share ~**15%**

#1 CARDS BASE



6.5M+
8M'22 spend
Rs **184B**

#1 EMPLOYEE BANKING



1.4M+ Salary Accounts; Market
Share : **38%**

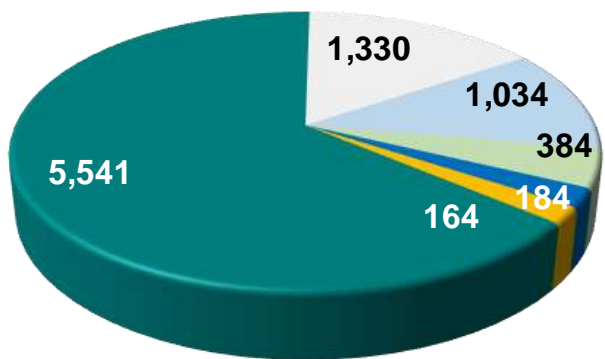
TRANSACTION BANKING

Collections market share : **30%**
Business payments : **35%**
7,700+ mandates

HBL Digital – Throughput trending northwards reaching Rs 8.7 T, up 79% YoY

Digital throughput composition

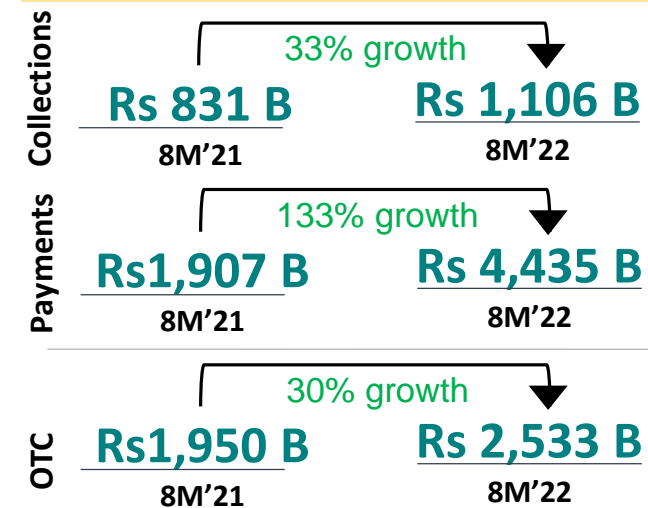
Rs in B



■ TEB ■ MB/IB ■ ATM ■ Konnect ■ Cards ■ POS

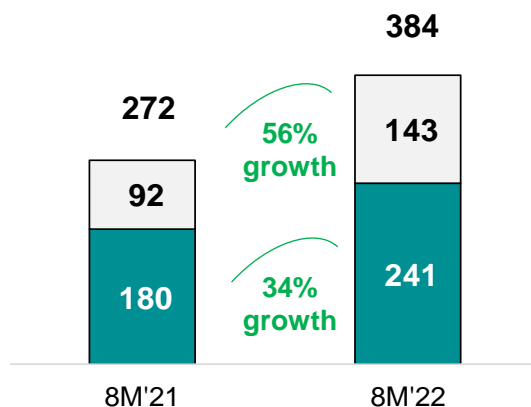
Cash management – Digital channel throughput more than doubled

Digital



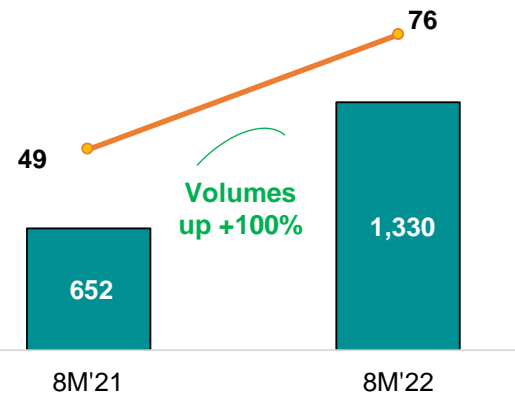
Konnect – volumes up 41% YoY; customer base up from 6.4m to 7.7m

■ Konnect Vol (Rs B) □ G2P Vol (Rs B)

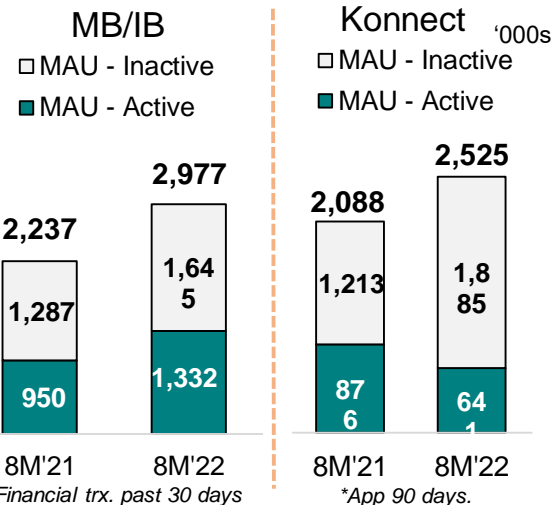


MB/IB – volumes crossed Rs 1.3T. Subscribers > 3.0m

■ Trans. Vol (Rs B) — Trans. Count (M)



Monthly Active Users Mobile : 45%, Konnect App : 25%

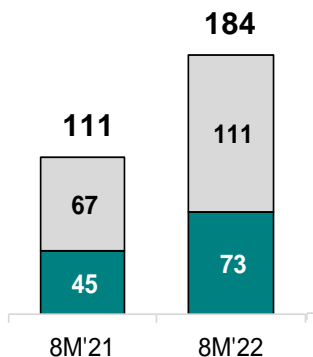


Card base > 6.5 Mn. 1/3 of country's credit card volume / spend are on HBL

65% growth 51% growth

Our Card Spend

■ Debit card □ Credit card

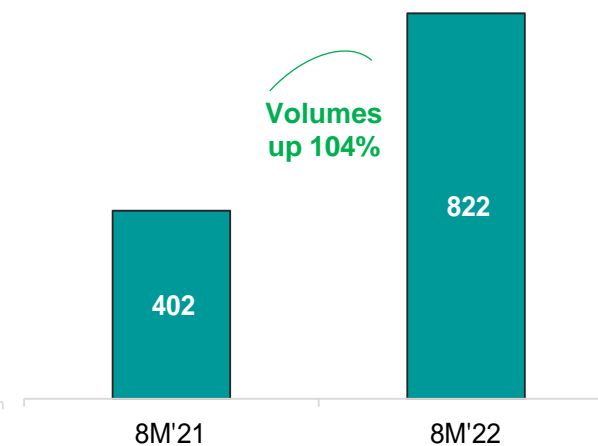


Our POS Spend



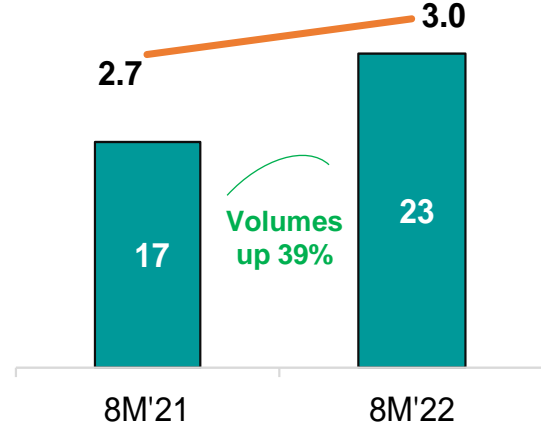
QR Codes – increasing ticket size has doubled volumes

■ Trans. Vol (Rs M)



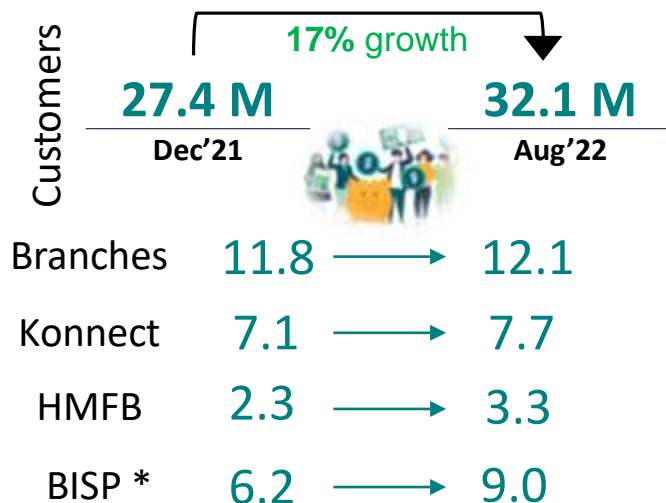
HBL Pay Checkout – volume up by ~40% to Rs 23b

■ Trans. Vol (Rs B) — Trans. Count (M)



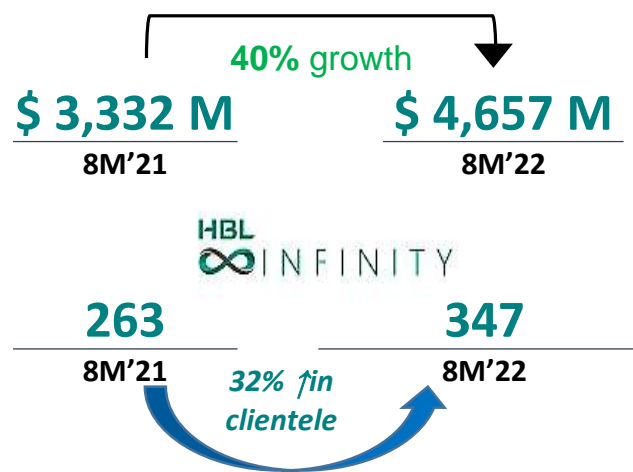
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4.7 million **customers** added



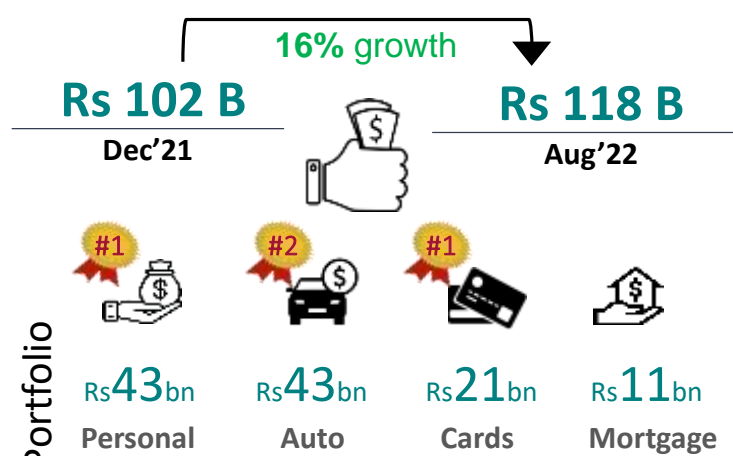
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HBL Infinity more clients transacting more. **HBL Symphony** (Fixed Income platform) in pilot phase



2

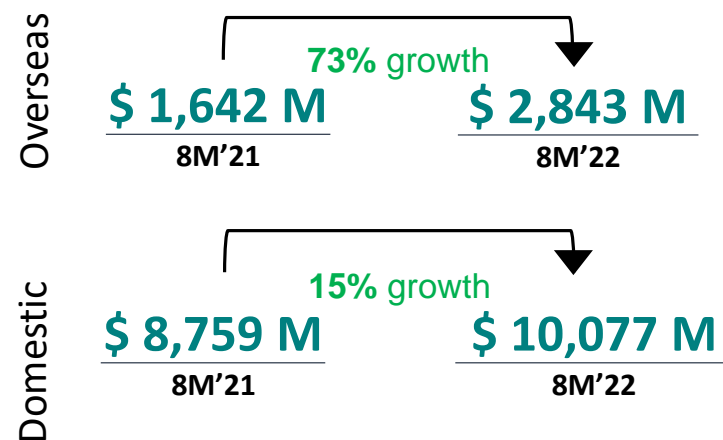
Strong **Consumer lending** momentum



Largest consumer book in the sector

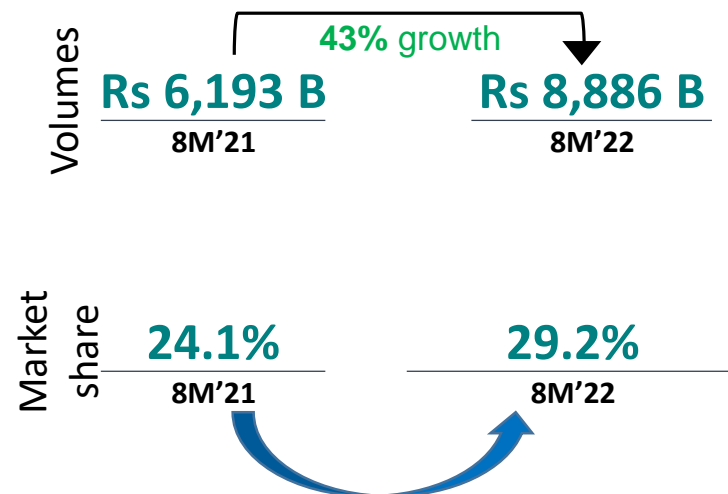
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Trade Volumes – up 24% to \$ 12.9 B, share maintained at ~12.7%



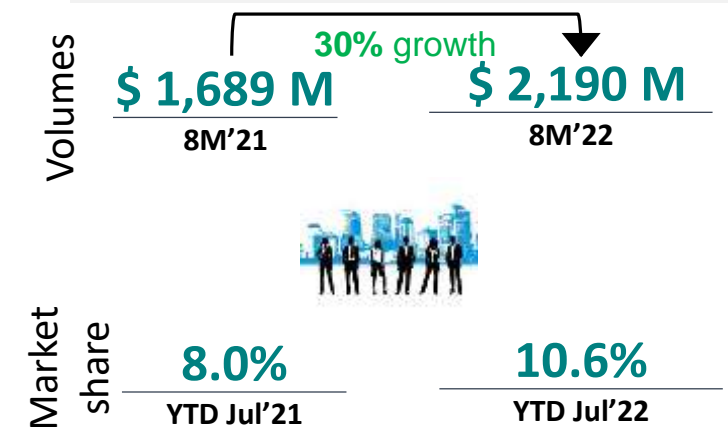
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Secondary Market Volumes up 43% with share increased from 24% to 29%



6

Remittance – volumes up 30% to \$2.2 B; share improved from 8.0% to 10.6%



Best bank awards



Best Bank in Pakistan



Best Domestic Bank



Best Investment Bank

Business awards



- Best Project Finance Bank Pakistan 2022
- Infrastructure Project Finance Deal
- Syndicated Loan Deal of Pakistan
- Power Project Finance Deal of Pakistan
- Equity Deal of the Year
- Power/Utilities Project Finance Deal of the Year



- Domestic Trade Finance Bank of the Year
- Domestic Cash Management Bank of the Year
- Domestic Project Finance Bank of the Year
- Corporate & Investment Bank of the Year
- Equity Deal of the Year Pakistan.
- Green Deal of the Year Pakistan
- Point of Sale Initiative for the year



- Project Finance House of the Year
- Renewable Energy Deal of the Year
- Power/Utilities Deal of the Year
- Transport Deal of the Year
- Water Deal of the Year

Other awards



- Best Green Bond
- Best Structured Finance Deal



Best Emerging Technology

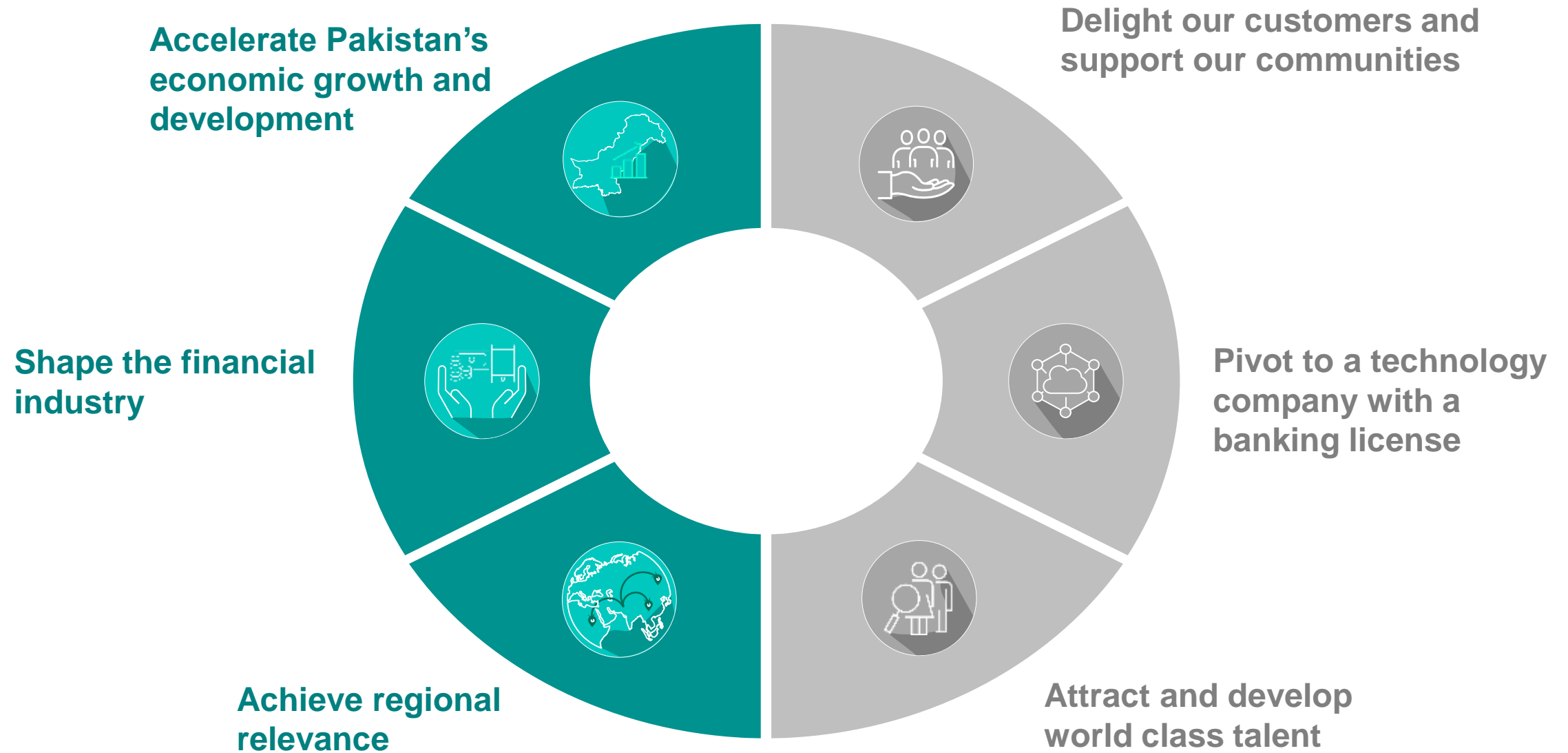


Best Social Media Marketing Campaign



Best practice in Pakistan for Diversity, Equity and Inclusion

Our Strategic Pillars



Improving Financial Health of Women



25%

Female Accountholders
in Bank



Rs 466bn

Deposits in women's
accounts

Refreshed product suite launched under HBL NISA to provide tailored-financial solutions for the unique needs of women

185K+

Accounts

Higher Savings rate—Making NISA the most competitive savings product

5%

NISA share—of
total women
accounts in HBL

Rs 31bn

Deposits

22%

Konnect share
Women share in
Konnect accounts

Asaan Accounts



Deposits (Rs)

Rs 16bn

2021: 15 Bn

>1mn

↑9% Y/Y

NTB Accounts

55k+

HY'21: 64k+



Collections

- 200% growth in collections to Rs 60Bn
- Corporate partnerships up 85% to 660+

Benazir Income Support Program

Beneficiaries

Rs 8.1mn

2021: 6.2mn

Amount disbursed

Rs 104bn

2021: Rs 127bn

Konnect Islamic Account

The only Islamic branchless banking account to cater to the demand of mass unbanked market.



Strategic partnerships

- Extended G2P partnership for farmer subsidy disbursements from Punjab to KPK / Balochistan.
- 1mn+ Kisaan cards issued
- Disbursed fuel relief subsidies of Rs 17 Bn to 0.7 Mn beneficiaries

HBL MFB leading in microfinance

Deposits

Rs 105bn

↑15% YTD'22

24.3% Market Share

2.72mn customers (↑74% Y/Y)

Loan Book

Rs 75bn

↑26% YTD'22

15.8% Market Share

↑70bps Y/Y

28%
Borrowing by
Women

76%
Financing
goes to
rural areas

516k
Active
Borrowers

- Branchless Banking Solution – 1.2 Mn wallets opened till Jun'22
- Disbursed Rs. 6 bn up till June 2022 under Mera Pakistan Mera Ghar scheme, highest in microfinance industry.
- Mobile App – users now > 39 K (26 K in Dec'21)
- Largest MFB PayPak card issuer – 515K+ cards issued since inception
- Selected by SBP as **Champion Bank** for Gilgit Baltistan Regional Agri Coordination Committee (RACC-GB) because of its extra-ordinary agriculture financing performance in the region

SME Banking – fueling the Economy

NTB accounts > 2600 for H1'22 vs. 1200+ SPLY

Loan Book

Rs 73bn

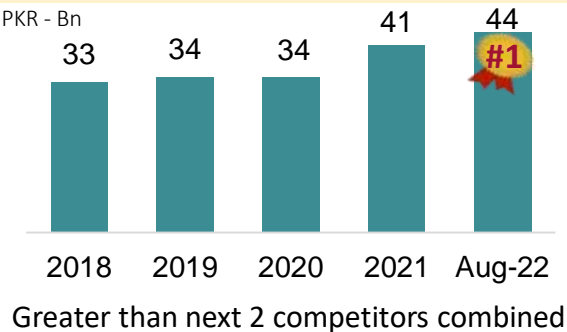
2021: Rs 74 Bn



- Leveraging technology – First bank to launch Digital Lending in collaboration with FINJA
- Leading in supply chain finance, book size of Rs 8.5 billion, up 37% on a YTD basis.

Agriculture Portfolio

Market share of farmer financing at 35%



Rated Top Bank in Agriculture by SBP



HBL ranked top bank by SBP as per Agriculture Credit Scoring model among large banks category

Dairy & Livestock Financing



- Portfolio > PKR 3 Bn in < 2yrs from start
- Nearly 2000 dairy farmers financed
- More than 125,000 animals financed
- Launched livestock loan insurance

Agriculture Value Chain - AVC



In 2021, Agriculture Banking initiated a new business vertical and booked a portfolio of PKR 3 Bn in business segments along the Agriculture Value Chain

Electronic Warehouse Receipt Financing ("EWR")



- Invested in Naymat Collateral Management which accredits warehouses – enables better storage of produce and ability to finance against secure collateral
- 1st bank to fund EWR in Pakistan. 70% share of EWR financing

Mobile App - Salesflo



- The Agri field team (500+) is provided with Handheld devices with 4G connectivity
- The team uses this App to digitally capture data from their field visits
- This has improved sales management & monitoring of field activities

Maintaining market leadership with 35% market share, serving over 46,000 households, via a dedicated field force spread over 630 branches

Input suppliers

To give farmers access to high quality crop inputs



Mechanization service providers

For agricultural mechanization, HBL has engaged organizations to provide latest machines to farmers



engro fertilizers



Bulk buyers

Engaged with bulk buyers to insulate the farmer from market inefficiencies at the time of crop selling



MATCO FOODS LIMITED



JSK Feeds Limited

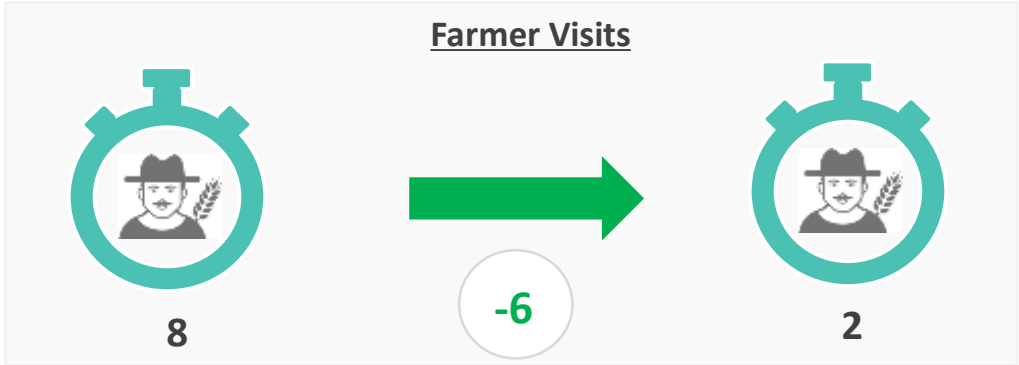
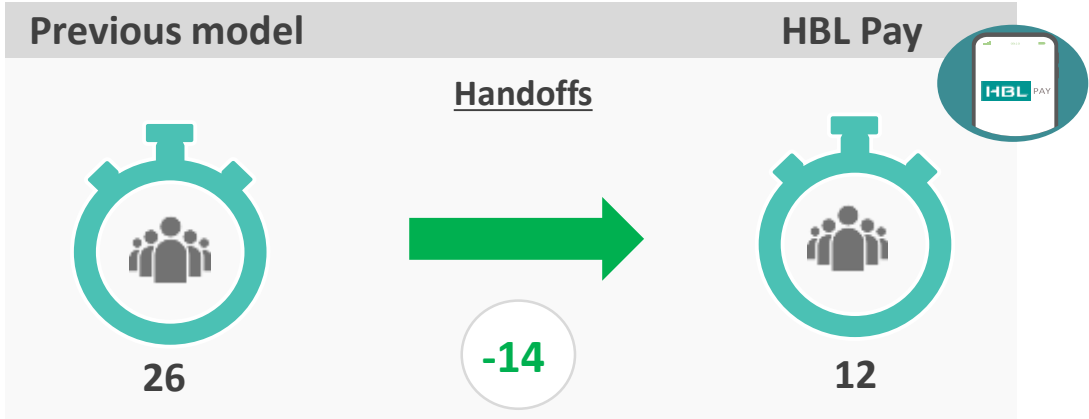


Technology partners

Digital solutions such as remote sensing and advisory to eliminate inefficiencies



Cross-functional '**AGILE**' team led by technologists and HBL agronomists along with simplifying processes that reduce hand-offs by leveraging technology from the time a farmer opens his account '**IN THE FIELD**' to loan approval and disbursement.



Konnnect Account Opening



Document Procurement



Filling of Application



Biometric Verification



Application Submission



After a successful proof of concept in 2020, HBL's engagement with farmers increased manifold



Farmer count up 35x to 550



Portfolio volumes up 86x to Rs 1,296 M



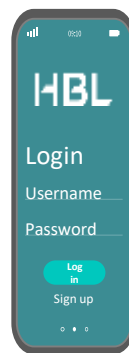
60x growth in crop acres to 26,512

		Yield per acre	Total cost	Farmers' profit
Quantitative Impact	Maize	<div>↑ 22%</div>	<div>↓ 28%</div>	<div>↑ 117%</div>
	Basmati Rice	<div>↑ 56%</div>	<div>↑ 2%</div>	<div>↑ >100%</div>

- Qualitative Impact
- HBL continues to provide farmers with high quality inputs resulting in high quality yield.
 - Digital onboarding remains well received by farmers compared to old paper-based process.
 - Farmers continue to work with HBL in successive crop cycles indicating that the bank has successfully delivered on its commitment to improving farmers' outcomes and welfare.

HBL Mobile

- Launched dedicated Islamic Banking Mobile App for this segment
- 84k credit cards and Rs 15b+ of personal loan disbursements made through HBL Mobile App
- Total throughput > Rs 1.3 Trillion YTD 2022, more than double the same period in 2021; market share of transactions : > 25%
- Customer base nearly 3 million with 21%+ market share



Konnect

- Offering banking solutions outside bank branches to provide greater accessibility and increase inclusion.
- Onboarded 660+ clients from various segments including educational, healthcare, logistics & manufacturing.
- Total Customer base of > 7.7 Mn with ~ 21% women.
- Total throughput of PKR 384Bn+ in YTD'22
- Number of active agents totaling 43K+



Merchant Acquiring

- Largest Acquirer of the country with 33% share of volume and 40% share of footprint
- Vol: PKR 164 Bn; footprint: 44,891.
- Tap n Pay acceptance 18,400+ POS terminals across the country.
- Merchant Portal Launched enabling merchants to monitor transactions and generate digital receipts from a central location.
- Terminal Management System – launched TMS which enables us to implement updates on the entire POS network from a central server, thus improving consistency and efficiency



E-Commerce

- Expanding partnership base – 550+ merchants, up 25% vs H1'21.
- Launched Pakistan's first Mobile Point of Sale (mPOS) application which enables card payments via mobile app and eliminates the need of physical POS machine.



HBL mPOS won the POS initiative of the year, in the Asian Banking Finance Retail Banking Awards 2022 and Best Emerging Technology Award in Pakistan Digital Awards 2022



Business Payments

- Strategic alliances with EMIs / Aggregators to digitize and capture the financial value chain of cash management customers.
- 1st Bank to establish API connectivity with CDC to automate mutual funds redemptions.
- HBL Pay Business Banking Platform:
 - Enhanced user interface to improve customer journey.
 - Digital payments more than doubled to Rs 4.4T.



Conversational Banking



Whatsapp, 24/7 digital channel for chat, balance inquiry and other non -financial usage.

Payment services now enabled including Funds Transfer, Bill Payments, Mobile Top up, a first in Pakistan

Users

200k+

Transactions

1.8m+


QR Code

P2P via QR – Launched an industry first P2P QR based funds transfer facility for greater convenience.

Dynamic QR – HBL became the first bank in Pakistan to launch the Dynamic QR code transaction process in partnership with Visa.






The new transaction process offers a seamless, safe, and convenient payment mechanism.

Reduce carbon footprint and mitigate risks




Won Renewable Energy Deal of the Year award for a US\$50 Mn Solar Project Financing under The Asset Triple A Sustainable Infrastructure Awards 2022

GHG Emissions at 25,216, split into...


	Power Consumption	14,204
	Generator	6,406
	Construction	3,748
	Vehicle	442
	Travelling	416

Amounts in MT



➤ Forefront of utilizing SBP's renewable energy financing.


➤ Disbursed over Rs 7.8 bn.




202 Branches with Solar panels

30 Solar panels installed at offsite ATMs


Co2 Reduction of 513 MT/yr



Light Automation System for energy conservation during off-peak non-operating hours




Launched first Impact and Sustainability Report




HBL MFB's Gilgit RHQ is LEED & EDGE certified. First building in AKDN network globally.


Initiatives and HBL Firsts




Net Zero by 2030
Initiated its Net Zero by 2030 journey in its operations




HBL Green Taxonomy Launched its own Green Taxonomy as 1st step towards Sustainable financial framework




Phasing out existing coal projects by 2030.




No further exposure being undertaken by HBL for new coal mining and coal-based power projects.



HBL Plantation Drive 2022 Under its Annual Tree Plantation Drive, HBL has planted 16,500 saplings across Pakistan.



Sustainable Tourism Partnered with WWF and Serena to promote sustainable tourism.



The Bank has announced that it would cease to do business with industries that contribute towards deforestation

HBL

17



Health, wellbeing and valuing our people

- First bank to launch flexi-work and flexi-rewards & benefits in Pakistan – employees can choose how they want to work and what benefits suit their life-stage needs.
- Provided interim ad-hoc monetary assistance for 6 months to over 15,000 employees to alleviate cost of living crisis.
- HBL Raabta – provides individual counselling as well as group-based awareness for employees' well being.
- Online 24*7 doctors' consultation with Sehat Kahani
- Industry leading COVID response for employees and their family members - 100% staff vaccinated and medical loan for non-dependent family members
- Mercer Employee Survey repeated after a 3-year period. Response rate > 83%. Employee engagement score : 86% (2020 : 78%). 90% say they are Very Proud to work for HBL.

Values and Ethics

- 360-degree feedback on "How" the values have been lived by the top executives.
- Values rating introduced as part of performance evaluation in 2021 to drive cultural change. In 2022 will be part of compensation decisions
- "Global Ethics Week" spreads awareness on creating an ethical culture. Annual Ethics Town Hall held for senior leaders.

Diversity Agenda

Gender Diversity

- Women in HBL now make up 21% of the workforce. Targeting 25% by 2025.
- 'Female Returnship Program' - HBL Waapsi launched to facilitate women who took a career pause due to family and personal commitments
- Targeted batch hiring for women
- Mentoring program to increase women in senior roles.



Inclusion of PWDs (Together We Are Strong)

- Onboarding and training of PWDs and sensitization training for employees – 50+ PWDs serving in various roles.
- Buddy program to facilitate inclusion
- Accessible infrastructure / services – 1,200 branches with ramps, 400+ 'Talking' ATMs, Braille forms and stationery at RHQs



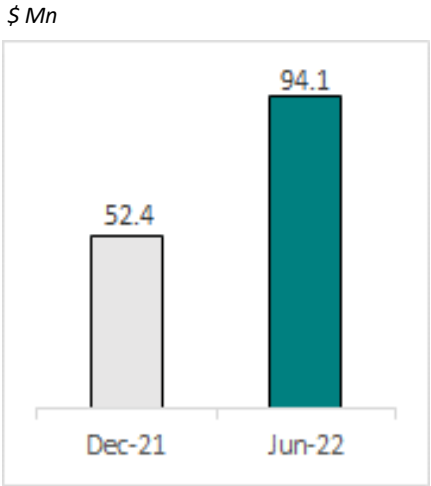
HBL and Art

- HBL is committed to celebrating the outstanding artists of the country and be a "patron" of art.
- HBL promoting public awareness of Pakistani art and artists through sponsoring exhibitions of internationally recognized artists.
- Supported restoration and renovation of the Galerie Sadequain, enabling it to become a permanent, international standard, public exhibition space

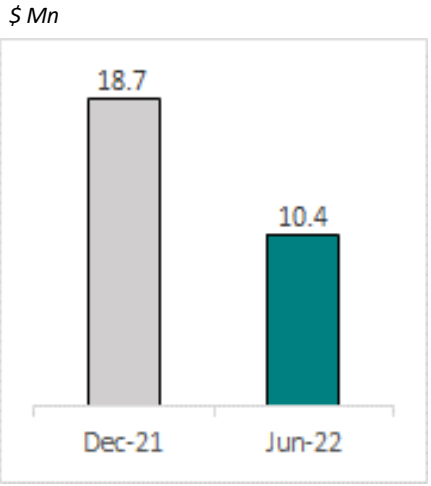


China – Key Performance Indicators

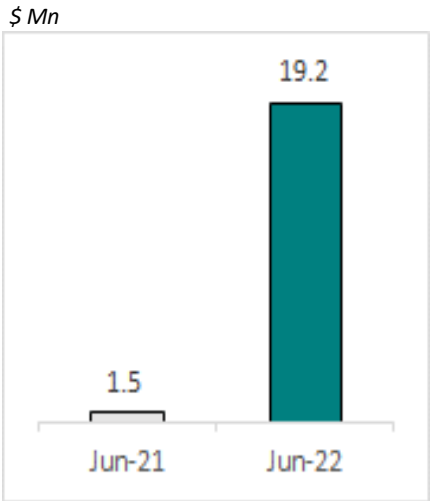
Advances



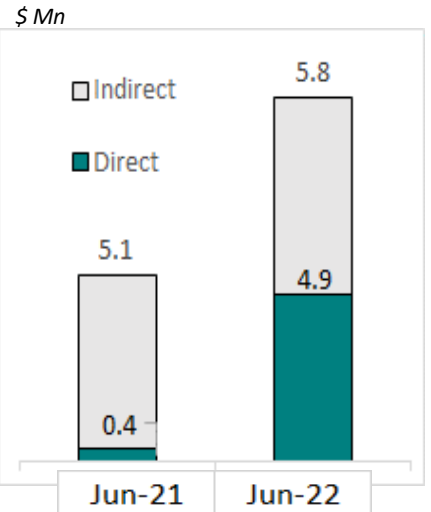
Deposits



Trade volumes



Revenue



CPEC and HBL

HBL continues to play a leading role in CPEC projects in Pakistan.
HBL has handled CPEC transactions exceeding USD 6 Bn in various roles.



Engagement with Chinese customers in East Africa via Diamond Trust Bank's recently launched China coverage unit.

HBL China

LC advising, Trade and Discounting Turnover
\$34Mn YTD Jun'22
\$27Mn YTD Jun'21

LCs advised

1,330 YTD Jun'22
1,294 YTD Jun'21

Remittance Transactions

1,548 YTD Jun'22
1,484 YTD Jun'21

Discounting Turnover

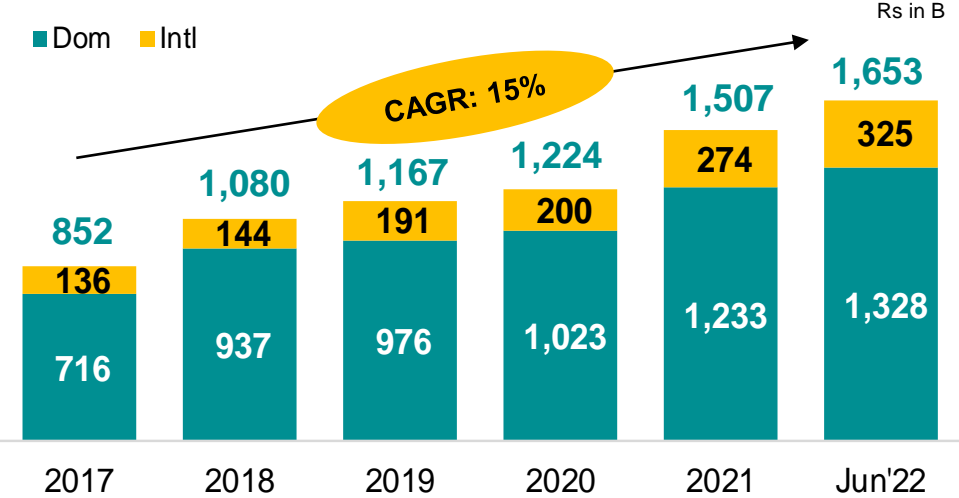
\$101Mn YTD Jun'22
\$51Mn YTD Jun'21

Initiatives

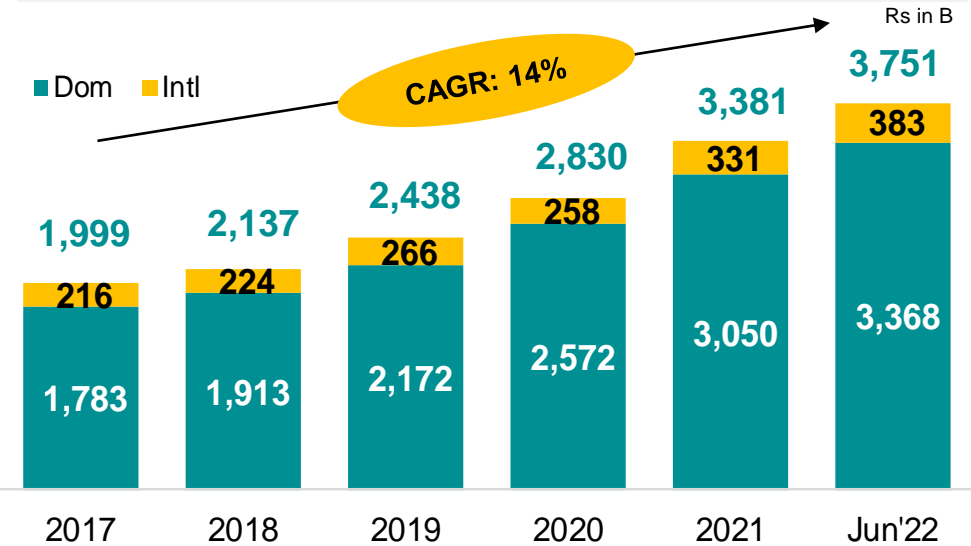
- Replicate the China Coverage Model in Sri Lanka, Maldives & Bangladesh
- Implementation of Letter of comfort ("LOC") financing structure – Enables one network location to "extend" their credit limits by utilizing letter of comfort from another HBL location
- GRM Restructuring - Global Relationship Manager concept expanded to all locations with dominant country relationship taking the GRM role – enables a more holistic treatment of customers for where the relationship is deepest
- Streamlining the account opening process for common customers across network

Financial Performance – Jun'22

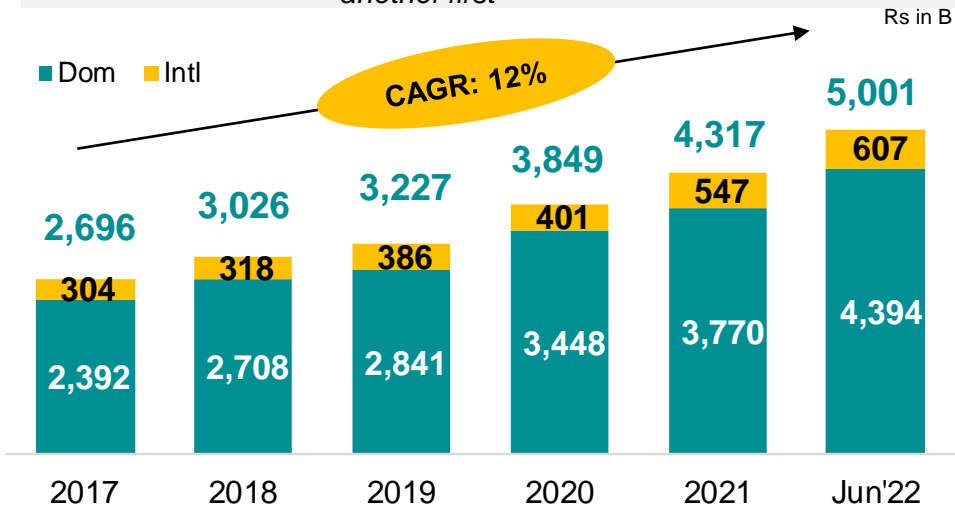
Advances | Strong momentum - market share at 12.1%



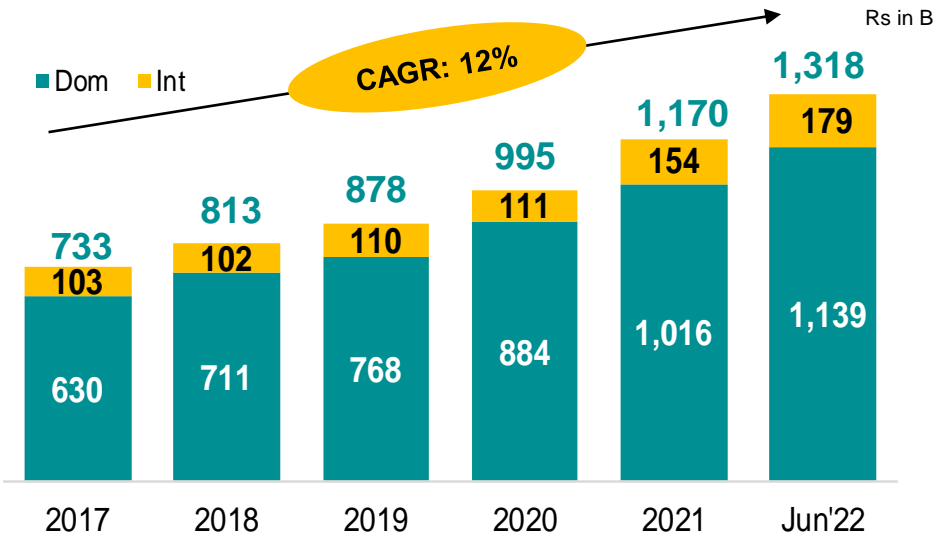
Total Deposits | Deposits at Rs 3.8T, maintaining 14% market share



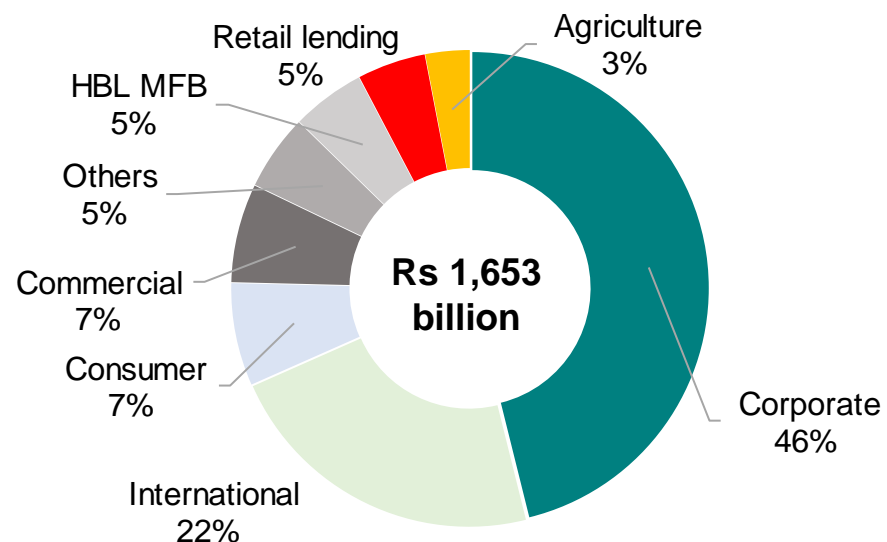
Total Assets | Balance sheet footing crossing Rs 5.0 T, another first



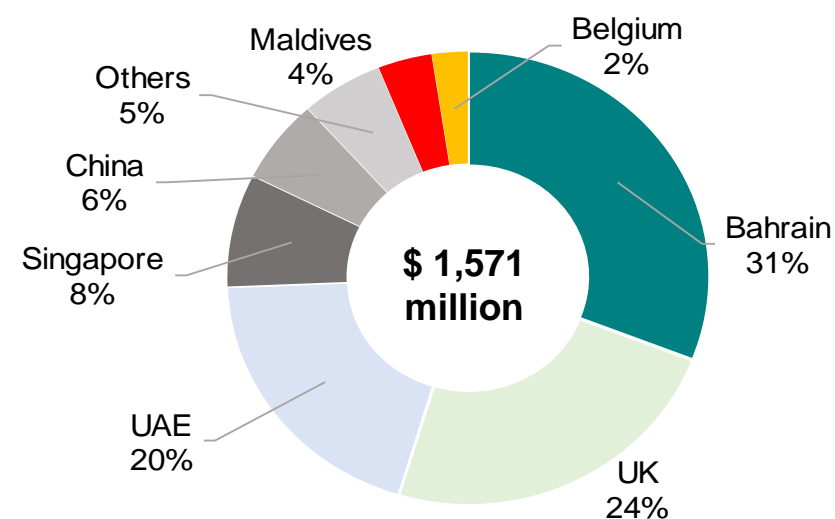
Current Deposits | Strong focus on CA growth



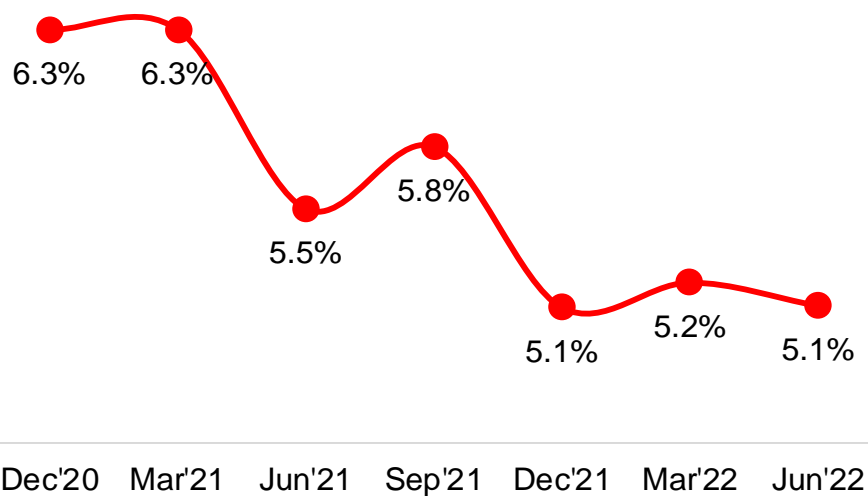
Loan Portfolio composition by line of business



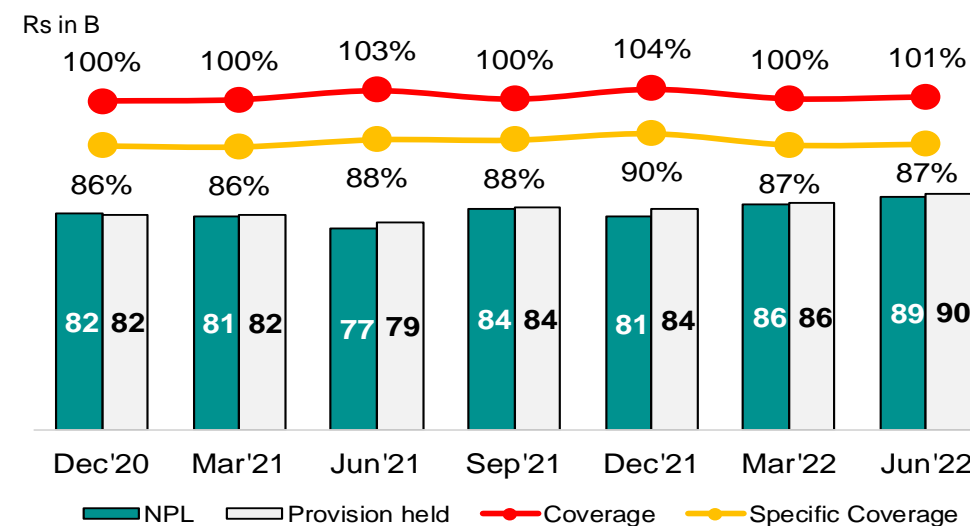
International Loan Portfolio – location wise



Infection Ratio at historical low of 5.1%

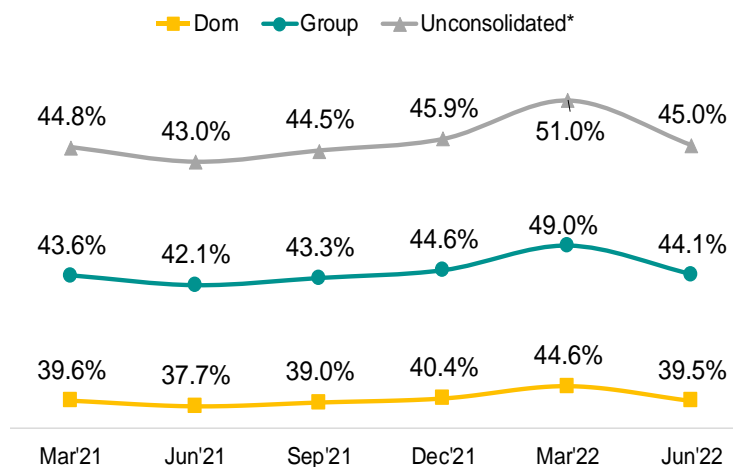


Specific coverage maintained at 87% and total coverage > 100%



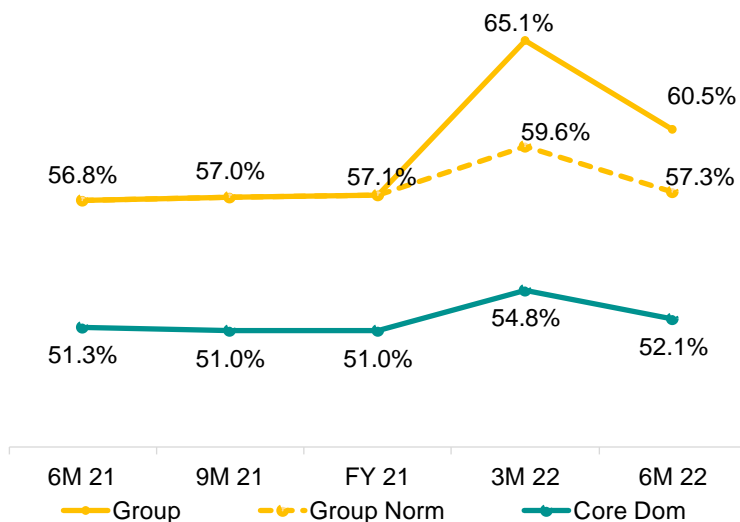
Key Performance Metrics

ADR declined in Jun'22 as strong growth in deposits outpaces advances

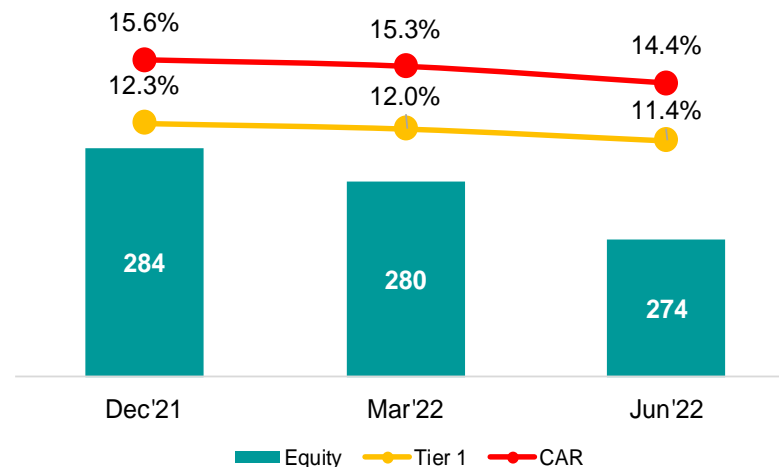


*Gross advances / deposits as per tax definition

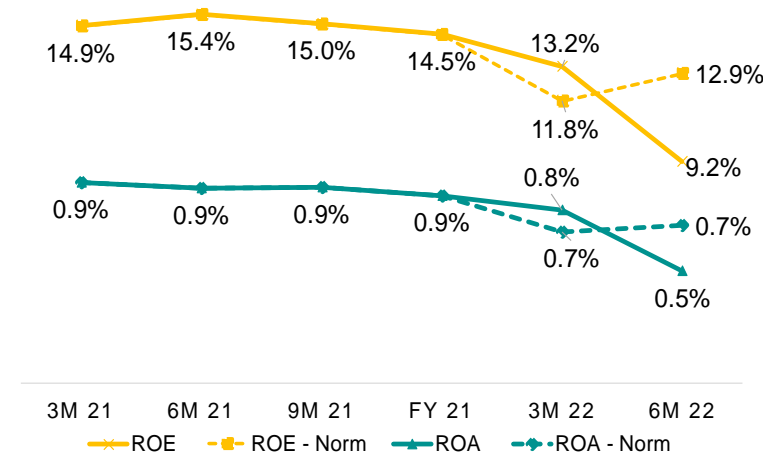
Cost to income ratio – Q2'22 improved by 446 bps over Q1'22. H1'22 ratio of 57.3%, 50bps higher YoY



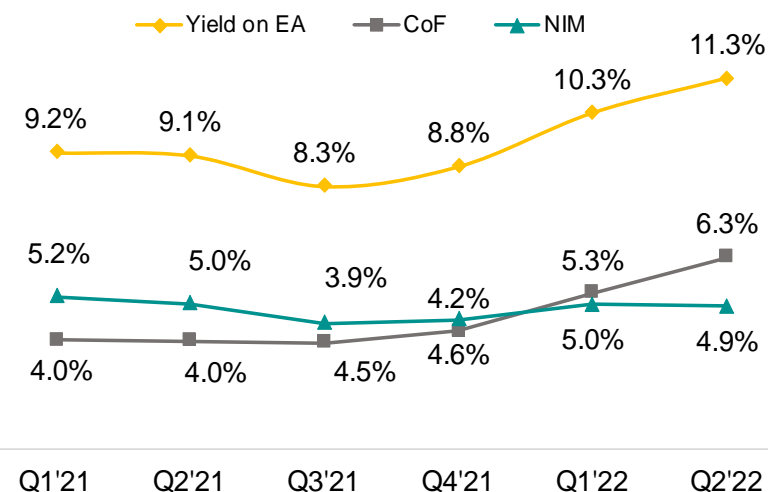
CAR declined across all Tiers due to continued PKR devaluation and higher tax charge



ROA & ROE – declined due to higher tax charge and VSS cost

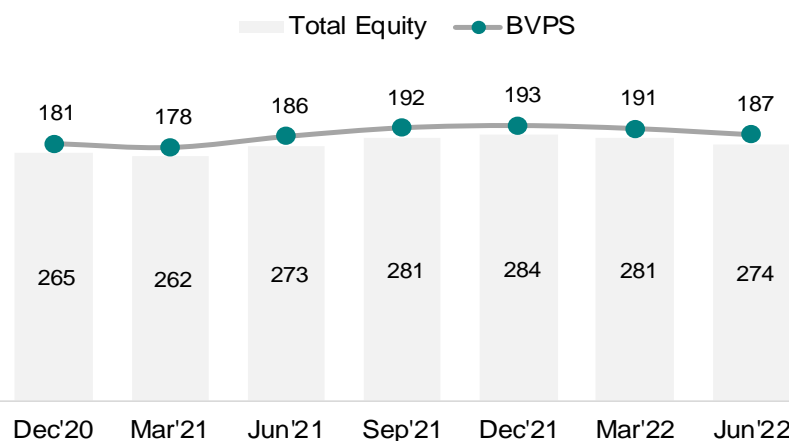


NIMs – marginally declined to 4.9% due to immediate repricing of deposits post Q2 rate hikes



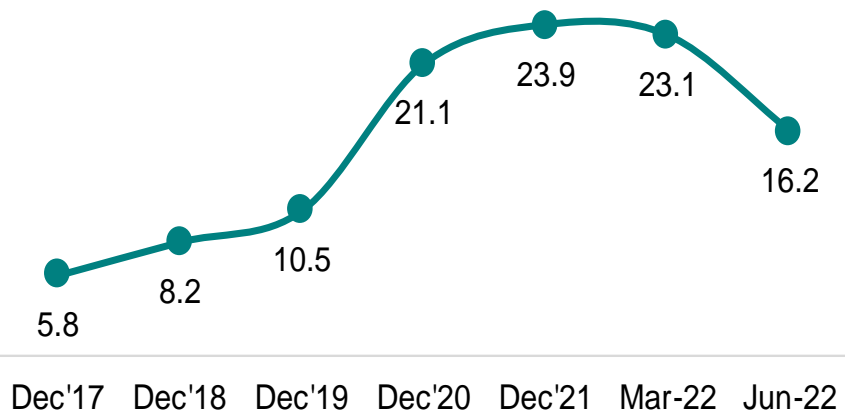
Equity and book value has declined in 2022 due to escalating MTM deficits on investments

Rs in Bn

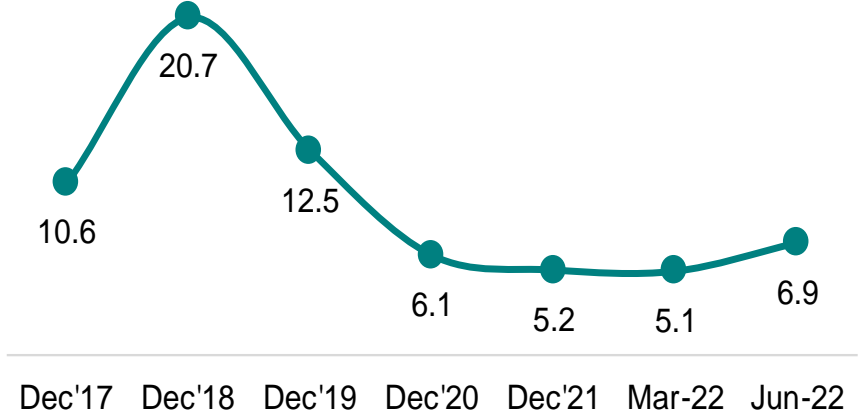


EPS

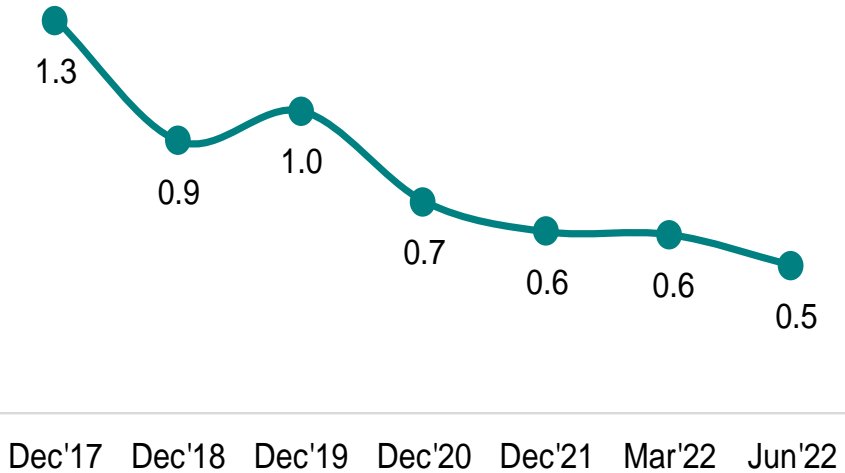
Rs per share



P/E

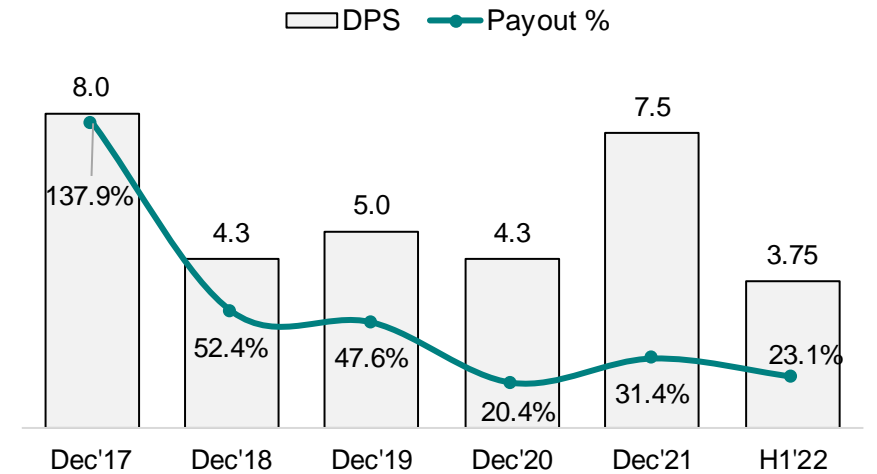


P/B



Dividend payout

Rs per share



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