



# Financial Results – June 2018

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## Investor Presentation

**Consolidated PBT for H1'18 is Rs 14.1 bn compared to Rs 27.7 bn in H1'17**

- Domestic PBT is Rs 8.2 bn lower YoY, primarily as a result of
  - Impact of pensions charge (one-off) – Rs 1.9 bn
  - Bank-wide business and compliance transformation project (on-going) – Rs 1.4 bn
  - Impact of Rupee devaluation on foreign currency borrowings – Rs 2.5 bn

Excluding these, normalized PBT is Rs 2.4 bn lower YoY, mainly due to lower capital gains

- International business incurred a loss of Rs 4.9 bn in H1'18 vs a profit of Rs 0.5 bn in H1'17, resulting from
  - Significant decline in revenue as a result of Balance Sheet shrinkage post de-risking
  - Higher cost incurred in relation to the New York branch.

**Net interest income of Rs 40.3 bn in H1'18 is 3% lower than the Rs 41.4 bn in H1'17**

- Domestic NII increased by 1% over H1'17, driven by a 11% YoY growth in the average balance sheet
- Average total domestic deposits have grown by Rs 180 bn (12%) , with a Rs 145 bn growth in CASA deposits
- Average domestic advances grew by 29% (Rs 165 Bn) YoY, mainly in Corporate and Islamic lending
- Spreads have reduced by 30 bps YoY to 3.2% in H1'18, mainly due to
  - Lower investment yields consequent to sale of high yielding PIBs throughout 2017
  - Lagged upward repricing of assets and investments vs immediate repricing of interest bearing liabilities.

**Non markup income is at Rs 10.7 Bn, Rs 5.7 Bn lower than in H1'17**

- Excluding the significant decline in home remittance income, domestic fees have grown by 8% led by account operations, cards and consumer financing.
- Core FX income is up 10% YoY driven by higher trading revenue. However, as a result of Rs 2.5 bn revaluation loss on foreign currency borrowings, there is a reported FX Loss of Rs 1.0 bn for H1'18
- Capital gains are Rs 0.3 bn in H1'18 vs Rs 1.9 bn in H1'17; with gains on equities and fixed income both lower

**Administrative expenses are up 28% YoY**

- The growth is mainly due to the 1-off impact of pensions charge, higher expenses related to New York and costs of the Bank's on-going business and compliance transformation program.
- Excluding the impact of these, expenses have increased by 7.4% over H1'17

**Provisions**

- Gross NPLs have increased by Rs 0.1 Bn over Dec'17, as there is a Rs 2.6 bn impact of Rupee devaluation on overseas NPLs.
- Asset quality continues to improve, reducing from 8.2% in Dec'17 to 7.6% in Jun'18
- In H1'18, there is a nominal provision charge of Rs 0.1 bn (mainly due to impairment of equities) compared to a Rs 1.2 bn in H1'17 – net reversals against loans continue
- The coverage ratio remained strong and stood at 91.7% in Jun'18 (Dec'17: 91.6%)

## HBL's balance sheet has grown by 3% over Dec'17 to Rs 2.8 trillion

**Total deposits increased by 6% over Dec'17 to Rs 2.1 trillion. Domestic deposits grew by 8% to nearly Rs 1.9 trillion**

- Domestic current deposits have increased by 9.8% over Dec'17 to Rs 689 bn and the mix has improved from 35.6% in Dec'17 to 36.3% in Jun'18
- Domestic market share stood at 14.4% in Jun'18
- Average domestic current deposits have increased by 15% (Rs 79 Bn) over H1'17
- The cost of domestic deposits has increased by 17 bps YoY to 2.83% in H1'18.

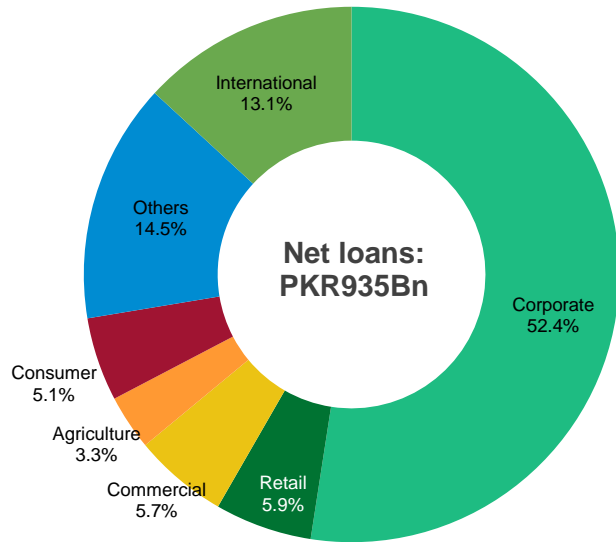
## **Net advances increased by 10% over Dec'17 and crossed Rs 900 bn**

- Domestic advances have grown by 13.0% (Rs 91 Bn) to Rs 793 Bn, with growth primarily driven from corporate loans and seasonal increase in commodity financing – Consumer and Islamic lending continue steady growth
- Overseas advances have declined by 17.7% (\$ 217 mn) to \$ 1.0 Bn in Jun'18

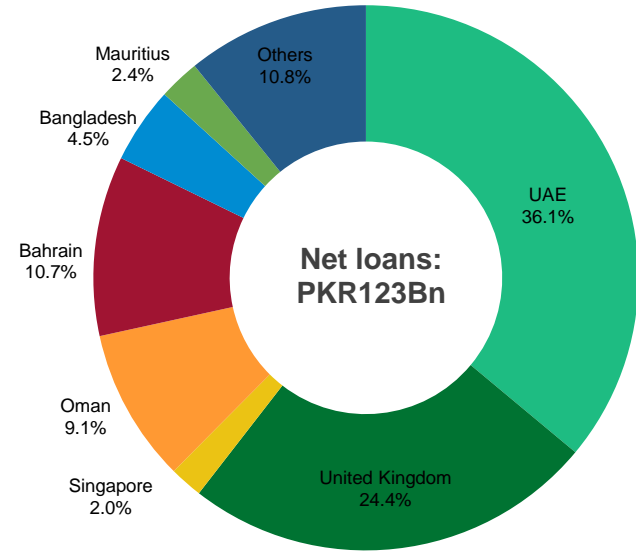
PKR Bln	Jun'18	Dec'17	Var%
Cash & Bank Balances	279.8	286.8	-2%
Lending to Financial Institutions	51.8	33.9	53%
Investments	1,355.2	1,374.8	-1%
Performing Advances	928.3	845.2	10%
Non Performing advances - net of provision	6.3	6.3	0%
<b>Net Advances</b>	<b>934.6</b>	<b>851.5</b>	<b>10%</b>
Others	143.6	137.0	5%
<b>Total Assets</b>	<b>2,765.0</b>	<b>2,684.1</b>	<b>3%</b>

Deposits - Domestic	1,896.3	1,762.3	8%
Deposits - FMFB	24.8	20.9	19%
Deposits - International	196.5	215.8	-9%
<b>Total Deposits</b>	<b>2,117.5</b>	<b>1,998.9</b>	<b>6%</b>
Borrowings	333.5	397.8	-16%
Subordinated loan	10.0	10.0	0%
Others	107.9	88.6	22%
<b>Total Liabilities</b>	<b>2,568.9</b>	<b>2,495.3</b>	<b>3%</b>
Shareholders' equity	173.9	163.9	6%
Non - controlling interest	3.7	3.5	7%
Surplus on revaluation of assets - net of tax	18.4	21.4	-14%
<b>Total Liabilities &amp; Equity</b>	<b>2,765.0</b>	<b>2,684.1</b>	<b>3%</b>

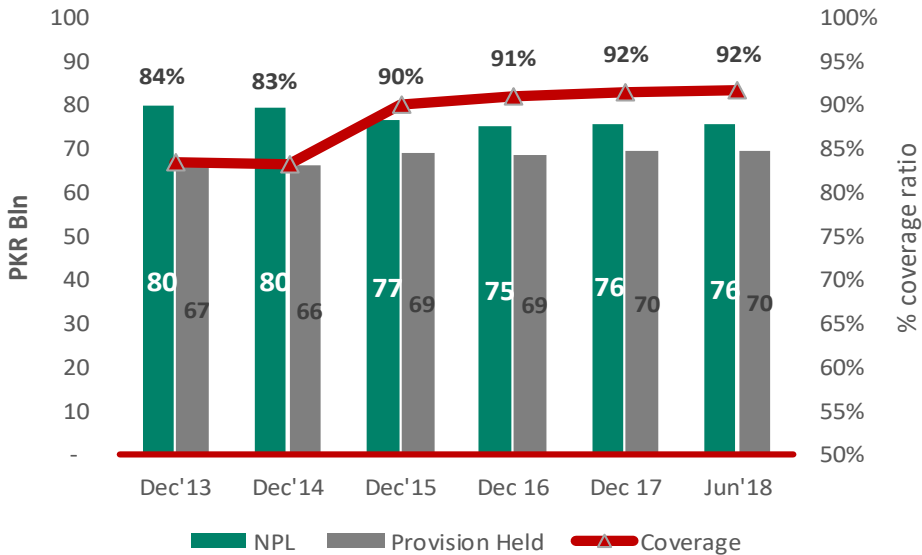
## Loan portfolio composition by line of business



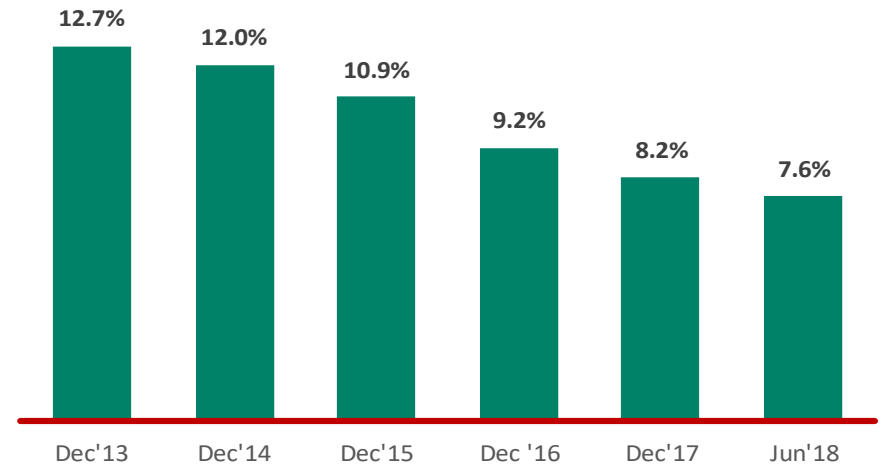
## International Advances – Location wise



## Coverage ratio



## Asset quality



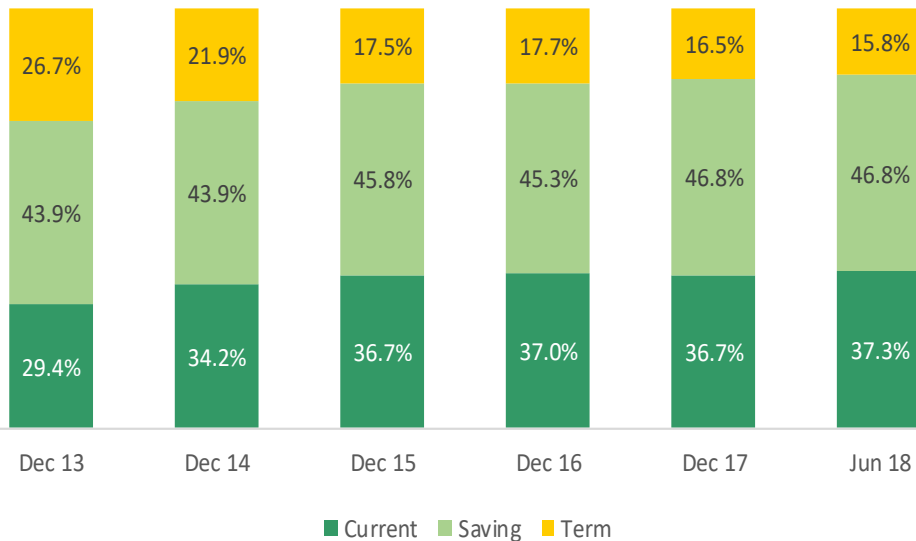
Period End Deposits			
PKR Bln	Jun'18	Dec'17	Var%
Current	689.1	627.8	10%
Saving	952.5	894.3	7%
Term	254.7	240.2	6%
<b>Domestic</b>	<b>1,896.3</b>	<b>1,762.3</b>	<b>8%</b>
International	196.5	215.8	-9%
FMFB	24.8	20.9	19%
<b>Group</b>	<b>2,117.5</b>	<b>1,998.9</b>	<b>6%</b>

Average Deposits			
PKR Bln	H1'18 (Actual)	H1'17 (Actual)	Var%
Current	600.4	521.8	15%
Saving	874.5	809.7	8%
Term	218.1	189.4	15%
<b>Domestic</b>	<b>1,692.9</b>	<b>1,520.8</b>	<b>11%</b>
International	199.5	297.0	-33%
FMFB	22.7	12.3	84%
<b>Group</b>	<b>1,915.1</b>	<b>1,830.2</b>	<b>5%</b>

CASA Ratio - Dom	86.6%	86.4%	0.2%
CASA Ratio - Group	84.2%	83.5%	0.7%

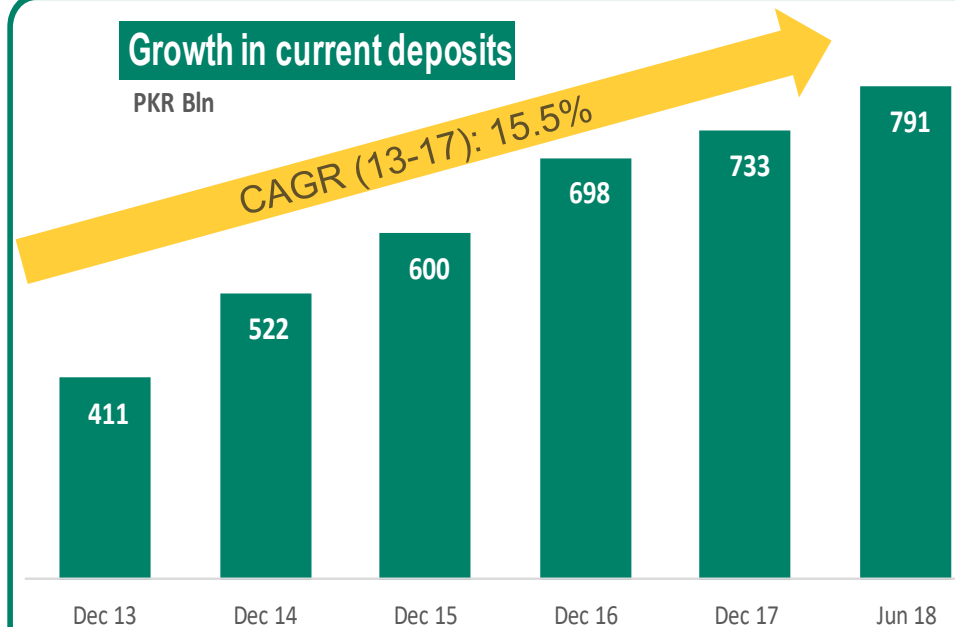
Cost of deposits - Dom	2.83%	2.66%	+ 17bps
Cost of deposits - Group	2.68%	2.40%	+ 28bps

## Deposits Composition



## Growth in current deposits

PKR Bln



PKR Bn	H1-18 (Actual)	H1-17 (Actual)	Var%
Interest Income	75.5	72.3	4%
Interest expensed	(35.2)	(30.9)	-14%
<b>Net Interest Income</b>	<b>40.3</b>	<b>41.4</b>	<b>-3%</b>
Non Interest Income	10.7	16.4	-35%
<b>Gross Revenue</b>	<b>51.0</b>	<b>57.8</b>	<b>-12%</b>
Admin Expenses	(36.2)	(28.4)	-28%
<b>Operating Expenses</b>	<b>(36.8)</b>	<b>(28.9)</b>	<b>-27%</b>
<b>Pre Provision Operating Profit</b>	<b>14.3</b>	<b>28.9</b>	<b>-51%</b>
Provisions	(0.1)	(1.2)	89%
<b>Profit Before Tax</b>	<b>14.1</b>	<b>27.7</b>	<b>-49%</b>
Tax	(6.0)	(12.0)	50%
<b>Profit After Tax</b>	<b>8.1</b>	<b>15.7</b>	<b>-48%</b>



Ratios	Jun'18	Dec'17
Advances : Deposits	47.4%	46.1%
Asset Quality	7.6%	8.2%
Coverage	91.7%	91.6%
Capital Adequacy - Tier I	12.8%	12.0%
Capital Adequacy - Total	17.1%	16.0%

Ratios	H1 2018	H1 2017
Yield on advances	7.9%	7.5%
Cost of deposits	2.7%	2.4%
Net Interest Margin	3.8%	3.9%
Spreads	3.1%	3.4%
NCL ratio	-0.1%	0.1%
Return on average assets	0.6%	1.2%
Return on shareholders' equity*	9.4%	17.9%
Cost : Income ratio	70.9%	49.0%
NFI : Gross revenue	21.1%	28.4%

Cost : Income ratio - Normalized	60.9%	49.0%
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\* excluding surplus on revaluation