



Financial Results – March 2019

Investor Presentation

- PBT for Q1'19 is Rs 8.4b, 14% higher than the Rs 7.4b in Q1'18
- PAT of Rs 3.2b is 32% lower YoY mainly as a result of the retrospective imposition of 4% Super Tax on 2017 profits – Impact Rs 1.9 billion
- Excluding the retrospective Super Tax, PAT for Q1'19 would have been Rs 5.1b, 9% higher than Q1'18

Net Interest income (NII) increased by 19% over Q1'18 to Rs 23.3b

- Domestic NII grew by 17% to Rs 21.3b – driven by 71bps expansion in Net Interest Margin
 - Earning asset yields are 273bps higher – loan repricing, roll-over of T-Bills at higher rates and gradual maturity of low yielding PIBs
 - Increase in cost of funds restricted to 202bps on the back of strong current account growth
- International NII increased by 13% (\$1.7mn), driven by balance sheet growth

Non fund income of Rs 6.6b is 22% (Rs 1.2b) higher than Q1'18

- Fees are Rs 0.8b (18%) higher YoY – led by higher investment banking fees, trade and loan fees and card related fees. This is despite SMS fees no longer charged to customers
- Swing of Rs 0.8b YoY in FX earnings – driven by a Rs 0.6b lower revaluation loss on the open position and 1-off gains resulting from an increase in arbitrage spreads
- In Q1'19, there is a capital loss of Rs 0.4b, mostly from sale of previously impaired equity securities, which is offset by a corresponding reversal in the provisions line

Admin. expenses increased by 21% (Rs 3.7b) over Q1'18 to Rs 21.4b

- The absence of the pensions charge is more than offset by:
 - Higher costs of New York
 - Deposit protection scheme premium, applicable from H2'18
 - Rupee devaluation impact on international expenses
- In addition, the rise in expenses is primarily as a result of:
 - Increase in staff cost (Rs 1.3b) in the domestic business – calendarization impact of hiring in the latter half of 2018 and realignment of the compensation cycle
 - Higher marketing spend - Rs 0.5b
 - Business and volume growth in inclusion initiatives (FMFB/ Konnect) – Rs 0.5b
 - The incremental cost of HBL Tower – Rs 0.3b

Provisions

- Domestic NPLs have increased by Rs 0.8b over Dec'18, mainly as a result of Rs 0.6b increase in agriculture NPLs. Overseas NPLs have reduced by \$6.4m. Resultantly, total NPLs have increased by Rs 0.3b.
- Asset quality of 7.0% in Mar'19, and coverage of 89.0% are essentially flat to Dec'18 levels
- Provision reversals of Rs 0.1b are at last year's level

Total deposits increased by 1% over Dec'18 to Rs 2.2 trillion

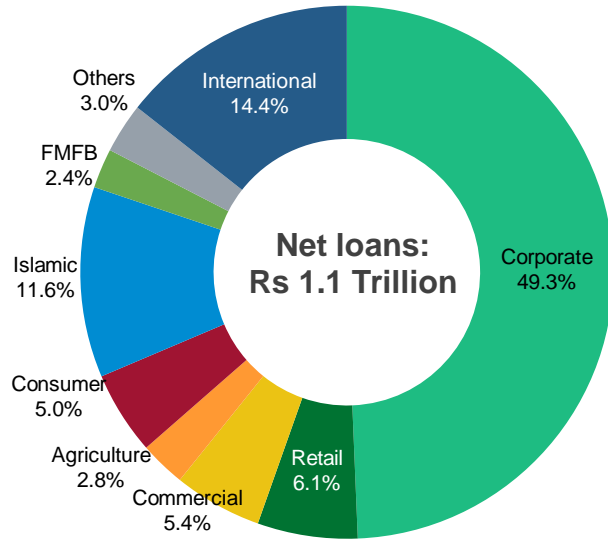
- Domestic deposits grew by 2% to Rs 1.9 trillion, with growth in all deposit categories. Market deposits grew by only 0.8%; consequently, market share improved from 13.9% in Dec'18 to 14.3% in Mar'19
- CA and CASA ratios have reduced slightly to 37.4% and 85.1%
- Average domestic current deposits for Q1'19 have grown by Rs 66b (11%) over Q1 '18
- Consequently, the cost of domestic deposits has been contained to 4.85% (206bps higher YoY) despite a 425bps increase in the average policy rate

Total advances increased by 1% over Dec'18 to Rs 1.1 trillion

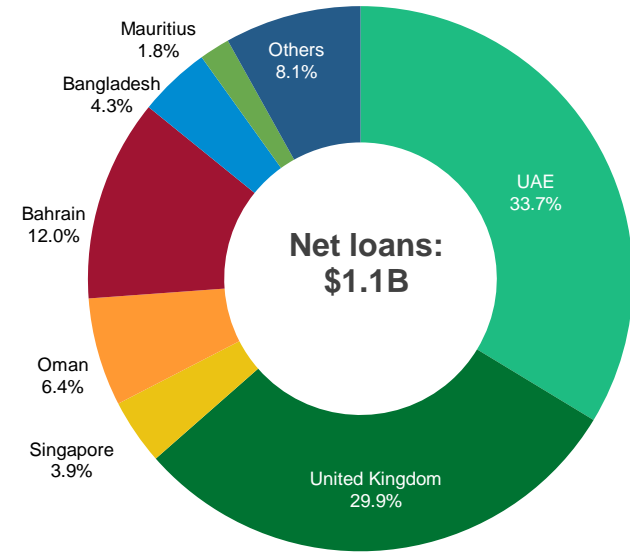
- Domestic advances have declined slightly (1%), in line with market, as a result of seasonal decline in commodity and SME exposures
- Overseas advances grew by 7.9% over Dec'18 to \$ 1.1b, with growth mostly driven from FI/ trade loans

PKR Bln	Mar'19	Dec'18	Var%
Cash & Bank Balances	289.8	322.1	-10%
Lending to Financial Institutions	298.4	51.3	482%
Investments	933.9	1,390.1	-33%
Performing Advances	1,078.9	1,068.1	1%
NPLs (Net)	12.6	12.4	2%
Net Advances	1,091.5	1,080.4	1%
Others	188.1	182.0	3%
Total Assets	2,801.6	3,025.9	-7%
Deposits - Domestic	1,920.1	1,882.1	2%
Deposits - FMFB	30.1	31.1	-3%
Deposits - International	215.4	224.1	-4%
Total Deposits	2,165.7	2,137.3	1%
Borrowings	232.1	523.3	-56%
Subordinated loan	10.0	10.0	0%
Others	189.7	156.0	22%
Total Liabilities	2,597.5	2,826.6	-8%
Shareholders' equity	187.5	184.7	1%
Surplus on revaluation (Net)	16.7	14.5	15%
Total Liabilities & Equity	2,801.6	3,025.9	-7%

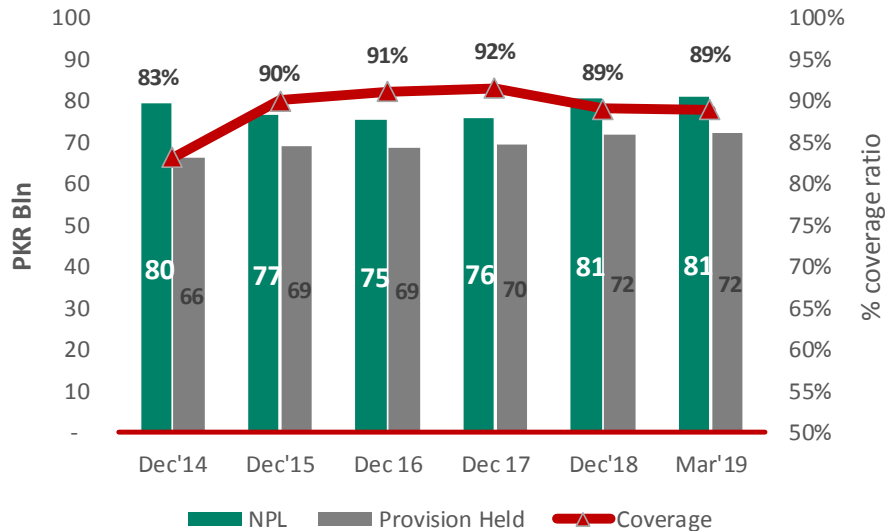
Loan portfolio composition by line of business



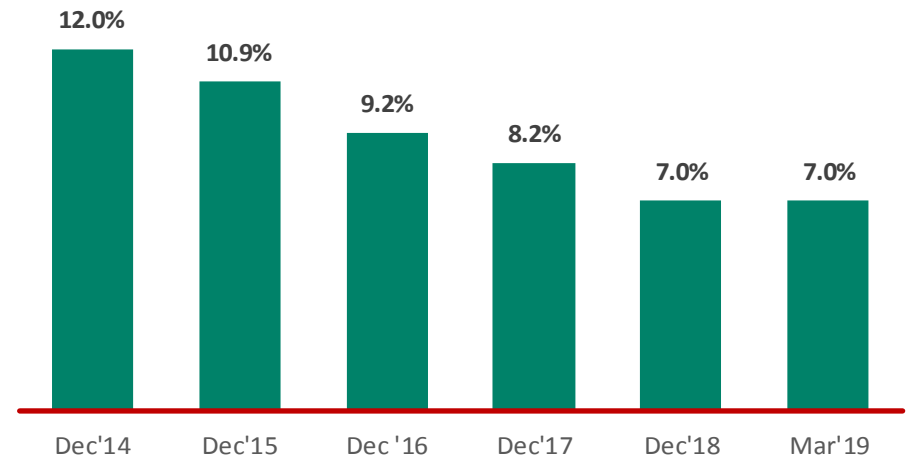
International Advances – Location wise



Coverage ratio



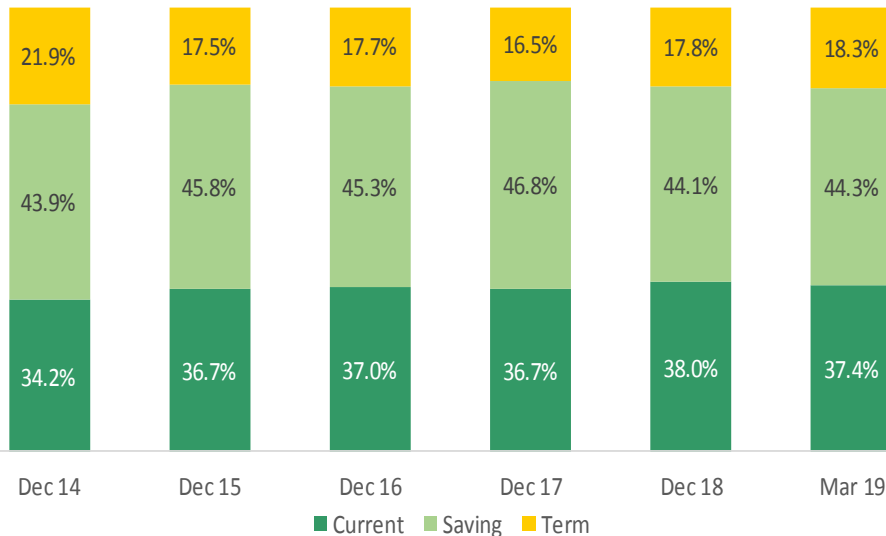
Asset quality



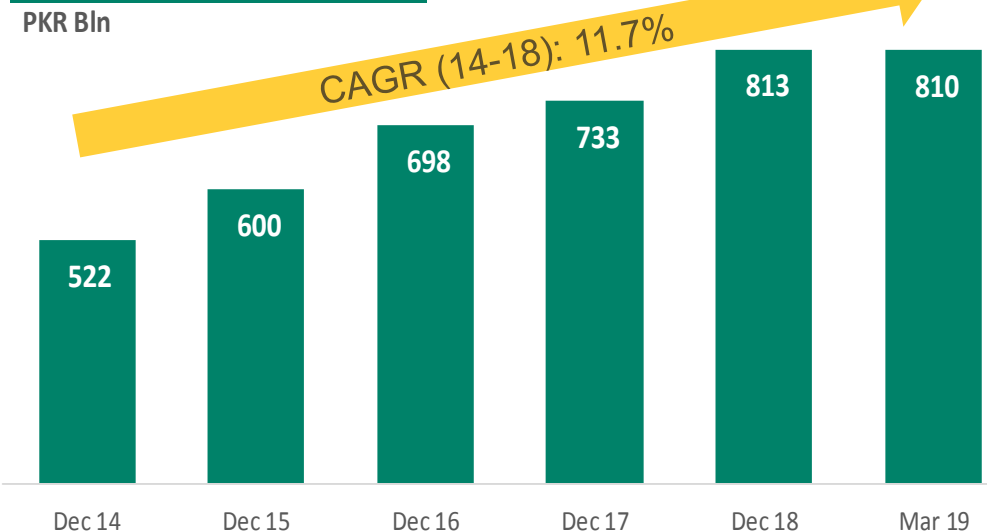
Period End Deposits			
PKR Bln	Mar'19	Dec'18	Var%
Current	717.5	708.7	1%
Saving	916.3	900.3	2%
Term	286.3	273.1	5%
Domestic	1,920.1	1,882.1	2%
International	215.4	224.1	-4%
FMFB	30.1	31.1	-3%
Group	2,165.7	2,137.3	1%
CASA - Domestic	85.1%	85.5%	-0.4%
CASA - Group	81.7%	82.2%	-0.4%

Average Deposits			
PKR Bln	Q1-19 (Actual)	Q1-18 (Actual)	Var%
Current	655.8	590.1	11%
Saving	886.6	860.3	3%
Term	242.5	214.1	13%
Domestic	1,784.9	1,664.5	7%
International	216.7	204.2	6%
FMFB	29.7	21.7	37%
Group	2,031.3	1,890.3	7%
CoD - Dom	4.85%	2.78%	+ 206 bps
CoD - Group	4.52%	2.62%	+ 189 bps

Deposits Composition



Growth in current deposits



PKR Mn	Q1-19	Q1-18	Var%
Interest Income	51,524	37,023	39%
Interest expensed	(28,154)	(17,322)	-63%
Net Interest Income	23,370	19,701	19%
Non Interest Income	6,634	5,422	22%
Gross Revenue	30,004	25,123	19%
Admin Expenses	(21,441)	(17,724)	-21%
Operating Expenses	(21,652)	(17,870)	-21%
Pre Provision Operating Profit	8,352	7,253	15%
Provisions	83	117	-29%
Profit Before Tax	8,435	7,370	14%
Tax ex. 2017 Super Tax	(3,324)	(2,682)	-24%
Profit After Tax Ex. Super Tax	5,111	4,688	9%
Super Tax - 2017 Profit	(1,933)	-	0%
Profit After Tax	3,178	4,688	-32%

Ratios	Mar'19	Dec'18
Advances : Deposits	53.7%	53.9%
Asset Quality	7.0%	7.0%
Coverage	89.0%	89.1%
Capital Adequacy - Tier I	12.0%	12.0%
Capital Adequacy - Total	15.4%	16.2%

Ratios	Q1 2019	Q1 2018
Yield on advances	10.6%	7.9%
Cost of deposits	4.5%	2.6%
Net Interest Margin	4.3%	3.7%
Spreads	3.5%	3.1%
NCL ratio	0.0%	-0.1%
Return on average assets	0.4%	0.7%
Return on shareholders' equity*	6.8%	10.9%
Cost : Income ratio	71.5%	70.6%
NFI : Gross revenue	22.1%	21.6%

* Excluding surplus on revaluation