

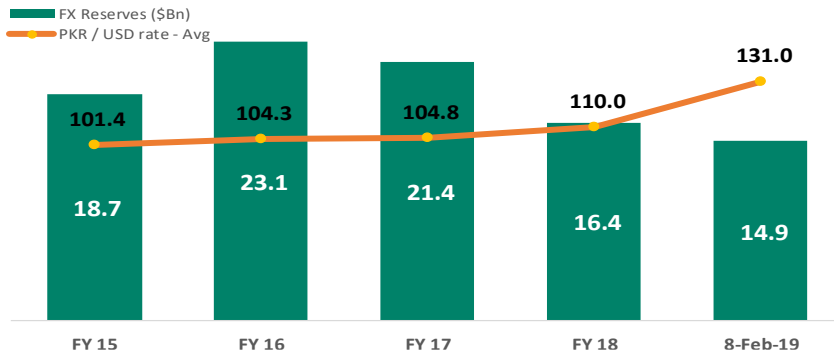
Investor Presentation

December 2018

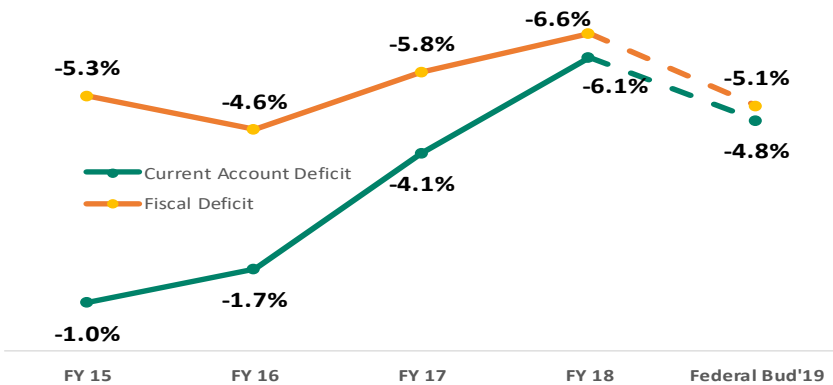
**Doing First Class business
in a First Class way**



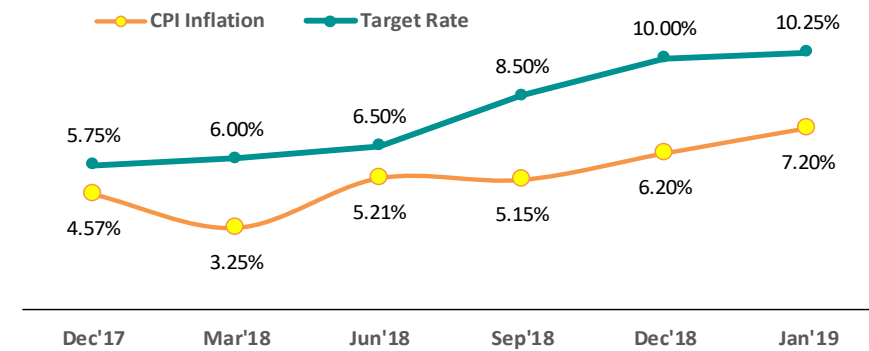
FX reserves / FX rate



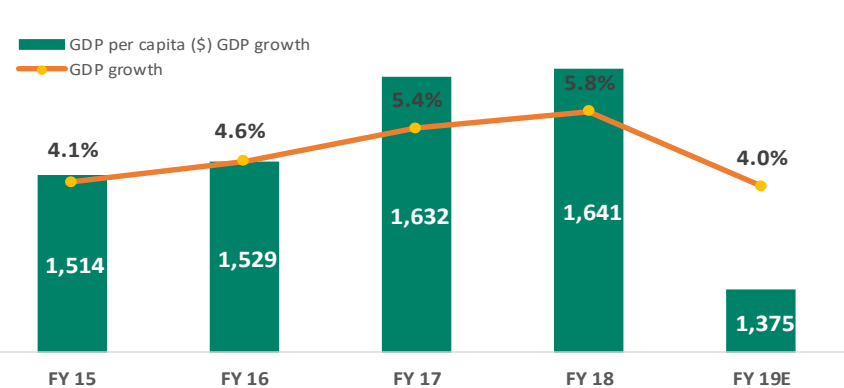
C/A & Fiscal Deficit



Policy rate / Inflation



GDP per capita / GDP Growth



- CPI in Jan'19 was 7.2%. Average inflation for 7MFY'19 rose sharply to 6.2% vs 3.9% for 7MFY'18. The SBP expects inflation in the range of 6.5-7.5% for FY19.
- The trade deficit during 7MFY'19 widened by 5.4% as exports remained flat while imports rose by 3%. However, continued growth in remittances (up 10%) restricted the current account deficit to USD 8.0 Bn (down 4.4% YoY).
- The downward pressure on foreign exchange reserves was temporarily alleviated on account of inflows from Saudi Arabia and UAE. However, the external account remains a concern and the Rupee has depreciated by 26% in 2018. Discussions continue with the IMF but the timing and amount of the program remains uncertain.
- Tax collection remains weak and H1'19 targets have been missed. Fiscal deficit for H1'19 is at 2.7% of GDP and latest estimates are for 6.30% (vs Budget 5.1%).
- The SBP's tightening continued with a steep 150bps hike at the end of Nov'18, followed by an increase of 25bps in Jan'19 to 10.25%.

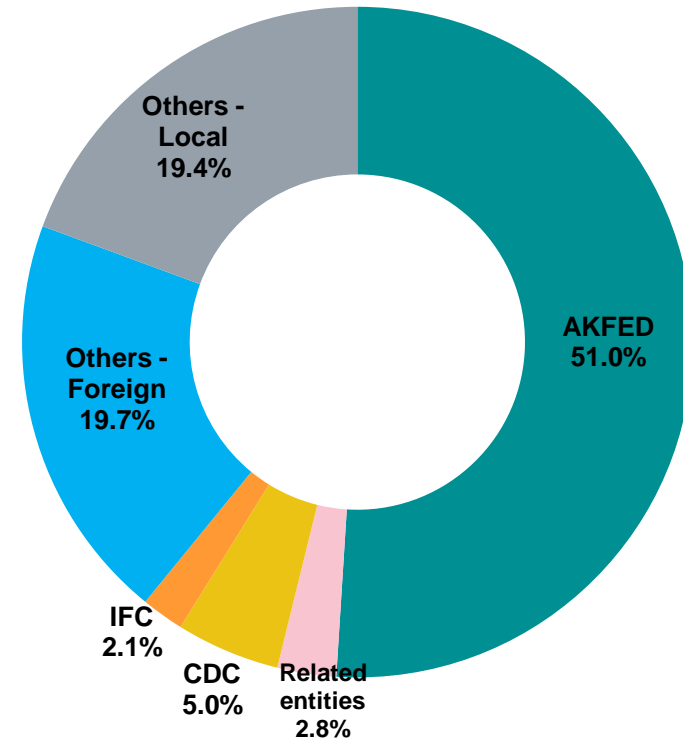
Pakistan's No. 1, AAA rated, Commercial Bank



1 bank in Pakistan ⁽¹⁾ :

Shareholding Pattern

#1	Advances	US\$ 8Bn
#1	Assets	US\$ 22Bn
#1	Deposits	US\$ 15Bn
#1	Domestic Branches	1,697
#1	ATMs	2,139
#1	POS Terminals	21,024
#1	Customers	14Mn +



Major awards and accolades



A Seasoned Board



Chairman



Sultan Ali Allana
Chairman

- Mr. Sultan Ali Allana has served as the Chairman of the Board of Directors of HBL since February 2004. He has over 33 years of experience in the financial and banking sector.
- Mr. Allana also serves on the Boards of The Aga Khan Fund for Economic Development S.A, AQA Holding S.p.A, Geasar S.p.A, Jubilee Holdings Limited (East Africa), Jubilee Life Insurance Company Limited, Industrial Promotion Services (Pakistan) Limited and Tourism Promotion Services (Pakistan) Limited.

President & CEO



Muhammad Aurangzeb
President & CEO

- Mr. Muhammad Aurangzeb joined HBL on April 30, 2018 as the President & CEO of HBL. He has done his Bachelors of Science in Economics and Masters in Business Administration from The Wharton School, University of Pennsylvania, USA. Mr. Aurangzeb possesses an overall banking experience of more than 30 years in both domestic and international locations.
- He has held senior positions in ABN AMRO Bank and Royal Bank of Scotland and was Chief Executive Officer – Global Corporate Bank, Asia Pacific at JP Morgan prior to joining HBL.

Directors



Shaffiq Dharamshi
Non-Executive Director

- Mr. Dharamshi joined the Board in 2015. He is a banker with over 25 years of banking experience in the Middle East and Africa.
- He also currently serves on the Boards of Diamond Trust Bank, Tanzania, Diamond Trust Bank, Uganda, Diamond Trust Bank, Kenya DCB Bank Limited, India, Kyrgyz Investment and Credit Bank, Kyrgyzstan and First Microfinance Bank, Tajikistan.



Moez Ahamed Jamal
Non-Executive Director

- Mr. Moez Ahamed Jamal has been on the Board of HBL since 2009. He has over 39 years of experience in the financial sector.
- He currently serves on the Boards of Diamond Trust Bank Kenya, Marcuard Family Office, Switzerland and Global Finanz Agency AG.

Directors



Sadia Khan
Non-Executive Director

- Ms. Sadia Khan joined in March 2018. She has pursued a versatile career path traversing investment banking, financial regulation, family businesses and entrepreneurship across three continents. With Masters degrees in Economics from both Cambridge University and Yale University and started her career at Lehman Brothers in New York.
- Since then she has worked with various international institutions and local regulatory authorities, including the Asian Development Bank in the Philippines, the Securities & Exchange Commission of Pakistan and the State Bank of Pakistan. Ms. Khan currently serves on the Boards of Engro Fertilizer and Pakistan Cables.



Salim Raza
Independent Director

- Mr. Salim Raza joined the Board in 2017. He has over 40 years of experience in the banking and financial sector. He has held various positions at Citibank NA in Pakistan and abroad and has also held the position of Governor of the State Bank of Pakistan.
- He currently serves on the Board of International Steels Limited and is an adjunct professor at the Institute of Business Administration (IBA), Karachi and Political Economy.



Dr Najeeb Samie
Independent Director

- Dr. Najeeb Samie was appointed to the Board in 2013. He has over 37 years of experience in the corporate and financial sector.
- He is currently the Managing Director of Roosevelt Hotel Corporation and is a Director of PIA Investments Limited and Minhal France, S.A, amongst other tourism related companies.



Agha Sher Shah
Independent Director

- Mr. Agha Sher Shah has been on the Board since 2013. He has over 26 years of experience in the financial sector.
- He is currently Chairman and Chief Executive of Bandhi Sugar Mills (Private) Limited. He is also Director of HBL Asset Management Limited, Attock Cement Pakistan Limited, Thatta Cement Company Limited, Benazirabad Facilities (Private) Limited, Bandhi Powergen (Private) Limited and Triton LPG (Private) Limited.

Committee	Chairman	Member	Secretary
Board Audit Committee	Dr. Najeeb Samie	Mr. Moez Jamal Ms. Sadia Khan	Chief Internal Auditor
Board Compliance and Conduct Committee	Mr. Moez Jamal	Ms. Sadia Khan Chief Operating Officer (Non-voting member)	Chief Compliance Officer
Board Development Finance Committee	Mr. Salim Raza	Mr. Sultan Ali Allana Mr. Muhammad Aurangzeb	Chief Financial Officer
Board Human Resource & Remuneration Committee	Mr. Agha Sher Shah	Mr. Sultan Ali Allana Mr. Shaffiq Dharamshi Ms. Sadia Khan	Chief Human Resources Officer
Board IT Committee	Mr. Salim Raza	Mr. Agha Sher Shah Mr. Muhammad Aurangzeb	Chief Operating Officer
Board Oversight Committee – International Governance	Mr. Sultan Allana	Dr. Najeeb Samie Mr. Muhammad Aurangzeb	Company Secretary
Board Oversight Committee – New York	Mr. Shaffiq Dharamshi	Dr. Najeeb Samie	Company Secretary
Board Risk Management Committee	Mr. Salim Raza	Mr. Shaffiq Dharamshi Mr. Muhammad Aurangzeb	Chief Risk Officer

An experienced Executive Committee

HBL

The senior team represents a well balanced bench strength between continuity and new inductions

Front Office



Amer Aziz
Head Development
Finance
1 / 33 / 33 ⁽¹⁾ *



Aamir Irshad
Head Branch Banking
13 / 27 / 30 ⁽¹⁾



Muhammad Afaq Khan
Head Islamic Banking
1 / 27 / 31 ⁽¹⁾ *



Aamir Kureshi
Head Consumer Banking
11 / 28 / 28 ⁽¹⁾



Faisal Lalani
Head International Banking
1 / 30 / 30 ⁽¹⁾ *



Risha A. Mohyeddin
Global Treasurer
1 / 23 / 23 ⁽¹⁾ *



Khalid Mohsin Shaikh
Head Remedial & Structured
Credits
5 / 24 / 33 ⁽¹⁾



Farhan Talib
Head Corporate and
Investment Banking
9 / 22 / 22 ⁽¹⁾

Business Support



Naeem Bashir Ahmed
Head Business
Transformation
1 / 18 / 33 ⁽¹⁾ *



Rizwan Haider
Chief Risk Officer
16 / 37 / 38 ⁽¹⁾



Rayomond Kotwal
Chief Financial Officer
4 / 21 / 32 ⁽¹⁾



Sagheer Mufti
Chief Operating Officer
1 / 37 / 37 ⁽¹⁾ *



Jamal Nasir
Chief Human Resources
Officer
4 / 21 / 31 ⁽¹⁾



Nauman Riaz
Chief Compliance Officer
1 / 24 / 24 ⁽¹⁾ *



Adnan Pasha Siddiqui
Chief of Staff
1 / 24 / 24 ⁽¹⁾ *



Neelofar Hameed
Company Secretary
1 / 31 / 35 ⁽¹⁾ *

**Reporting to Chairman /
Board**



Armughan Ahmed Kausar
Chief Internal Auditor
1 / 22 / 22 ⁽¹⁾ *

Reporting to BAC

1

Commitment to deliver on P&L

- Sustainable revenue growth on the back of top league table positions
- Strict cost discipline including cost initiatives
- Optimal deployment of Balance Sheet, with enhanced focus on cross-sell
- Maintain high portfolio quality

2

Relentless focus on customer experience

- “Delighting our clients” has to become the rallying cry
- Mindset needs to get embedded into the DNA of the organization, front-to-back

3

People Agenda to be our top priority

- Culture Change – Increase investment in training and development
- Staff Engagement – Frequent interaction with teams across the network
- Succession Planning – Nurture and retain top talent and improve bench strength
- Gender Diversity – Make HBL the employer of choice for women, with greater participation at senior management level

4

Embedding Risk, Compliance and Control in our Business Principles

- Successful completion of Business Transformation Program - *Doing first class business in a first class way*
- Strengthening our first, second and third lines of defense across all disciplines

5

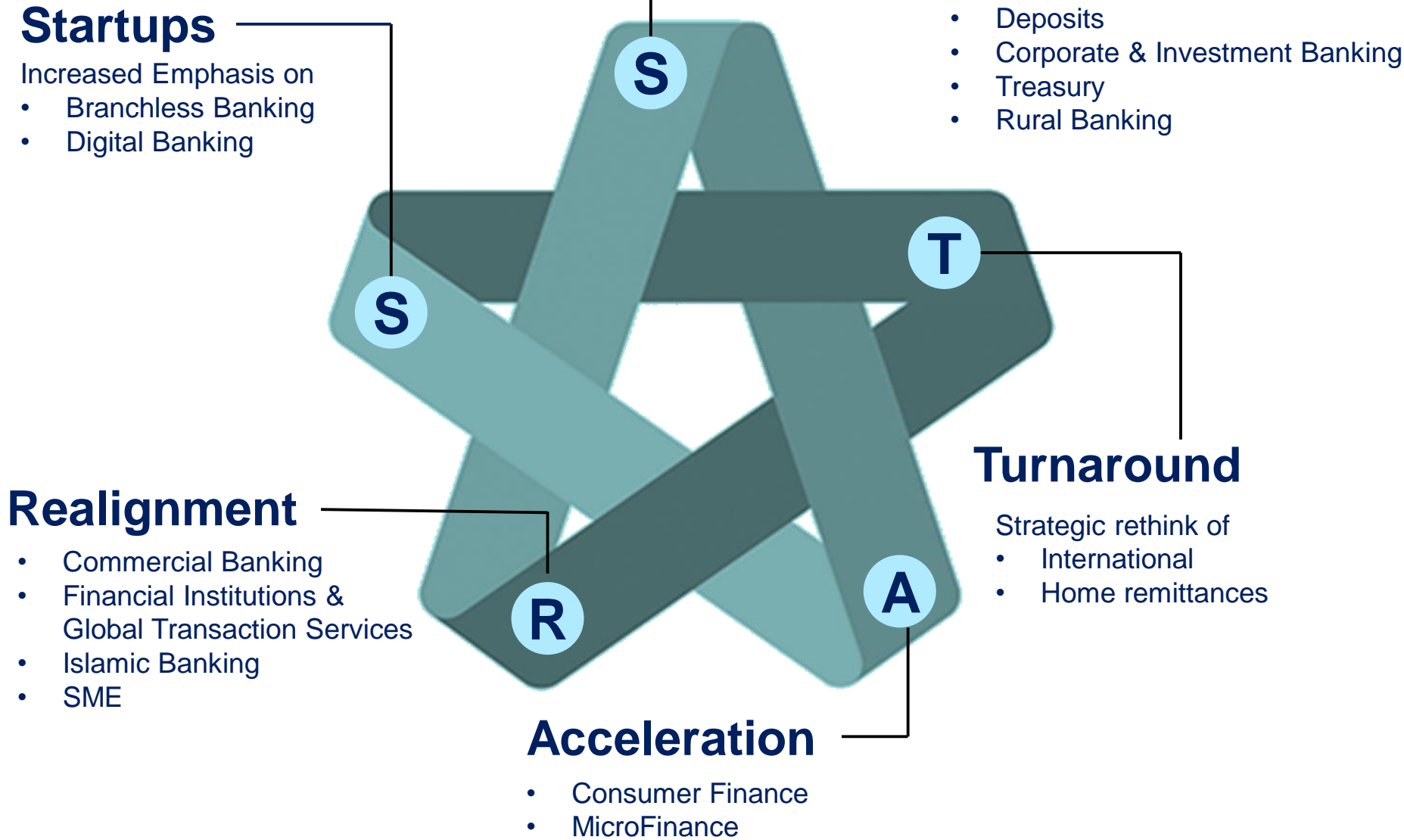
Making Innovation the Driving Force

- Proactively reinvent - *We are a technology company with a Banking License*
- Continuous process improvement – *good is never good enough*

6

Giving back to the Country and the Communities that we Serve

- Robust Development Finance agenda, driven by Board level Committee
- Strong CSR agenda backed by proactive employee volunteerism



Key Initiatives Underway

Following New York, we set out to deliver a group-wide business transformation programme (BTP) covering ...



Governance: Enforcement of new & enhanced controls ensuring a robust governance framework, Board level Compliance & Conduct committee (BC&C) formed.



People: Upscaling our people via continuous training and development of constant communication for reinforcing transformation initiatives

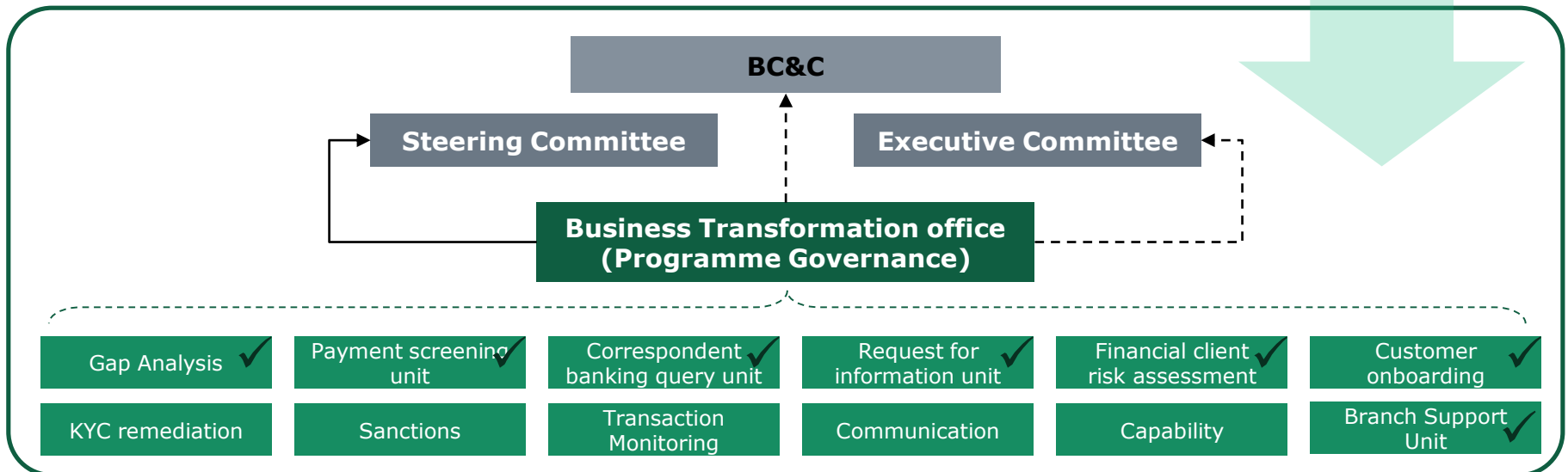


Processes: Significant enhancement in end to end customer on-boarding & related processes ensuring a robust control framework for safeguarding HBL against AML/KYC risks







Technology: Upgrading technology for Sanctions and Transaction Monitoring to ensure that AML/CFT risks are adequately managed

Formulation of a **comprehensive business transformation programme** encompassing sponsorship and accountability at all levels, i.e. strategic (Board & Executive management.), tactical (Business Transformation Office) and execution level (individual work stream/initiative owners within business and compliance function)



... with key accomplishments across four pillars of the programme via several initiatives within the BTP


Gov.		<ul style="list-style-type: none"> ✓ De-risking high risk customers – MSBs (100% closed), Nominee Accounts (100% closed), Offshore/Free Zone Accounts (82% closed). ✓ Revamping KYC standards – Based on regulatory requirement & international practices ✓ Revamping Customer Risk Rating Methodology (CRRM) – Risk regularization of Bank's portfolio ✓ Completed Financial Crime Risk Assessment and documented enterprise-wide FC Risk Appetite
People		<ul style="list-style-type: none"> ✓ Augmented BOD Structure, on boarded new Senior Management ✓ Development of a well-defined communication infrastructure for communicating BTP changes ✓ Revamping of International Team ✓ Delivering Change – Focused training via Branch Support Unit (BSU) & Change agents
Process		<ul style="list-style-type: none"> ✓ Enhanced PEP & Adverse media risk assessment process - 38% PEP accounts closed ✓ Go-live Digital Customer On-boarding process – embedding controls as per new KYC Standards ✓ Formally initiated the KYC Remediation exercise targeting high risk/high profile customers ✓ Real time risk rating of customers for assessing AML/KYC risks ✓ Continuous improvement - goal to achieve International Standards – revamping processes and related controls
Tech.		<ul style="list-style-type: none"> ✓ Finalized TMS & Sanctions hits investigation workflows ✓ Developed TMS Alert Risk Scoring Model & Customer Segmentation Model including thresholds ✓ Implementation of SafeWatch 4.0 & FCCM 8.0 ✓ Training staff on Sanction & TMS optimization including screening new staff to augment FTEs

Next Steps	<p>Implementation of real time sanctions screening and transaction monitoring</p> <p>International roll-out of business transformation programme initiatives</p> <p>Sustainability via embedding the BTP across the group (training and KPIs alignment)</p>
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Business Model

- Leveraging Agents and Mobile for mass acquisition. Take banking closer to largely unbanked masses in environments more familiar to them.
- Launched in July 2018. 1.9 million new accounts as of now; 24% women.
- Real time sanctions screening and biometric authentication against GoP database.
- Enables large-scale G2P payments.
- Monthly transaction count growing steadily. In January 2019, 1.6 million transactions valued at Rs 6.1 billion processed.
- Distribution network growing: Now at 40k agents.


Channels




Customer Mobile App




Agent Location




ATM



SMS Inquiries

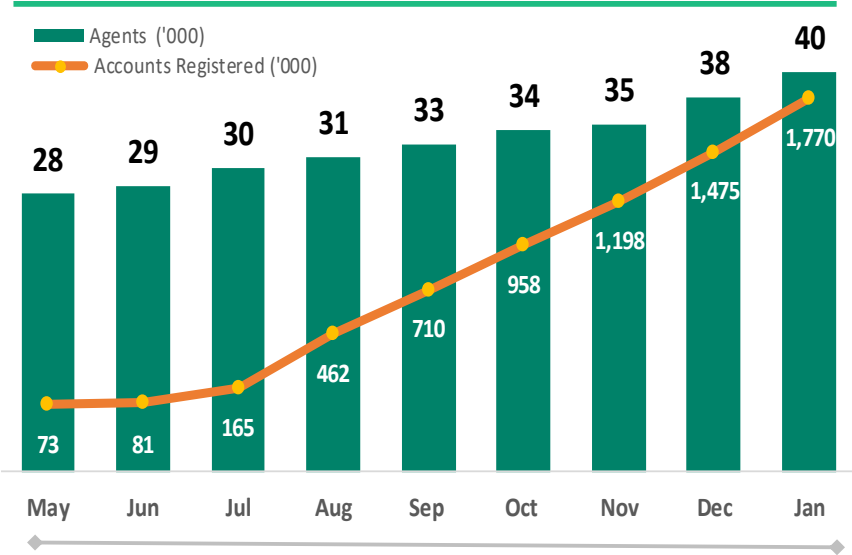


24/7 Dedicated Helpline

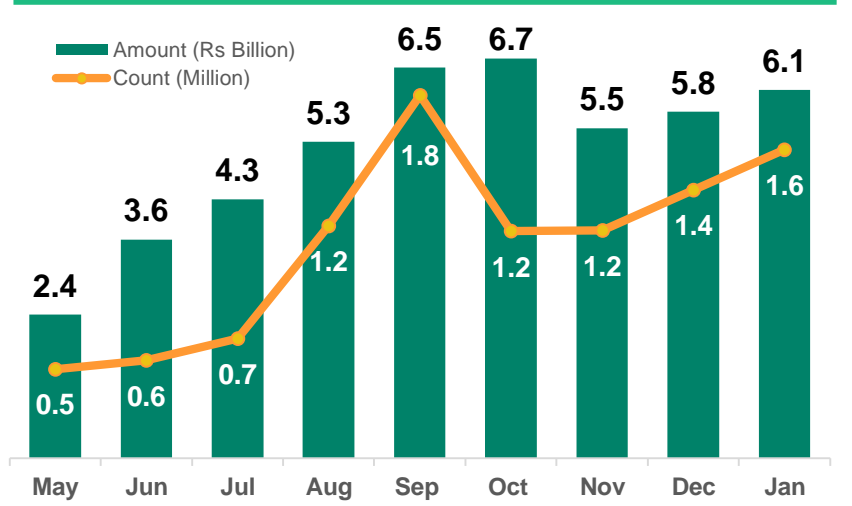


Debit cards

Customers / Agent network



Transactions – No. and Volume





Mobile & Internet Banking, Internet Payment Gateway

- 0.8 million users for Mobile & Internet
- 200+ IPG Merchants
- Largest self-service menu
- Lifestyle app: Partnering with merchants to enable in-app shopping
- First in market to offer loan on Mobile. Over Rs 1b disbursed to date
- Average monthly transactions - Count: 6.7m, Value: 14.7b



Data

- HBL as a data company that leverages technology to deliver seamless customer solutions
- Governance structure established to manage end-to-end data acquisition, management, use and access
- Data lake being deployed
- Advanced analytics team trained on machine learning and AI developing algorithms. Initial use cases being analysed for customer churn management and AML related Transaction Monitoring

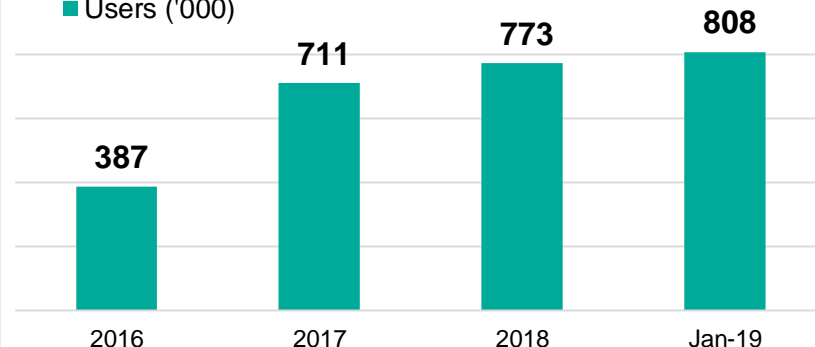


Ecosystem Partnerships

- Active engagement with startup community to identify potential partnerships
- 3 finalists from 2017 Innovation Challenge working with HBL

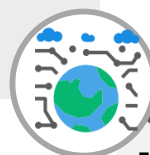
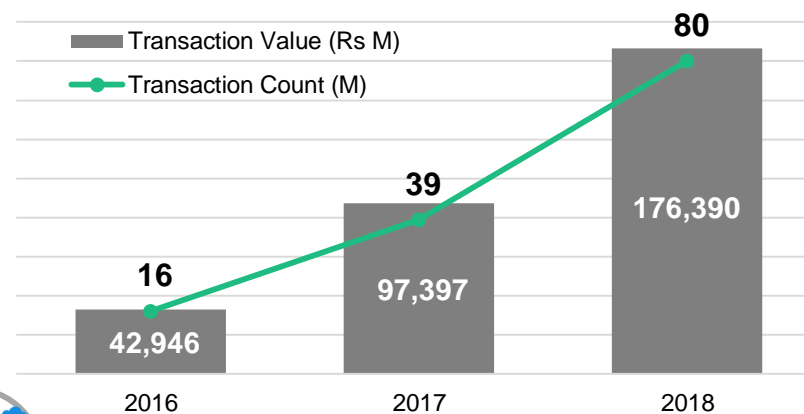
Mobile & Internet Banking

■ Users ('000)



■ Transaction Value (Rs M)

● Transaction Count (M)

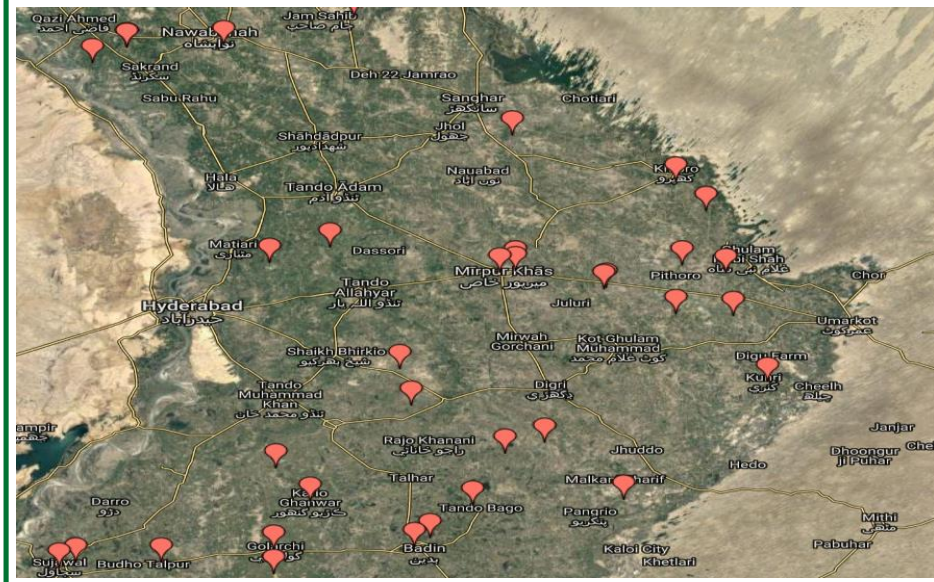


Open API

- API strategy finalized ; execution plan being developed
- 1st commercial bank to enable a payments API integrated with the biggest e-commerce website and a ticketing solution start up
- Work on developer portal initiated to enable easy consumption by ecosystem

- Geotagging of farms
- Aerial view of farms to be accessed from Google Maps
- Image of farmer and farm to evaluate condition of agricultural lands
- Centralized storage of important data points along with time and date stamp
- HBL is the first bank in the industry to have integrated its system with Punjab Land Record Authority. Will enable on-line extraction of title documents to improve turnaround and risk management

Aerial View of Farms Hyderabad Region



Farmer and Farm image



Longitude : 74.46556805555556
Latitude : 31.226844999999997
Captured Date : 2018:08:16 12:35:08



View

Rotate Left

Rotate Right

Digitization is the key!

Digitizing collections and payments by bringing clients to digital platform at both sending and receiving end via internet, mobile and branchless banking

Provide customized solutions to educational institutions, digitize collections and payments

Capitalizing on the CPEC initiative, to penetrate CPEC corridor in underserved areas - KPK, Balochistan, Gilgit - Baltistan

Financial inclusion via tapping the unbanked population through branchless banking

Digitizing the unstructured pension payments process

TEB Landscape

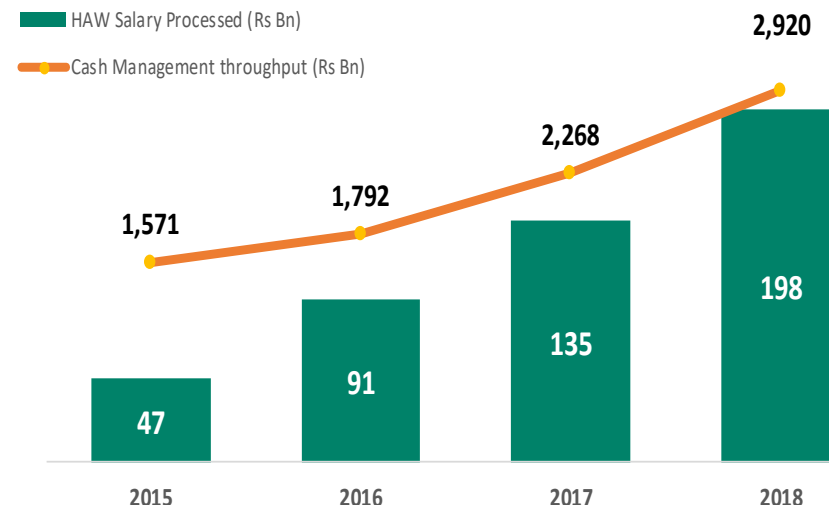
Cash Management:

- Collection mandates – 758
- Payment mandates – 252
- Market share – 37%

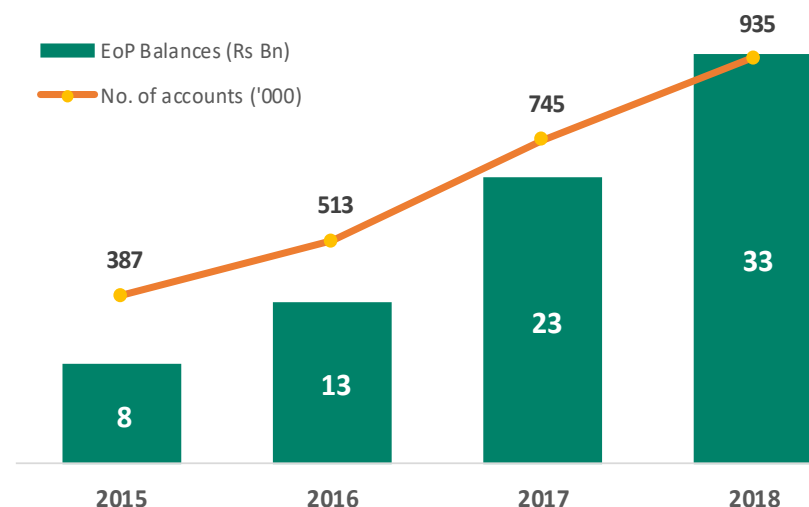
Employee Banking / HBL At Work (HAW)

- Total mandates – 1,304
- Market share – 55%

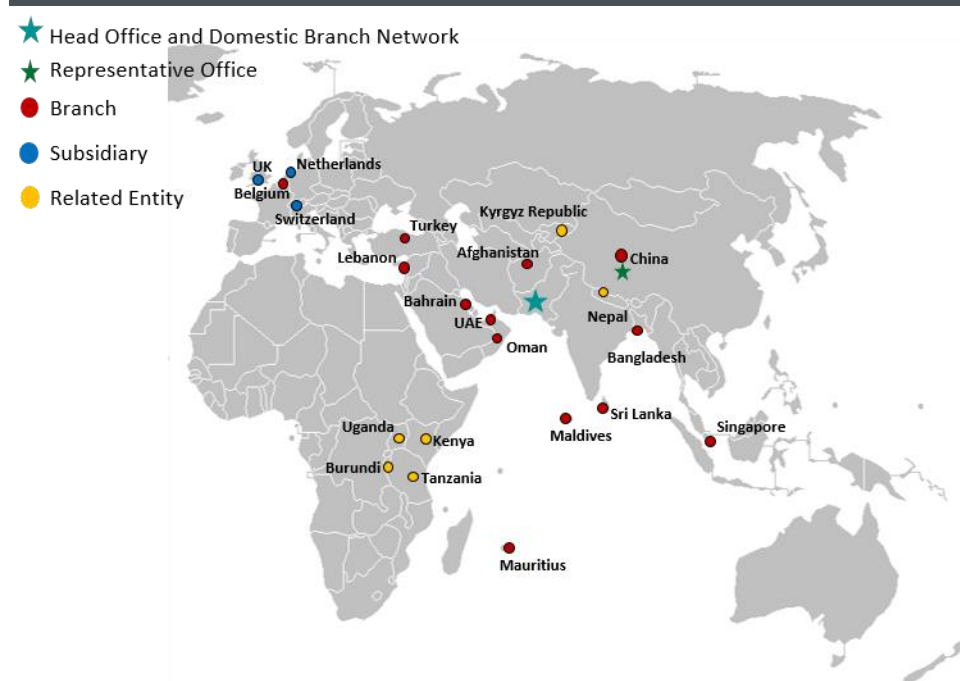
Throughput – Cash Management & HAW



HAW – Salary Accounts



International Footprint



Strategic Focus

Economic currents moving eastwards - with China and the emergence of Central Asia

HBL footprint - opportunity to gain significant share in these markets and flows between these corridors.

We aim to be:

- In the top 5 foreign banks for trade volumes between China & Central Asia, the GCC, Turkey and South Asia.
- No.1 for Pakistan Inbound and Outbound flows from these corridors / markets

Strategy

Corporate, Trade Finance and FI

- Upgrade global trade finance capability and proposition - products, services, people, processes and platform
- Capture GCC and SAARC flows to and from Pakistan, China and Central Asia
- Inbound and Outbound business – Pakistan and across all locations
- Belt & Road opportunities – China coverage and connectivity across the network
- Focus on trade and working capital needs; build cross-sell of deposits and treasury products
- Grow FI as a global business with strong sell-side offering

Retail and Remittances

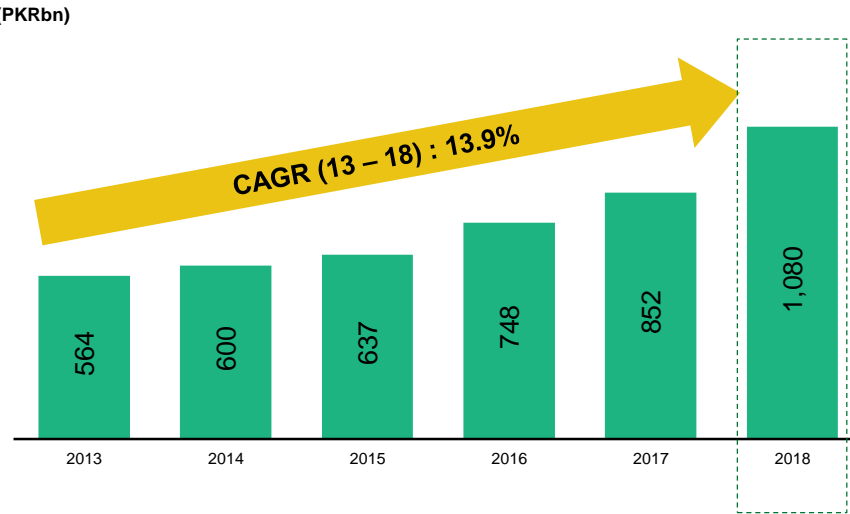
- Build liabilities and re-structure branches to enhance sales capacity
- Enhance customer experience through digital roll-out and distribution channels
- New products, leader in remittances, and go-to Bank for non-resident Pakistanis

Compliance and Controls

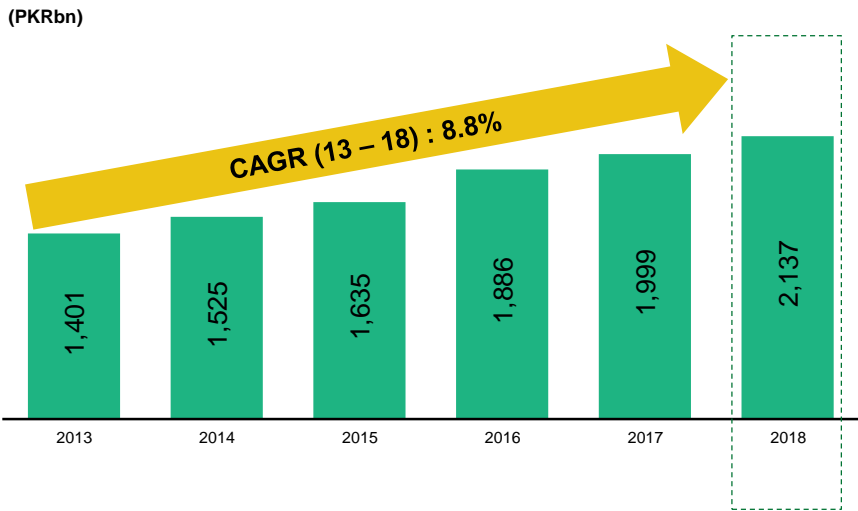
- Enhance compliance environment to global standards
- ### People
- Indigenization and diversity

Financial Performance

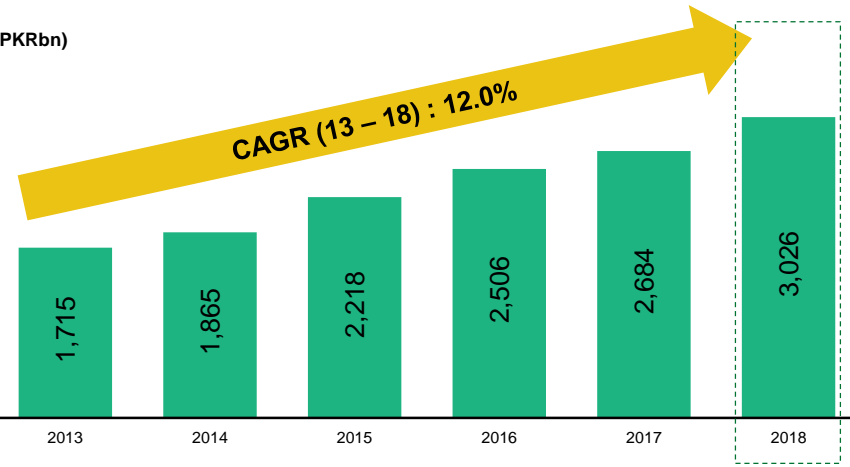
Net Advances



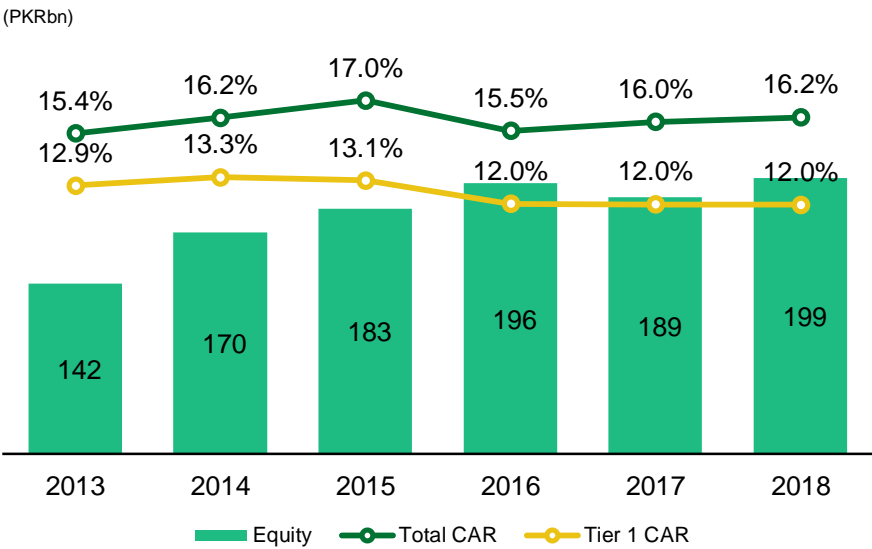
Deposits



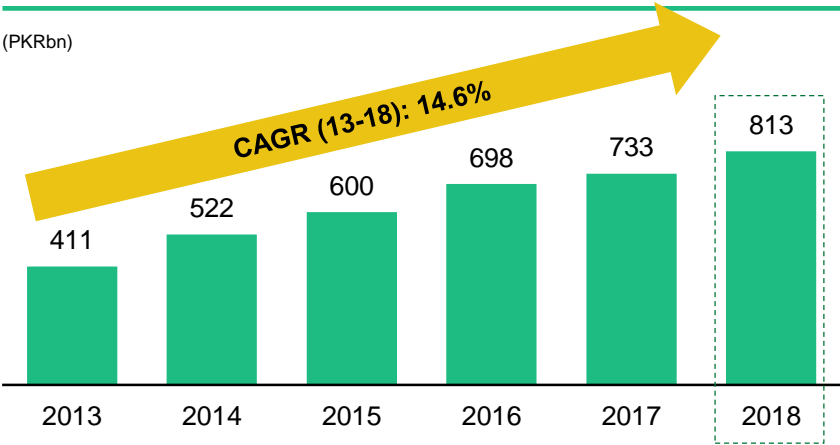
Total assets



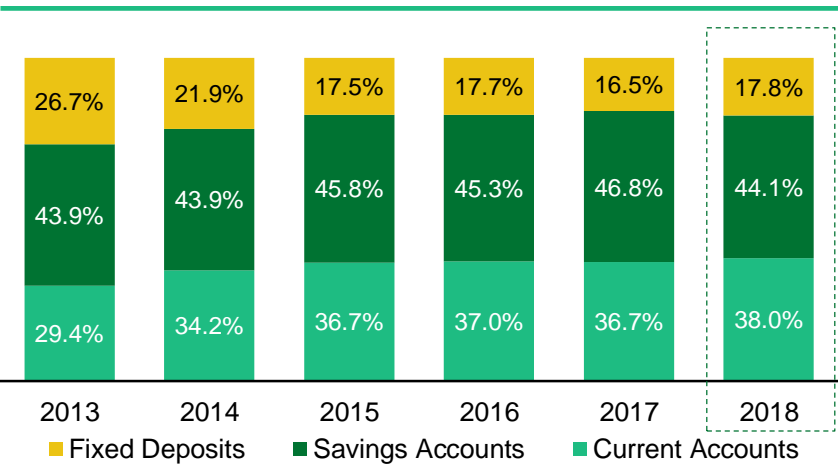
Capital and CAR



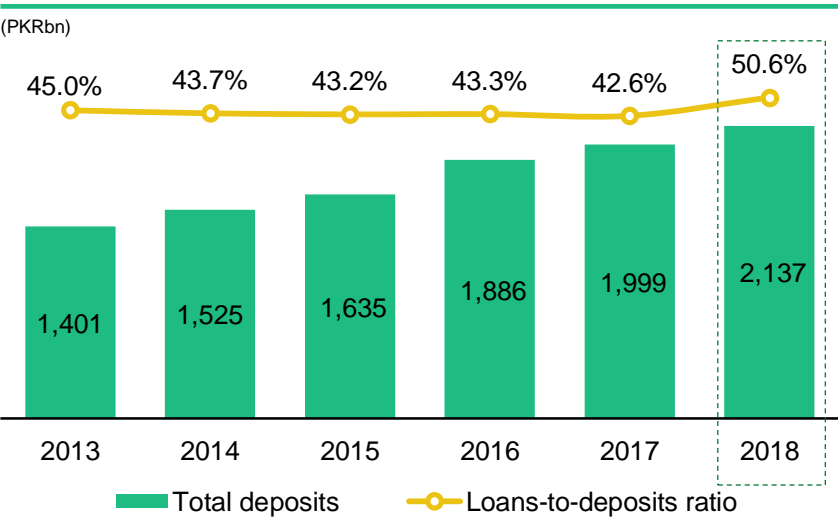
Robust growth in current deposits...



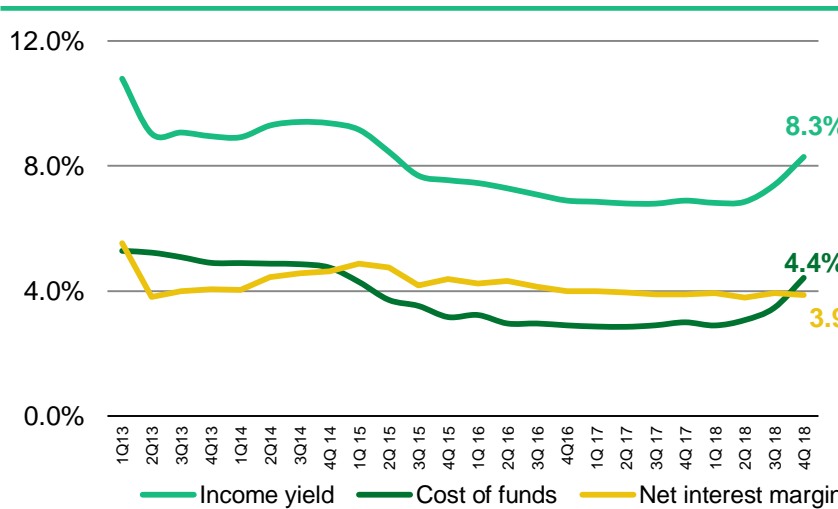
...Improving Deposit mix



Deployment now skewing to lending



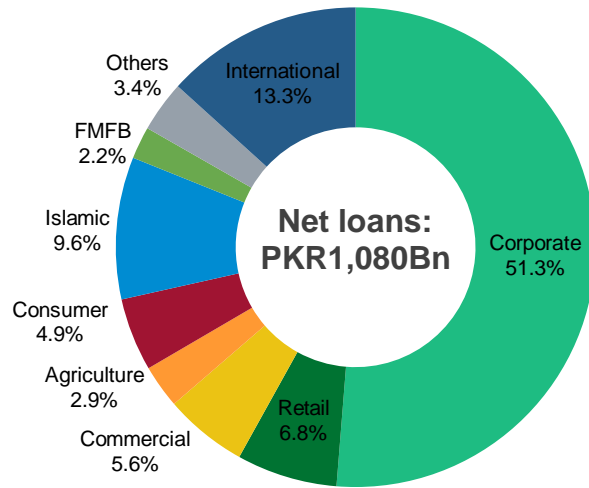
Net interest margin ⁽¹⁾



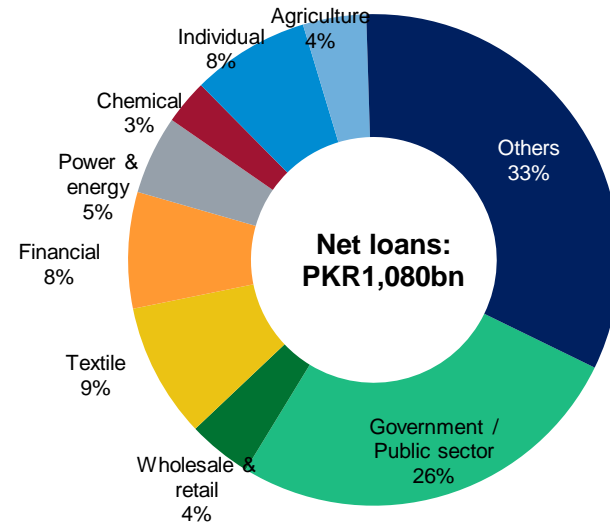
(1) Income Yield = (Interest Income + Investment Income) / Net Earning Assets.
Cost of Funds = Interest Expense / Total Liabilities.
Net Interest Margin = Income Yield – Cost of Funds.

A diversified loan portfolio...

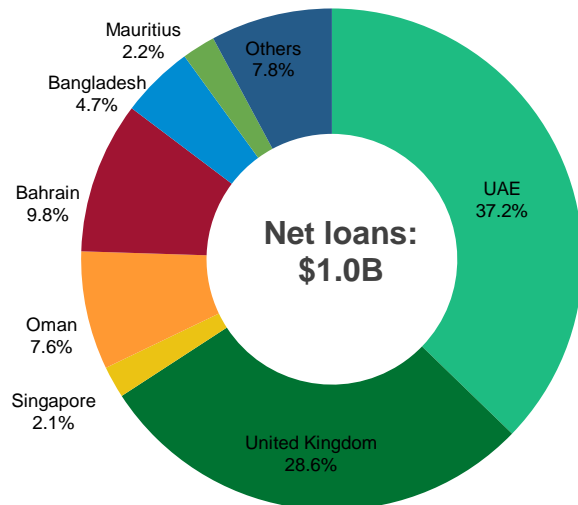
Loan portfolio composition by line of business



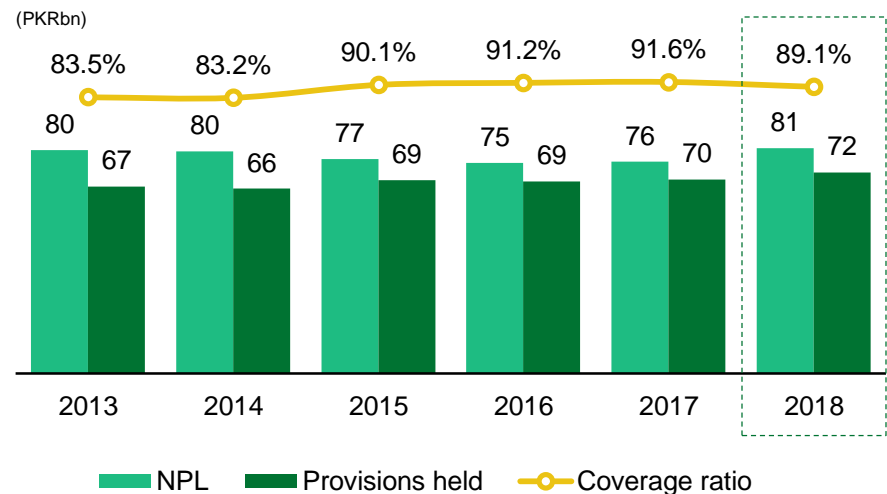
Loan portfolio composition by industry segments



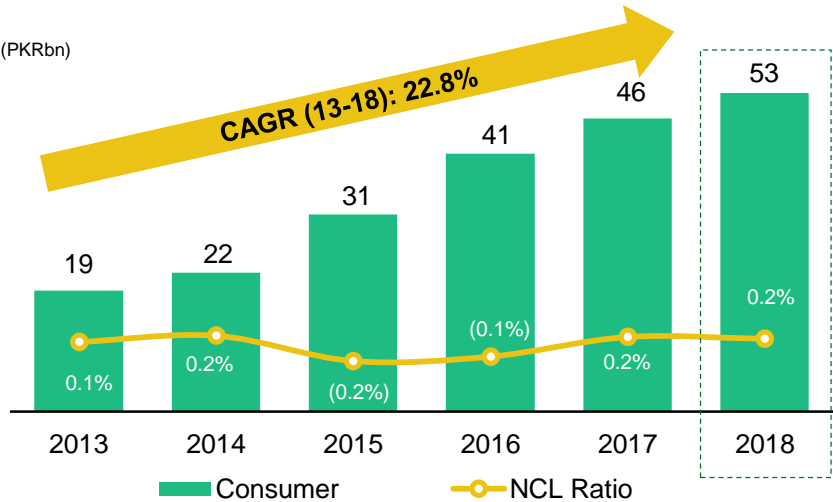
International advances composition by location



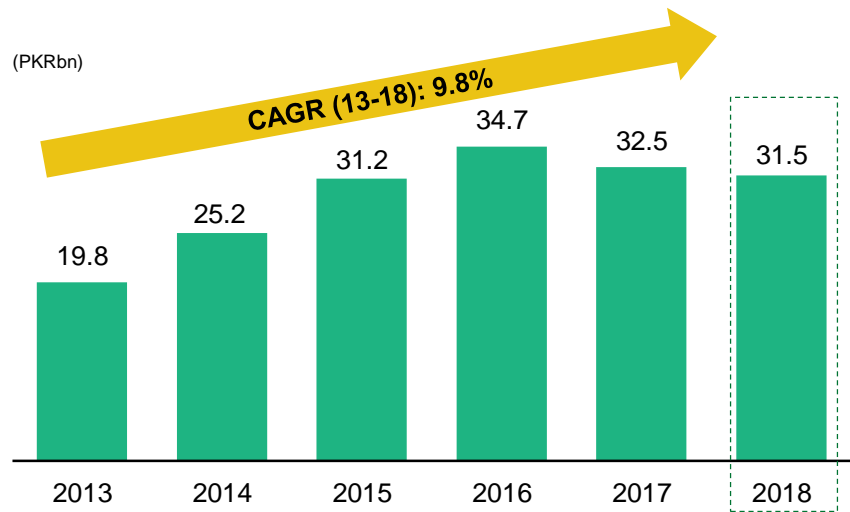
Conservative risk management



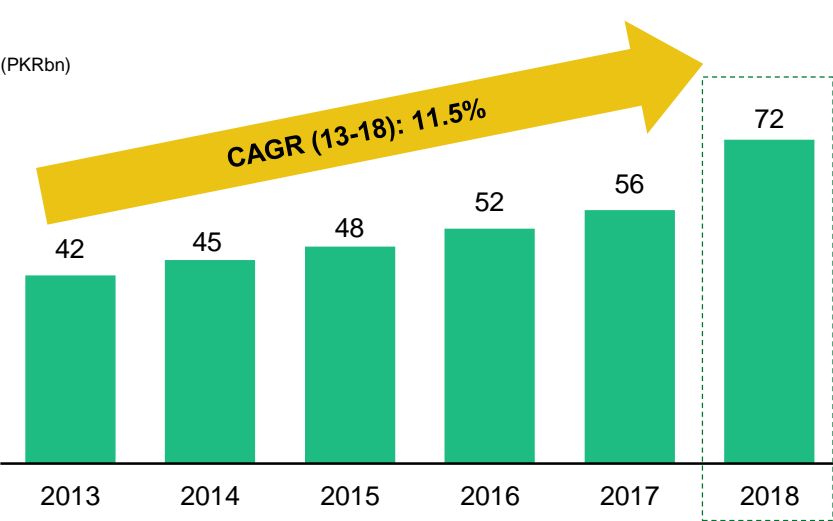
Growth in Consumer Lending



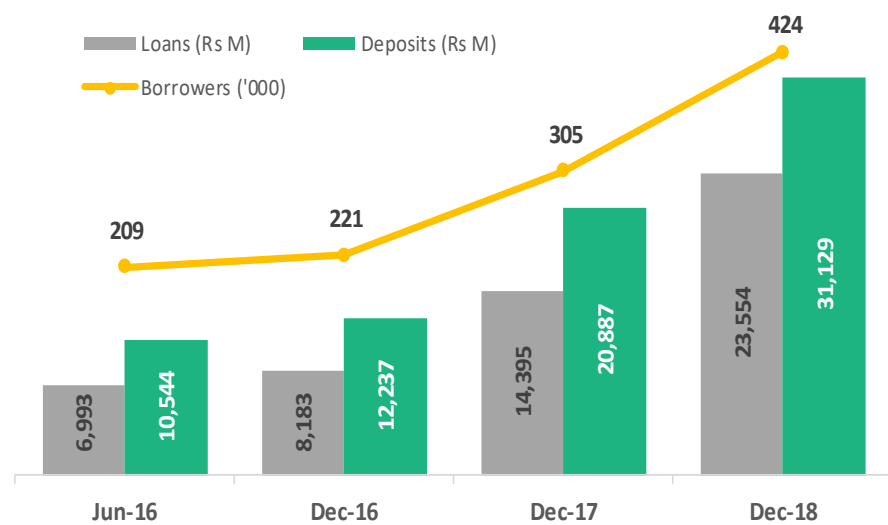
Agriculture Financing – Leadership in a challenging market



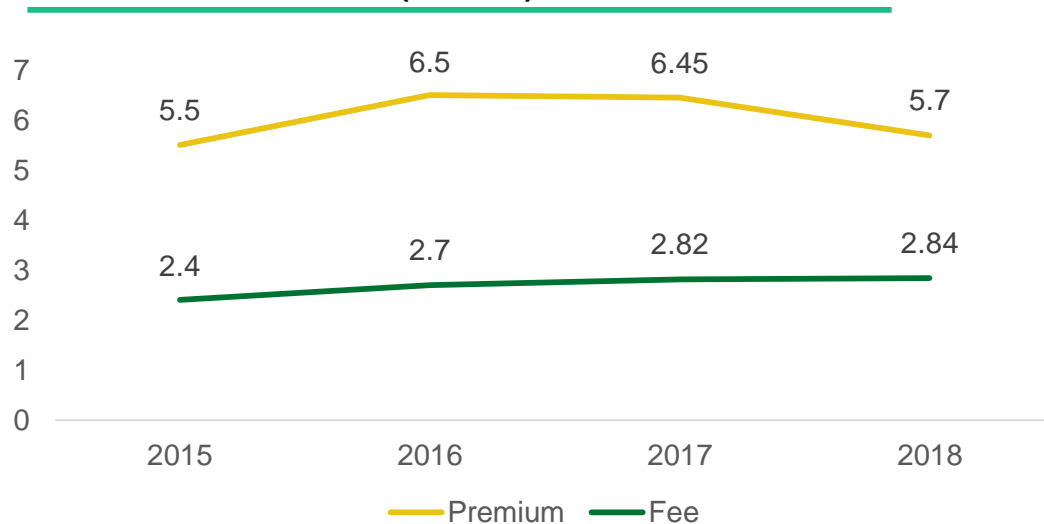
SME Portfolio



The First MicroFinanceBank – 3x growth since acquisition



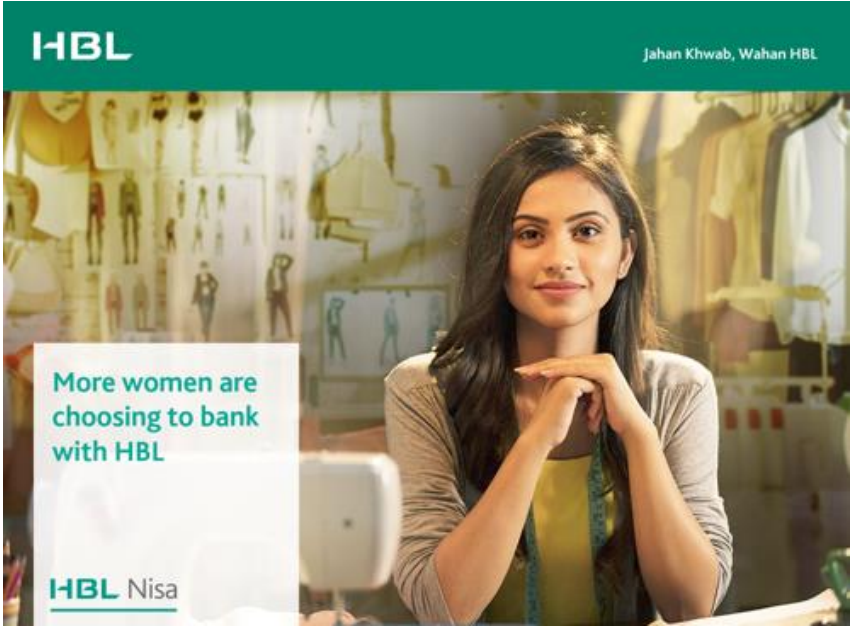
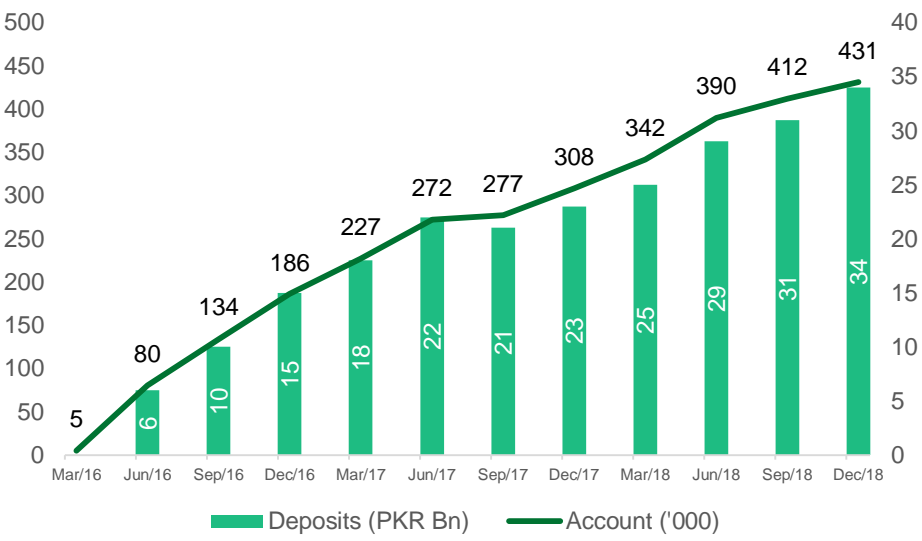
Premium and Revenues (PKR bn)



Business Summary – Lifetime to date

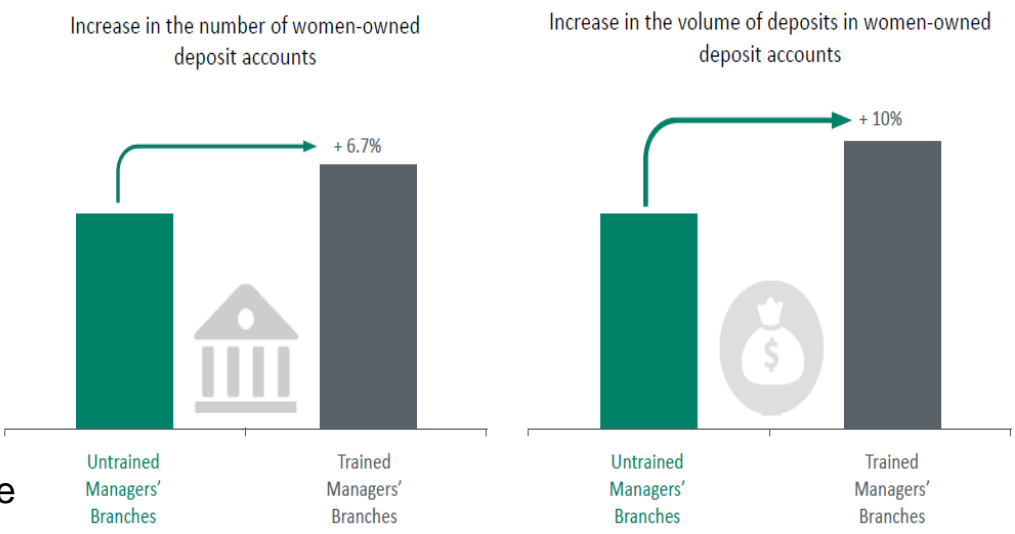
Total Premium sold	32.7 Bn
No. of Policies	573,193, 30% women
Persistency	3 Years at over 83%
Insurance Partners	Jubilee Life, EFU Life, Jubilee General

HBL Nisa – Banking platform for women



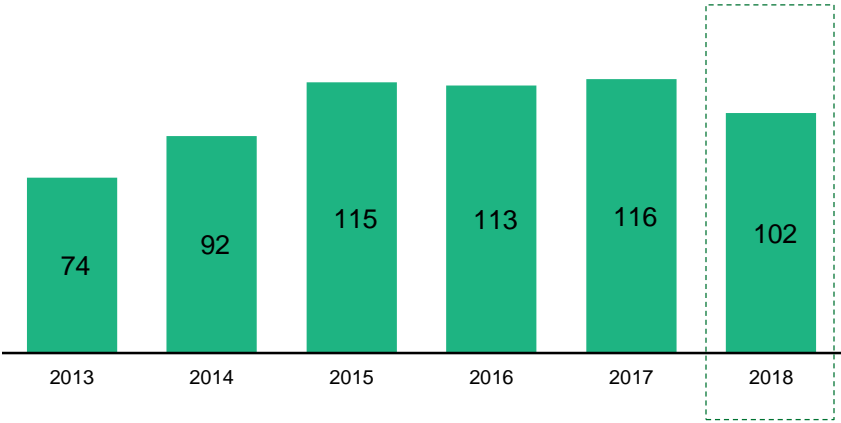
Gender Intelligence Training

- Online survey administered to all employees of HBL – 8,482 trained
- Measurable increase in positive gender awareness
- Gender diversity ratio continues to improve, from 14.8% in Dec'17 to 15.7% in Dec'18
- Improved perception of equal performance capacity at the workplace
- Trained branches are associated with an increase in number and volume of deposit accounts



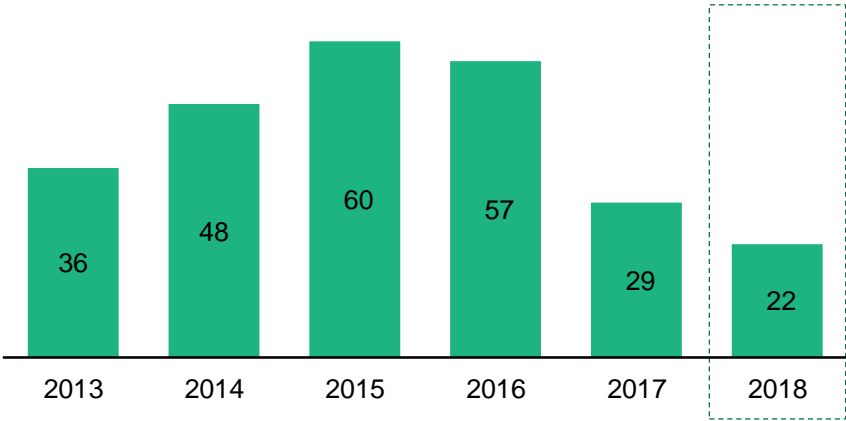
Total Revenue

(PKRbn)



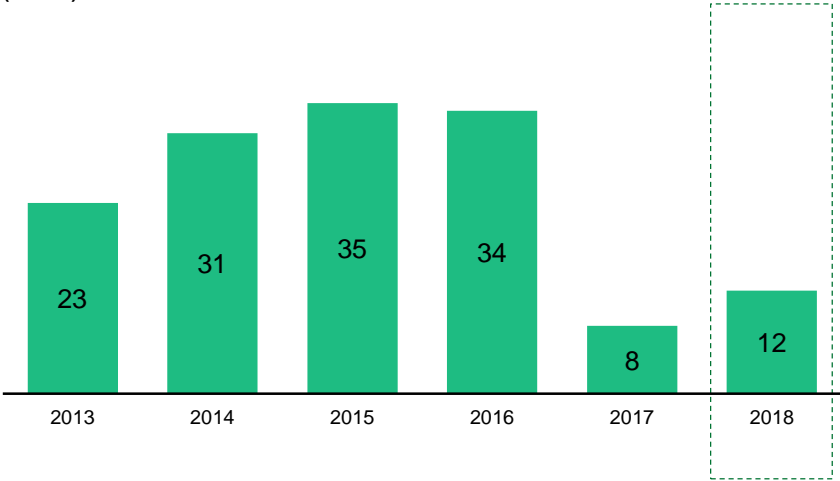
Profit before tax

(PKRbn)

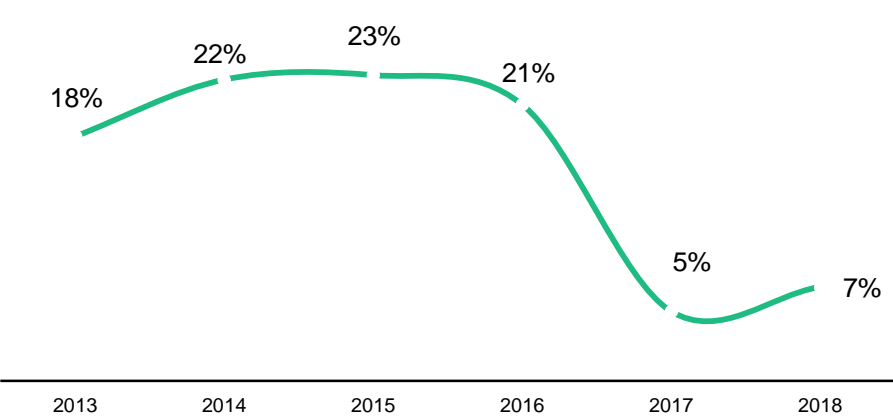


Profit after tax

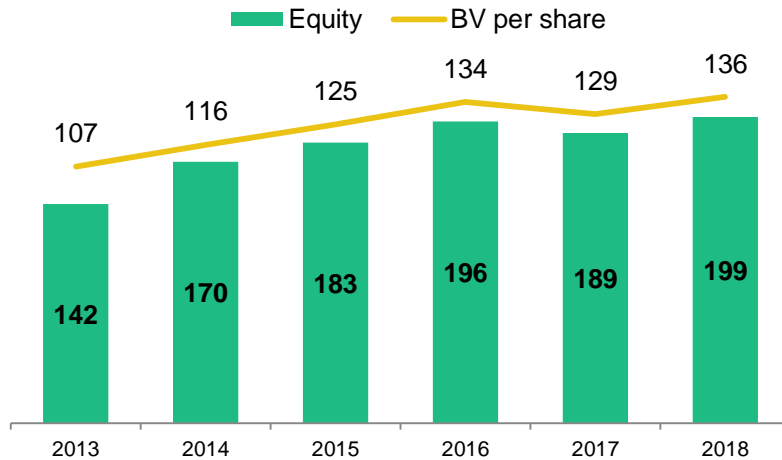
(PKRbn)



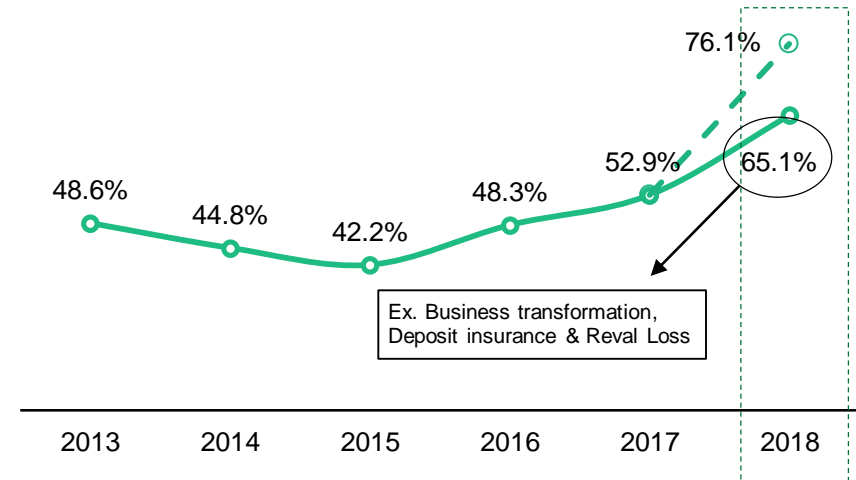
Return on Equity



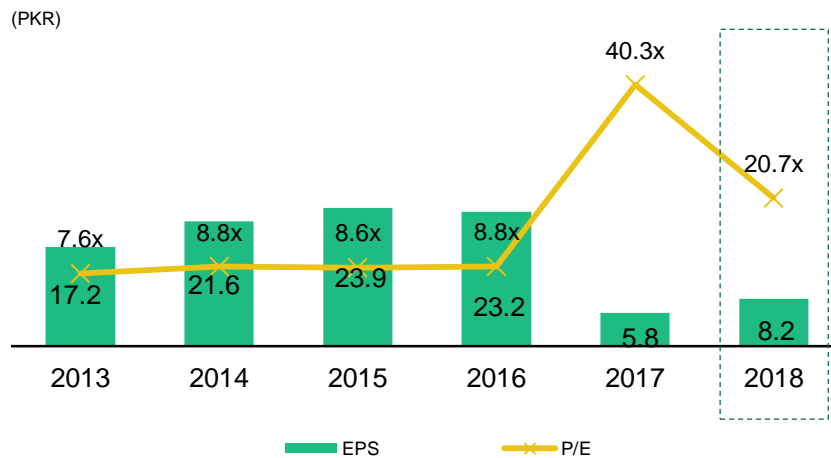
Book Value Per Share



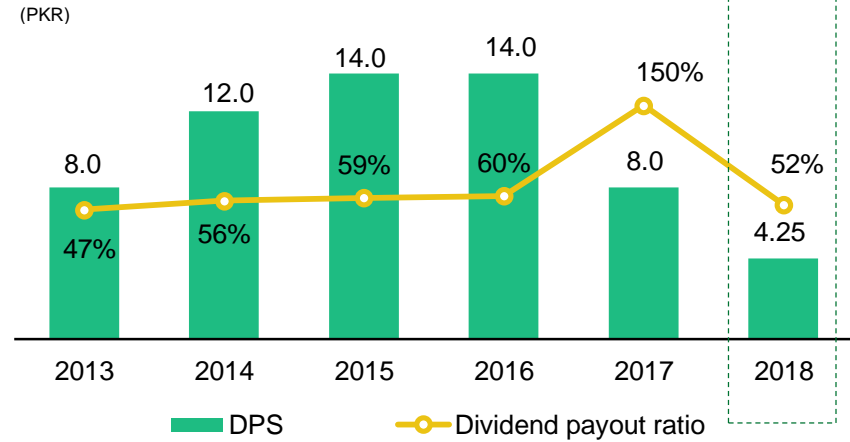
Cost to income ratio



Earnings



Dividend payout



Appendix

PKR Bn	2013	2014	2015	2016	2017	2018
Assets						
Cash & Bank Balances	193	203	208	284	287	322
Lendings to financial institutions	35	34	18	34	34	51
Investments	826	923	1,271	1,344	1,375	1,390
Advances	564	600	637	749	852	1,080
Others	97	105	84	96	149	182
Total Assets	1,715	1,865	2,218	2,507	2,696	3,026
Liabilities						
Bills payable	19	22	28	31	34	42
Borrowings	108	103	314	333	398	523
Deposits and other accounts	1,401	1,525	1,635	1,886	1,999	2,137
Subordinated loan	3	-	10	10	10	10
Other liabilities	42	45	48	51	67	114
Total Liabilities	1,573	1,695	2,036	2,311	2,507	2,827
Equity	142	170	183	196	189	199
Total Liabilities + Equity	1,715	1,865	2,218	2,507	2,696	3,026

PKR Mn	2013	2014	2015	2016	2017	2018
Interest Income	120,605	137,416	141,101	141,089	148,010	165,283
Interest Expensed	65,207	68,833	62,933	59,138	66,177	83,606
Net Interest Income	55,397	68,583	78,169	81,951	81,833	81,677
Fee and commission income	11,686	14,025	17,194	19,026	19,519	18,024
Dividends / Capital Gains	3,060	2,359	12,603	6,616	8,984	2,016
Share of profit from associates	1,785	3,267	3,399	3,768	2,052	2,723
FX Income	1,574	2,847	2,749	1,399	3,880	4,437
Reval. loss on open position	-	-	-	-	(1,127)	(6,835)
Other income	836	926	639	625	808	(471)
Non Fund Income	18,941	23,425	36,584	31,435	34,116	19,894
Gross Revenue	74,339	92,008	114,753	113,387	115,949	101,571
Administrative expenses	36,110	41,254	48,400	54,790	61,300	77,380
Other expenses	744	973	1,312	1,180	1,071	(2,403)
Total Expenses	36,854	42,227	49,713	55,970	62,371	74,978
Operating profit	37,485	49,781	65,040	57,417	53,578	26,593
Provisions - net	1,351	1,531	4,754	892	374	5,009
Profit before extraordinary item	36,133	48,250	60,286	56,525	53,204	21,585
Extra ordinary / unusual item	-	-	-	-	23,717	-
Profit before tax	36,133	48,250	60,286	56,525	29,487	21,585
Taxation	13,106	16,768	25,185	22,319	20,639	9,144
Profit after tax	23,027	31,483	35,102	34,206	8,848	12,441

	2013	2014	2015	2016	2017	2018
Profitability						
Return on average assets (RoA)	1.4%	1.8%	1.7%	1.4%	0.3%	0.4%
Return on shareholders' equity (RoE)	16.8%	20.2%	19.9%	18.1%	5.2%	7.1%
Cost : Income ratio	48.6%	44.8%	42.2%	48.3%	52.9%	76.2%
NFI : Gross revenue	25.5%	25.5%	31.9%	27.7%	29.4%	19.6%
Asset Quality & Liquidity						
Gross Advances to deposits ratio	45.0%	43.7%	43.2%	43.3%	46.1%	53.9%
CA %	29.4%	34.2%	36.7%	37.0%	36.7%	38.0%
CASA %	73.3%	78.1%	82.5%	82.3%	83.5%	82.2%
NPLs to Gross Advances	12.7%	11.9%	10.9%	9.2%	8.2%	7.0%
Net NPLs to Net Advances	2.7%	2.7%	1.7%	1.4%	1.1%	1.1%
Coverage - Specific	80.8%	79.9%	85.8%	86.4%	87.6%	84.7%
Coverage - Total	83.5%	83.2%	90.1%	91.2%	91.6%	89.1%
Capital Adequacy						
Tier I CAR	12.9%	13.3%	13.1%	12.0%	12.0%	12.0%
Total CAR	15.4%	16.2%	17.0%	15.5%	16.0%	16.2%
Industry Share						
Deposits	15.1%	14.8%	14.1%	14.1%	14.3%	13.9%
Advances	10.7%	11.0%	10.7%	11.3%	11.6%	12.2%