



Financial Results – September 2018

Investor Presentation

- **PAT for 9M'18 is Rs 9.9 bn vs Rs 1.6 bn in 9M'17. PBT is Rs 17.7 bn for 9M'18 compared to Rs 18.8 bn in 9M'17 (which included settlement payment of Rs 23.7 bn)**
- Ex settlement payment, PBT for 9M'18 is Rs 24.8 bn (58%) lower YoY. This is primarily as a result of:
 - Impact of on-going remediation activities in New York - Rs 5.2 bn
 - Cost of overseas borrowings and impact of Rupee devaluation – Rs 3.9 bn
 - Non-replication of capital gains – Rs 4.6 bn
 - Higher admin. expenses - 1-off pensions charge (Rs 1.9 bn), business transformation project (Rs 2.5 bn) and new regulatory requirement of deposit insurance (Rs 0.5 bn) – Impact Rs 4.8 bn

Excluding these, normalized PBT is Rs 6.3 bn lower YoY, mainly driven from overseas business as a result of Balance sheet shrinkage (Rs 2.6 bn) and a significant drop in home remittances income (Rs 1.3 bn)

Net interest income of Rs 61.1 bn in 9M'18 is 1% lower than the Rs 62.0 bn in 9M'17

- Domestic NII increased by 2% over 9M'17, resulting from a 9% YoY growth in the average balance sheet
 - Average total domestic deposits have grown by Rs 178 bn (12%) , with a Rs 146 bn growth in CASA deposits
 - Average domestic advances grew by 28% (Rs 163 Bn) YoY, mainly in Corporate and Islamic lending
- Spreads have reduced by 23 bps YoY to 3.2% in 9M'18, mainly due to lower investment yields and lagged upward repricing of assets and investments vs immediate repricing of savings deposits.

Non markup income is at Rs 15.5 Bn, Rs 10.8 Bn lower than in 9M'17

- Reported domestic fees are Rs 1.6 bn lower and International fees are Rs 1.2 bn lower YoY
- Normalized domestic fees (ex home remittances) have increased by 10% YoY driven by a 38% growth in account operations and card related fees.
- Core FX income is up 55% YoY driven by higher trading revenue. However, as a result of Rs 3.2 bn revaluation loss on overseas borrowings, there is a reported FX loss of Rs 0.6 bn in 9M'18
- Capital gains are Rs 0.4 bn in 9M'18 vs Rs 4.9 bn in 9M'17

Administrative expenses are up 29% YoY, primarily as a result of the following:

- Higher expenses related to New York – Rs 4.7 bn
- Business transformation project – Rs 2.5 bn
- Pensions charge – Rs 1.9 bn
- Impact of rupee devaluation on overseas expenses – Rs 0.8 bn
- Deposit insurance premium – Rs 0.5 bn

Excluding these, expense growth has been contained to single digits

Provisions

- The Bank has booked an impairment charge of Rs 2.1 bn in 9M'18 due to a significant fall in the stock market
- As a result of strong recoveries, credit provisions show a reversal of Rs 0.4 bn in 9M'18 compared to a charge of Rs 0.3 bn in 9M'17.
- Gross NPLs have increased by Rs 2.3 Bn over Dec'17, due to a Rs 3.3 bn impact of currency devaluation on overseas NPLs. Domestic NPLs have reduced by Rs 1.9 bn from Dec'17
- However, asset quality has improved from 8.2% in Dec'17 to 7.6% in Sep'18 as a result of growth in the loan book 2

Total deposits increased by 3% over Dec'17 to Rs 2.1 trillion

- Domestic deposits grew by 5% to Rs 1.8 trillion, with market share of 14.1%
- Domestic current deposits have increased by 9.6% over Dec'17 to Rs 688 bn, with the mix improving from 35.6% in Dec'17 and 36.3% in Jun'18 to 37.3% in Sep'18
- Average domestic current deposits have increased by 15% (Rs 80 Bn) over 9M'17
- The cost of domestic deposits has been contained to 3.0% (36 bps higher YoY) in 9M'18, despite a 97 bps higher average policy rate YoY.

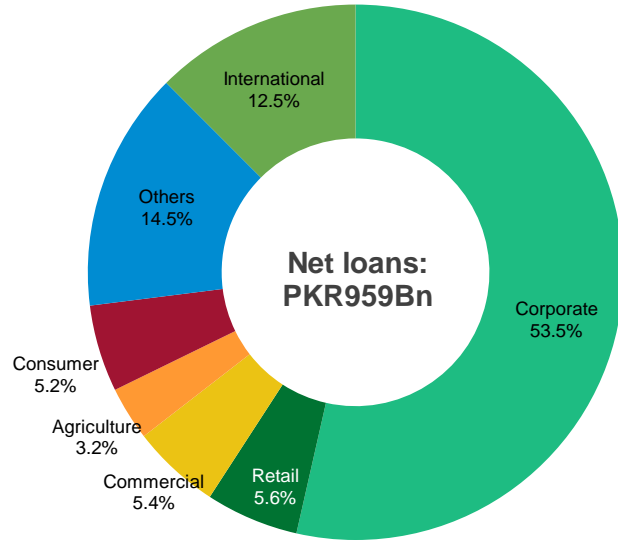
Net advances increased by 12.6% over Dec'17 to Rs 959 bn

- Domestic advances continue to grow, increasing by 16.7% over Dec'17 and 3.3% over Jun'18 to Rs 819 bn
- Overseas advances have declined by 21.5% (\$ 265 mn) to \$ 964 mn in Sep'18

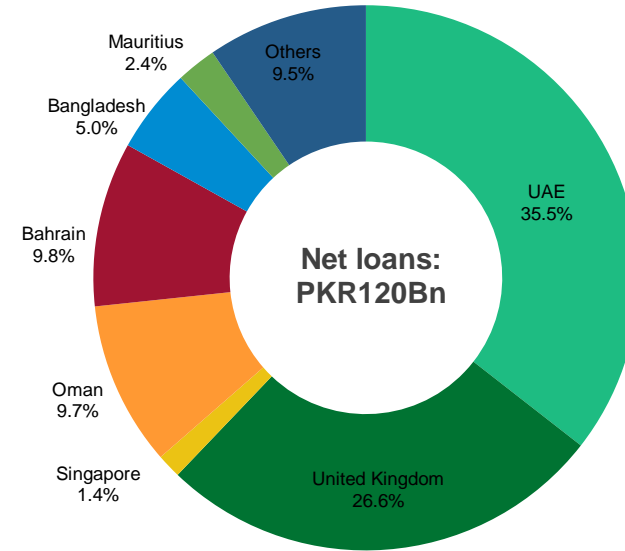
PKR Bln	Sep'18	Dec'17	Var%
Cash & Bank Balances	297.3	286.8	4%
Lending to Financial Institutions	29.1	33.9	-14%
Investments	1,200.9	1,374.8	-13%
Performing Advances	950.9	843.4	13%
Non Performing advances - net of provision	7.8	8.1	-4%
Net Advances	958.7	851.5	13%
Others	140.6	137.0	3%
Total Assets	2,626.6	2,684.1	-2%

Deposits - Domestic	1,841.9	1,762.3	5%
Deposits - FMFB	26.1	20.9	25%
Deposits - International	191.3	215.8	-11%
Total Deposits	2,059.2	1,998.9	3%
Borrowings	242.5	397.8	-39%
Subordinated loan	10.0	10.0	0%
Others	119.7	88.6	35%
Total Liabilities	2,431.4	2,495.3	-3%
Shareholders' equity	178.1	167.4	6%
Surplus on revaluation of assets - net of tax	17.1	21.4	-20%
Total Liabilities & Equity	2,626.6	2,684.1	-2%

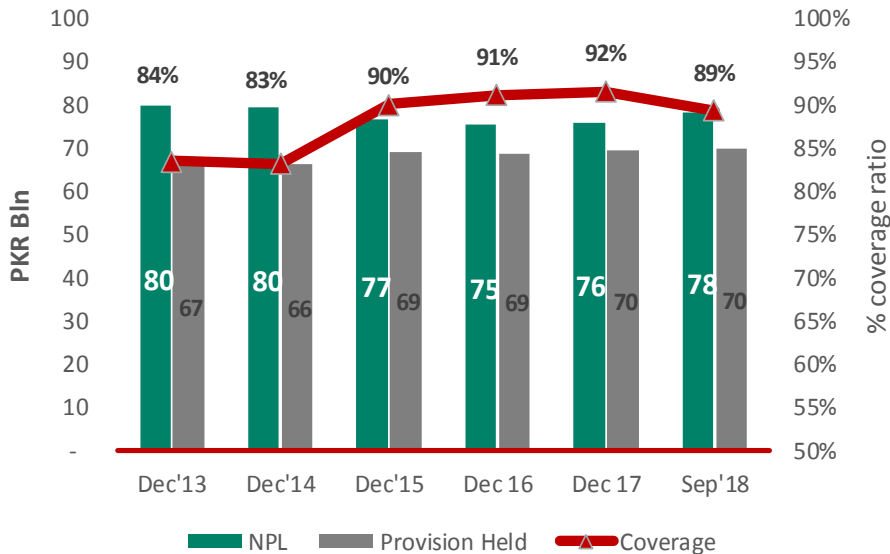
Loan portfolio composition by line of business



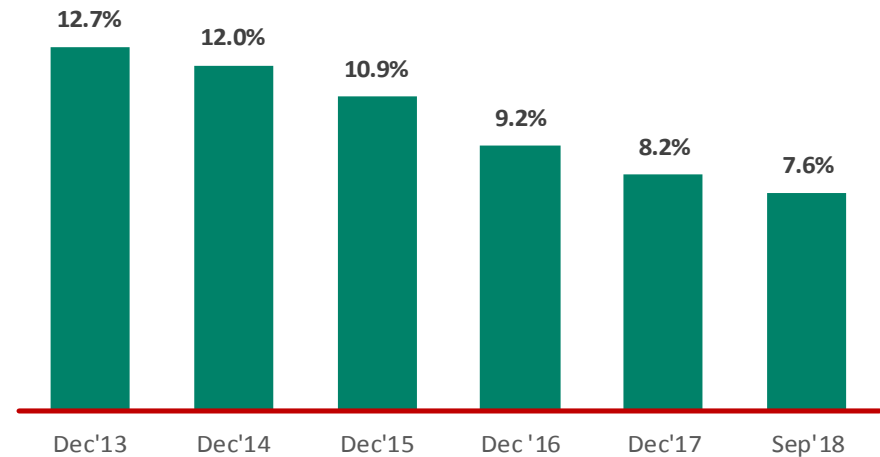
International Advances – Location wise



Coverage ratio



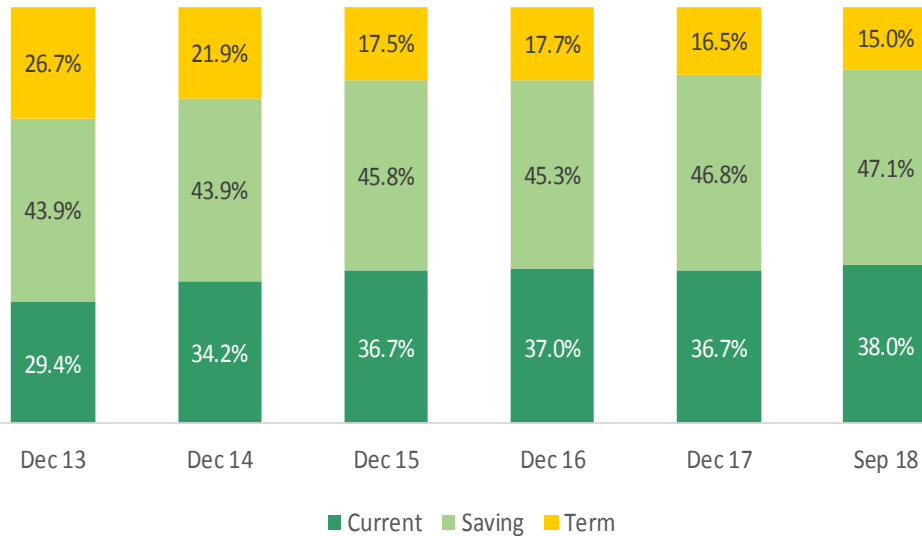
Asset quality



Period End Deposits			
PKR Bln	Sep'18	Dec'17	Var%
Current	687.9	627.8	10%
Saving	935.0	894.3	5%
Term	219.0	240.2	-9%
Domestic	1,841.9	1,762.3	5%
International	191.3	215.8	-11%
FMFB	26.1	20.9	25%
Group	2,059.2	1,998.9	3%
CASA Ratio - Dom	88.1%	86.4%	1.7%
CASA Ratio - Group	85.0%	83.5%	1.6%

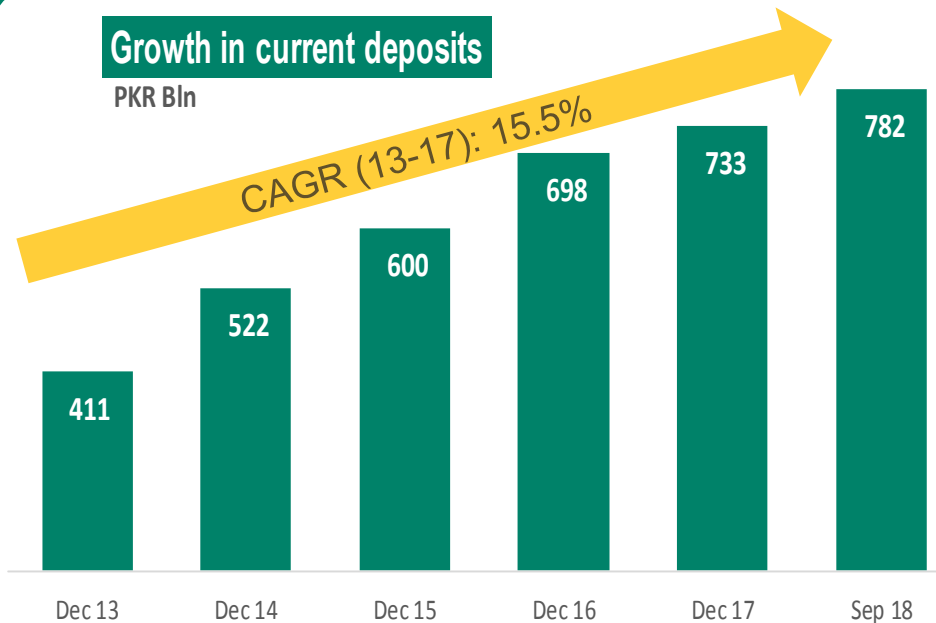
Average Deposits			
PKR Bln	9M'18 (Actual)	9M'17 (Actual)	Var%
Current	611.6	531.7	15%
Saving	886.9	821.2	8%
Term	225.0	192.7	17%
Domestic	1,723.5	1,545.5	12%
International	197.5	297.4	-34%
FMFB	23.5	13.4	76%
Group	1,944.6	1,856.3	5%
Cost of deposits - Dom	3.02%	2.66%	+ 36bps
Cost of deposits - Group	2.86%	2.40%	+ 45bps

Deposits Composition



Growth in current deposits

PKR Bln



PKR Bn	9M-18 (Actual)	9M-17 (Actual)	Var%
Interest Income	117.1	109.4	7%
Interest expensed	(56.0)	(47.4)	-18%
Net Interest Income	61.1	62.0	-1%
Non Interest Income	15.5	26.3	-41%
Gross Revenue	76.6	88.3	-13%
Admin Expenses	(56.3)	(43.5)	-29%
Operating Expenses	(57.1)	(44.3)	-29%
Pre Provision Operating Profit	19.6	44.0	-56%
Provisions	(1.9)	(1.5)	-26%
Profit before extra ordinary item	17.7	42.5	-58%
Extra ordinary / unusual item	-	(23.7)	100%
Profit Before Tax	17.7	18.8	-6%
Tax	(7.8)	(17.2)	55%
Profit After Tax	9.9	1.6	538%

Ratios	Bank	
	Sep'18	Dec'17
Advances : Deposits	49.9%	46.1%
Asset Quality	7.6%	8.2%
Coverage	89.4%	91.6%
Capital Adequacy - Tier I	12.7%	12.0%
Capital Adequacy - Total	17.0%	16.0%

Ratios	9M 2018	9M 2017
Yield on advances	8.1%	7.4%
Cost of deposits	2.9%	2.4%
Net Interest Margin	3.9%	3.9%
Spreads	3.1%	3.3%
NCL ratio	-0.1%	0.1%
Return on average assets	0.5%	0.4%
Return on shareholders' equity*	7.6%	6.0%
Cost : Income ratio	73.4%	49.3%
NFI : Gross revenue	20.2%	29.8%

* Excluding surplus on revaluation