

# HBL



**Company Presentation  
September 2015**

# Pakistan's No. 1 commercial bank

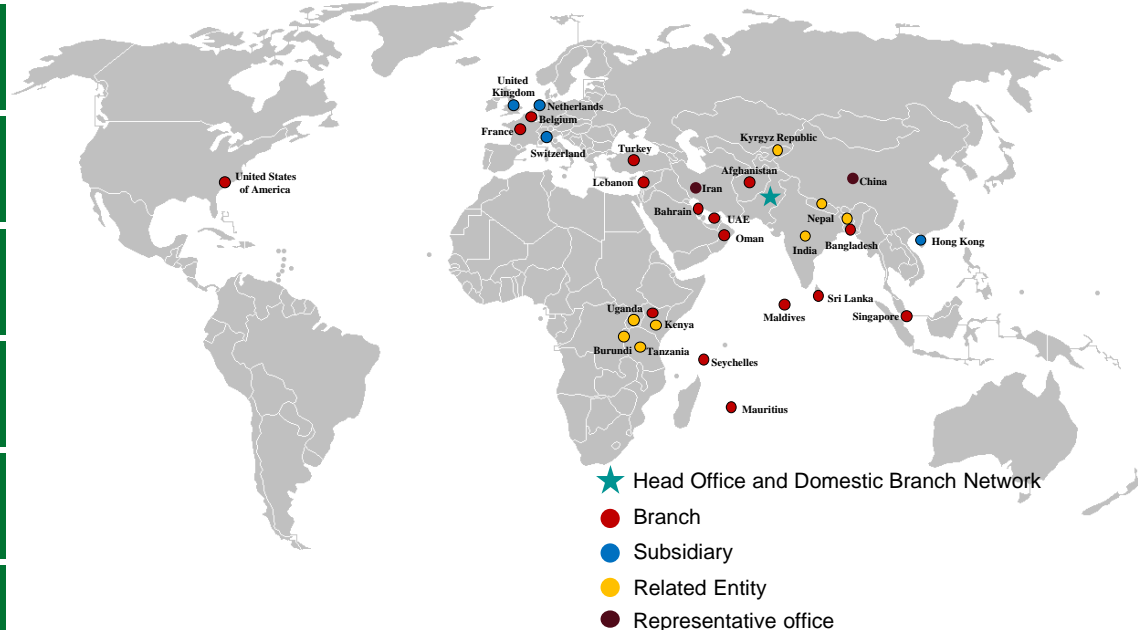


## # 1 bank in Pakistan by<sup>(1)</sup>:

<b>#1</b>	<b>Assets (bn)</b>	<b>&gt;</b>	<b>PKR 2,090 (US\$ 20.0)</b>
<b>#1</b>	<b>Deposits (bn)</b>	<b>&gt;</b>	<b>PKR 1,603 (US\$ 15.4)</b>
<b>#1</b>	<b>Net profit (mn) - Half year</b>	<b>&gt;</b>	<b>PKR17,156 (US\$164)</b>
<b>#1</b>	<b># of Domestic Branches</b>	<b>&gt;</b>	<b>1,624</b>
<b>#1</b>	<b># of ATMs</b>	<b>&gt;</b>	<b>1,876</b>
<b>#1</b>	<b># of Customers</b>	<b>&gt;</b>	<b>9 million approx.</b>
<b>#1</b>	<b>Market capitalization (bn)</b>	<b>&gt;</b>	<b>PKR 311 (US\$ 3.0)</b>

- HBL maintains a AAA/A-1+ rating (JCR-VIS)<sup>(2)</sup> with a stable outlook
- Track record of 75 years
- Universal banking model across financial services including asset management and insurance segments

## International footprint



- One of the largest banking networks in South Asia
- Overseas coverage in 28 countries
- Network of 64 international branches (including branches of subsidiaries)
- Presence in key financial hubs; London, New York, Brussels, Singapore, Dubai and Hong Kong
- Positioned as a regional player to increase market share in
  - Remittances
  - Trade finance
  - Investment banking
  - Islamic banking

Note: Based on US\$1.00: PKR 104.36

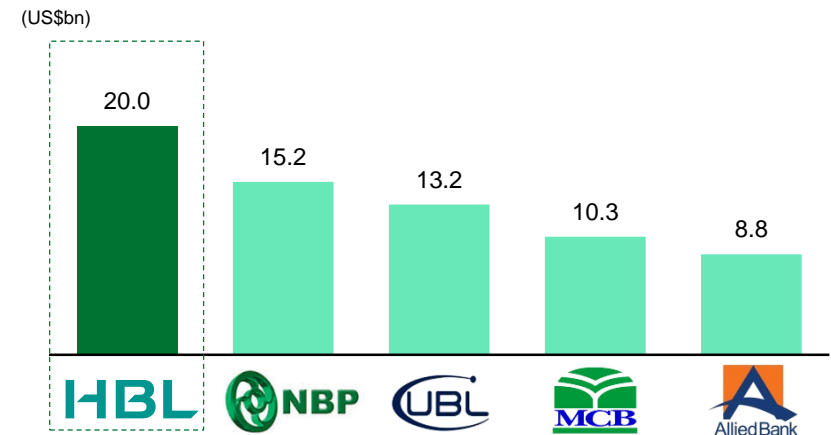
- (1) As of 30 June 2015 except  
no. of branches, ATMs & market capitalization as of Sep 15, 2015
- (2) Japan Credit Rating Agency - Vital Information Services.

# Pakistan's banking sector today

## Sector overview

- Pakistan has a total of 44 banks including Government Owned Banks, Privatized Banks, Development Financial Institutions, Private Banks and Foreign Banks
- Since 1991, 4 of the top 5 banks (HBL, UBL, MCB, and ABL) in Pakistan have been privatized
- State Bank of Pakistan ("SBP"), the main regulatory body of Pakistan banks, is generally viewed as one of the most prudent regulators in the region
- All banks in Pakistan are currently under transitional Basel III regime
- A strong public central credit information bureau and four private credit bureaus allow for effective credit origination and monitoring

## The five largest banks in Pakistan by total assets<sup>(1)</sup>



## Privatisation of Pakistan banks

### Divestments by the GoP of holdings in Pakistan banks

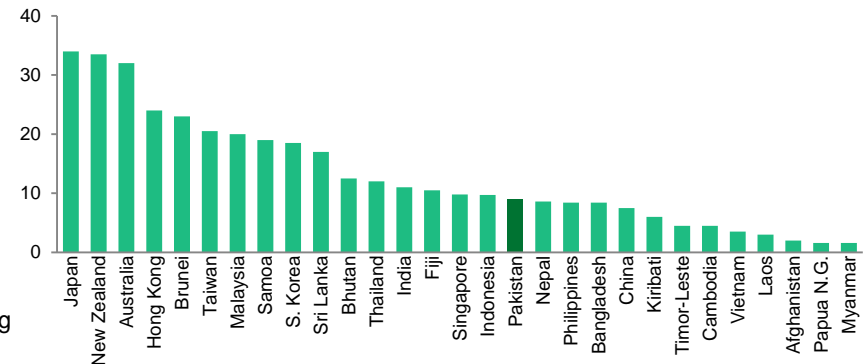
	HBL	UBL	Allied Bank
Sale date	Apr 2015	Jun 2014	Dec 2014
% stake sold	41.5%	19.8%	10.1%
Proceeds raised (US\$m)	1,010	388	143

## Secondary Public offering of HBL

- Secondary sale of HBL shares by the GoP was the largest ever equity offering in Asian Frontier Markets
- Oversubscribed by 1.6 times at the final offer price
- 76% of the offering size allocated to foreign investors
- CDC and IFC came in as "anchor" investors
- Many major global institutional investors participated, taking a >1% stake

(1) Based on 30 June 2015 financials

## One of the lowest bank penetrations offers room for growth



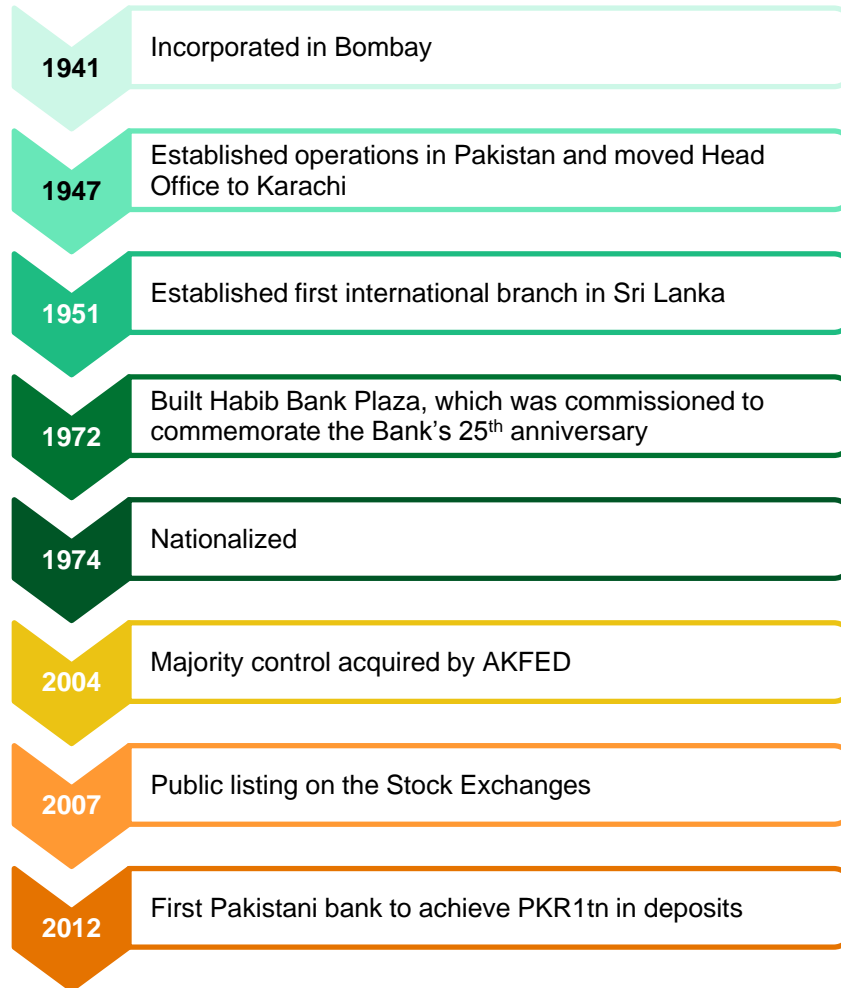
Source: Business Monitor

Note: Selected Asian countries only

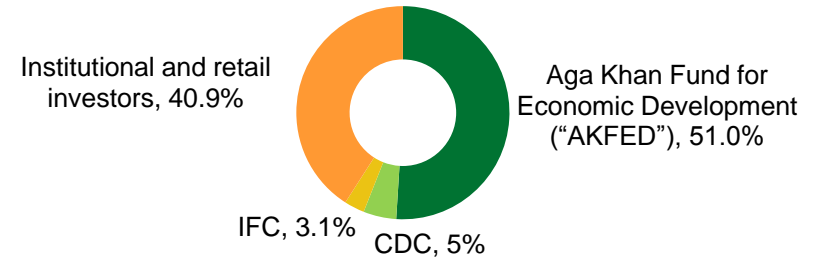
# HBL – the foundation of Pakistan’s financial sector



## Corporate milestones



## Current shareholders<sup>(1)</sup>



## Major awards & innovations

### Major awards



### Innovations



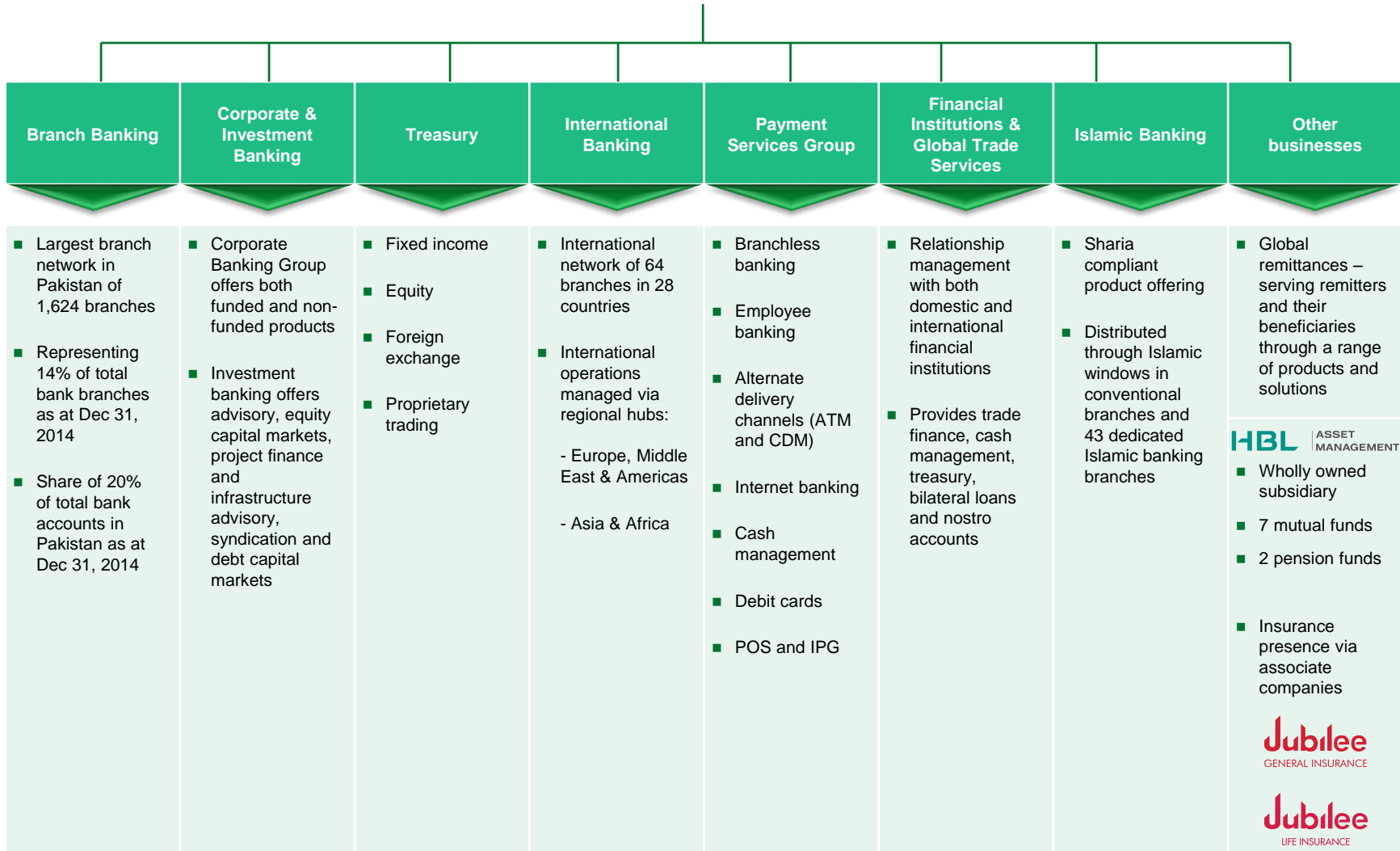
Products tailored towards women in cooperation with GBA, IFC and Westpac



Products tailored towards youth to expand services to the underbanked

(1) Data as of 30 June 2015.

## HBL



# Visionary and accomplished Board

## Chairman



**Sultan Ali Allana**  
*Chairman*

- Mr. Sultan Ali Allana has been Chairman of the Board of Directors of HBL since February 2004. He has over 30 years of experience in the financial and banking industry
- He also serves on the Boards of The Aga Khan Fund for Economic Development, Tourism Promotion Services Pakistan Ltd, Jubilee Holdings Ltd (East Africa), Jubilee Life Insurance Company Ltd and Industrial Promotion Services (Pakistan) Limited.
- Mr. Allana has served as the Chairman of the First Microfinance Bank and been a member of the Executive Committee of the Aga Khan Agency for Microfinance.

## President & CEO



**Nauman K Dar**  
*President & CEO*

- Mr. Nauman K Dar, President & CEO of Habib Bank Ltd, is a banker with over 32 years of banking experience
- He also serves as Chairman of Habibsons Bank Ltd, UK, Chairman of Habib Finance International Ltd, Hong Kong and Chairman of Habib Allied Holding Limited
- In the past Mr. Dar has also held senior positions in Habib Allied Bank Plc, Citibank and Bank of America.

## Directors



**Sajid Zahid**  
*Director*

- Mr. Sajid Zahid is a Barrister with over 39 years experience in Corporate and Commercial Law.
- He is Joint Senior Partner at Orr, Dignam & Co.
- Mr. Zahid has previously served as a Director on the Boards of various companies including Pakistan Petroleum Limited.



**Moez Ahamed Jamal**  
*Director*

- Mr. Moez Ahamed Jamal has experience of over 36 years in the financial sector.
- He currently serves on the Boards of Diamond Trust Bank Kenya Ltd, Marcuard Family Office, Switzerland, Jubilee Holdings Limited (East Africa) and Global Finanz Agency. He is a Partner of JAAM AG, an investment advisory company in Switzerland.
- Mr. Jamal has also held senior positions in Credit Suisse and Lloyds Bank International.

## Directors



**Shaffiq Dharamshi**  
*Director*

- Mr. Dharamshi is a banker with over 23 years of banking experience in the Middle East and Africa
- He currently holds the position of Head of Banking at AKFED, and is responsible for overseeing the operations of banks in AKFED's portfolio across Asia and Africa
- He also currently serves on the Boards of Diamond Trust Bank Tanzania Limited, Diamond Trust Bank Uganda Limited, Diamond Trust Bank Kenya Limited, Industrial Promotion and Development Company of Bangladesh Limited and DCB Bank Limited, India.



**Agha Sher Shah**  
*Director*

- Mr. Agha Sher Shah has over 28 years of experience in the financial sector
- He is currently Chairman and Chief Executive of Bandhi Sugar Mills. He also serves on the Boards of Attock Cement Limited, Sui Southern Gas Company Limited, Thatta Cement Company Limited, Newport Containers Terminal (Private) Limited, Triton LPG (Private) Limited, Bandhi Powergen Company (Pvt) Ltd. and Benazirabad Facilities (Pvt.) Ltd.
- Mr. Sher Shah has also held the position of Senior Portfolio Manager at the Abu Dhabi Investment Authority.



**Dr Najeel Samie**  
*Director*

- Dr Najeel Samie has over 34 years of experience in the corporate and financial sector
- He is currently the Managing Director of PIA Investments Ltd and is a Director of the Roosevelt Hotel Corporation and the Parisien Management Company Ltd, amongst other tourism related companies.
- Dr. Samie has also served as the Chairman of State Life Insurance Corporation of Pakistan, Alpha Insurance Company Limited and PICIC.

# First class senior management team



- Experienced management team with significant experience with HBL and other local and international banks
- Strong track record of growth and profitability overseeing HBL's net profit increasing from PKR13bn to PKR32bn between 2009 and 2014 (+19% CAGR)
- Acquired Barclays' Pakistan business to add high-quality talent to the Bank, similar to that experienced following the Bank's purchase of Citi Pakistan's consumer business.

 <p><b>Nauman K. Dar</b> President &amp; Chief Executive Officer 13 / 33 / 33<sup>(1)</sup></p>	 <p><b>Rayomond Kotwal</b> Chief Financial Officer 1 / 18 / 29<sup>(1)</sup></p>	 <p><b>Ayaz Ahmed</b> Head, Acquisitions &amp; Investments 15 / 23 / 33<sup>(1)</sup></p>	 <p><b>Nausheen Ahmad</b> Company Secretary &amp; Head Legal 9 / 9 / 27<sup>(1)</sup></p>
 <p><b>Sima Kamil</b> Head, Branch Banking 14 / 29 / 29<sup>(1)</sup></p>	 <p><b>Aamir Irshad</b> Head, Corporate &amp; Investment Banking 10 / 24 / 27<sup>(1)</sup></p>	 <p><b>Salahuddin Manzoor</b> Global Treasurer 5 / 32 / 32<sup>(1)</sup></p>	 <p><b>Anwar Zaidi</b> Head, Financial Institutions &amp; Global Trade Services 13 / 34 / 34<sup>(1)</sup></p>
 <p><b>Faiq Sadiq</b> Head, Payment Services 15 / 25 / 25<sup>(1)</sup></p>	 <p><b>Mirza Saleem Baig</b> Head, Islamic Banking 14 / 30 / 32<sup>(1)</sup></p>	 <p><b>Hassan Raza</b> Head, Structured Credits 3 / 23 / 23<sup>(1)</sup></p>	 <p><b>Abrar Mir</b> Chief Innovation &amp; Financial Inclusion Officer 1 / 15 / 21<sup>(1)</sup></p>
 <p><b>Tariq M. Akbar</b> Head, Global Operations 15 / 39 / 40<sup>(1)</sup></p>	 <p><b>Rizwan Haider</b> Chief Risk Officer 13 / 34 / 35<sup>(1)</sup></p>	 <p><b>Fareed Hosain</b> Chief Information Officer 2 / 28 / 33<sup>(1)</sup></p>	 <p><b>Jamal Nasir</b> Global Head Human and Organizational Development 1 / 18 / 28<sup>(1)</sup></p>
 <p><b>Salim Amlani</b> Chief Internal Auditor 10 / 39 / 39<sup>(1)</sup></p>	 <p><b>Faisal Anwar</b> Chief Compliance Officer 2 / 30 / 30<sup>(1)</sup></p>	 <p><b>Abbas Hassan</b> Head International Banking Europe, Middle East &amp; Americas 3 / 30 / 31<sup>(1)</sup></p>	 <p><b>Abid Sattar</b> Head International Banking Asia &amp; Africa 10 / 32 / 32<sup>(1)</sup></p>

**HBL's management team is highly experienced in managing domestic and international banks**

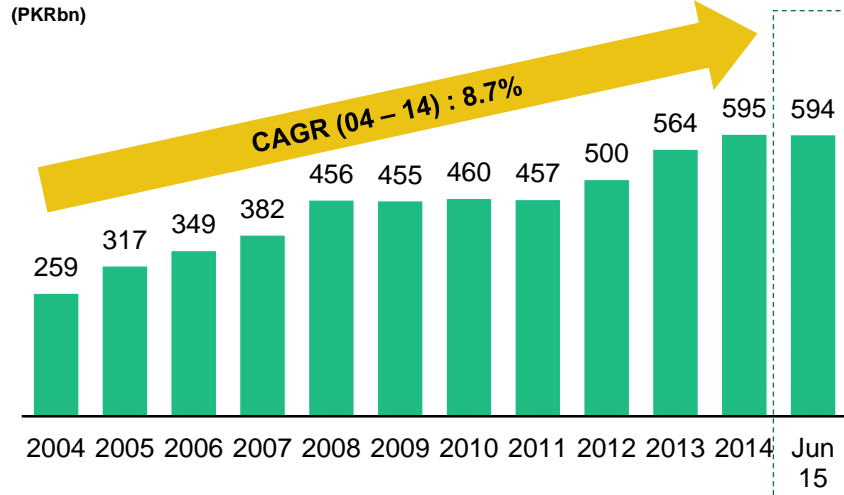
(1) Number of years in HBL / years in banking / Total work experience .



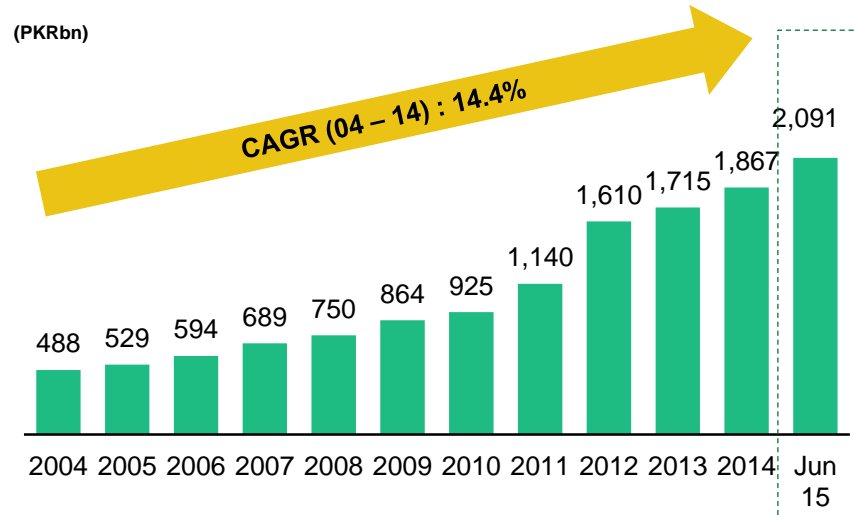
# Progress since privatization – Balance sheet



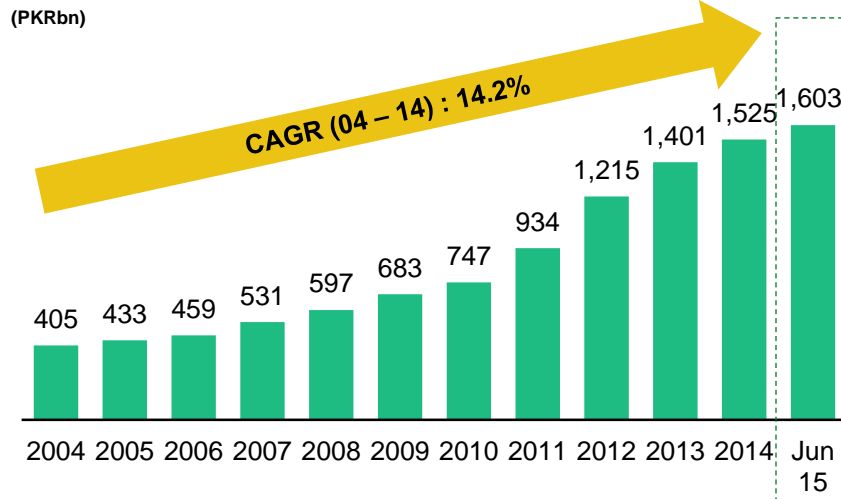
## Net Advances



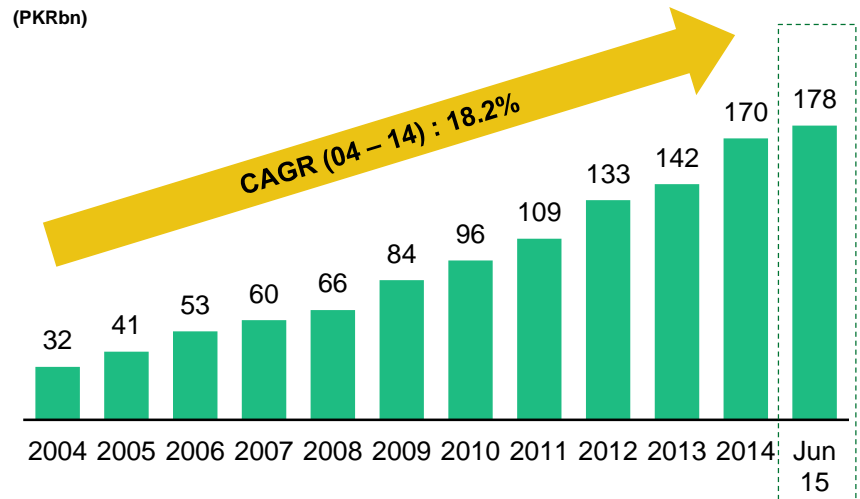
## Total assets



## Deposits



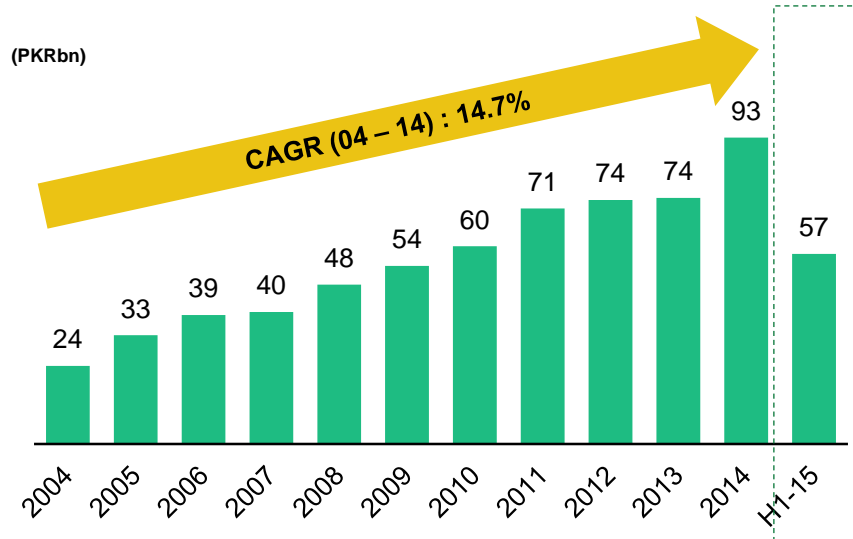
## Shareholders equity



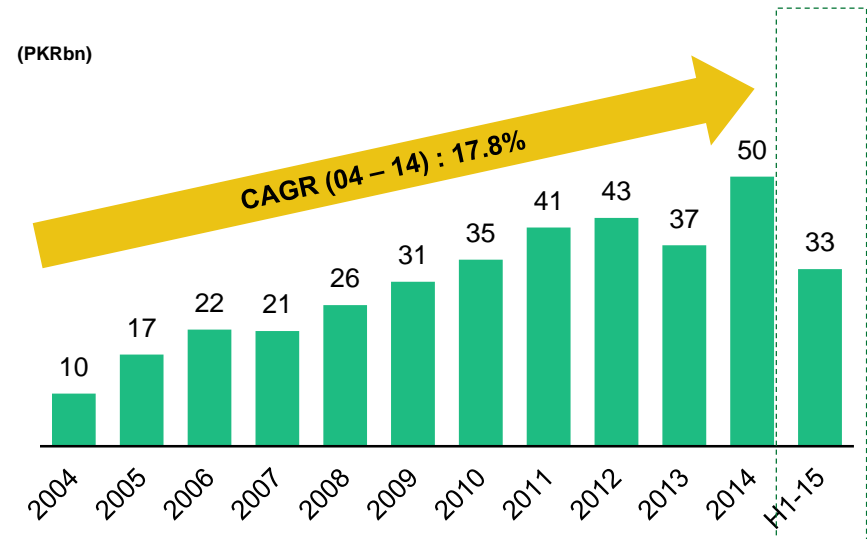


# Progress since privatization – Operating results HBL

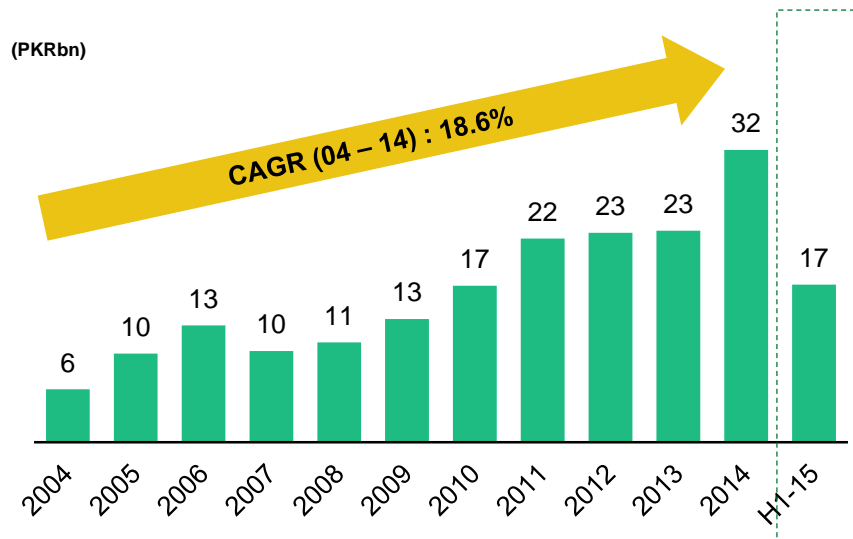
## Total Revenue



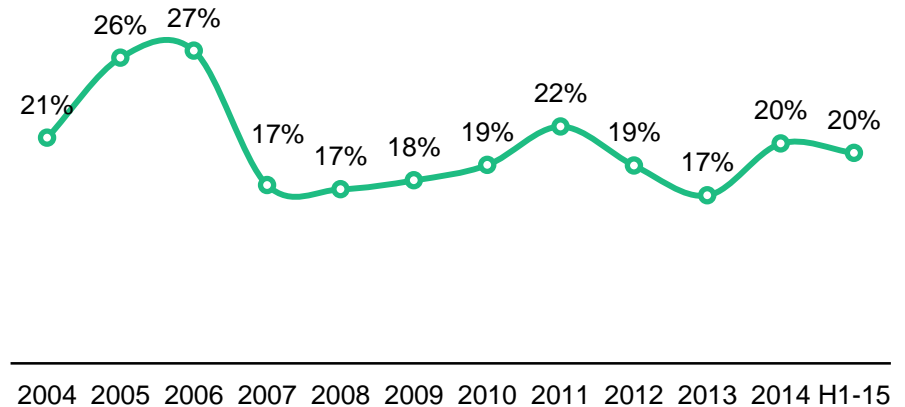
## Operating profit



## Profit after taxation

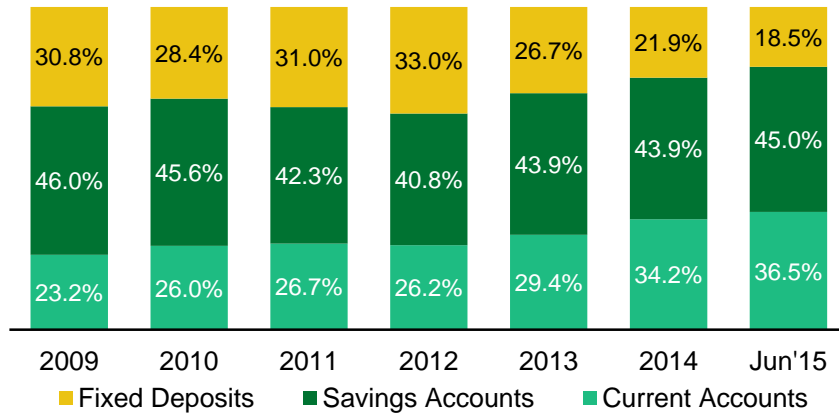


## Return on Equity

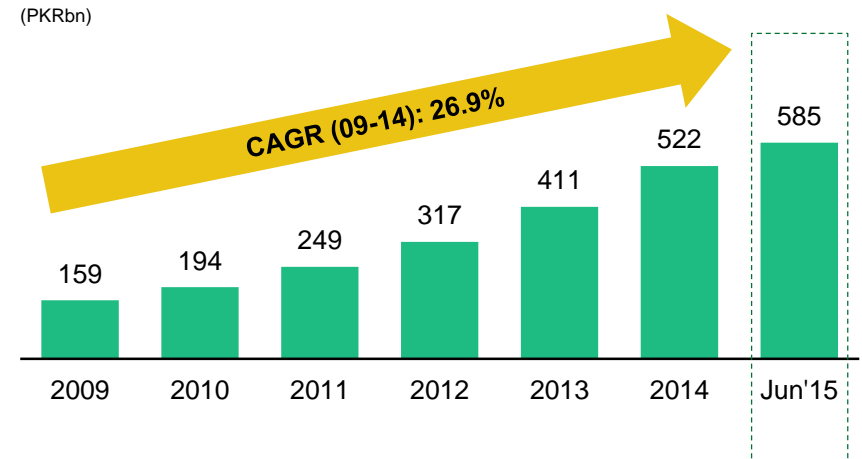


# Deposits remain the growth engine

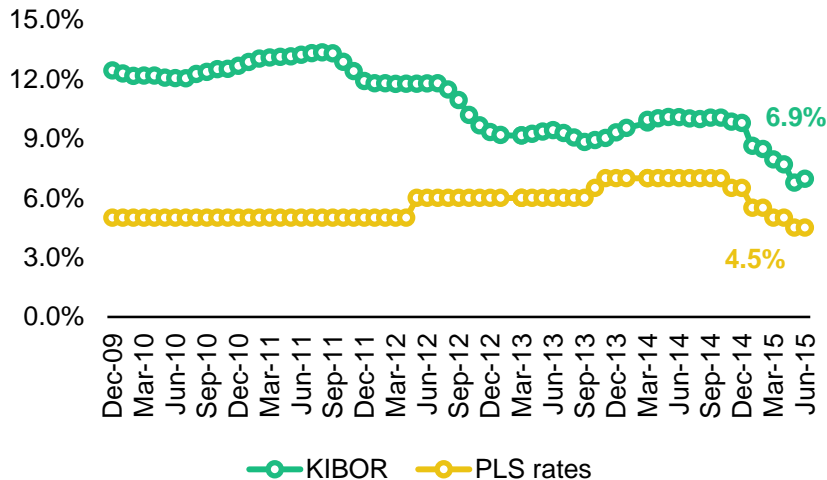
## Deposit composition



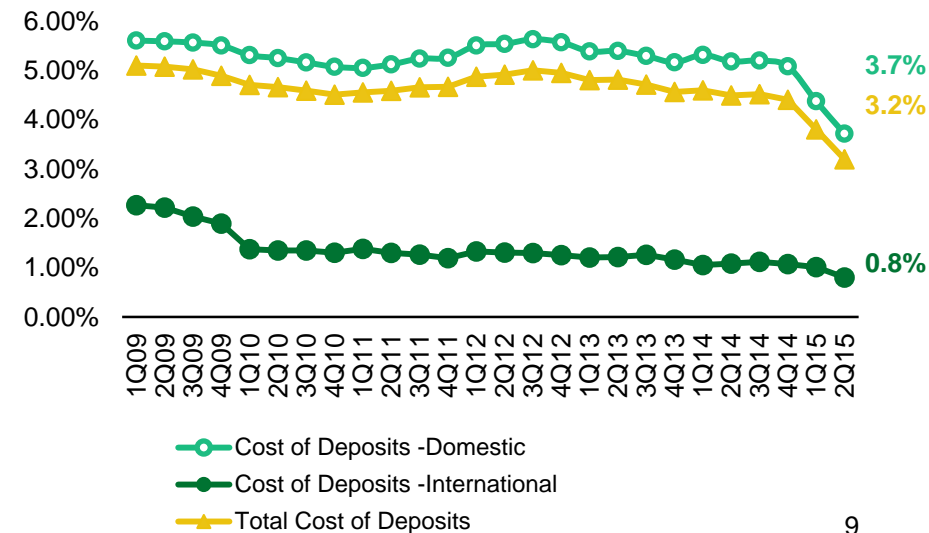
## Growth in current deposits



## Key rates

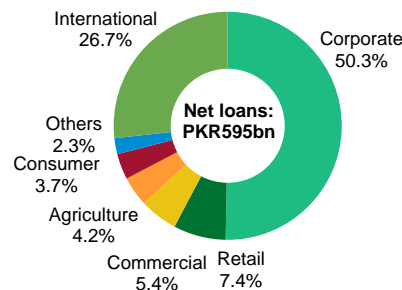


## Cost of deposits

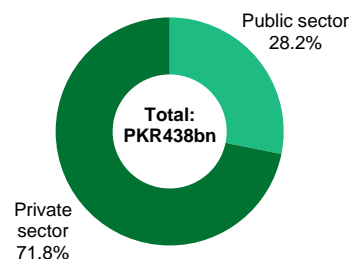


# A diversified loan portfolio...

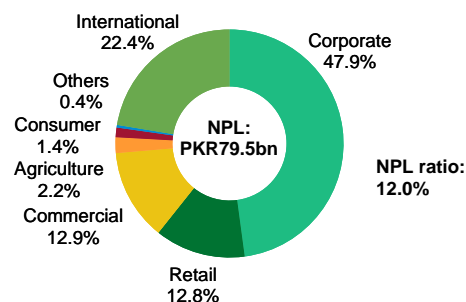
## Loan portfolio composition by line of business



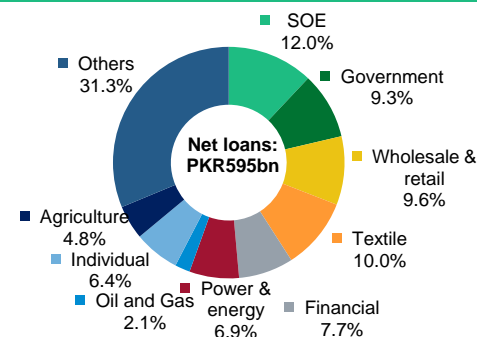
## Domestic corporate customer loans



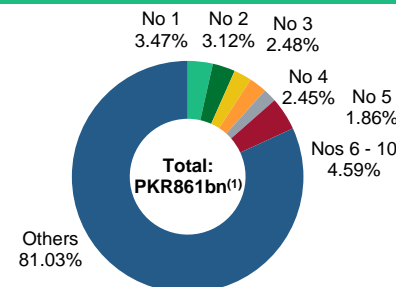
## NPL composition by line of business



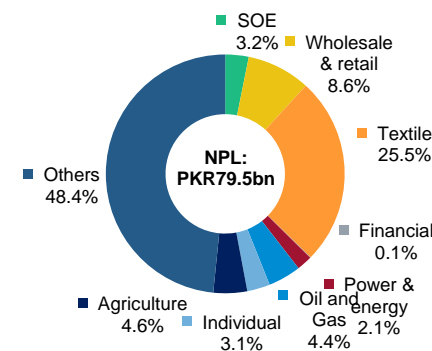
## Loan portfolio composition by industry segments



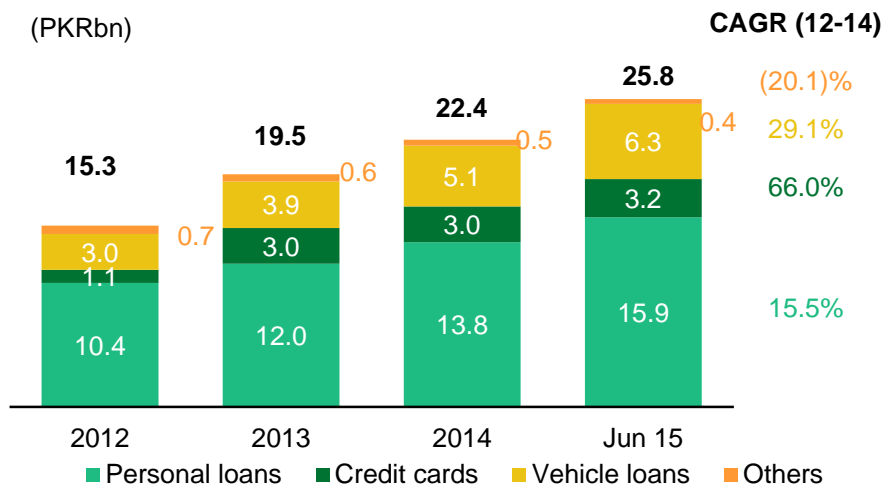
## Top 10 client concentration



## NPL composition by industry segments

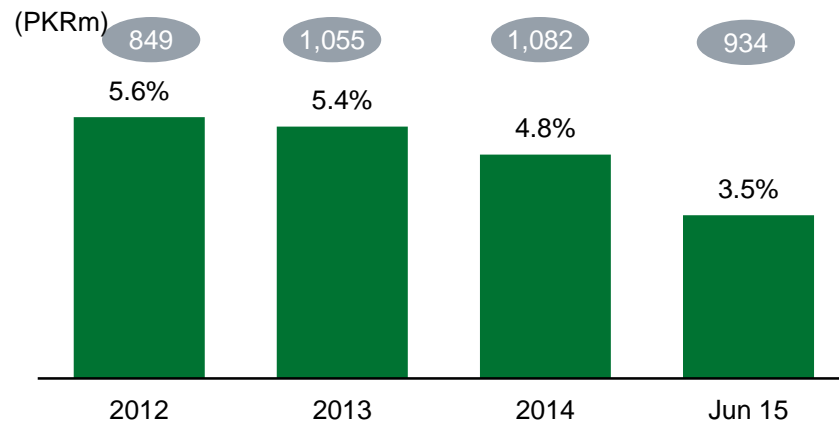


## Growth in consumer lending



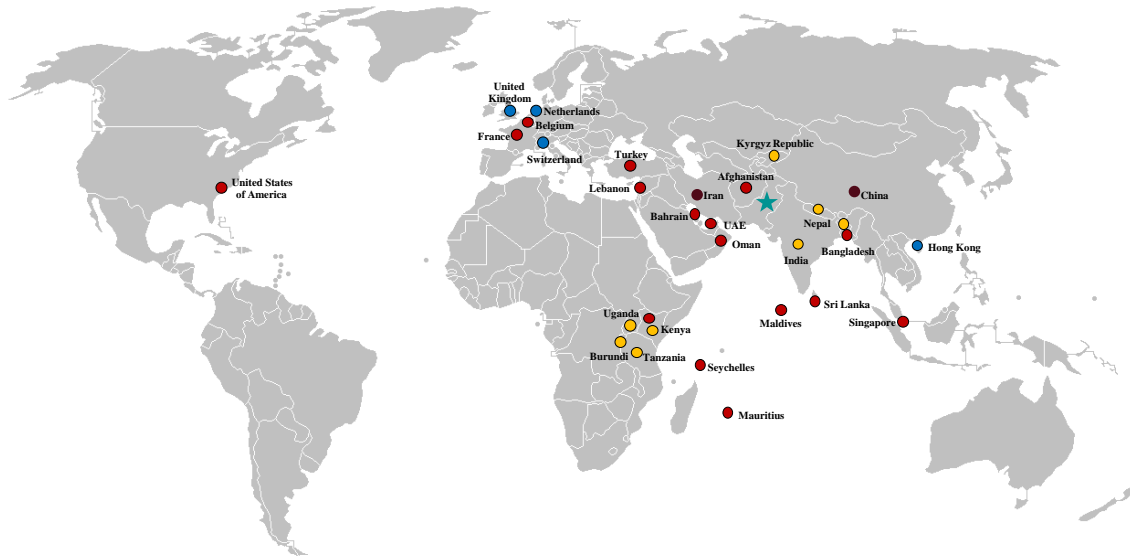
- Consumer lending portfolio reached R25.8bn at 30 June, 2014.
- Tested model offers opportunity for growth, supported by HBL@Work program
- While the Bank plans to rapidly scale up Consumer Lending, this will be underpinned by a strong focus on credit quality and operating efficiency

## Decreasing consumer NPL ratio



# Large and diversified international presence which is unique among regional peers

## International footprint

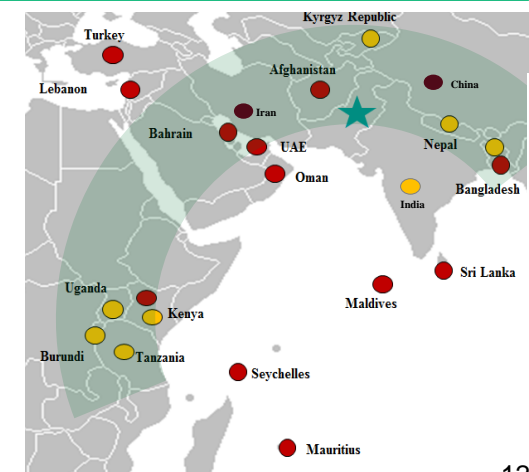


- Direct presence in 28 countries
- Network of 64 branches<sup>(1)</sup>
- Presence in key financial hubs; London, New York, Brussels, Singapore, Dubai and Hong Kong
- Presence in 5 countries through associates and related entities

- ★ Head Office and Domestic Branch Network
- Branch
- Subsidiary
- Related Entity
- Representative office

## Comprehensive regional coverage

- HBL currently holds complete banking licenses in key regional locations including Sri Lanka, Afghanistan, Oman, UAE, Bahrain and Bangladesh
- Well-positioned regional player to increase market share in:
  - Remittances
  - Trade finance
  - Investment banking
  - Islamic banking



Strategic development area for the bank

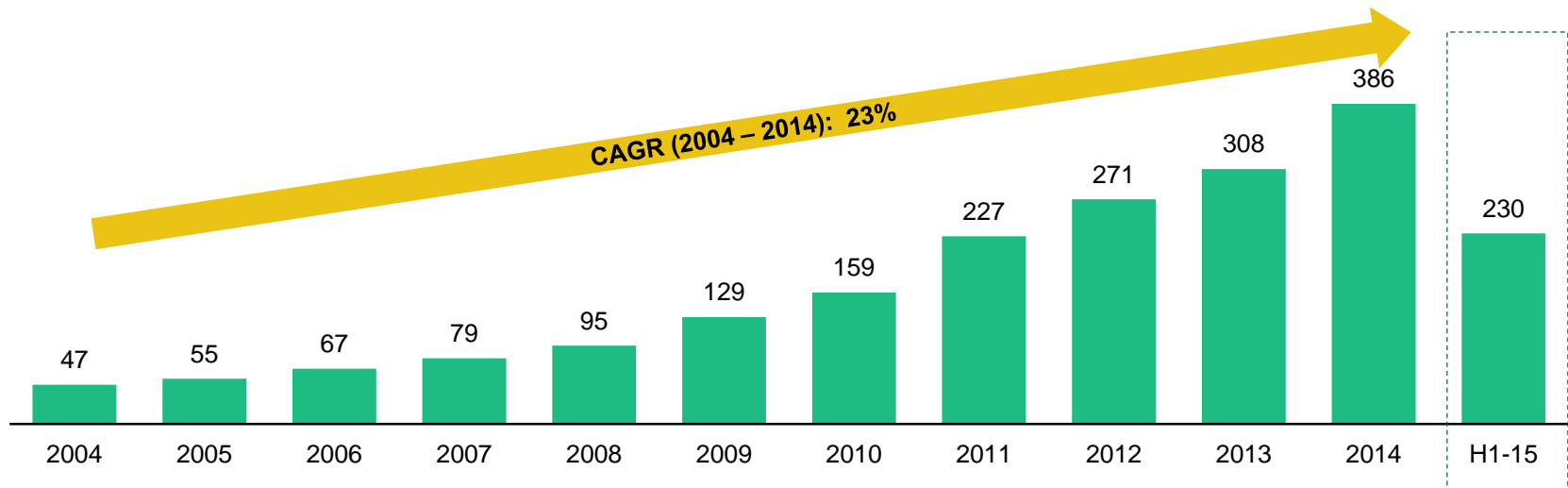
(1) Includes branches of HBL's subsidiaries.

# Well positioned to serve a growing remittance market

## Pakistani remittance market

- International remittances form the mainstay of Pakistan's Balance of Payments with double digit growth over the last several years
- In FY15, overseas workers remitted more than US\$18.4bn back to Pakistan, up 16.5% year-on-year
- Of this amount, the leading source nations are Saudi Arabia (31%), UAE (23%), USA (14%) and UK (12%)
- Given its strong international network, HBL is well placed to serve the home remittance market and as of Jun'15 had a 23.9% (Dec'14 22.5%) market share
- Home remittances provide a plethora of opportunities for cross-selling (deposits, loans etc). Banks are also incentivized by the SBP for remittances channeled through their counters.

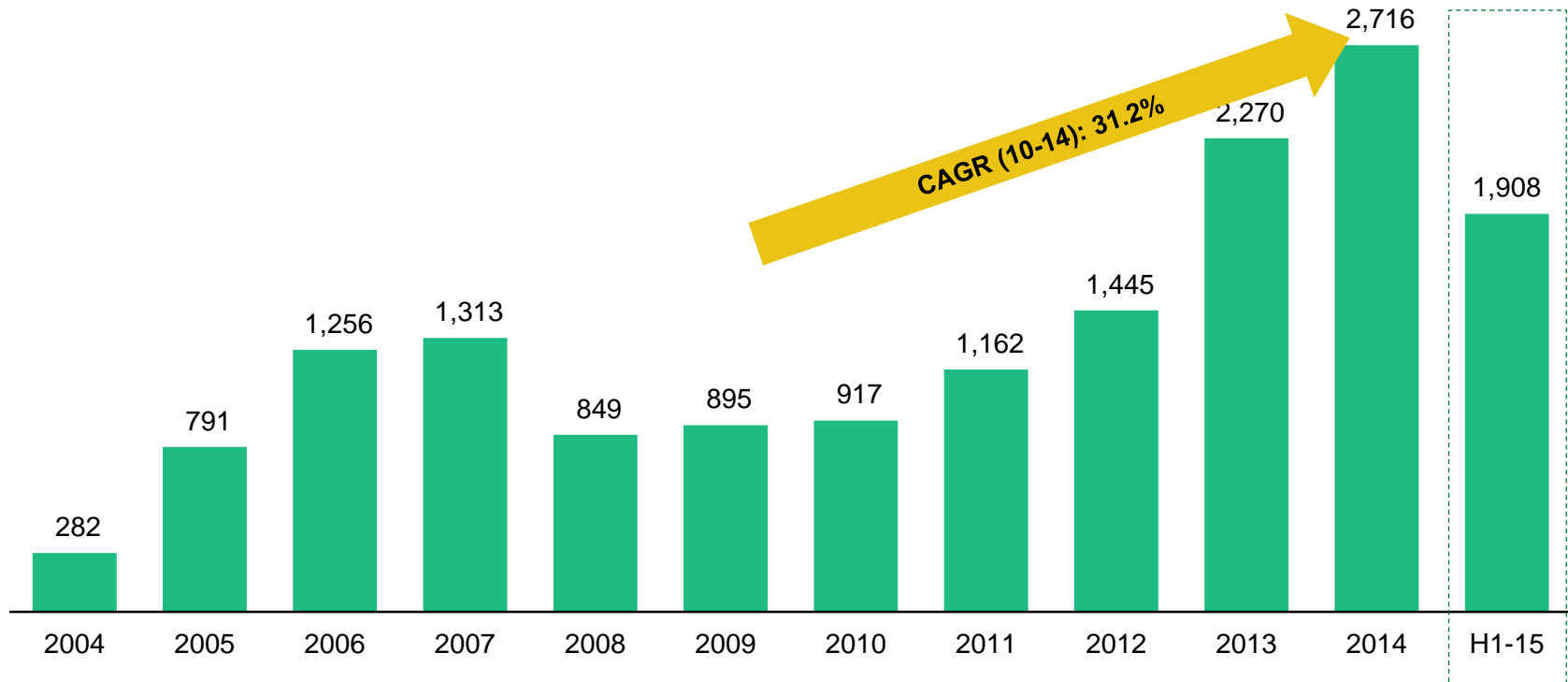
## HBL home remittance volumes (2004 – H1-15), PKRbn



# Strong investment in technology underpins commitment to the future

## Investment in IT infrastructure

(PKRmn)



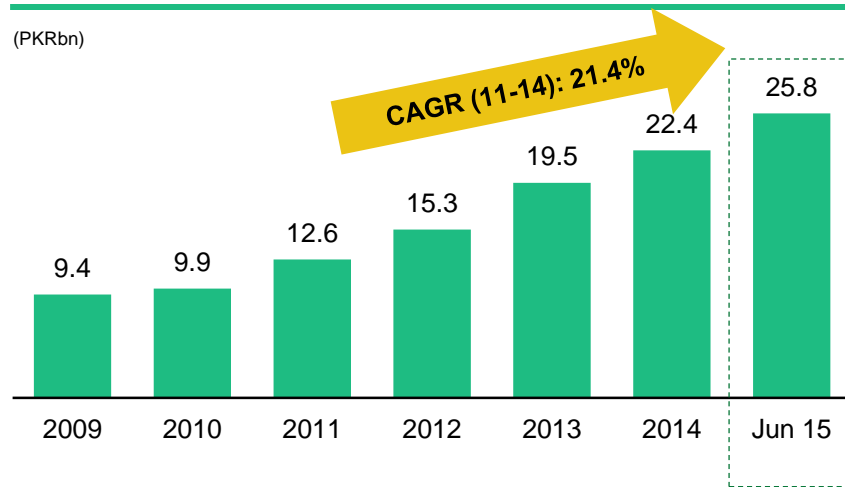
- 1** Development & implementation of core banking systems
- 2** Strengthening & consolidation of IT systems
- 3** New systems for delivery channels & efficiency, system upgrades



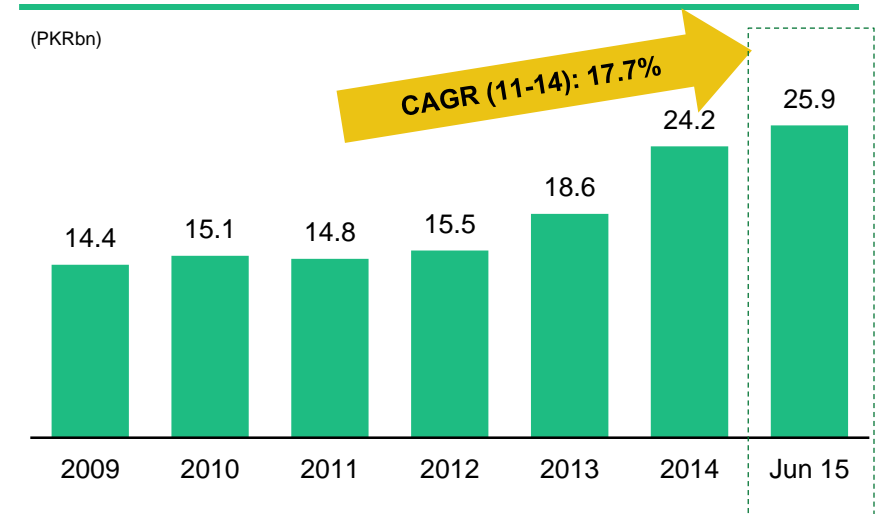
# Strategic initiatives to continue driving growth



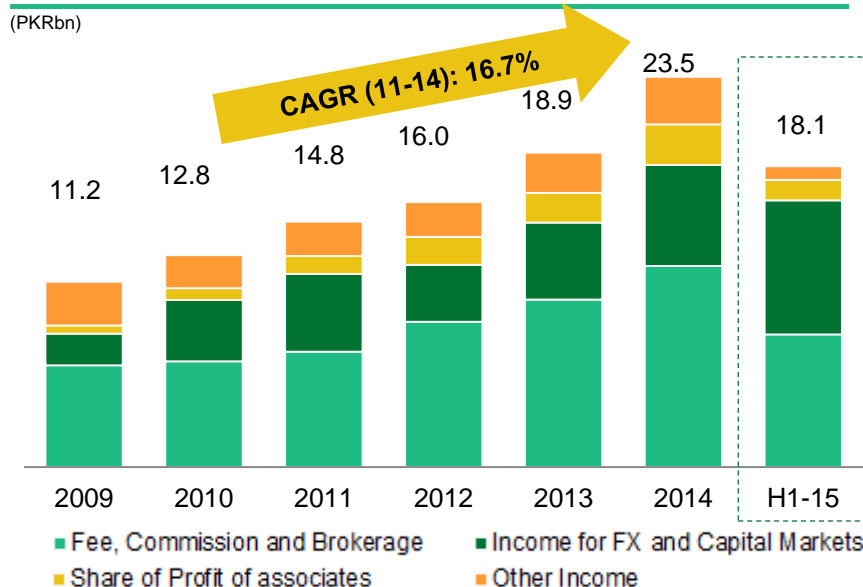
## Growth in Consumer Lending



## Growth in Agricultural Financing



## Increasing fee and other non-interest income

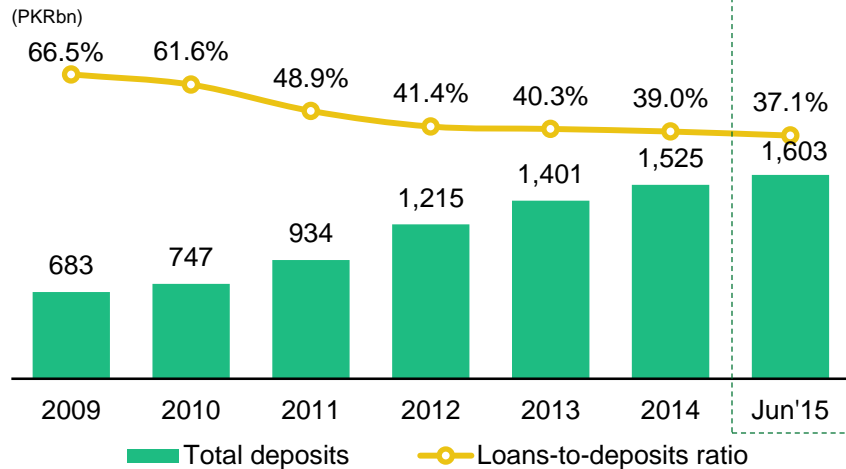


## Other growth vectors

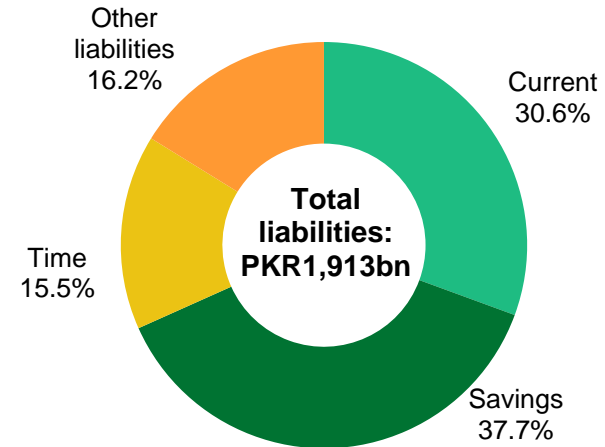
- Drive growth in agricultural / rural lending through unique sales force of Agriculture Field Officers. Expand product range to cover entire value chain.
- Enhance presence in the Islamic Banking space, the fastest growing segment in the Pakistan market.
- Strengthen and fully leverage international network. Grow regional presence by investing in local brands (DTB, KICB)
- Enter microfinance space through potential acquisition of First Microfinance Bank
- Launch a unique product offering for women and women-owned businesses, to improve their access to financial services

# Strong balance sheet with ample liquidity, high capitalization and conservative risk management

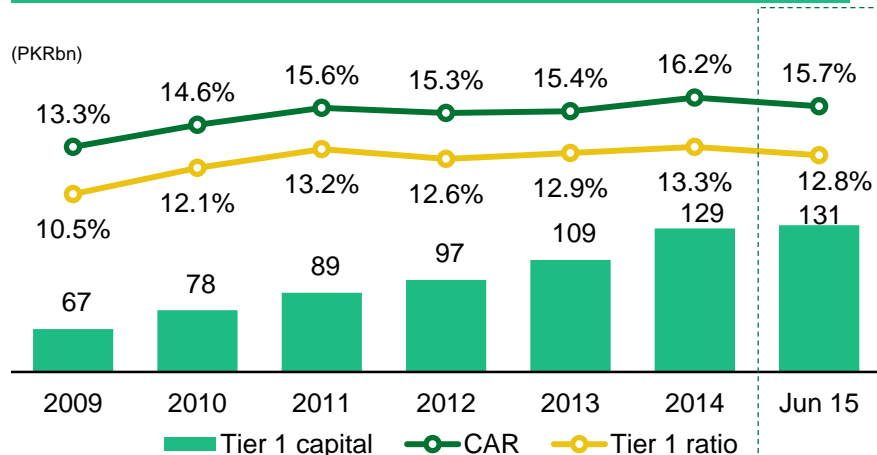
## Strong deposit growth



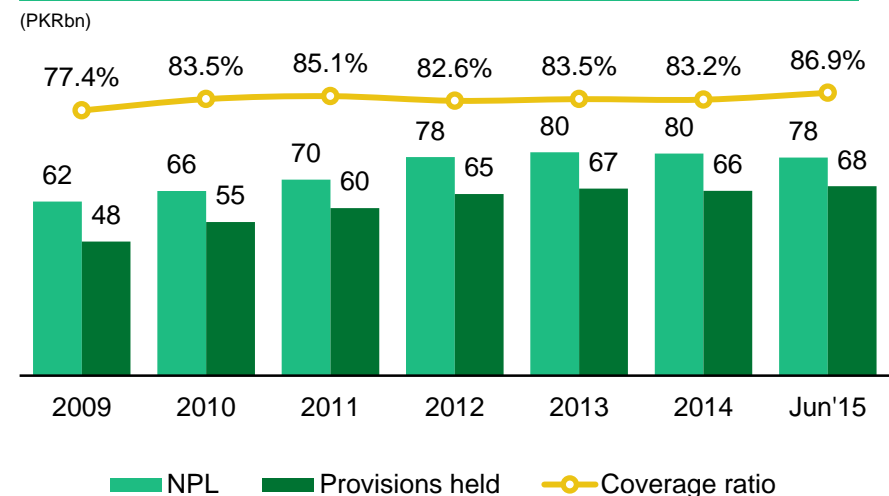
## Liabilities composed mainly of sticky deposits



## Robust capital base...

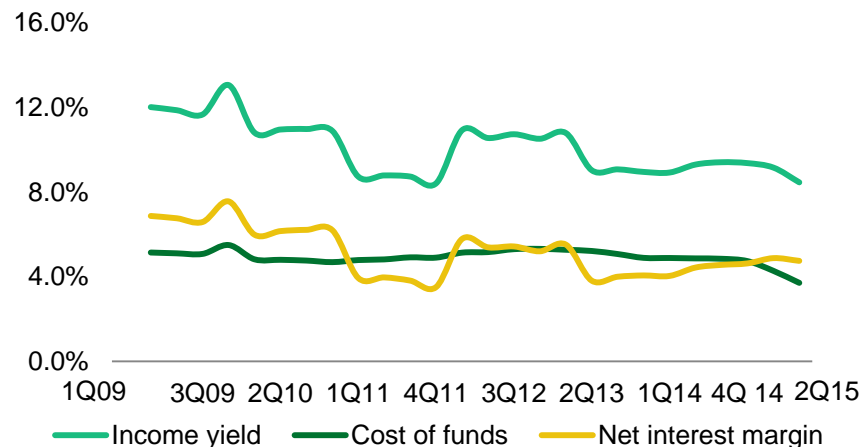


## Conservative risk management practices

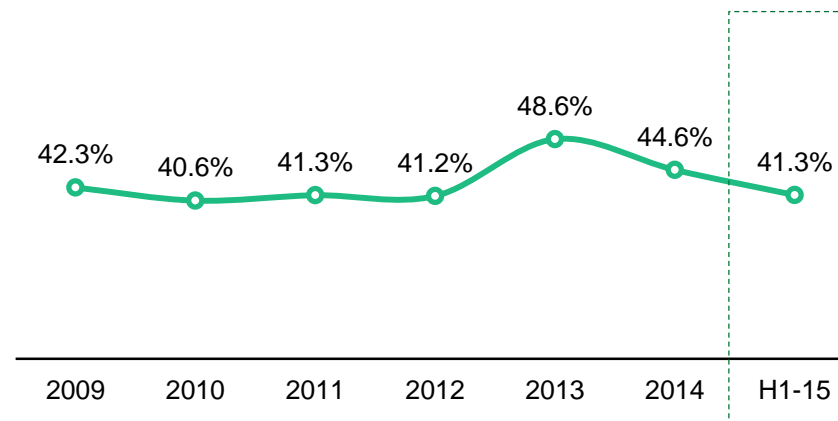


# Delivering consistently strong profitability

## Net interest margin<sup>(1)</sup>

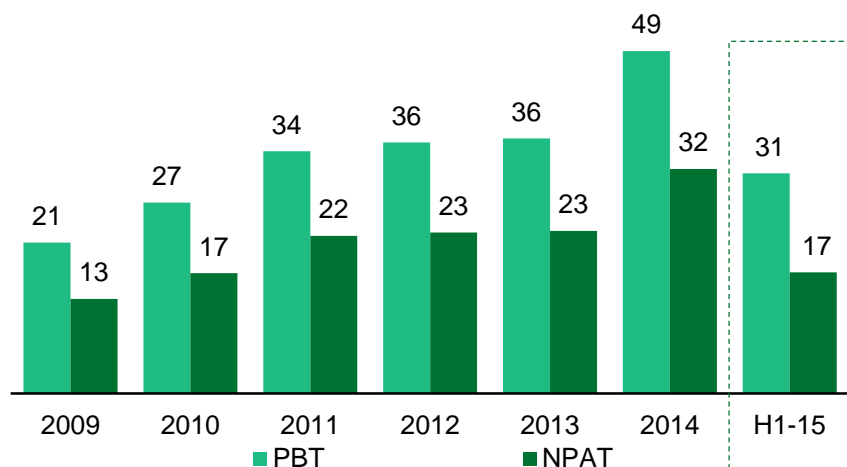


## Cost to income ratio

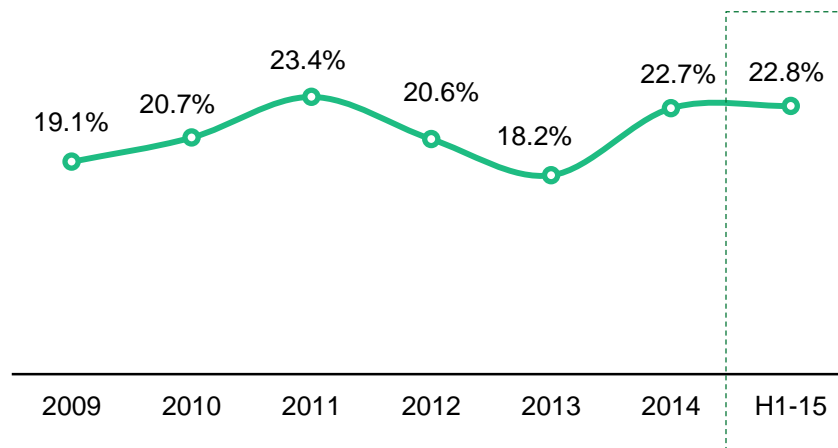


## Profit before tax ("PBT") / Net profit after tax ("NPAT")

(PKRbn)



## Return on Equity<sup>(2)</sup>



(1) Income Yield = (Interest Income + Investment Income) / Net Earning Assets.

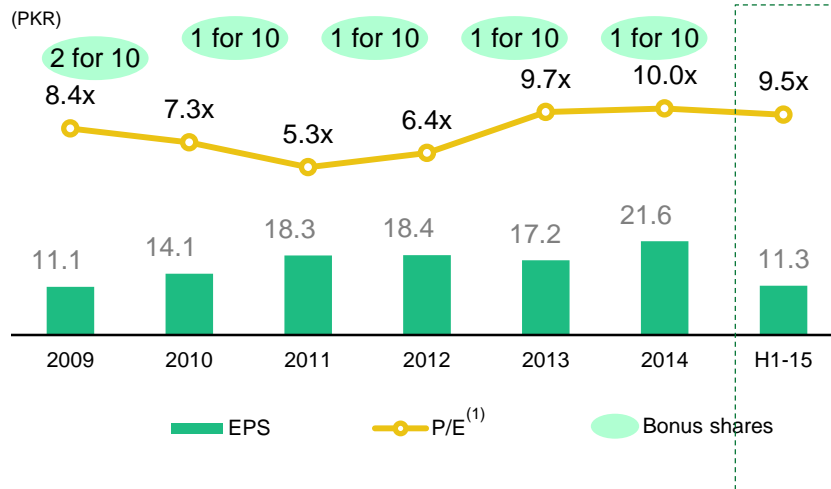
Cost of Funds = Interest Expense / Total Liabilities.

Net Interest Margin = Income Yield – Cost of Funds.

(2) ROE is calculated excluding Surplus on Revaluation of assets.

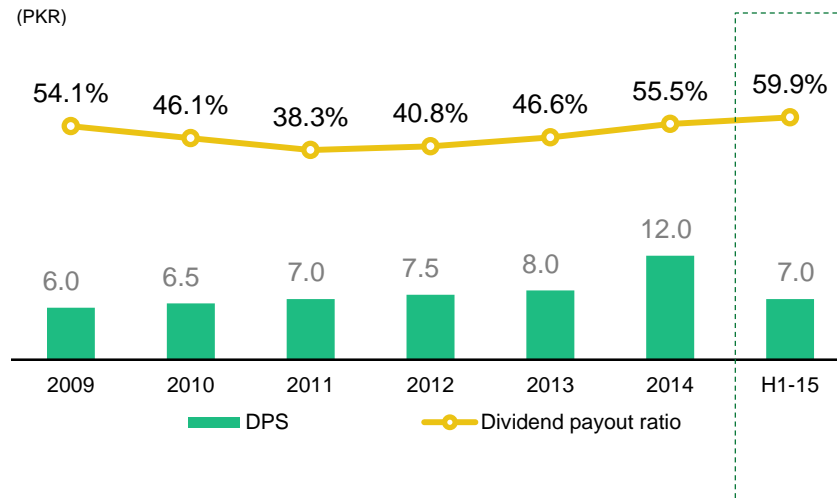
# Strong earnings and dividends

## Strong set of earnings even with bonus shares issued



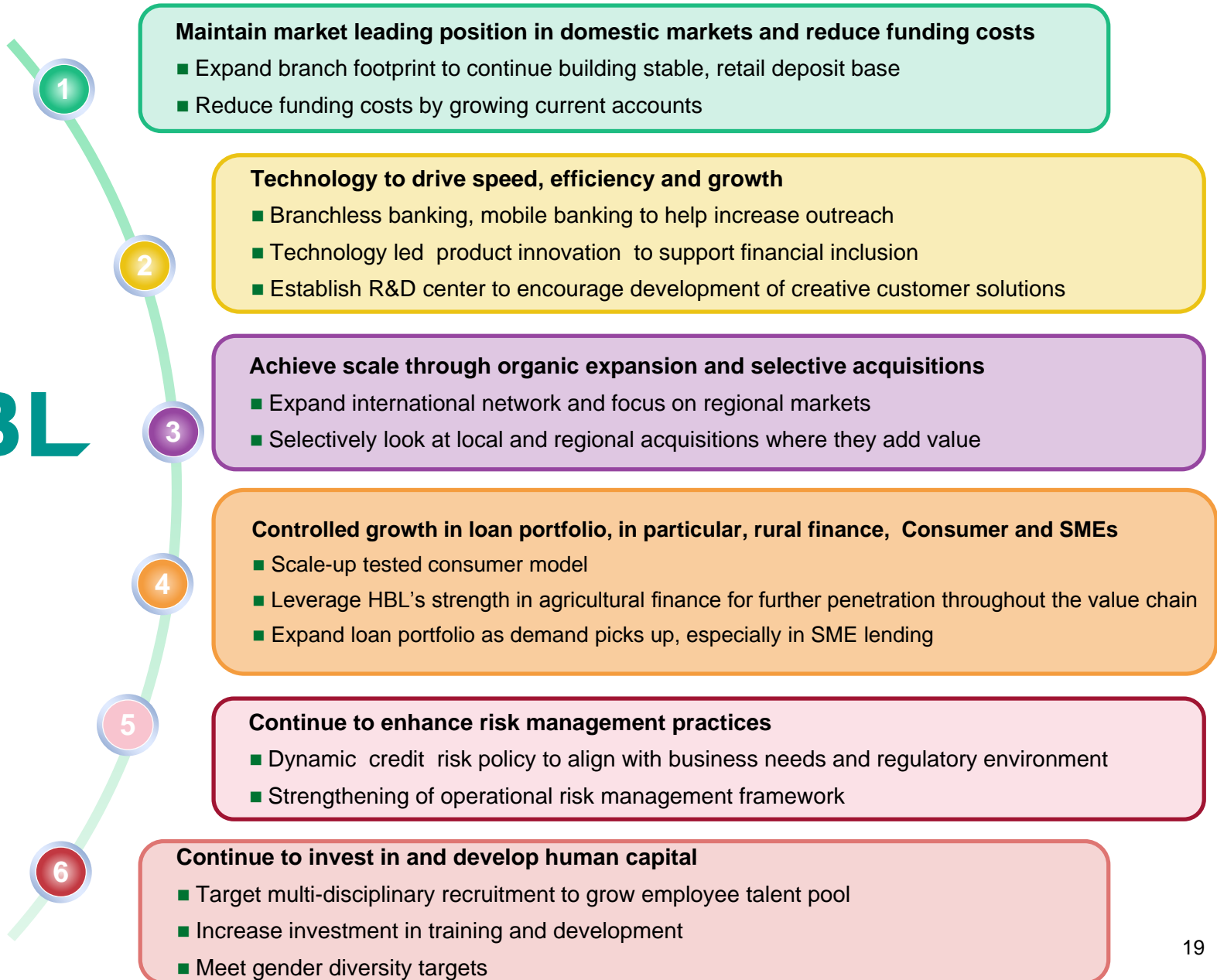
- HBL's net profit more than doubled between 2009 and 2014
- The return on equity and return on assets for HBL were 22.7% and 1.8% respectively for 2014 vs 16.0% and 1.4% respectively for the Pakistani banking sector

## Growing dividend payments



- The Board will determine future dividend payments while striking a balance between:
  - ensuring that sufficient capital is available for HBL to achieve its strategic objectives and
  - providing shareholders with an attractive return on investment

1) Based on share price as at 31 December of respective year ends (for H1-15, as at 30 Jun'15) and full year EPS



## Appendix

# Consolidated balance sheet



..... (PKR Mln) .....

	2009	2010	2011	2012	2013	2014	Jun 2015
<b>Assets</b>							
Cash & Bank Balances	120,207	119,053	150,749	205,210	192,818	202,968	214,197
Lending to Financial Institutions	5,353	30,339	41,581	24,828	35,271	34,313	16,142
Investments	216,468	254,909	418,604	797,095	826,062	924,307	1,161,292
Advances	454,662	459,750	457,368	499,818	563,700	595,295	594,386
Others	67,235	60,649	71,253	83,523	97,419	110,121	104,625
<b>Total Assets</b>	<b>863,925</b>	<b>924,700</b>	<b>1,139,555</b>	<b>1,610,474</b>	<b>1,715,270</b>	<b>1,867,004</b>	<b>2,090,642</b>
<b>Liabilities</b>							
Bills payable	10,042	9,775	13,895	18,943	19,422	21,990	24,025
Borrowings	52,543	40,460	39,474	196,588	107,864	103,411	231,000
Deposit and other accounts	682,750	747,375	933,632	1,214,964	1,401,230	1,524,538	1,603,180
Sub-ordinated loans	4,212	4,282	5,036	5,441	2,633	-	-
Other liabilities	30,008	26,557	37,931	41,809	41,687	46,962	54,677
<b>Total liabilities</b>	<b>779,555</b>	<b>828,449</b>	<b>1,029,968</b>	<b>1,477,745</b>	<b>1,572,836</b>	<b>1,696,901</b>	<b>1,912,882</b>
<b>Shareholders' equity</b>							
Share capital	9,108	10,019	11,021	12,123	13,335	14,669	14,669
Reserves	66,026	76,823	89,126	106,594	117,299	132,597	136,374
<b>Equity attributable to the bank</b>	<b>75,134</b>	<b>86,842</b>	<b>100,147</b>	<b>118,717</b>	<b>130,634</b>	<b>147,266</b>	<b>151,043</b>
Non controlling interest	1,143	1,213	1,236	1,227	1,886	1,185	1,227
Surplus on revaluation of assets - net of deferred tax	8,093	8,196	8,204	12,785	9,914	21,652	25,490
<b>Total equity</b>	<b>84,370</b>	<b>96,251</b>	<b>109,587</b>	<b>132,729</b>	<b>142,434</b>	<b>170,103</b>	<b>177,760</b>



# Consolidated statement of profit and loss



	..... (PKR Mln) .....						
	2009	2010	2011	2012	2013	2014	H1-15
Mark-up/ return/ profit/ interest earned	76,076	81,325	98,580	116,773	120,223	137,842	73,521
Mark-up/ return/ profit/ interest expensed	33,406	34,330	42,182	59,012	65,207	68,755	34,227
<b>Net mark-up/ profit/ interest income</b>	<b>42,670</b>	<b>46,995</b>	<b>56,398</b>	<b>57,761</b>	<b>55,016</b>	<b>69,087</b>	<b>39,294</b>
Non mark-up/ interest income							
Fee, commission and brokerage income	5,316	5,433	6,086	6,786	8,292	12,119	7,987
Income / gain on investments	597	1,380	2,021	3,566	4,845	5,680	8,115
Income from dealing in foreign currencies	1,913	3,189	3,756	2,568	2,299	2,847	1,196
Other income	3,333	2,760	2,920	3,040	3,887	2,865	828
<b>Total non mark-up/ interest income</b>	<b>11,160</b>	<b>12,762</b>	<b>14,783</b>	<b>15,960</b>	<b>19,323</b>	<b>23,511</b>	<b>18,126</b>
Total income	53,830	59,757	71,181	73,721	74,339	92,598	57,420
Non mark-up/ interest expense							
Administrative expenses	22,746	24,253	29,372	30,381	36,110	41,307	23,727
Other expenses	613	879	631	1,011	696	1,284	649
<b>Total non mark-up/ interest expenses</b>	<b>23,359</b>	<b>25,132</b>	<b>30,003</b>	<b>31,392</b>	<b>36,806</b>	<b>42,591</b>	<b>24,376</b>
<b>Profit before tax and provisions</b>	<b>30,471</b>	<b>34,625</b>	<b>41,178</b>	<b>42,329</b>	<b>37,533</b>	<b>50,007</b>	<b>33,044</b>
Net provisions	9,090	7,586	6,857	6,767	1,400	1,493	1,859
<b>Profit before tax</b>	<b>21,382</b>	<b>27,039</b>	<b>34,321</b>	<b>35,562</b>	<b>36,133</b>	<b>48,514</b>	<b>31,185</b>
Taxation	7,981	10,006	11,988	12,770	13,106	16,695	14,029
<b>Profit after tax</b>	<b>13,401</b>	<b>17,034</b>	<b>22,333</b>	<b>22,792</b>	<b>23,027</b>	<b>31,820</b>	<b>17,156</b>

# Net Advances (By Line of Business)



**PKR MIn**

Group	31-Dec-14	%	30-Jun-15	%
Corporate	295,199	50%	302,063	51%
Retail (excluding Agriculture)	45,014	8%	36,693	6%
Commercial	32,003	5%	35,191	6%
Agriculture	25,423	4%	27,427	5%
Consumer	22,510	4%	24,756	4%
Others (Islamic&FI)	10,960	2%	24,342	4%
<b>Domestic</b>	<b>431,109</b>	<b>72%</b>	<b>450,472</b>	<b>76%</b>
International banking	164,186	28%	143,914	24%
<b>Bank</b>	<b>595,295</b>	<b>100%</b>	<b>594,386</b>	<b>100%</b>