

HBL's H1'23 profit rises by 50% to Rs 51.5 billion, while affirming its position as Pakistan's Best Digital Bank for Customers

Pakistan, Karachi – 26 July 2023: HBL today declared a consolidated profit before tax (PBT) of Rs 51.5 billion, nearly 50% higher than the PBT for H1'22. The PBT of Rs 30 billion for the second quarter of 2023 was the highest in the Bank's history based on superb performance of its core business lines. Along with the results, the Bank declared an interim dividend of Rs 2.00 per share (20%), taking the total payout for H1'23 to Rs 3.50 per share. This excellent performance was driven by its market-leading domestic franchise which grew profits by 63%; the international business is now delivering sustainable and improved operating performance, making a positive contribution to the Bank's bottom line. Despite excessive and unfair taxation introduced in the Federal Budget the Bank's profit after tax doubled to Rs 26.3 billion over the corresponding period last year which was also marred by excessive and retrospective tax measures. Earnings per share for the half year were Rs 17.86 compared to Rs 8.10 for H1'22.

HBL's balance sheet grew by 7% over December 2022 to Rs 4.9 trillion, driven by a Rs 224 billion growth in deposits. Domestic deposits crossed the Rs 3 trillion mark, with low-cost deposits increasing by Rs 162 billion. Average domestic deposits increased by more than Rs 300 billion; 90% of this growth was from cheaper deposits enabling the Bank to keep its funding cost at manageable levels. Advances declined as private sector demand reduced in light of the record-high borrowing costs. Most of this decline was in lending to corporates; agriculture and consumer lending held steady even in the face of macroeconomic headwinds while microfinance loans increased by 7%.

In the rising interest rate environment, net interest margins widened by 192 bps and, combined with a Rs 460 billion growth in the average domestic balance sheet, resulted in a 53% increase in net interest income. With a strong contribution now coming from international markets as well, HBL's total interest income rose to Rs 114 billion. HBL's enviable fee franchise continued to deliver excellent results, with fees growing by 31% to nearly Rs 20 billion. Its flagship Cards business accounted for more than 60% of the growth along with solid performances from trade, cash management, and consumer finance. The Bank's total revenue for H1'23 thus increased by 41% to Rs 138 billion.

During the quarter, inflation continued to rise, with a weaker rupee further impacting the cost base. Despite these headwinds, proactive cost management efforts contained expense growth to only 2.5% over the previous quarter, improving the cost/income ratio from 60.8% in Q1'23 to 54.5% in Q2'23. The net infection ratio of 0.8% remains below industry levels and prudent provisioning has ensured that coverage remains in excess of 100%.

Commenting on the Bank's performance, Muhammad Aurangzeb, President & CEO - HBL said, "HBL's H1'23 results, underpinned by client centricity, were driven by strong organic growth. Exceptional performance across all business segments further cemented the Bank's leadership position. We will continue to invest in our digital capabilities and are committed to providing the best possible banking experience. The recognition by Asiamoney as the 'Best Bank for Digital Solutions Pakistan' is a tribute to millions of

clients' continued trust and confidence in HBL. The Bank continues to help its customers navigate challenging periods, emphasizing sustainability and giving back to the community.”

Business Developments

In H1'23, HBL won Pakistan's Best Digital Bank for clients thus validating its progress towards becoming a 'technology company with a banking license'. The Bank's digital channels played a significant role in shaping the financial landscape and enabled clients to process more than 115 million digital financial transactions for a staggering volume of Rs 2.75 trillion. This growth has resulted in processing about 85% of all HBL's transactions through digital channels, compared to conventional branches.

HBL Mobile introduced an Urdu language option and witnessed a growth in user base by 26% to more than 3.6 million users. Financial transactions and service requests through the app grew by 50% to over 430 million and channeled a remarkable total value of over Rs 2.02 trillion.

HBL has taken the lead in becoming the first Bank to offer aggregator services to other financial institutions across the country through 1link. In H1'23, Rs 825 million worth of digital payments were processed through this channel. HBL also introduced Digital Invoicing – a new digital payments solution for the e-commerce sector.

The Bank is committed to delivering more value to its clients by enhancing its presence on social media. HBL is leading in the use of Tiktok platform in the banking industry and also became the first Bank in Pakistan to launch a dedicated client care Twitter handle “@HBLCare”.

HBL's flagship cards business remained the first choice of clients as usage grew by 50% over the same period last year. HBL Personal Loan reached a milestone of Rs 20 billion disbursement, digitally, to its 100,000 plus clients.

HBL made significant growth in Agriculture financing, with a new business acquisition of Rs 8.5 billion in H1'23. The outstanding gross loans are now close to Rs 50 billion, a 12% growth over H1'22.

HBL's ambition to grow SME business has led to delivering accelerated growth with average advances for H1'23 rising by 13% over the corresponding period last year, while the number of borrowers registered a growth of 24% YOY.

Under the HBL Islamic initiative, the Bank successfully established its flagship Prestige branch at Dolmen Mall Clifton, Karachi. Furthermore, HBL Islamic CarFinance achieved a milestone of Rs 3 billion in disbursements in H1'23.

HBL Nisa, Bank's leading platform for women clients, is one of the largest in the industry with Rs 53 billion in deposits and over 300,000 accounts. During the year, the Bank

introduced the Konnect Nisa initiative offering banking services via mobile phones, POS devices, and electronic channels.

HBL sets a new industry record by surpassing Rs 3 billion mark in Roshan Apni Car loans for Non-Resident Pakistanis (NRPs). In H1'23, HBL also facilitated approximately USD 139.7 million in transactions and opened over 12,000 new Roshan Digital Accounts (RDA).

During H1'23, HBL's Investment Banking arm closed multiple deals across the energy, oil & gas, real estate, insurance, and road infrastructure sectors. These deals included syndications and debt capital market/Sukuk issuances worth over Rs 325 billion.

The HBL Transaction & Employee Banking maintained its leadership position in cash management and employee banking with market shares above 30%. The throughput in cash management increased from Rs 5.9 trillion in 2022 to Rs 7.1 trillion in 2023, showing a 20% volume growth.

The international franchise witnessed substantial improvement in operating profit for H1'23, mainly supported by a 45% higher interest income compared to H1'22. This year marks the 10th anniversary since CPEC was kicked off. During this time, HBL has been a key financial partner to major Chinese Entities as well as Government Ministries & Departments.

HBL Foundation demonstrated its commitment to the welfare of society by allocating a substantial amount of Rs 193.6 million for healthcare initiatives, alongside an allocation of Rs 64.43 million for educational programs.

The Bank won 'Best Domestic Bank Pakistan' at the Asiamoney Awards 2023. HBL's digital channels were recognized globally and locally by winning 7 awards. During this period, HBL's Investment Banking has won 8 awards from various international publishers including 'Best Investment Bank in Pakistan' by FinanceAsia Awards 2023. HBL was ranked #1 among large banks in Pakistan by the State Bank of Pakistan in Banking on Equality Scorecard; this is a testament to HBL's commitment to women in the workplace and financial inclusion.