

Soneri Bank Limited

Corporate Briefing 2019

28 November 2019

Note about forward-looking statements

This document contains or incorporates by reference “forward-looking statements” regarding the belief or current expectations of Soneri Bank Limited (the “Bank”), the Board of Directors, and members of senior management about the strategy, businesses and performance of the Bank.

Such statements are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of the Bank.

Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. By their very nature, such statements involve risks and uncertainties, and therefore should not be taken as a direct representation regarding actual future performance. Actual results in the future may differ from those contained in any forward-looking statement.



- **Company Brief**
- **Financial Performance Review**
- **Takeaways and Aspirations**
- **Question and Answers**

Company Brief

About the Bank

Commencement of Operations	April 1992
Registered Office	Lahore
Major Sponsors	Feerasta Family
Credit Rating (Long Term / Short Term)	AA- / A1+
Branches	296 (including 21 Islamic Branches)
Footprint (Cities Covered)	132 cities in Pakistan
Market Share*	1.88% of deposits / 2.48% of advances
Assets*	PKR 464bn
Deposits*	PKR 281bn
Net Advances*	PKR 199bn
Total Equity*	PKR 19bn
Capital Adequacy Ratio*	15.17%
Market Price (27 November 2019)	Rs. 9.85/-

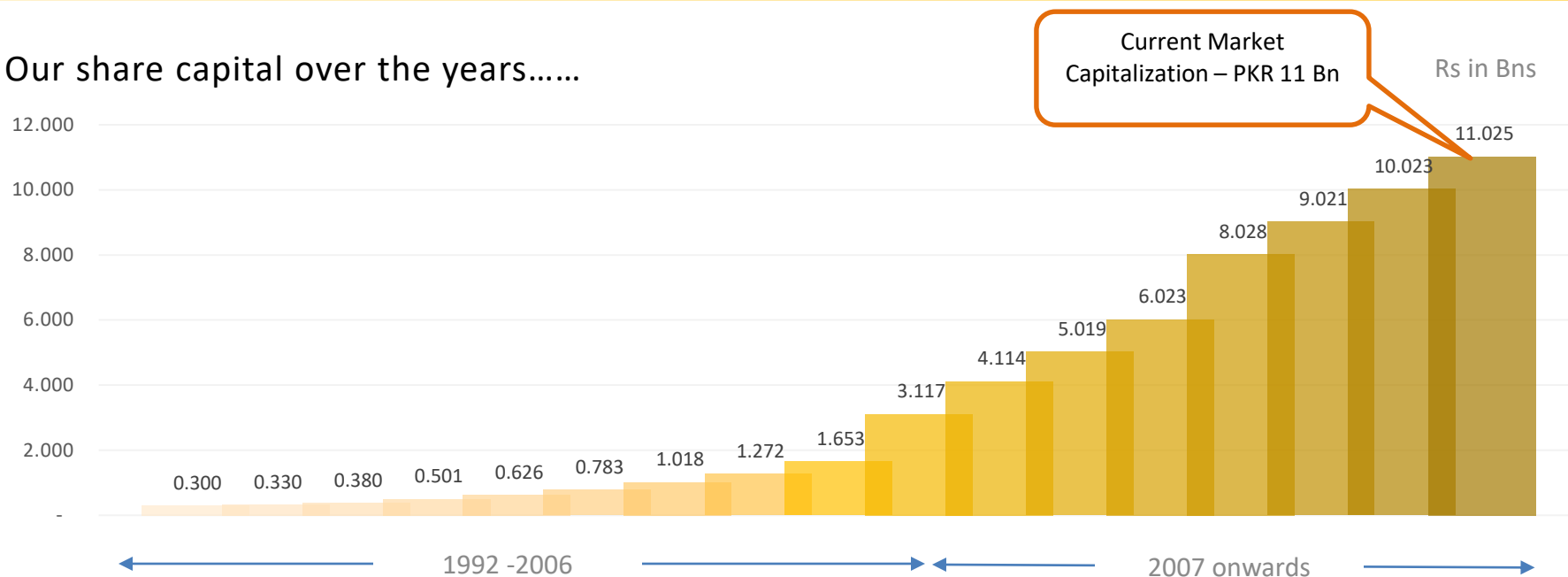
**Data as of September 30, 2019*

Governance Structure and Profile:

The Bank's primary sponsors, the Feerasta Family collectively own majority shares in the Bank. The Feerasta Family has diverse commercial interests ranging from manufacturing, trade and banking, and are the main sponsors of the Rupali Group. The eight-member BoD, with diversified experience, comprises three nominees of the Feerasta family, three independent directors, one NIT representative, and the CEO.

Equity Progression

Our share capital over the years.....

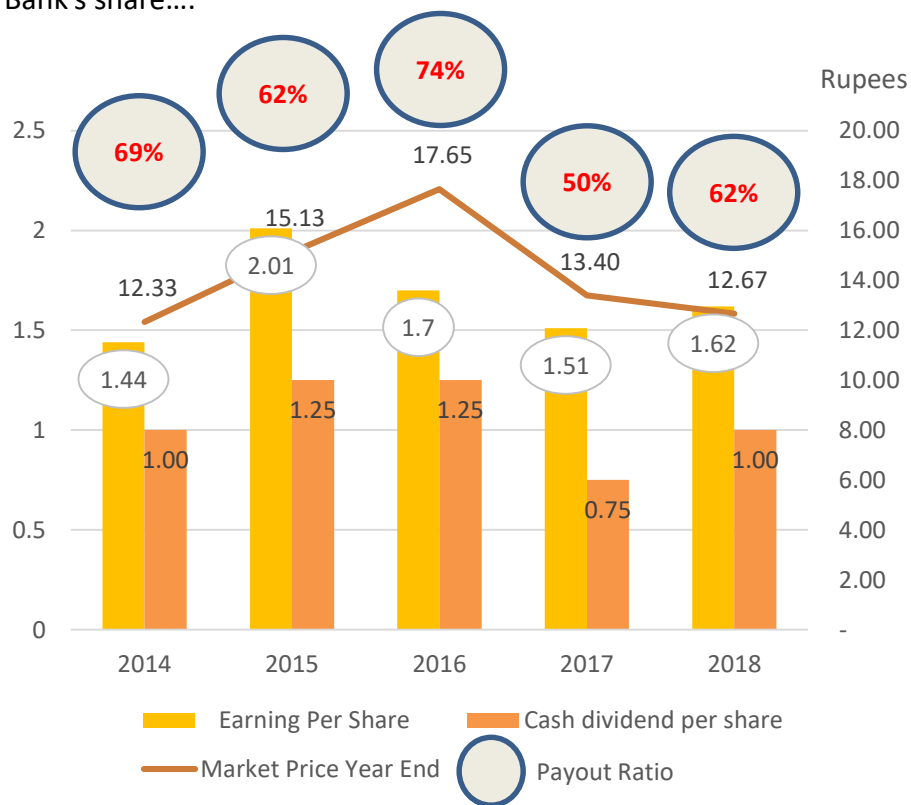


- The growth in capital has resulted through Capital Retention Strategies by way of Bonus as well as Right Issues, to support capital adequacy requirements
- Over the last five years, cash dividend payout has been fairly consistent.
- The Bank has a free float at 275.61 Mn or 25% (November 2019)
- Our share normally trades at a BV multiple of 0.85x

Key Indicators	2014	2015	2016	2017	2018
Cash dividend per share	10%	12.50%	12.50%	7.50%	10%
Earning Per Share	1.44	2.01	1.7	1.51	1.62
Market Value per share- period end	12.33	15.13	17.65	13.4	12.67
Market Value - High during the year	16.73	15.35	17.9	19.2	14.4
Market Value - Low during the year	9.5	10.06	12.76	12.25	11.76
Book Value per share	17.00	18.15	16.59	16.78	16.32
Price to book value (net assets based)	0.73	0.83	1.06	0.8	0.78
Price to Earning Ratio	8.56	7.54	10.36	8.9	7.83

Earnings, Payouts and Shareholding Pattern

Presented below is the Bank's Dividend payout, as compared to the earnings for the relevant year and the market price of the Bank's share....



Pattern of Shareholding – September 2019

Particulars	Shares (Millions)	Percentage
DIRECTORS, CEO & THEIR SPOUSES AND MINOR CHILDREN	10.13	0.92
ASSOCIATED COMPANIES	628.21	56.98
NIT	104.45	9.48
BANKS, DFI & NBFI	22.43	2.03
INSURANCE COMPANIES	13.56	1.23
MUTUAL FUNDS	0.01	0.00
GENERAL PUBLIC (LOCAL)	138.80	12.59
GENERAL PUBLIC (FOREIGN)	8.51	0.77
OTHERS	14.92	1.35
JOINT STOCK COMPANIES	161.34	14.64
FOREIGN COMPANIES	0.10	0.01
MODARABAS	0.00	0.00
Total	1,102.46	100.00



Investors' Perspective

SNBLs shares are listed on the PSX, having a market capitalization of ~ PKR 11 Bn (27 November 2019). Additionally, the Bank has had the following issues listed at the PSX:

The Bank issued its first, rated, listed TFC, having an issue size of Rs. 1.2 Billion in the year 2005, which matured in 2013, priced at KIBOR+1.6%

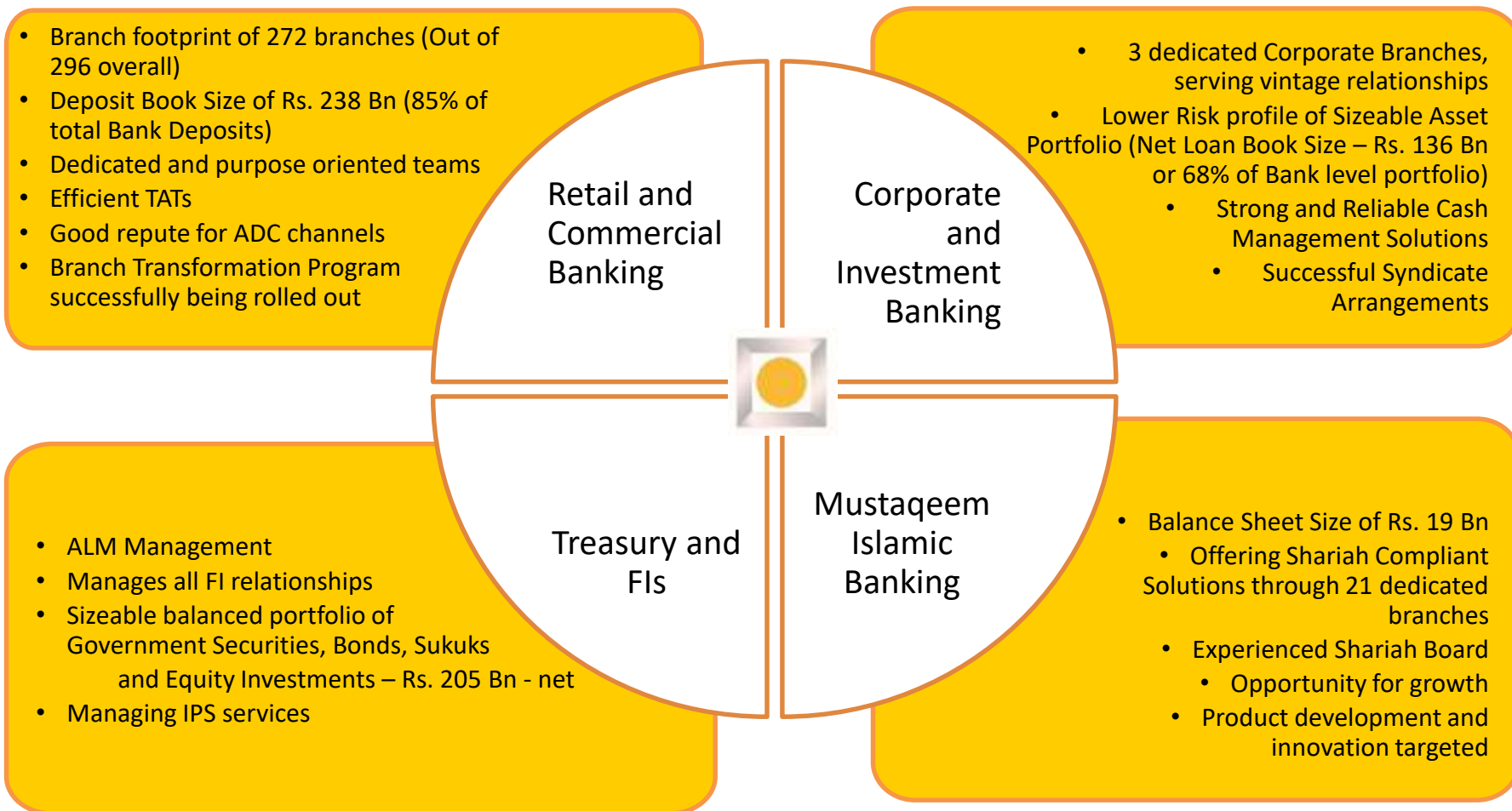
Rated
A+

The Bank's second, rated, listed TFC, having an issue size of Rs. 3 Billion was issued in the year 2015, and has a maturity falling due in July 2023, and is priced at KIBOR+1.35%

Rated
A

The Bank latest, rated, perpetual and listed TFC, (ADT 1) having an issue size of Rs. 4 Billion was issued in the year 2018, and is currently priced at KIBOR+2%

How we operate.....



Some Key developments



Technology:

We successfully rolled out all of the Bank's branches onto Temenos (T24) Core Banking System in April 2018, gearing up our technological platform for enhanced competitive advantage



Capital:

Issued our first ever rated, listed, perpetual TFC of Rs. 4 Bn (ADT 1), thereby providing a sufficient buffer to facilitate business expansion and growth

Soneri Bank



Branch Banking Transformation:

Invested in a transformation program to facilitate required structural changes in order to maintain a competitive advantage through an improved business model

Drive to scale up the business:

Various initiatives have been undertaken with an aspiration to scale up the business, through expanding outreach, building up the Consumer and Islamic Offerings, Digital and Product Development, etc.

- We intend to use our technological platform to facilitate cross functional operational activities across the Bank through advanced data analytics, to serve our clients better.
- With the ADT1 issue, we have improved our CET 1 Ratio (~10.18), our overall CAR (~15.17), and have increased our capacity to lend and grow the loan book.
- With more focus on customer retention through strong relationship management process and setting up a new structure within the distribution platform, we are targeting to improve and scale up our business through cross sell, product differentiation, and better understanding of customer needs.
- We intend to increase our branch footprint as well as improve on our digital offerings to scale up the business, thereby increasing productivity and maximizing returns.

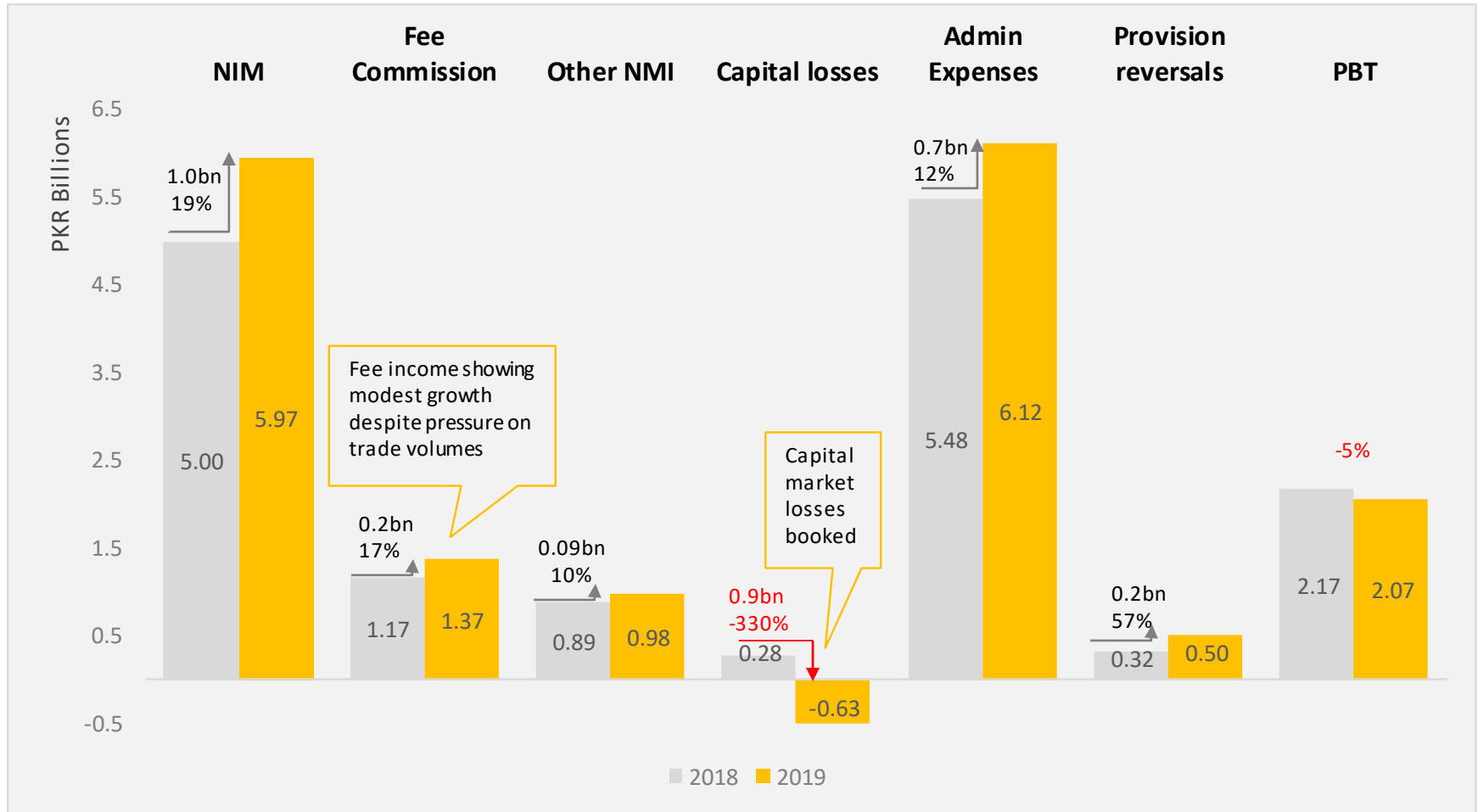
Financial Performance Review

Profit & Loss Snapshot – 9M2019

Rs in Mln	9M2019	9M 2018	Variance	YoY
Mark-up / return / interest earned	26,986	15,114	11,872	79%
Mark-up / return / interest expensed	21,018	10,113	10,905	108%
Net mark-up / interest income	5,967	5,001	966	19%
Non mark-up / interest income				
Fee and commission income	1,367	1,168	199	17%
Dividend income	207	153	54	35%
Foreign exchange income	749	707	42	6%
(Loss) / gain on securities - net	(629)	273	(902)	-330%
Other income	27	33	(5)	-16%
Total non-markup / interest Income	1,722	2,334	(612)	-26%
Total income	7,689	7,334	355	5%
Non mark-up / interest expenses				
Operating expenses	6,173	5,416	756	14%
Workers' welfare fund	(114)	50	(163)	-330%
Other charges	59	17	43	259%
Total non mark-up / interest expenses	6,118	5,482	636	12%
Profit before provisions	1,571	1,852	(281)	-15%
Reversals and write offs – net	(495)	(315)	(180)	57%
Profit before taxation	2,066	2,167	(102)	-5%
Taxation	855	874	(19)	-2%
Profit after taxation	1,211	1,294	(83)	-6%
Basic and Diluted Earnings per share (Rs)				
	1.0985	1.1734	(0.0749)	-6%

- **Net Mark up Income** increased by **Rs. 966 Mn** or **19% YoY**
- **Core Fee and Commission Income** increased by **17% YoY**
- **Total Revenue** up by **Rs. 355 Mn** or **5% YoY**, despite negative impact of capital market losses
- **Net Reversals** up by **Rs. 180 Mn** or **57% YoY**, aiding bottom line profitability
- **Advances income** up by **97%** with yield improvement from **7.16% CPLY** to **11.80%** and Average volume growth of **Rs. 32 Bn.**
- **Investment yields** of **10.79%** has improved from **6.75%** with T-bills and PIBs mix of **65%** and **31%** respectively. The weighted average duration of outstanding T-Bills and PIBs is **113 days** and **544 days** respectively.
- **CoD** of **7.79%**, increased by **375bps** from **4.04% CPLY** driven by DR increase of **475bps.**
- **Spreads** improved by **70bps** to **3.10%** compared to CPLY **2.41%.**
- **KSE-100** capital market index followed a declining trend in 2019 by shedding **4000** plus points resulting in capital loss of **~ Rs. 655 Mn.**

Profit & Loss - 9M 2019 vs CPLY

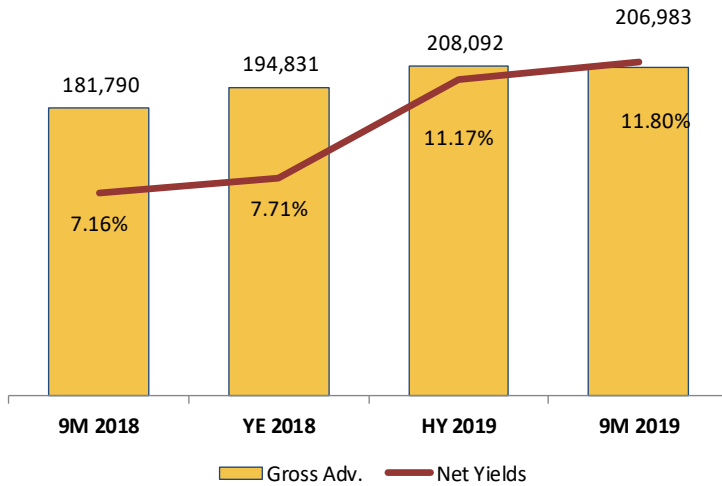


Balance Sheet Snapshot

	9M 2019	YE 2018	Variance vs YE 2018	
	Rs. In Million		Amount	%
Assets				
Cash and balances	24,528	26,020	(1,492)	-6%
Balance with Other Banks	1,693	1,180	514	44%
Lending to Financial Ins.	4,503	3,921	582	15%
Investment - Net	210,957	146,646	64,312	44%
Advances -Net	199,275	186,475	12,800	7%
Fixed Assets	8,636	6,693	1,943	29%
Other Assets	14,753	11,563	3,189	28%
	464,345	382,498	81,847	21%
Liabilities				
Bills Payables	3,521	3,994	(473)	-12%
Borrowings	142,792	81,963	60,829	74%
Deposits	280,563	262,379	18,184	7%
Sub-Ordinated Loans	6,995	6,996	(1)	0%
Deferred Tax Liab. - Net	348	120	228	190%
Other Liabilities	11,562	9,057	2,505	28%
	445,780	364,509	81,271	22%
Net Assets	18,565	17,989	576	3%
Represented By:				
Share Capital	11,025	11,025	-	0%
Reserves	2,351	2,109	242	11%
Surplus on Reval. of asset	954	543	412	76%
Unappropriated Profit	4,234	4,312	(78)	-2%
	18,565	17,989	576	3%

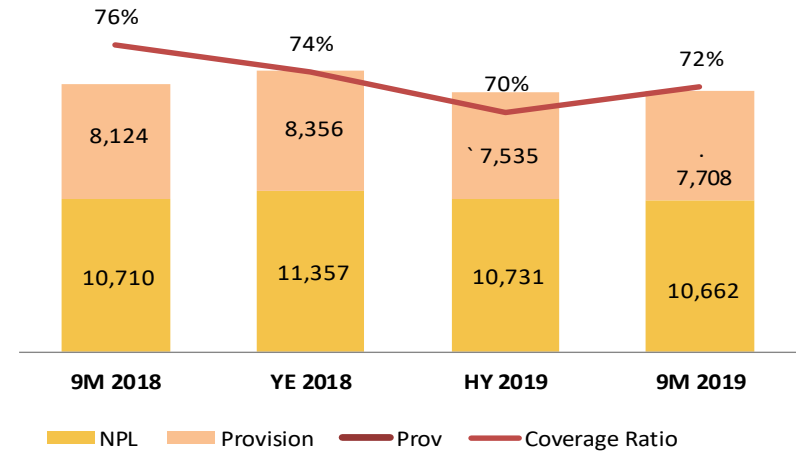
Advances & Investments

Gross Advances & Yields

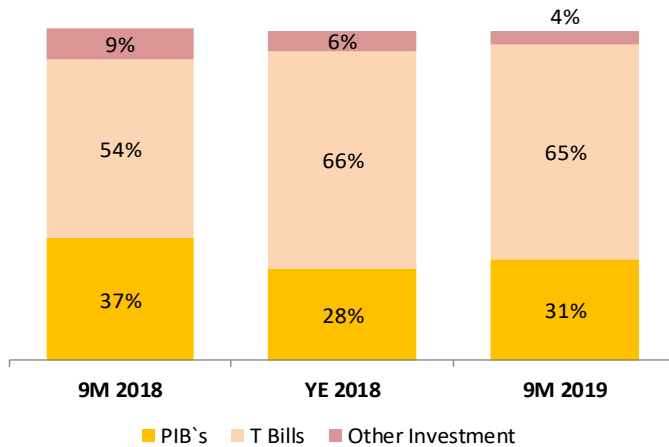


Good Advances Yields YTD Sept: **11.98%**.

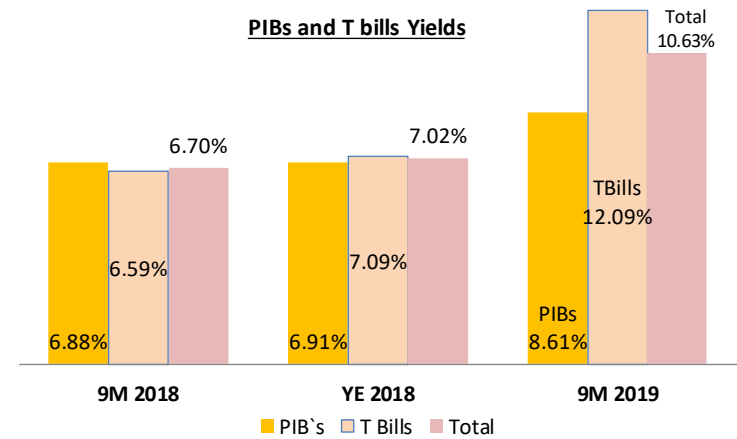
NPL's & Coverage



Investment Mix

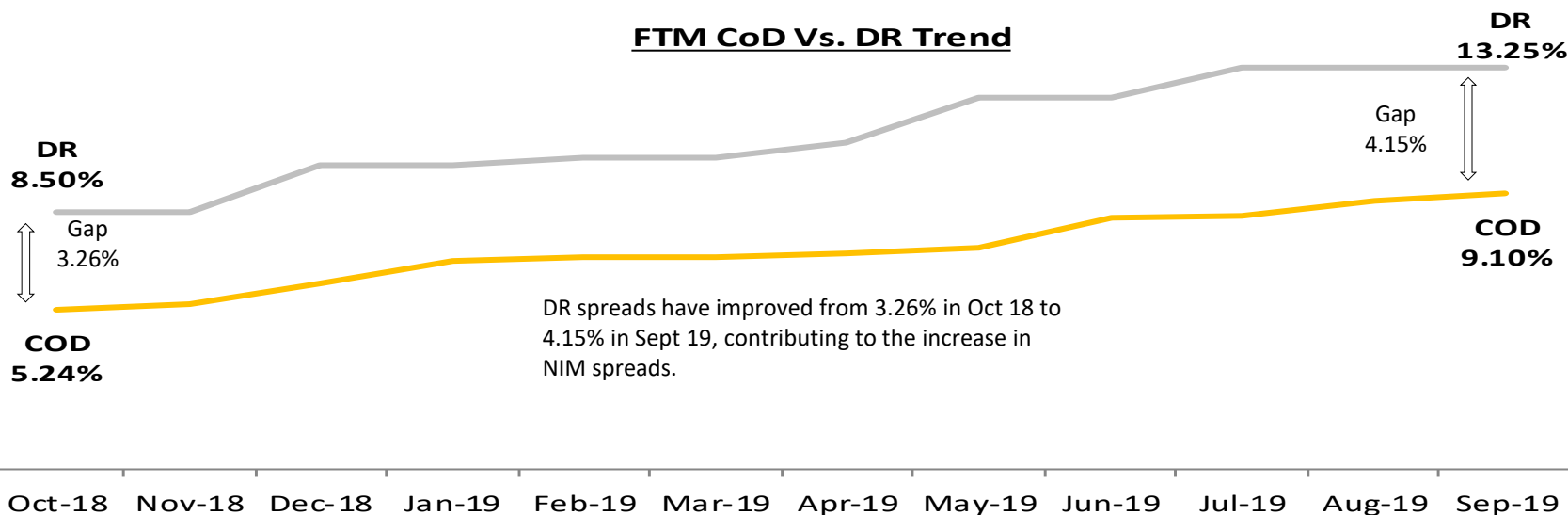


PIBs and T bills Yields



Deposits

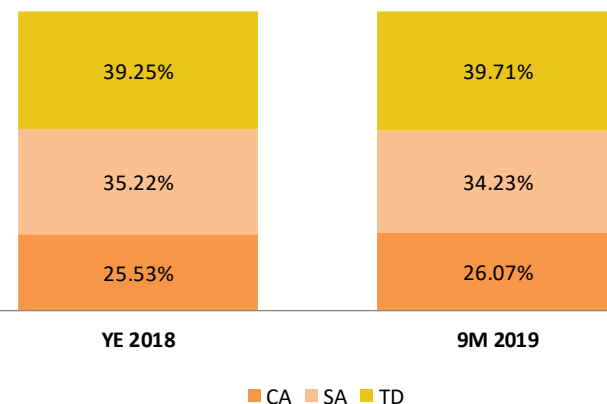
FTM CoD Vs. DR Trend



EOP Balances (PKR Mn)	YE 2018	9M 2019	Growth 9M 2019 vs YE 2018	
CA	66,992	73,140	6,148	9.2%
SA	92,412	96,023	3,611	3.9%
CASA	159,404	169,163	9,759	6.1%
TD	102,975	111,400	8,425	8.2%
Total	262,379	280,563	18,184	6.9%

Average Balances (PKR Mn)	YE 2018	9M 2019	Growth 9M 2019 vs YE 2018	
CA	60,830	66,074	5,243	8.6%
SA	92,579	101,336	8,757	9.5%
CASA	153,409	167,410	14,001	9.1%
TD	75,638	99,301	23,664	31.3%
Total	229,047	266,711	37,665	16.4%
COD YTD	4.44%	7.79%	3.35%	

Deposits Mix (EOP)



Key Ratios

	Financial Ratios	UoM	9M 2019	YE 2018	9M 2018
Profit Ratios	Yield - Earning Assets	%	11.27%	7.33%	6.86%
	CoF	%	8.17%	4.79%	4.45%
	Spread	%	3.10%	2.54%	2.41%
	COD	%	7.79%	4.44%	4.04%
	NFI excl CG and Div / Total Revenue	%	27.18%	26.84%	25.98%
Expense Ratio	Cost to Income Ratio	%	78.12%	72.26%	74.75%
	Staff cost / Total cost (Annualised)	%	40.17%	44.00%	40.99%
Return	ROAE%	%	9.22%	10.54%	10.34%
	ROAA%	%	0.38%	0.50%	0.53%
CAR	CAR	%	15.17%	14.70%	12.60%
	CET 1 Ratio	%	10.18%	9.64%	10.04%
Volumes	CA Mix	%	26.07%	25.25%	27.19%
	SA Mix	%	34.23%	35.51%	38.03%
	TD Mix	%	39.71%	39.24%	34.78%
	CASA Mix	%	60.29%	60.76%	65.22%
	Deposit per branch	Rs in Mn	948	889	829
Advances and NPLs	ADR - Gross	%	73.77%	74.00%	75.36%
	Infection %	%	5.15%	5.83%	5.89%
	Coverage %	%	72.30%	73.58%	75.86%

Key takeaways

Key takeaways – 30 September 2019



Net Mark up Income reflects a healthy increase of **Rs. 966.272 Mn** or **19% YoY**

Core Fee and Commission Income also increased by **17% YoY**

Total Revenue up by **Rs. 354.541 Mn** or **4.83% YoY**, despite negative impact of capital market losses

Net Reversals up by **Rs. 179.849 Mn** or **57.05% YoY**, further aiding bottom line profitability



- With CAR% at 15.17%, CET1 Ratio at 10.18%, LCR at 108.79% and NSFR at 114.36%, the Bank remains adequately capitalized and there are no liquidity constraints
- Cost to Income ratio is high – focus remains to further improve revenues while keeping costs in check
- CA Mix Improvement shall continue to be targeted – to improve spreads further
- Historical trend indicates that payouts have always been fairly consistent, and regular
- Our ADR mix, coupled with a low infection ratio helps us deliver consistent results and our ALM strategy focuses on maximizing shareholder returns
- With renewed focus on productivity and efficiency, we intend to keep costs in check, but we continue to invest in our people, technological infrastructure and branch network to remain competitive

Aspirations

We continue to serve our customers and stakeholders with pride, providing unmatched quality services...

Going forward,

- ❖ With a target balance sheet footing of half a trillion, we shall be entering the mid-sized bank category by the year 2021;
- ❖ For us to outperform peers, catch up is required in the next 3-4 years by focusing on relationship management with aim to build the overall deposits base of around Rs. 500 billion. Our strategy is to enhance Branch Productivity, by building a core and stable Deposits portfolio and maintaining an improved low cost deposit mix (with target CA mix of over 31%), and encouraging cross sell.
- ❖ We shall continue to expand our outreach enabling access to the unbanked, with targeted Branch network of 425 to 450 branches by 2022-23;
- ❖ We intend to deepen our trade business lines by improving the current industry share to over 5% by 2022-23;
- ❖ We intend to improve our coverage and focus on effective NPL and portfolio management;
- ❖ Our focus would be on proactive technological advancements, digital banking channels, so as to build on a sustainable competitive advantage;

We expect to deliver improved returns, through reinforced sustainability measures, and by optimizing capital allocation so as to improve profitability, and enhance distributions to shareholders

Questions and Answers

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