



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



**BANK AL HABIB LIMITED AND ITS SUBSIDIARY COMPANIES
 DIRECTORS' REPORT ON AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

The Directors are pleased to present the Audited Consolidated Financial Statements of Bank AL Habib Limited and the Bank's Subsidiaries AL Habib Capital Markets (Private) Limited and AL Habib Credit & Finance (Hong Kong) Limited for the year ended December 31, 2015.

	(Rupees in '000)
Profit for the year before tax	12,265,649
Taxation	(4,933,897)
Profit for the year after tax	<u>7,331,752</u>
Share of loss attributable to Non-controlling interest	990
Profit attributable to shareholders	<u>7,332,742</u>
Un-appropriated profit brought forward	7,912,345
Transfer from surplus on revaluation of fixed assets - net of tax	52,856
Other comprehensive income	(68,080)
Profit available for appropriation	<u>15,229,863</u>
Appropriations:	
Transfer to Statutory Reserve	(1,480,982)
Cash dividend – 2014	(3,334,276)
	<u>(4,815,258)</u>
Un-appropriated profit carried forward	<u>10,414,605</u>
Earnings per share (after tax) – Holding company	<u>Rs. 6.60</u>

Pattern of Shareholding

The pattern of shareholding as at December 31, 2015 is annexed with the financial statements of Bank AL Habib Limited.

On behalf of the Board of Directors

Karachi: January 27, 2016

SYED MAZHAR ABBAS
Director



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **Bank AL Habib Limited** and its subsidiary companies (the Group) as at 31 December 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Bank AL Habib Limited and its subsidiary company namely AL Habib Capital Markets (Private) Limited except for AL Habib Credit and Finance (Hong Kong) Limited which was audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such entity, is based solely on the report of such other auditors. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Bank AL Habib Limited and its subsidiary companies as at 31 December 2015 and the results of their operations for the year then ended.

Karachi: January 27, 2016

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2015**

	Note	2015 (Rupees in '000)	2014
ASSETS			
Cash and balances with treasury banks	8	38,577,760	34,201,844
Balances with other banks	9	3,204,284	4,352,769
Lendings to financial institutions	10	5,818,072	—
Investments - net	11	355,081,488	331,737,516
Advances - net	12	205,858,857	181,357,100
Operating fixed assets	13	15,782,394	13,917,781
Deferred tax assets - net		—	—
Other assets	14	15,700,959	13,743,430
		640,023,814	579,310,440
LIABILITIES			
Bills payable	15	8,665,462	7,984,808
Borrowings	16	62,592,299	78,455,452
Deposits and other accounts	17	516,197,547	446,311,464
Sub-ordinated loans	18	2,994,600	3,743,700
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net	19	3,627,612	2,769,852
Other liabilities	20	7,754,760	7,018,601
		601,832,280	546,283,877
NET ASSETS		38,191,534	33,026,563
REPRESENTED BY:			
Share capital	21	11,114,254	11,114,254
Reserves		10,329,233	8,760,911
Unappropriated profit		10,414,605	7,912,345
Equity attributable to the shareholders of the Holding company		31,858,092	27,787,510
Non-controlling interest		112,979	113,969
Total equity		31,971,071	27,901,479
Surplus on revaluation of assets - net of tax	22	6,220,463	5,125,084
		38,191,534	33,026,563
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ABBAS D. HABIB
*Chief Executive and
 Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 (Rupees in '000)	2014
Mark-up / return / interest earned	25	50,310,263	44,007,124
Mark-up / return / interest expensed	26	(25,475,557)	(24,933,172)
Net mark-up / return / interest income		24,834,706	19,073,952
Provision against non-performing loans and advances - net	12.6	(1,763,279)	(552,989)
Provision for diminution in the value of investments	11.4	(202,022)	(5,463)
Bad debts written-off directly	12.7	(34)	-
		(1,965,335)	(558,452)
Net mark-up / return / interest income after provisions		22,869,371	18,515,500
NON MARK-UP / INTEREST INCOME			
Fees, commission and brokerage income		2,320,893	1,984,114
Dividend income		536,664	328,596
Income from dealing in foreign currencies		707,484	854,437
Gain on sale / redemption of securities - net	27	136,864	22,560
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-
Share of profit from associates		89,066	124,033
Other income	28	695,498	636,131
Total non mark-up / interest income		4,486,469	3,949,871
		27,355,840	22,465,371
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	(14,749,244)	(12,249,905)
Other provisions / write-offs	30	(38,535)	(9,249)
Other charges	31	(302,412)	(202,978)
Total non mark-up / interest expenses		(15,090,191)	(12,462,132)
Extra-ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		12,265,649	10,003,239
Taxation – Current		(4,509,205)	(3,498,182)
– Prior years		(500,484)	-
– Deferred		75,792	(68,687)
	32	(4,933,897)	(3,566,869)
PROFIT AFTER TAXATION		7,331,752	6,436,370
Attributable to:			
Shareholders of the Holding company		7,332,742	6,432,145
Non-controlling interest		(990)	4,225
		7,331,752	6,436,370
(Rupees)			
Basic and diluted earnings per share attributable to equity holders of the Holding company	33	6.60	5.79

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ABBAS D. HABIB
Chief Executive and
Managing Director

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 (Rupees in '000)	2014
Profit after taxation for the year		7,331,752	6,436,370
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss account</i>			
Exchange differences on translation of net investment in foreign operations		87,340	(78,284)
<i>Items that will never be reclassified to profit or loss subsequently</i>			
Remeasurement of defined benefit plan	36.6	(104,739)	48,215
Related tax charge		36,659	(16,875)
		(68,080)	31,340
Comprehensive income transferred to equity		7,351,012	6,389,426
<i>Components of comprehensive income not reflected in equity</i>			
Surplus on revaluation of available for sale securities		2,037,005	2,807,895
Related tax charge		(884,866)	(803,378)
		1,152,139	2,004,517
Surplus on revaluation of operating fixed assets		–	1,327,022
Related tax charge		–	(254,864)
		–	1,072,158
Total comprehensive income		8,503,151	9,466,101
Attributable to :			
Shareholders of the Holding company		8,500,107	9,466,250
Non-controlling interest		3,044	(149)
		8,503,151	9,466,101

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ABBAS D. HABIB
Chief Executive and
Managing Director

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



**CONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 (Rupees in '000)	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	12,265,649	10,003,239
Less: Dividend income	(536,664)	(328,596)
	<u>11,728,985</u>	<u>9,674,643</u>
Adjustments for:		
Depreciation	1,182,001	993,871
Amortisation	85,720	78,381
Provision against non-performing loans and advances - net	1,763,279	552,989
Provision for diminution in the value of investments	202,022	5,463
Gain on sale of operating fixed assets	(56,359)	(75,610)
Share of profit from associates	(89,066)	(124,033)
Gain on sale / redemption of securities - net	(136,864)	(22,560)
Charge for compensated absences	49,654	35,390
Provision against off-balance sheet items	38,535	9,249
	<u>3,038,922</u>	<u>1,453,140</u>
	14,767,907	11,127,783
Increase in operating assets		
Lendings to financial institutions	(5,818,072)	—
Advances - net	(26,265,036)	(14,341,019)
Other assets	(1,964,680)	(7,042,014)
	<u>(34,047,788)</u>	<u>(21,383,033)</u>
Increase / (decrease) in operating liabilities		
Bills payable	680,654	1,811,706
Borrowings	(15,201,573)	48,308,542
Deposits	69,886,083	60,212,636
Other liabilities - (excluding provision for taxation)	689,875	948,823
	<u>56,055,039</u>	<u>111,281,707</u>
	36,775,158	101,026,457
Income tax paid	(5,163,520)	(2,953,852)
Net cash generated from operating activities	<u>31,611,638</u>	<u>98,072,605</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(21,693,178)	(88,841,640)
Net investment in associates	458,807	39,191
Dividend received	536,206	333,686
Investments in operating fixed assets	(3,202,531)	(1,863,328)
Sale proceeds from disposal of operating fixed assets	130,259	99,113
Net cash used in investing activities	<u>(23,770,437)</u>	<u>(90,232,978)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of sub-ordinated loans	(749,100)	(2,742,200)
Dividend paid	(3,290,430)	(1,995,695)
Net cash used in financing activities	<u>(4,039,530)</u>	<u>(4,737,895)</u>
Exchange differences on translation of net investment in foreign operations	87,340	(78,284)
Increase in cash and cash equivalents	3,889,011	3,023,448
Cash and cash equivalents at beginning of the year	37,887,729	34,864,281
Cash and cash equivalents at end of the year	34 <u>41,776,740</u>	<u>37,887,729</u>

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ABBAS D. HABIB
 Chief Executive and
 Managing Director

SYED MAZHAR ABBAS
 Director

ANWAR HAJI KARIM
 Director

SYED HASAN ALI BUKHARI
 Director



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2015**

	Attributable to shareholders of the Holding Company						Sub Total	Non-controlling Interest	Total
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Unappropriated Profit			
				Special Reserve	General Reserve				
(Rupees in '000)									
Balance as at 01 January 2014	10,103,868	6,662,862	240,045	126,500	540,000	5,703,859	23,377,134	109,744	23,486,878
Total comprehensive income for the year ended 31 December 2014:									
Profit after tax	-	-	-	-	-	6,432,145	6,432,145	4,225	6,436,370
Other comprehensive income	-	-	(78,284)	-	-	31,340	(46,944)	-	(46,944)
	-	-	(78,284)	-	-	6,463,485	6,385,201	4,225	6,389,426
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	45,947	45,947	-	45,947
Transfer to statutory reserve	-	1,269,788	-	-	-	(1,269,788)	-	-	-
Transactions with owners, recorded directly in equity:									
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(2,020,772)	(2,020,772)	-	(2,020,772)
Issue of bonus shares in the ratio of 10 shares for 100 shares held	1,010,386	-	-	-	-	(1,010,386)	-	-	-
Balance as at 31 December 2014	11,114,254	7,932,650	161,761	126,500	540,000	7,912,345	27,787,510	113,969	27,901,479
Total comprehensive income for the year ended 31 December 2015:									
Profit after tax	-	-	-	-	-	7,332,742	7,332,742	(990)	7,331,752
Other comprehensive income	-	-	87,340	-	-	(68,080)	19,260	-	19,260
	-	-	87,340	-	-	7,264,662	7,352,002	(990)	7,351,012
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	52,856	52,856	-	52,856
Transfer to statutory reserve	-	1,480,982	-	-	-	(1,480,982)	-	-	-
Transaction with owners, recorded directly in equity:									
Cash dividend (Rs. 3 per share)	-	-	-	-	-	(3,334,276)	(3,334,276)	-	(3,334,276)
Balance as at 31 December 2015	11,114,254	9,413,632	249,101	126,500	540,000	10,414,605	31,858,092	112,979	31,971,071

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ABBAS D. HABIB
*Chief Executive and
 Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding company

- Bank AL Habib Limited

Subsidiaries

- AL Habib Capital Markets (Private) Limited

- AL Habib Credit & Finance (Hong Kong) Limited

1.2 Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan (subsequent to year end due to demutualisation all stock exchanges are integrated into Pakistan Stock Exchange). It is a scheduled bank principally engaged in the business of commercial banking with a network of 423 branches (2014: 351 branches), 105 sub-branches (2014: 108 sub-branches) and 03 representative offices (2014: 03 representative offices). The branch network of the Bank includes 03 overseas branches (2014: 03 overseas branches) and 29 Islamic Banking branches (2014: 17 Islamic Banking branches).

1.3 The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The Company was incorporated in Pakistan on 23 August 2005 as a private limited company under the Companies Ordinance, 1984. The company is a corporate member of the Karachi Stock Exchange Limited (subsequent to year end due to demutualisation all stock exchanges are integrated into Pakistan Stock Exchange) and is engaged in equity, money market and foreign exchange brokerage services, equity research, corporate financial advisory and consultancy services.

1.4 AL Habib Credit & Finance (Hong Kong) Limited is a wholly owned subsidiary of the Bank. It is a limited liability company incorporated and domiciled in Hong Kong. The Company has not commenced operations and is in the process of obtaining a Deposit Taking Companies license from the Hong Kong Monetary Authority.

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 04, dated 17 February 2006.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these consolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS).

2.3 The financial results of the Islamic Banking branches have been consolidated in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 44.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements of the Group have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise International Financial Reporting Standards (IFRS) issued by the International



Accounting Standards Board (IASB) and IFAS issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations / directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or regulations / directives issued by SECP and SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.

- 3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for the certain investments, land and buildings and derivative financial instruments which are revalued as referred to in notes 5.5, 5.7, 5.15 and 5.16 below.

5. SIGNIFICANT ACCOUNTING POLICIES

- 5.1 The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except for the following standards, which became effective during the year:

New, amended and revised standards and interpretations of IFRSs

- IFRS 10 'Consolidated Financial Statements' replaces the current guidance on consolidation in IAS 27 'Consolidated and Separate Financial Statements'. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on de-facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. The application of IFRS 10 did not result in any investee being in control of the Group.
- IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' it requires all joint ventures to be equity accounted hereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept to jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as joint venture.
- IFRS 12 'Disclosure of Interests in Other Entities' prescribes additional disclosures around significant judgments and assumptions meet in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interest in unconsolidated structured entities. The application of IFRS 12 does not have an impact on the consolidated financial statements of the Group.
- IFRS 13 'Fair Value Measurement' consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the consolidated financial statements of the Group except for certain disclosures as mentioned in note 39.



5.2 Basis of consolidation

These consolidated financial statements include the financial statements of the Holding Company and its subsidiaries.

Subsidiaries are entities controlled by the entity. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the Holding company and subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant inter-company transaction have been eliminated.

Non-controlling interest are part of results of operations and net assets of the subsidiary company attributable to interests which are not owned by the Group. Interest in the equity of the subsidiary not attributable to the Holding Company is reported in the consolidated statement of changes in equity as non-controlling interest. Profit or loss attributable to non-controlling interest is reported in the consolidated profit and loss account as profit or loss attributable to non-controlling interest.

5.3 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated cash flow statement comprises cash and balances with treasury banks and balances with other banks less overdrawn nostros accounts.

5.4 Repurchase / resale agreements

The Bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these arrangements are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions and Government of Pakistan. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

5.5 Investments

Investments (other than associates) are classified as follows:

Held for trading

These are investments acquired principally for the purpose of generating profits from short - term fluctuations in price or dealer's margin or are securities included in a portfolio in which a pattern of short - term trading exists.

Held to maturity

These are investments with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold till maturity.

Available for sale

These are investments which do not fall under the held for trading and held to maturity categories.



All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investments.

Investments (other than held for trading) are initially measured at fair value plus transaction cost associated with the investment. Investments classified as held for trading are initially measured at fair value, and transaction costs are expensed in the profit and loss account.

After initial recognition, quoted securities, other than those classified as held to maturity, are carried at market value. Unquoted securities are valued at cost less impairment in value, if any. Held to maturity securities are carried at amortised cost.

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to a separate account which is shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

Provision for diminution in the values of securities (except for debt securities) is made after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities. Provision for impairment against debt securities is made in accordance with the requirements of the Prudential Regulations of SBP. In case of unquoted equity securities, the breakup value of the security should be considered to determine impairment amount.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

Investments in associates

Investment in associates are accounted by using equity method of accounting.

5.6 Advances

Loans and advances

These are stated net of provisions for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations and is charged to the profit and loss account. The Bank also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of the management's risk assessment. Advances are written off when there are no realistic prospects of recovery.

Finance lease receivables

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments including any guaranteed residual value.

Ijarah finance

In accordance with the requirements of IFAS 2 'Ijarah', assets leased out under ijarah arrangements on or after 01 January 2009 are stated at cost less depreciation and impairment, if any and included under "Advances". Such assets are depreciated over the terms of Ijarah contracts. Ijarah arrangements executed before the above referred date are accounted for as finance lease.

Murabaha

Funds disbursed under murabaha arrangements for purchase of goods are recorded as advance for murabaha. On culmination of murabaha i.e. sale of goods to customers, murabaha receivables are recorded at the sale price net of deferred income. Goods purchased but remaining unsold at the reporting date are recorded as inventories.



Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount hence financed is paid back to the Bank.

Diminishing Musharika

In Diminishing Musharika financing, the Bank enters into Musharika based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic rental payment agreement for the utilisation of the Bank's Musharika share by the customer. The customer purchases the Bank share gradually as per his undertaking.

Musawama

In Musawama financing, the Bank purchases specific goods / commodities on cash basis from its customer for onward sale. Upon realisation of sale proceeds the finance is adjusted.

5.7 Operating fixed assets

Tangible operating assets - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount. Buildings are initially measured at cost and upon revaluation, are carried at revalued amount less accumulated depreciation and impairment, if any. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit and loss account on straight line basis so as to charge the assets over their expected useful lives at the rates specified in note 13.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed annually and adjusted, if appropriate. Depreciation is charged on prorata basis, i.e., full month charge in the month of purchase and no charge in the month of disposal.

Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. The surplus arising on revaluation of fixed assets is credited to the "surplus on revaluation of assets" account shown below equity. The Group has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the requirements of the Companies Ordinance, 1984 and SECP's SRO 45(1)/2003 dated 13 January 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from surplus on revaluation of assets to unappropriated profit through statement of changes in equity to record realisation of surplus to the extent of the incremental depreciation charge for the year.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of land and buildings (net of deferred tax) is transferred directly to unappropriated profit.

Tangible operating assets - leased

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are accounted for by recording the assets and



related liability. These are stated at lower of fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 13.3. Intangible assets are amortised on prorata basis i.e. full month amortisation in the month of purchase and no amortisation in the month of disposal. Intangible assets with indefinite useful life are not amortised instead they are systematically tested for impairment annually.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any.

Impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

5.8 Employees' benefits

Defined benefit plan

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit or loss in subsequent periods.

Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

AL Habib Capital Markets (Private) Limited operates unapproved provident fund scheme for its confirmed employees. Contributions are made by the company and the employees at the rate of 10% of the basic salary with the terms of scheme.

Compensated absences

The Bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method.

5.9 Provisions against liabilities

These are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.



5.10 Provisions against off-balance sheet obligations

The Group, in the ordinary course of business, issues letters of credit, acceptances, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fees, commission and brokerage income" over the period of contracts. The Group liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

5.11 Sub-ordinated loans

Sub-ordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on sub-ordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

5.12 Revenue recognition

- (a) Mark-up / interest / return on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark-up is recognised on receipt basis. Mark-up / interest / return on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of SBP.
- (b) Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.
- (c) The rentals from ijarah are recognised as income over the term of the contract net of depreciation expense relating to the ijarah assets.
- (d) Income from murabaha is accounted for on a time proportionate basis over the period of murabaha transaction.
- (e) Dividend income is recognised when the right to receive is established.
- (f) Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.
- (g) Fee, commission and brokerage income are recognised as services are performed.

5.13 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current tax is based on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustments to the tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred

Deferred tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.



Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investment in foreign operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

5.14 Currency translation

Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees which is the Group's functional currency and presentation currency.

Transactions and balances in foreign currencies

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

Foreign operations

The assets and liabilities of foreign operations are translated to Pak Rupees at exchange rates prevailing at the reporting date. The income and expense of foreign operations are translated at rate of exchange prevailing during the year. Exchange gain or loss on such translation is taken to equity through statement of other comprehensive income under "foreign currency translation reserve".

Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities.

5.15 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period.

5.16 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.



5.17 Off - setting

Financial assets and financial liabilities are only off - set and the net amount is reported in the financial statements when there is a legally enforceable right to set - off the recognised amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off - set and the net amount is reported in the financial statements.

5.18 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recognised in the year in which these are approved, except appropriations required by the law which are recorded in the period to which they pertain.

5.19 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The segment reporting format has been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by SBP vide BSD Circular No. 04, dated, 17 February 2006. The Group's primary format of reporting is based on business segments.

5.19.1 Business segments

Retail banking

It consists of retail lending, deposits and banking services to private individuals and small businesses. The retail banking activities include provision of banking and other financial services, such as current and savings accounts, credit cards, consumer banking products etc., to individual customers, small merchants and SMEs.

Commercial banking

Commercial banking represents provision of banking services including treasury and international trade related activities to large corporate customers, multinational companies, government and semi government departments and institutions and SMEs treated as corporate under the Prudential Regulations.

Retail brokerage

Retail brokerage activities include the business of equity, money market and foreign exchange brokerage, equity research and corporate financial advisory and consultancy services.

5.19.2 Geographical segments

The Group operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

5.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at 31 December 2015.



5.21 Clients' assets

The Group provides services that result in the holding of assets on behalf of its clients. Such assets are not reported in the financial statements, as they are not the assets of the Group.

6. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

	Note
Classification of investments and provision for diminution in the value of investments	5.5 & 11
Provision against non - performing advances	5.6 & 12
Useful lives of assets and methods of depreciation and amortisation	5.7 & 13
Employees' benefit	5.8, 20 & 36
Provisions against off - balance sheet obligations	5.10 & 20
Current and deferred taxation	5.13 & 19

Change in accounting estimates

During the year, the Bank has increased the depreciation rate on improvements to leasehold buildings from 5% to 20% to reflect the pattern in which the asset's future economic benefits are expected to be consumed. Management has incorporated the effect of change in estimate in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" in the financial statements.

The effect of this change on depreciation expense in current and future years is as follows:

	2015	2016	2017
	(Rupees in '000)		
Increase in depreciation expense	28,051	181,189	181,189

7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of Approved Accounting Standards will be effective for accounting periods on or after 01 January 2016:

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Group's consolidated financial statements.



- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) (effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Group’s consolidated financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Group’s consolidated financial statements.
- Amendment to IAS 27 ‘Separate Financial Statement’ (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Group’s consolidated financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Group’s consolidated financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
 - IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
 - IFRS 7 ‘Financial Instruments-Disclosures’ is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by ‘Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)’ are not specifically required for inclusion in condensed interim financial statements for all interim periods.
 - IAS 19 ‘Employee Benefits’ is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
 - IAS 34 ‘Interim Financial Reporting’ is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Group’s consolidated financial statements.



	Note	2015 (Rupees in '000)	2014
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		9,727,215	7,299,919
Foreign currencies		837,409	915,477
		10,564,624	8,215,396
In transit:			
Local currency		27,610	12,500
Foreign currencies		62,107	239,827
		89,717	252,327
With SBP in:			
Local currency current accounts	8.1	13,513,411	15,325,359
Local currency current account-Islamic Banking	8.1	598,802	342,928
Foreign currency deposit accounts			
Cash reserve account	8.1	1,924,616	1,592,657
Cash reserve / special cash reserve account -Islamic Banking		29,956	24,317
Special cash reserve account	8.1	5,773,848	4,777,971
Local US Dollar collection account	8.2	15,750	19,588
		21,856,383	22,082,820
With National Bank of Pakistan (NBP) in:			
Local currency current accounts		6,034,612	3,618,592
National prize bonds		32,424	32,709
		38,577,760	34,201,844

8.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements.

8.2 This represents US Dollar collection account maintained with SBP.

	Note	2015 (Rupees in '000)	2014
9. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		582,773	1,093,739
Deposit account	9.1	500,000	600,000
Savings accounts	9.2	224,715	999,188
		1,307,488	2,692,927
Outside Pakistan			
Current accounts		1,724,248	1,027,760
Deposit accounts	9.3	172,548	632,082
		1,896,796	1,659,842
		3,204,284	4,352,769



9.1 This carries profit rate of 5.50% (2014: 8% to 8.50%) per annum.

9.2 These carry expected profit rates of 2.25% to 5% (2014: 5% to 7.39%) per annum.

9.3 These carry interest rates upto 0.05% to 0.30% (2014: 0.05% to 0.35%) per annum.

	Note	2015 (Rupees in '000)	2014
10. LENDINGS TO FINANCIAL INSTITUTIONS			
In local currency			
Bai Muajjal	10.1	1,825,278	—
Call money lendings	10.2	400,000	—
Repurchase agreement lendings (Reverse Repo)	10.3	3,592,794	—
		5,818,072	—

10.1 The rate of return on this product is 6% (2014: Nil) per annum having maturity upto one year.

10.2 This represents unsecured lendings carrying mark-up at a rate of 6.50% (2014: Nil) per annum having maturity period upto one month.

10.3 Securities held as collateral against repurchase agreement lendings

	2015			2014		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	3,592,794	—	3,592,794	—	—	—

10.3.1 These carry interest rates ranging from 6.35% to 6.50% (2014: Nil). The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 3,593 million (2014: Nil).



11. INVESTMENTS

	Note	2015			2014		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
11.1 Investments by type							
		(Rupees in '000)					
Available for Sale Securities	11.5						
Market Treasury Bills		96,543,319	39,361,572	135,904,891	101,974,927	56,253,740	158,228,667
Pakistan Investment Bonds		60,240,211	—	60,240,211	36,503,076	—	36,503,076
Foreign Currency Bonds		4,580,708	—	4,580,708	2,289,589	—	2,289,589
Sukuk Bonds		6,447,026	—	6,447,026	4,833,911	—	4,833,911
Fully paid-up ordinary shares - Listed		4,074,462	—	4,074,462	3,096,913	—	3,096,913
Fully paid-up ordinary shares - Unlisted		70,814	—	70,814	64,855	—	64,855
Term finance certificates - Listed		302,972	—	302,972	321,695	—	321,695
Term finance certificates - Unlisted		2,946,686	—	2,946,686	2,832,620	—	2,832,620
Units of mutual funds		1,550,000	—	1,550,000	1,576,763	—	1,576,763
		176,756,198	39,361,572	216,117,770	153,494,349	56,253,740	209,748,089
Held to Maturity Securities	11.2						
Pakistan Investment Bonds		130,462,425	—	130,462,425	115,819,871	—	115,819,871
Foreign Currency Bonds		1,879,702	—	1,879,702	970,913	—	970,913
Sukuk Bonds		696,890	—	696,890	701,047	—	701,047
Term finance certificates - Listed		—	—	—	86,826	—	86,826
		133,039,017	—	133,039,017	117,578,657	—	117,578,657
Associates	11.12						
Habib Sugar Mills Limited		396,615	—	396,615	368,997	—	368,997
Habib Asset Management Limited		84,236	—	84,236	82,304	—	82,304
First Habib Income Fund		142,719	—	142,719	284,734	—	284,734
First Habib Stock Fund		9,534	—	9,534	55,875	—	55,875
First Habib Cash Fund		144,106	—	144,106	339,968	—	339,968
First Habib Islamic Balanced Fund		9,812	—	9,812	26,736	—	26,736
		787,022	—	787,022	1,158,614	—	1,158,614
Investments at cost		310,582,237	39,361,572	349,943,809	272,231,620	56,253,740	328,485,360
Less: Provision for diminution in the value of investments	11.4	(213,185)	—	(213,185)	(11,163)	—	(11,163)
Investments (net of provisions)		310,369,052	39,361,572	349,730,624	272,220,457	56,253,740	328,474,197
Surplus on revaluation of available for sale securities-net		5,231,116	119,748	5,350,864	3,193,076	70,243	3,263,319
Total Investments		315,600,168	39,481,320	355,081,488	275,413,533	56,323,983	331,737,516

11.2 The aggregate market value of held to maturity securities as at 31 December 2015 amounted to Rs. 144,551 million (2014: Rs. 125,253 million).



	Note	2015 (Rupees in '000)	2014
11.3 Investments by segment			
<i>Federal Government Securities</i>			
Market Treasury Bills	11.6	135,904,891	158,228,667
Pakistan Investment Bonds	11.7	190,702,636	152,322,947
Foreign Currency Bonds	11.10	5,830,634	2,755,580
Sukuk Bonds	11.8	4,248,850	3,219,971
		336,687,011	316,527,165
<i>Fully paid-up ordinary shares</i>			
Listed companies	11.5.5	4,074,462	3,096,913
Unlisted companies	11.11	70,814	64,855
		4,145,276	3,161,768
<i>Term finance certificates, sukuks and bonds</i>			
<i>Term Finance Certificates</i>			
Term finance certificates - Listed		302,972	408,521
Term finance certificates - Unlisted		2,946,686	2,832,620
	11.9	3,249,658	3,241,141
Sukuk Bonds	11.8	2,895,066	2,314,987
Foreign Currency Bonds	11.10	629,776	504,922
		6,774,500	6,061,050
<i>Others</i>			
Units of mutual funds	11.5.9	1,550,000	1,576,763
Associates	11.12	787,022	1,158,614
		2,337,022	2,735,377
Investments at cost		349,943,809	328,485,360
Less: Provision for diminution in the value of investments	11.4	(213,185)	(11,163)
Investments (net of provisions)		349,730,624	328,474,197
Surplus on revaluation of available for sale securities - net		5,350,864	3,263,319
Total Investments		355,081,488	331,737,516



	Note	2015 (Rupees in '000)	2014
11.4 Particulars of provision for diminution in the value of investments			
Available for sale investments:			
Opening balance		11,163	6,586
Charge for the year		202,022	5,463
Reversal of provision upon disposal of investment		–	(886)
Closing balance	11.4.1	<u>213,185</u>	<u>11,163</u>

11.4.1 Particulars of provision in respect of type and segment

Available for sale investments:

Listed companies:

Pakistan Oilfields Limited	133,241	–
Pakistan Petroleum Limited	68,781	–
	<u>202,022</u>	<u>–</u>

Unlisted companies:

Karachi Stock Exchange Limited	5,463	5,463
Pakistan Export Finance Guarantee Agency Limited	5,700	5,700
	<u>11,163</u>	<u>11,163</u>
	<u>213,185</u>	<u>11,163</u>

11.5 Quality of available for sale securities

Name of security	Face value	2015		2014		2015		2014	
		Rating*	Cost	Carrying value	Cost	Carrying value	Cost	Carrying value	
	Rs. / USD		(Rupees in '000)						
11.5.1 Market Treasury Bills	–	Unrated	Unrated	135,904,891	158,228,667	136,211,678	158,462,190		
11.5.2 Pakistan Investment Bonds	–	Unrated	Unrated	60,240,211	36,503,076	64,400,771	38,443,902		
11.5.3 Foreign Currency Bonds									
Government of Pakistan Bonds	USD 100	B-	B-	1,338,682	945,547	1,390,228	1,024,596		
Government of Pakistan Bonds	USD 100	B-	B-	623,277	586,509	628,942	613,176		
Government of Pakistan Bonds	USD 100	B-	B-	588,574	252,611	590,426	256,453		
Government of Pakistan Bonds	USD 100	B-	–	536,822	–	530,178	–		
Government of Pakistan Bonds	USD 100	B-	–	529,239	–	537,389	–		
Government of Pakistan Bonds	USD 100	B-	–	334,338	–	323,002	–		
Government of Sri Lanka Bonds	USD 100	–	B+	–	100,606	–	100,726		
Kingdom of Bahrain	USD 100	BBB-	–	209,482	–	214,216	–		
Bank of Ceylon	USD 100	BB-	BB-	211,134	203,811	210,368	210,050		
Bank of Ceylon	USD 100	BB-	BB-	209,160	200,505	203,022	201,959		
				<u>4,580,708</u>	<u>2,289,589</u>	<u>4,627,771</u>	<u>2,406,960</u>		



11.5.4 Sukuk Bonds			Face	2015	2014	2015	2014	2015	2014
2015	2014	Name of security	value	Rating*		Cost		Carrying value	
No. of certificates			Rs. / USD	(Rupees in '000)					
170,000	170,000	Engro Foods Limited	Rs.5,000	A+	A+	786,250	850,000	786,250	850,000
20,000	-	Government of Pakistan Ijarah Sukuk XVI	Rs. 100,000	Unrated	-	2,000,000	-	2,022,600	-
-	10,000	Government of Pakistan Ijarah Sukuk XII	Rs. 5,000	-	Unrated	-	1,013,454	-	1,002,100
120,000	120,000	Government of Pakistan Ijarah Sukuk XV	Rs. 5,000	Unrated	Unrated	1,200,000	1,200,000	1,200,000	1,178,400
50,000	50,000	Government of Pakistan Sukuk	USD 100	B-	B-	524,848	503,754	530,178	496,558
1,124,278	1,124,278	Liberty Power Tech Limited	Rs.1,000	A+	A+	777,498	891,703	777,498	891,703
181,686	-	K-Electric Limited Sukuk IV	Rs.5,000	AA+	-	908,430	-	908,430	-
150,000	150,000	WAPDA Second Sukuk Company Limited	Rs.5,000	Unrated	Unrated	250,000	375,000	250,000	375,000
						6,447,026	4,833,911	6,474,956	4,793,761

11.5.5 Fully paid-up ordinary shares - Listed

2015	2014	Name of security							
No. of shares									
754,800	727,100	Allied Bank Limited	Rs.10	AA+	AA+	45,121	42,503	71,148	82,584
196,640	147,190	Attock Petroleum Limited	Rs.10	Unrated	Unrated	89,332	64,850	99,327	79,421
4,454,500	3,154,500	Fauji Fertilizer Bin Qasim Limited	Rs.10	Unrated	Unrated	189,579	126,318	234,663	142,615
3,224,800	3,224,800	Fauji Fertilizer Company Limited	Rs.10	Unrated	Unrated	364,507	364,507	380,462	377,656
294,000	294,000	First Habib Modaraba	Rs.5	AA+	AA+	2,607	2,607	2,940	2,690
1,286,643	-	Habib Bank Limited	Rs.10	AAA	-	241,779	-	257,484	-
15,027,415	10,102,415	Habib Metropolitan Bank Limited	Rs.10	AA+	AA+	340,597	197,587	457,885	376,820
7,880,000	7,877,500	Hub Power Company Limited	Rs.10	AA+	AA+	486,674	480,896	808,488	617,281
52,862	52,862	International Industries Limited	Rs.10	Unrated	Unrated	357	357	3,251	3,295
5,623,556	5,623,556	International Steels Limited	Rs.10	Unrated	Unrated	89,228	89,228	137,271	143,120
6,420,500	3,960,000	Kot Addu Power Company Limited	Rs.10	AA+	AA+	441,480	242,202	520,061	312,602
2,094,500	1,594,500	Lalpir Power Limited	Rs.10	AA	AA	51,894	37,626	62,290	47,676
396,110	396,110	MCB Bank Limited	Rs.10	AAA	AAA	99,902	99,902	85,896	121,071
119,067	119,067	Meezan Bank Limited	Rs.10	AA	AA	3,028	3,028	5,447	5,596
4,780,500	3,096,000	Nishat Chunian Power Limited	Rs.10	A+	A+	195,514	99,828	263,167	153,407
17,500	17,500	Packages Limited	Rs.10	AA	AA	1,429	1,429	10,187	11,870
4,407,500	4,407,500	Pakgen Power Limited	Rs.10	AA	AA	108,544	108,544	129,713	119,135
949,075	587,075	Pakistan Oilfields Limited	Rs.10	Unrated	Unrated	387,612	297,555	121,130	222,713
1,772,041	1,496,941	Pakistan Petroleum Limited	Rs.10	Unrated	Unrated	284,634	317,551	152,100	264,240
914,500	914,500	Pakistan State Oil Company Limited	Rs.10	AA	AA+	295,077	295,077	297,917	327,309
22,500	22,500	Shell Pakistan Limited	Rs.10	Unrated	Unrated	2,189	2,189	5,135	5,825
16,541,450	11,580,450	Soneri Bank Limited	Rs.10	AA-	AA-	164,418	108,098	250,272	142,787
3,183,000	3,183,000	Standard Chartered Bank (Pakistan) Limited	Rs.10	AAA	AAA	61,701	61,701	69,708	75,119
1,055,000	575,000	United Bank Limited	Rs.10	AA+	AA+	127,259	53,330	163,472	101,608
						4,074,462	3,096,913	4,589,414	3,736,440

11.5.6 Fully paid-up ordinary shares - Unlisted

2015	2014	Name of security							
No. of shares / certificates									
3,000,000	3,000,000	Khushhali Bank Limited	Rs.10	A+	A	30,000	30,000	30,000	30,000
		Pakistan Export Finance Guarantee							
569,958	569,958	Agency Limited	Rs.10	Unrated	Unrated	5,700	5,700	-	-
39	24	S.W.I.F.T	-	Unrated	Unrated	9,829	3,870	9,829	3,870
4,007,383	4,007,383	Karachi Stock Exchange Limited	Rs.10	Unrated	Unrated	25,285	25,285	19,822	19,822
						70,814	64,855	59,651	53,692



11.5.7	Term finance certificates - Listed			Face value Rs.	2015 2014		2015 2014		2015 2014	
	2015	2014	Name of security		Rating*		Cost		Carrying value	
	No. of certificates						(Rupees in '000)			
	-	33,800	Allied Bank Limited - II	Rs.5,000	-	AA	-	168,662	-	165,515
	30,625	30,625	Bank Alfalah Limited - V	Rs.5,000	AA-	AA-	152,972	153,033	155,764	152,201
	30,000	-	Soneri Bank Limited	Rs.5,000	A+	-	150,000	-	150,000	-
							302,972	321,695	305,764	317,716
11.5.8	Term finance certificates - Unlisted									
	2015	2014	Name of security		2015 2014		2015 2014		2015 2014	
	No. of certificates				Rating*		(Rupees in '000)			
	150	150	Askari Bank Limited - IV	Rs.1,000,000	AA-	AA-	149,760	149,820	149,760	149,820
	60,000	60,000	Askari Bank Limited - V	Rs.5,000	AA-	AA-	299,880	300,000	299,880	300,000
	20,000	20,000	Bank Alfalah Limited - IV	Rs.5,000	AA-	AA-	99,760	99,800	99,760	99,800
	56,600	56,600	Standard Chartered Bank (Pakistan) Limited	Rs.5,000	AAA	AAA	283,000	283,000	283,000	283,000
	80,000	-	Habib Bank Limited	Rs.5,000	AAA	-	400,000	-	400,000	-
	400,000	400,000	WAPDA	Rs.5,000	AAA	AAA	1,714,286	2,000,000	1,714,286	2,000,000
							2,946,686	2,832,620	2,946,686	2,832,620
11.5.9	Units of mutual funds									
	2015	2014	Name of security		2015 2014		2015 2014		2015 2014	
	No. of units				Rating*		(Rupees in '000)			
	-	49,140	Atlas Money Market Fund	-	-	AA+	-	25,000	-	25,775
	48,615,258	64,217,346	NIT Government Bond Fund	Rs.10	AA-	AA-	550,000	600,000	506,654	698,948
	17,422,393	21,076,617	NIT Income Fund	Rs.10	A+	A+	200,000	200,000	187,430	232,623
	11,032,727	15,044,628	NIT Unit Trust	Rs.10	AM2	4 Star	550,000	750,000	697,710	993,397
	25,047,082	-	NIT Islamic Equity Fund	Rs.10	AM2	-	250,000	-	246,964	-
	-	20,523	PIML Income Fund	Rs.100	-	A+	-	1,763	-	2,221
							1,550,000	1,576,763	1,638,758	1,952,964
							216,117,770	209,748,089	221,255,449	213,000,245

* Rating in case of ordinary shares of listed and unlisted companies represents the rating of investee companies, in all other cases, rating represents the rating of underlying instruments.

11.6 Market Treasury Bills

These securities have a maturity period of one year (2014: one year), with yield ranging between 6.33% to 8.34% (2014: 9.48% to 9.99%) per annum.

11.7 Pakistan Investment Bonds

These securities have a maturity period of 3, 5, and 10 years (2014: 3, 5, 7 and 10 years) with interest rates ranging between 9.25% to 12% (2014: 9.60% to 12%) per annum. These include securities costing Rs. 5 million (2014: Rs. 5 million) pledged with the Controller of Military Accounts, Karachi as a security deposit for extending banking facilities on account of regimental funds vis-a-vis private fund accounts.



11.8 Sukuk Bonds

2015	2014	Redeemable value per certificate (Rupees)	Maturity Date	Name of Security	Rate	2015 (Rupees in '000)	2014 (Rupees in '000)
No. of certificates							
Federal Government Securities							
Available for sale							
20,000	-	100,000	Dec-18	Government of Pakistan Ijara Sukuk XVI	Weighted average 6 months T-Bills rate less 50 bps	2,000,000	-
-	10,000	-	-	Government of Pakistan Ijarah Sukuk XII	Weighted average 6 months T-Bills rate	-	1,013,454
12,000	12,000	100,000	Jun-17	Government of Pakistan Ijarah Sukuk XV	Weighted average 6 months T-Bills rate less 200 bps	1,200,000	1,200,000
50,000	50,000	10,497	Dec-19	Government of Pakistan Sukuk	6.750% per annum	524,848	503,754
						3,724,848	2,717,208
Held to maturity							
50,000	50,000	10,480	Dec-19	Government of Pakistan Sukuk	6.750% per annum	524,002	502,763
						4,248,850	3,219,971
Others							
Available for sale							
170,000	170,000	4,625	Jan-17	Engro Foods Limited	6 months' KIBOR plus 69 bps	786,250	850,000
1,124,278	1,124,278	692	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	777,498	891,703
181,686	-	5,000	Sep-22	K-Electric Limited Sukuk IV	3 months' KIBOR plus 100 bps	908,430	-
150,000	150,000	1,667	Jul-17	WAPDA Second Sukuk Company Limited	6 months' KIBOR less 25 bps	250,000	375,000
						2,722,178	2,116,703
Held to maturity							
250,000	250,000	692	Mar-21	Liberty Power Tech Limited	3 month's KIBOR plus 300 bps	172,888	198,284
						2,895,066	2,314,987
						7,143,916	5,534,958

11.8.1 These Sukuk Bonds have face value of Rs. 5,000 per certificate except for Liberty Power Tech Limited's Sukuk Bonds which have face value of Rs. 1,000 per certificate, Government of Pakistan Sukuk Bonds which have face value of US\$ 100 and Government of Pakistan Ijarah Sukuk Bonds which have face value of Rs. 100,000 per certificate.

11.9 Term Finance Certificates

2015	2014	Redeemable value per certificate (Rupees)	Maturity Date	Name of Security	Rate	2015 (Rupees in '000)	2014 (Rupees in '000)
No. of certificates							
Listed - Available for sale							
-	33,800	-	-	Allied Bank Limited - II*	6 months' KIBOR plus 85 bps	-	168,662
30,625	30,625	4,995	Feb-21	Bank Alfalah Limited - V*	6 months' KIBOR plus 125 bps	152,972	153,033
30,000	-	5,000	Jul-23	Soneri Bank Limited*	6 months' KIBOR plus 135 bps	150,000	-
						302,972	321,695



2015	2014	Redeemable value per certificate (Rupees)	Maturity Date	Name of Security	Rate	2015 (Rupees in '000)	2014 (Rupees in '000)
No. of certificates							
Unlisted - Available for sale							
150	150	998,400	Dec-21	Askari Bank Limited - IV*	6 months' KIBOR plus 175 bps	149,760	149,820
60,000	60,000	4,998	Sep-24	Askari Bank Limited - V*	6 months' KIBOR plus 120 bps	299,880	300,000
20,000	20,000	4,998	Dec-17	Bank Alfalah Limited - IV*	15% per annum	99,760	99,800
56,600	56,600	5,000	Jun-22	Standard Chartered Bank (Pakistan) Limited*	6 months' KIBOR plus 75 bps	283,000	283,000
80,000	-	5,000	Dec-25	Habib Bank Limited*	6 months' KIBOR plus 50 bps	400,000	-
400,000	400,000	4,286	Sep-21	WAPDA	6 months' KIBOR plus 100 bps	1,714,286	2,000,000
						2,946,686	2,832,620
Listed - Held to maturity							
-	17,400	-	-	Allied Bank Limited - II*	6 months' KIBOR plus 85 bps	-	86,826
						3,249,658	3,241,141

*These Term Finance Certificates are subordinated.

11.9.1 These Term Finance Certificates have face value of Rs. 5,000 per certificate except for Askari Bank Limited-IV which have face value of Rs 1,000,000 per certificate.

11.10 Foreign Currency Bonds

2015	2014	Redeemable value per certificate (Rupees)	Maturity Date	Name of Security	Rate	2015 (Rupees in '000)	2014 (Rupees in '000)
No of certificates of US \$ 100 each							
Federal Government Securities Available for sale							
50,000	-	10,736	Dec-19	Government of Pakistan Bonds	6.750% p.a.	536,822	-
130,000	100,000	10,298	Jun-17	Government of Pakistan Bonds	6.875% p.a.	1,338,682	945,547
59,770	59,770	10,428	Mar-16	Government of Pakistan Bonds	7.125% p.a.	623,277	586,509
55,000	25,000	10,701	Apr-19	Government of Pakistan Bonds	7.250% p.a.	588,574	252,611
50,000	-	10,585	Sep-25	Government of Pakistan Bonds	8.250% p.a.	529,239	-
30,000	-	11,145	Apr-24	Government of Pakistan Bonds	8.250% p.a.	334,338	-
						3,950,932	1,784,667
Held to maturity							
145,000	95,000	10,660	Apr-19	Government of Pakistan Bonds	7.250% p.a.	1,545,762	970,913
30,000	-	11,131	Apr-24	Government of Pakistan Bonds	8.250% p.a.	333,940	-
						1,879,702	970,913
						5,830,634	2,755,580
Others Available for sale							
-	10,000	-	-	Government of Srilanka Bonds	7.400% p.a.	-	100,606
20,000	20,000	10,557	May-17	Bank of Ceylon	6.875% p.a.	211,134	203,811
20,000	20,000	10,458	Apr-18	Bank of Ceylon	5.325% p.a.	209,160	200,505
20,000	-	10,474	Jan-21	Kingdom of Bahrain	5.875% p.a.	209,482	-
						629,776	504,922
						6,460,410	3,260,502



11.11 Ordinary shares of unlisted companies

2015	2014	Name of companies	Note	2015	2014
No. of ordinary shares/units				(Rupees in '000)	
3,000,000	3,000,000	Khushhali Bank Limited Par value per share: Rs. 10 Break-up value per share: Rs. 19.27 (2014: Rs. 16.12) based on audited financial statements for the year ended 31 December 2014 Chief Executive: Mr. Ghalib Nishtar		30,000	30,000
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited Par value per share: Rs. 10 Break-up value per share: Rs. 0.16 (2014: Rs. 0.16) based on audited financial statements for the year ended 31 December 2011 Chief Executive: Mr. S. M. Zaeem		5,700	5,700
39	24	Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T) allocated shares based on the financial contribution from network based serviced by the Bank.		9,829	3,870
4,007,383	4,007,383	Karachi Stock Exchange Limited Par value per share: Rs.10 Break-up value per share: Rs10.17 (2014: Rs.10.08) based on audited financial statements for the year ended 30 June 2015 Chief Executive Mr. Nadeem Naqvi		25,285	25,285
				<u>70,814</u>	<u>64,855</u>

11.12 Associates

2015	2014	Name of companies		2015	2014
No. of ordinary shares / units					
9,415,312	9,366,312	Habib Sugar Mills Limited % of holding: 6.28% (2014: 6.24%) Par value per share: Rs. 5 Market value: Rs. 357.876 million (2014: Rs. 424.481 million) Chief Executive: Mr. Raeesul Hasan	11.12.1	396,615	368,997
6,900,000	6,900,000	Habib Asset Management Limited % of holding: 30% (2014: 30%) Par value per share: Rs. 10 Break up value per share: Rs. 11.23 (2014: Rs. 12.20) based on audited financial statements for the year ended 30 June 2015 Chief Executive: Mr. Imran Azim	11.12.2	84,236	82,304
1,357,163	2,696,602	First Habib Income Fund Average cost per unit: Rs. 110.52 (2014: Rs. 92.71) Net asset value: Rs. 105.16 (2014: Rs. 105.59) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		142,719	284,734



2015	2014	Name of companies	2015	2014
No. of ordinary shares / units			(Rupees in '000)	
100,000	500,000	First Habib Stock Fund Average cost per unit: Rs. 100 (2014: Rs. 100) Net Asset Value: Rs. 95.34 (2014: Rs. 111.75) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	9,534	55,875
1,392,189	3,254,839	First Habib Cash Fund Average cost per unit: Rs. 107.74 (2014: Rs. 92.17) Net Asset Value: Rs. 103.51 (2014: Rs. 104.45) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	144,106	339,968
100,929	252,322	First Habib Islamic Balanced Fund Average cost per unit: Rs. 99.08 (2014: Rs. 99.08) Net Asset Value: Rs. 97.22 (2014: Rs. 105.96) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	9,812	26,736
			<u>787,022</u>	<u>1,158,614</u>

11.12.1 Due to common directorship in Habib Sugar Mills Limited, the Bank considers the investee company as an associate.

11.12.2 Includes Rs. 24.750 million (2014: Rs. 24.750 million) invested in Habib Asset Management Limited categorised as strategic investment in accordance with SBP's guidelines contained in BPD Circular Letter No. 16 of 2006 dated 01 August 2006.

	2015	2014
	(Rupees in '000)	
11.13 Movement of Investments in associates		
Opening balance	1,158,614	1,049,048
Share of profit	89,066	124,033
Investment-net	(305,136)	24,724
Dividend received	(70,740)	(39,191)
Capital loss	(84,782)	-
Closing balance	<u>787,022</u>	<u>1,158,614</u>

11.14 Summary of audited financial information of associates

Name of associates	Based on the financial information for the year ended	2015				
		Assets	Liabilities	Equity	Revenue	Profit
(Rupees in '000)						
First Habib Cash Fund	June 30, 2015	1,401,991	123,786	1,278,205	305,181	50,416
First Habib Income Fund	June 30, 2015	1,270,661	67,436	1,203,225	158,186	50,766
First Habib Stock Fund	June 30, 2015	119,653	5,581	114,072	29,743	15,657
Habib Asset Management Limited	June 30, 2015	265,008	6,665	258,343	87,362	24,286
Habib Sugar Mills Limited	September 30, 2015	7,870,576	2,010,354	5,860,222	8,590,283	815,230
First Habib Islamic Balanced Fund	June 30, 2015	113,875	3,935	109,940	19,674	4,083



Name of associates	Based on the financial information for the year ended	2014				
		Assets	Liabilities	Equity	Revenue	Profit
(Rupees in '000)						
First Habib Cash Fund	June 30, 2014	3,737,672	32,265	3,705,407	406,101	335,300
First Habib Income Fund	June 30, 2014	526,453	18,041	508,412	60,599	43,482
First Habib Stock Fund	June 30, 2014	174,840	27,212	147,628	40,309	31,434
Habib Asset Management Limited	June 30, 2014	252,135	8,079	244,056	83,013	27,814
Habib Sugar Mills Limited	September 30, 2014	6,980,891	1,531,639	5,449,252	9,323,821	797,091
First Habib Islamic Balanced Fund	June 30, 2014	336,955	4,078	332,877	51,900	37,878

12. ADVANCES	Note	2015	2014
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
– In Pakistan		178,184,693	154,858,474
– Outside Pakistan		14,648,449	10,192,449
		192,833,142	165,050,923
Net investment in finance lease			
– In Pakistan	12.2	4,297,187	2,471,578
– Outside Pakistan		–	–
		4,297,187	2,471,578
Ijarah financing under IFAS 2	12.3	695,688	488,315
Murabaha	12.4	2,882,976	2,074,925
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		3,222,616	3,524,136
– Payable outside Pakistan		10,340,898	14,363,222
		13,563,514	17,887,358
Advances - gross		214,272,507	187,973,099
Provision against non-performing loans and advances			
– Specific provision	12.5	(5,537,371)	(4,032,817)
– General provision against small enterprises and consumer advances (as per SBP regulations)	12.6.1	(126,279)	(83,182)
– General provision	12.6.2	(2,750,000)	(2,500,000)
		(8,413,650)	(6,615,999)
Advances - net of provisions		205,858,857	181,357,100



	2015	2014
	(Rupees in '000)	
12.1 Particulars of advances - gross		
12.1.1 In local currency	183,810,219	144,819,217
In foreign currencies	30,462,288	43,153,882
	214,272,507	187,973,099
12.1.2 Short term (for upto one year)	170,101,676	156,434,725
Long term (for over one year)	44,170,831	31,538,374
	214,272,507	187,973,099

12.2 Net investment in finance lease

	2015				2014			
	Not later than one year	Later than one and less than five years	Over five years	Total (Rupees in '000)	Not later than one year	Later than one and less than five years	Over five years	Total
Finance lease receivable	1,684,785	2,161,445	-	3,846,230	970,367	1,424,582	-	2,394,949
Residual value	88,205	810,705	-	898,910	31,247	420,855	-	452,102
Minimum lease payments	1,772,990	2,972,150	-	4,745,140	1,001,614	1,845,437	-	2,847,051
Financial charges for future periods	(235,365)	(212,588)	-	(447,953)	(193,986)	(181,487)	-	(375,473)
Present value of minimum lease payments	1,537,625	2,759,562	-	4,297,187	807,628	1,663,950	-	2,471,578

12.3 Ijarah financing under IFAS 2

	2015							
	Cost			Accumulated Depreciation			Book Value	
As at 01 Jan.	Additions / (deletions)	As at 31 Dec.	As at 01 Jan.	Charge / (deletions)	As at 31 Dec.	As at 31 Dec.	As at 31 Dec.	
	(Rupees in '000)							
Equipment	632,993	239,316 (266,494)	605,815	338,662	144,495 (239,952)	243,205	362,610	
Vehicles	230,859	193,522 (4,063)	420,318	36,875	53,270 (2,905)	87,240	333,078	
	863,852	432,838 (270,557)	1,026,133	375,537	197,765 (242,857)	330,445	695,688	33.33
	2014							
Equipment	375,302	277,696 (20,005)	632,993	196,810	158,794 (16,942)	338,662	294,331	
Vehicles	35,039	201,634 (5,814)	230,859	11,235	29,874 (4,234)	36,875	193,984	
	410,341	479,330 (25,819)	863,852	208,045	188,668 (21,176)	375,537	488,315	33.33



12.3.1 Future Ijarah payments receivable

2015
(Rupees in '000)

Not later than one year	287,100	208,254
Later than one year and not later than five years	378,456	300,953
	665,556	509,207

12.4 Murabaha - gross

Murabaha - gross	2,963,501	2,164,480
Less: Deferred murabaha income	(28,252)	(34,321)
Profit receivable shown in other assets	(52,273)	(55,234)

Murabaha	2,882,976	2,074,925
----------	------------------	------------------

12.5 Advances include Rs. 5,874.374 million (2014: Rs 5,024.778 million) which have been placed under non-performing status as detailed below:

Category of classification	2015			2015			2014		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	3,335	-	3,335	40	-	40	40	-	40
Substandard	43,810	-	43,810	10,940	-	10,940	10,940	-	10,940
Doubtful	599,534	-	599,534	299,767	-	299,767	309,485	-	309,485
Loss	4,280,034	947,661	5,227,695	4,269,245	947,661	5,216,906	4,269,245	947,661	5,216,906
	4,926,713	947,661	5,874,374	4,579,992	947,661	5,527,653	4,589,710	947,661	5,537,371
	(Rupees in '000)								
Other assets especially mentioned	210	-	210	-	-	-	-	-	-
Substandard	74,246	-	74,246	18,405	-	18,405	18,405	-	18,405
Doubtful	746,226	753,623	1,499,849	373,113	222,574	595,687	373,113	222,574	595,687
Loss	3,041,824	408,649	3,450,473	3,010,076	408,649	3,418,725	3,010,076	408,649	3,418,725
	3,862,506	1,162,272	5,024,778	3,401,594	631,223	4,032,817	3,401,594	631,223	4,032,817

12.5.1 For the purposes of determining provision against non-performing advances, the Bank has not taken into account the Forced Sales Value of pledged stock and mortgaged properties held as collateral against non-performing advances.



12.6 Particulars of provision against non-performing loans and advances

Note	2015			2014		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
Opening balance	4,032,817	2,583,182	6,615,999	3,543,124	2,540,071	6,083,195
Charge for the year						
– Specific provision	1,732,123	–	1,732,123	777,214	–	777,214
– General provision for small enterprises and consumer portfolio	–	43,097	43,097	–	43,111	43,111
– General provision for loans and advances	–	250,000	250,000	–	–	–
Reversals	(261,941)	–	(261,941)	(267,336)	–	(267,336)
	1,470,182	293,097	1,763,279	509,878	43,111	552,989
Exchange adjustment	34,593	–	34,593	(19,705)	–	(19,705)
Amount written-off	(221)	–	(221)	(480)	–	(480)
Closing balance	5,537,371	2,876,279	8,413,650	4,032,817	2,583,182	6,615,999

12.6.1 General provision represents provision amounting to Rs. 100.618 million (2014: Rs. 60.521 million) against consumer finance portfolio and Rs. 25.661 million (2014: 22.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP.

12.6.2 In line with its prudent policies, the Bank also makes general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 31 December 2015 amounts to Rs. 2,750 million (2014: Rs.2,500 million).

12.6.3 Particulars of provision against non-performing loans and advances

	2015			2014		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
In local currency	4,589,710	2,876,279	7,465,989	3,401,594	2,583,182	5,984,776
In foreign currency	947,661	–	947,661	631,223	–	631,223
	5,537,371	2,876,279	8,413,650	4,032,817	2,583,182	6,615,999

12.7 Particulars of write-offs

	2015	2014
	(Rupees in '000)	
12.7.1 Against provision	221	480
Directly charged to profit and loss account	34	–
	255	480
12.7.2 Write-offs of Rs. 500,000 and above	–	–
Write-offs of below Rs. 500,000	255	480
	255	480



12.7.3 In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2015 is given in Annexure 1.

12.8 Particulars of loans and advances to directors, associated companies etc.	Note	2015 (Rupees in '000)	2014
(i) Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of the year		2,316,795	1,998,632
Loans granted during the year		969,084	880,137
Repayments		(610,295)	(561,974)
Balance at end of the year		2,675,584	2,316,795
(ii) Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members			
Balance at beginning of the year		1,517,483	1,282,655
Loans granted during the year		22,453,719	24,168,997
Repayments		(22,993,161)	(23,934,169)
Balance at end of the year		978,041	1,517,483
13. OPERATING FIXED ASSETS			
Capital work-in-progress	13.1	703,896	298,001
Property and equipment	13.2	15,009,585	13,512,157
Intangible assets	13.3	68,913	107,623
		15,782,394	13,917,781
13.1 Capital work-in-progress			
Civil works		184,829	48,554
Advance payment towards suppliers, contractors and property		472,987	215,577
Consultants' fee and other charges		46,080	33,870
		703,896	298,001

13.2 Property and equipment

2015

	Cost / Revalued Amount			Accumulated Depreciation			Book Value		Rate of depreciation %	
	As at 01 January 2015	Revaluation surplus	Additions / (deletions) / transfers*	As at 31 December 2015	As at 01 January 2015	Charge / (deletions) / adjustments*	As at 31 December 2015	As at 31 December 2015		
(Rupees in '000)										
<i>Owned</i>										
Leasehold land	4,136,026	(3,905)	261,635 (6,650)	4,387,106	-	-	-	4,387,106	-	
Buildings on leasehold land	6,113,869	-	459,687 (1,440) 3,081	6,575,207	114,520	196,470 (72) 272	311,190	6,264,017	2.22 - 10	
Improvements to leasehold buildings	1,247,511	-	291,303 (66,462) (3,081)	1,469,261	228,624	94,069 (22,130) (272)	300,291	1,168,970	5 - 20	
Furniture and fixtures	551,554	-	137,886 (12,781)	676,659	291,989	52,033 (10,546)	333,476	343,183	10	
Electrical, office and computer equipments	4,021,234	-	1,183,685 (165,388)	5,039,531	2,746,256	542,621 (157,133)	3,131,744	1,907,787	20	
Vehicles	1,536,436	-	423,038 (130,508)	1,828,966	713,084	296,808 (119,448)	890,444	938,522	20	
	17,606,630	(3,905)	2,757,284 (383,229)	19,976,730	4,094,473	1,182,001 (309,329)	4,967,145	15,009,585		

2014

	Cost / Revalued Amount				Accumulated Depreciation				Book Value		
	As at 01 January 2014	Revaluation surplus	Additions / (deletions)	Reversal of accumulated depreciation	As at 31 December 2014	As at 01 January 2014	Charge / (deletions)	Reversal of accumulated depreciation	As at 31 December 2014	As at 31 December 2014	Rate of depreciation %
	(Rupees in '000)										
Owned											
Leasehold land	3,424,233	598,839	121,487 (8,533)	-	4,136,026	-	-	-	-	4,136,026	-
Buildings on leasehold land	5,429,649	728,183	419,540	(463,503)	6,113,869	401,645	176,378	(463,503)	114,520	5,999,349	2.22 - 10
Improvements to leasehold buildings	1,043,817	-	207,859 (4,165)	-	1,247,511	175,090	54,234 (700)	-	228,624	1,018,887	5
Furniture and fixtures	497,515	-	65,995 (11,956)	-	551,554	256,610	45,566 (10,187)	-	291,989	259,565	10
Electrical, office and computer equipments	3,574,176	-	579,054 (131,996)	-	4,021,234	2,414,984	462,393 (131,121)	-	2,746,256	1,274,978	20
Vehicles	1,319,983	-	330,590 (114,137)	-	1,536,436	563,060	255,300 (105,276)	-	713,084	823,352	20
	15,289,373	1,327,022	1,724,525 (270,787)	(463,503)	17,606,630	3,811,389	993,871 (247,284)	(463,503)	4,094,473	13,512,157	



13.2.1 Details of disposal of fixed assets during the year:

Particulars	Cost	Book value (Rupees in '000)	Sale price	Mode of disposal	Particulars of purchaser
Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000					
Leasehold land	6,650	6,650	14,000	Negotiation	Mr. Iftikhar Ahmad, Multan. Sheikh Naveed Ahmed, Multan. Mr. Waqar Ahmed, Multan. Sheikh Ibrar Ahmed, Multan.
Buildings on leasehold land	1,440	1,368	10,000	Negotiation	Mr. Iftikhar Ahmad, Multan. Sheikh Naveed Ahmed, Multan. Mr. Waqar Ahmed, Multan. Sheikh Ibrar Ahmed, Multan.
Improvements to leasehold buildings	66,462	44,332	–	Write off	–
Furniture and fixtures	5,525	404	747	Auction	Karachi Auction Mart, Karachi.
Furniture and fixtures	5,725	1,515	2,639	Auction	M/s. Rafiq Ali M. Trading, Karachi.
Electrical, office and computer equipments	39,454	2,125	3,150	Auction	Karachi Auction Mart, Karachi.
Electrical, office and computer equipments	14,187	874	300	Auction	M/s. Sadaat Computers, Karachi.
Electrical, office and computer equipments	46,322	19	12,200	Auction	Mr. Rajab Ali, Karachi.
Electrical, office and computer equipments	5,609	543	811	Auction	M/s. Rafiq Ali M. Trading, Karachi.
Electrical, office and computer equipments	39,750	558	11,672	Auction	M/s. Edwards & Robertson, Karachi.
Vehicles	6,772	4,019	6,777	Insurance claim	Habib Insurance Company Limited (a related party), Karachi.
Vehicles	1,038	3	487	Auction	Mr. Guldad, Karachi.
Vehicles	1,109	93	568	Auction	Mr. Zulfikar Ahmed, Karachi.
Vehicles	1,149	172	576	Auction	Mr. Muhammad Nawaz, Karachi.
Vehicles	1,257	–	903	Auction	Mr. Naveed Muhammad Haneef, Karachi.
Vehicles	1,262	21	1,101	Auction	Syed Aley Haider Jaffery, Karachi.
Vehicles	1,282	342	586	Auction	Mr. Mohsin Ahmed, Karachi.
Vehicles	1,354	–	930	Auction	Mr. Haji Sultan Jan, Karachi.
Vehicles	1,428	–	978	Auction	Syed Wali Najam, Karachi.
Vehicles	1,529	153	1,157	Auction	Mr. Shafiq-ur-Rehman, Karachi.
Vehicles	1,633	68	1,188	Auction	Mr. Numeri Abrar, Karachi.
Vehicles	1,749	–	1,135	Auction	Mr. Muhammad Haroon Khan, Karachi.
Vehicles	2,009	–	1,596	Auction	Mr. Najm us Saqib, Karachi.
Vehicles	3,668	22	2,934	Auction	Mr. Javed Muhammad Khan, Karachi.
Vehicles	2,738	–	1,864	Auction	M/s. Isha Enterprise, Karachi.
Vehicles	3,002	–	2,107	Auction	Mr. Shah Fahad, Karachi.
Vehicles	3,248	767	1,930	Auction	Mr. Muhammad Adeel Haseeb, Karachi.
Vehicles	3,367	137	2,426	Auction	Mr. Sajid Qadri, Karachi.
Vehicles	3,518	–	2,209	Auction	Mr. Muhammad Ali Akbar Khan, Karachi.
Vehicles	3,526	–	2,207	Auction	Mr. Waseem Mirza, Karachi.
Vehicles	5,067	1	2,986	Auction	Mr. Shahid Zaman, Karachi.
Vehicles	7,230	170	5,551	Auction	Mr. Khalid Anwar, Karachi.
Vehicles	9,479	2	7,251	Auction	Syed Hassan Ali Warsi, Karachi.
Vehicles	7,735	1	4,370	Auction	Mr. Abdul Samad Khan, Karachi.
Vehicles	17,842	129	10,444	Auction	Ms. Fauzia Nadeem, Karachi.
Vehicles	23,285	4,832	2,048	As per Bank's policy and decision	Various employees / ex-employees / family members of deceased employees
Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000					
Furniture and fixtures	1,531	316	195		
Electrical, office and computer equipments	20,066	4,137	1,133		
Vehicles	13,232	127	7,103		
	<u>383,229</u>	<u>73,900</u>	<u>130,259</u>		



13.2.2 In accordance with the Bank's accounting policy, the leasehold land and buildings were revalued during the year 2014. The revaluation was carried out by independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of professional assessment of present market values and resulted in a net surplus of Rs. 1,327.022 million over the book value of the respective properties. Had there been no revaluation, the net book value of leasehold land and buildings would have amounted to:

	2015	2014
	(Rupees in '000)	
Leasehold land	3,170,497	2,915,512
Buildings on leasehold land	3,993,187	3,647,202
	<u>7,163,684</u>	<u>6,562,714</u>

13.2.3 As at 31 December 2015, the gross carrying amount of fully depreciated assets still in use amounted to Rs. 2,243.084 million (2014: Rs. 1,752.300 million).

13.3 Intangible assets

	2015							
	Cost			Accumulated Amortisation			Book Value	Rate of Amortisation %
	As at 01 January 2015	Additions / Adjustments	As at 31 December 2015	As at 01 January 2015	Charge / Adjustments	As at 31 December 2015	As at 31 December 2015	
(Rupees in '000)								
Computer software	415,948	39,406	455,354	317,794	78,112	395,906	59,448	50
Trading Rights Entitlement Certificate	34,754	(4)	34,750	25,285	-	25,285	9,465	
	<u>450,702</u>	<u>39,402</u>	<u>490,104</u>	<u>343,079</u>	<u>78,112</u>	<u>421,191</u>	<u>68,913</u>	
	2014							
Computer software	284,187	131,761	415,948	247,022	70,772	317,794	98,154	50
Trading Rights Entitlement Certificate	34,750	4	34,754	25,285	-	25,285	9,469	
	<u>318,937</u>	<u>131,765</u>	<u>450,702</u>	<u>272,307</u>	<u>70,772</u>	<u>343,079</u>	<u>107,623</u>	

13.3.1 As at 31 December 2015, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs.284.187 million (2014: Rs. 255.016 million).

	Note	2015	2014
		(Rupees in '000)	
14. OTHER ASSETS			
Mark-up / return / interest accrued in local currency		12,511,203	11,704,206
Mark-up / return / interest accrued in foreign currencies		192,910	164,716
Advances, deposits and prepayments		2,166,052	1,013,761
Unrealised gain on forward foreign exchange contracts		-	112,121
Stationery and stamps on hand		143,198	93,749
Receivable from SBP on encashment of Government Securities		22,012	108,699
Non-refundable deposits	14.1	66,282	73,891
ATM settlement account		-	174,558
Non-banking assets acquired in satisfaction of claims	14.2	181,336	164,836
Receivable against sale of securities		291,953	-
Others		126,013	132,893
		<u>15,700,959</u>	<u>13,743,430</u>



- 14.1** Represent deposits paid in relation to acquisition of some of the Bank's properties. These are being written-off over the periods ranging from 10 to 20 years (being estimated useful lives of related properties).
- 14.2** The market value of non-banking assets acquired in satisfaction of claims is Rs.195.161 million (2014: 165.44 million).

	Note	2015 (Rupees in '000)	2014
15. BILLS PAYABLE			
In Pakistan		<u>8,665,462</u>	<u>7,984,808</u>
16. BORROWINGS			
In Pakistan		<u>62,586,995</u>	77,788,568
Outside Pakistan		<u>5,304</u>	666,884
		<u>62,592,299</u>	<u>78,455,452</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		<u>62,586,995</u>	77,788,568
In foreign currencies		<u>5,304</u>	666,884
		<u>62,592,299</u>	<u>78,455,452</u>
16.2 Details of borrowings			
Secured			
Borrowings from SBP			
Export refinance scheme	16.3	<u>19,118,954</u>	17,800,781
Long term financing for export oriented projects	16.4	<u>4,246</u>	46,739
Long term financing for imported and locally manufactured plant and machinery	16.5	<u>3,953,374</u>	3,567,350
Financing facility for storage of agricultural produce	16.6	<u>36,861</u>	58,126
		<u>23,113,435</u>	21,472,996
Repurchase agreement borrowings	16.7	<u>39,473,560</u>	56,315,572
		<u>62,586,995</u>	77,788,568
Unsecured			
Overdrawn nostros		<u>5,304</u>	666,884
		<u>62,592,299</u>	<u>78,455,452</u>



- 16.3** These carry mark-up rates ranging from 2.50% to 3.50% (2014: 6.50%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.
- 16.4** These carry mark-up rates ranging from 5% to 6.50% (2014: 4% to 5%) per annum having maturity periods upto 3 months.
- 16.5** These carry mark-up rates ranging from 2% to 10.10% (2014: 9%) per annum having maturity periods upto ten years.
- 16.6** These carry mark-up rates ranging from 3.50% to 7.50% (2014: 5.50%) having maturity period upto 2 to 3 years.
- 16.7** These repurchase agreement borrowings are secured against market treasury bills, which carry mark-up rates ranging from 6.10% to 6.21% (2014: 9.45% to 10%) per annum, having maturity periods upto one month.

	Note	2015 (Rupees in '000)	2014
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		120,268,519	104,806,779
Savings deposits		150,427,540	130,915,789
Current accounts - Remunerative		57,094,573	54,094,573
Current accounts - Non-remunerative		175,902,813	146,835,524
		503,693,445	436,652,665
Financial institutions			
Remunerative deposits		11,451,951	8,851,161
Non-remunerative deposits		1,052,151	807,638
		12,504,102	9,658,799
		516,197,547	446,311,464
17.1 Particulars of deposits			
In local currency		454,111,416	397,324,078
In foreign currencies		62,086,131	48,987,386
		516,197,547	446,311,464
18. SUB-ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - II - (Quoted)		—	747,900
Term Finance Certificates (TFCs) - IV - (Unquoted)	18.1	2,994,600	2,995,800
		2,994,600	3,743,700



18.1 Term Finance Certificates - IV (Unquoted)

Total issue	Rupees 3,000 million
Rating	AA
Rate	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	June 2021

	Note	2015 (Rupees in '000)	2014
19. DEFERRED TAX LIABILITIES			
Taxable temporary differences arising in respect of:			
Accelerated depreciation		1,029,564	957,579
Surplus on revaluation of fixed assets	22.1	797,630	826,092
Surplus on revaluation of investments	22.2	1,870,538	936,986
		3,697,732	2,720,657
Deductible temporary differences arising in respect of:			
Provision against non-performing loans and advances		(106,412)	(16,558)
Provision for compensated absences		(308)	(653)
Recognised tax losses		(8,728)	(10,861)
Provision against diminution in the value of investments		(69,761)	(570)
Intangible assets		-	(593)
Remeasurment of defined benefit plan		115,089	78,430
		(70,120)	49,195
		3,627,612	2,769,852

19.1 Reconciliation of deferred tax

	Balance as at 01 January 2015	Recognised in profit and loss account (Rupees in '000)	Recognised in surplus on revaluation of assets	Balance as at 31 December 2015
Taxable temporary differences arising in respect of:				
Accelerated depreciation	957,579	71,985	-	1,029,564
Surplus on revaluation of fixed assets	826,092	(28,462)	-	797,630
Surplus on revaluation of investments	936,986	-	933,552	1,870,538
	2,720,657	43,523	933,552	3,697,732
Deductible temporary differences arising in respect of:				
Provision against non-performing loans and advances	(16,558)	(89,854)	-	(106,412)
Provision for compensated absences	(653)	345	-	(308)
Recognised tax losses	(10,861)	2,133	-	(8,728)
Intangible assets	(593)	593	-	-
Provision against diminution in the value of investments	(570)	(69,191)	-	(69,761)
Remeasurment of defined benefit plan	78,430	36,659	-	115,089
	49,195	(119,315)	-	(70,120)
	2,769,852	(75,792)	933,552	3,627,612



	Balance as at 01 January 2014	Recognised in profit and loss account (Rupees in '000)	Recognised in surplus on revaluation of assets	Balance as at 31 December 2014
Taxable temporary differences arising in respect of:				
Accelerated depreciation	943,084	14,495	–	957,579
Surplus on revaluation of fixed assets	595,969	(24,741)	254,864	826,092
Surplus on revaluation of investments	133,608	–	803,378	936,986
	<u>1,672,661</u>	<u>(10,246)</u>	<u>1,058,242</u>	<u>2,720,657</u>
Deductible temporary differences arising in respect of:				
Provision against non-performing loans and advances	(18,998)	2,440	–	(16,558)
Provision for compensated absences	(263)	(390)	–	(653)
Recognised tax losses	(9,907)	(954)	–	(10,861)
Provision against diminution in the value of investments	(570)	–	–	(570)
Intangible assets	–	(593)	–	(593)
Remeasurement of defined benefit plan	–	78,430	–	78,430
	<u>(29,738)</u>	<u>78,933</u>	<u>–</u>	<u>49,195</u>
	<u>1,642,923</u>	<u>68,687</u>	<u>1,058,242</u>	<u>2,769,852</u>

	Note	2015 (Rupees in '000)	2014
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,784,449	2,299,480
Mark-up / return / interest payable in foreign currencies		131,580	59,901
Provision for compensated absences	20.1	362,923	312,972
Taxation (Provision less payments)		297,889	488,377
Unclaimed dividends		229,596	185,750
Branch adjustment account		73,247	256,389
Special exporters' accounts in foreign currencies		78,524	70,256
Unearned commission income		86,016	89,968
Security deposits against leases / ijarah		1,054,304	529,645
Other security deposits		369,690	261,732
Unrealised loss on forward foreign exchange contracts		211,302	–
Workers' welfare fund		1,063,508	811,898
Accrued expenses		607,116	245,288
Payable to defined benefit plan	36.4	328,824	224,085
Provision against off-balance sheet items	20.2	144,042	105,507
Payable to SBP / NBP		320,683	431,601
Payable to supplier against murabaha		103,247	97,092
Charity payable		2,690	2,625
Payable against sale of marketable securities on behalf of customers		12,630	116,667
Others		492,500	429,368
		<u>7,754,760</u>	<u>7,018,601</u>

20.1 Provision for compensated absences has been determined on the basis of independent actuarial valuation. The significant assumptions used for actuarial valuation were as follows:

	2015 (% per annum)	2014
Discount rate	10.00%	11.75%
Expected rate of increase in salary in future years	9.00%	10.75%



		2015	2014
		(Rupees in '000)	
20.2 Provision against off-balance sheet items			
Opening balance		105,507	96,258
Charge for the year		38,535	9,249
Closing balance		<u>144,042</u>	<u>105,507</u>
21. SHARE CAPITAL			
	2015 2014		
	(Number of shares)		
Authorised Capital			
1,500,000,000	1,500,000,000 Ordinary shares of Rs.10 each	<u>15,000,000</u>	<u>15,000,000</u>
Issued, subscribed and paid-up capital			
	30,000,000 30,000,000		
	1,081,425,416 1,081,425,416		
	Issued for cash	300,000	300,000
	Issued as bonus shares	10,814,254	10,814,254
		<u>11,114,254</u>	<u>11,114,254</u>
21.1	As of statement of financial position date 202,920,855 (2014: 196,826,601) ordinary shares of Rs. 10/- each were held by the related parties.		
		2015	2014
		(Rupees in '000)	
22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note		
Operating fixed assets	22.1	2,692,363	2,749,123
Available for sale investments	22.2	3,528,100	2,375,961
		<u>6,220,463</u>	<u>5,125,084</u>
22.1 Operating fixed assets			
Balance at the beginning of the year		3,575,215	2,318,881
Adjustment on revaluation of the Bank's properties during the year		(3,905)	1,327,022
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(81,317)	(70,688)
		<u>3,489,993</u>	<u>3,575,215</u>
Related deferred tax liability on:			
Balance at the beginning of the year		826,092	595,969
Adjustment of Bank's properties during the year		-	254,864
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(28,462)	(24,741)
		<u>(797,630)</u>	<u>(826,092)</u>
		<u>2,692,363</u>	<u>2,749,123</u>



	2015	2014
	(Rupees in '000)	
22.2 Available for sale investments		
Federal Government securities	4,543,743	2,243,759
Fully paid-up ordinary shares	716,974	639,526
Term finance certificates, sukuk bonds and foreign currency bonds and others	49,163	53,461
Units of mutual funds	88,758	376,201
	<u>5,398,638</u>	<u>3,312,947</u>
Related deferred tax liability	<u>(1,870,538)</u>	<u>(936,986)</u>
	<u>3,528,100</u>	<u>2,375,961</u>
23. CONTINGENCIES AND COMMITMENTS		
23.1 Direct credit substitutes		
Financial guarantees issued favouring:		
- Financial institutions	462,800	212,894
- Others	5,086,805	5,877,756
	<u>5,549,605</u>	<u>6,090,650</u>
23.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
- Government	29,798,948	13,616,945
- Financial institutions	668,750	366,643
- Others	6,743,423	7,156,310
	<u>37,211,121</u>	<u>21,139,898</u>
23.3 Trade-related contingent liabilities		
Letters of credit	77,847,579	68,164,714
Acceptances	13,547,110	9,974,513
Bankers liability rediscount	-	1,465,595
	<u>91,394,689</u>	<u>79,604,822</u>
23.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>10,748,236</u>	<u>4,582,095</u>
23.5 Commitments in respect of forward exchange contracts		
Purchase	<u>46,760,182</u>	<u>35,574,870</u>
Sale	<u>28,769,804</u>	<u>33,584,498</u>
The maturities of above contracts are spread over the periods upto one year.		
23.6 Commitments for the acquisition of operating fixed assets	<u>636,406</u>	<u>367,825</u>



23.7 Other contingencies

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2014. The income tax assessments of the Bank are complete upto tax year 2011.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue has passed order u/s. 122(5A) of the Income Tax Ordinance, 2001 by disallowing certain expenses / deductions having an aggregate tax impact of Rs. 821.568 million. The Bank has filed an appeal before the Commissioner Inland Revenue (Appeals) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) has passed appellate orders for tax years 2009 and 2011 by confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before Income Tax Appellate Tribunal against the above referred orders.

The management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and hence, no additional provision has been considered necessary in these consolidated financial statements.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Group deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business. As per the Group's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised gains and losses on these contracts are recorded in the statement of financial position under "other assets / other liabilities". These products are offered to the Group's customers to protect from unfavourable movements in foreign currencies. The Group hedges such exposures in the inter-bank foreign exchange market.

	2015	2014
	(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	14,576,038	15,090,563
Financial institutions	118,231	288,104
	<u>14,694,269</u>	<u>15,378,667</u>
On investments:		
Available for sale securities	20,743,672	16,446,465
Held to maturity securities	14,635,744	11,970,285
	<u>35,379,416</u>	<u>28,416,750</u>
On deposits with financial institutions	169,715	83,843
On securities purchased under resale agreements	52,961	127,051
On Bai Muajjal	13,086	-
On call money lendings	816	813
	<u>50,310,263</u>	<u>44,007,124</u>
26. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	18,502,643	20,774,334
Sub-ordinated loans	458,513	812,680
Repurchase agreement borrowings	5,028,611	1,611,068
Borrowings from SBP	969,378	1,384,760
Other borrowings	516,412	350,330
	<u>25,475,557</u>	<u>24,933,172</u>



	Note	2015 (Rupees in '000)	2014
27. GAIN ON SALE / REDEMPTION OF SECURITIES - NET			
Mutual funds		233,464	2,196
Government securities		26	(3,468)
Listed shares		(96,626)	23,832
		136,864	22,560
28. OTHER INCOME			
Gain on sale of operating fixed assets		56,359	75,610
Recovery of expenses from customers	28.1	178,839	178,256
Lockers rent		512	1,284
Cheque book issuance / cheque return charges		261,120	255,783
Banking charges		74,927	63,856
Others		123,741	61,342
		695,498	636,131
28.1	Includes courier, SWIFT, postage and other charges recovered from customers.		
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		6,761,742	5,380,017
Charge for defined benefit plan	36.6	171,390	167,033
Contribution to defined contribution plan		263,530	222,664
Charge for employees compensated absences		49,654	35,390
Non-executive directors' fee, allowances and other expenses		8,325	4,700
Rent, taxes, insurance, electricity, etc.		2,057,585	1,906,146
Legal and professional charges		92,605	121,570
Communications		310,366	227,866
Repairs and maintenance		1,090,009	837,738
Security charges		712,443	574,695
Stationery and printing		386,179	359,996
Advertisement and publicity		324,846	132,863
Donations	29.1	49,100	48,800
Auditors' remuneration	29.2	4,440	4,063
Depreciation	13.2	1,182,001	993,871
Amortisation		85,720	78,381
Travelling and conveyance		142,898	106,430
Vehicle running expenses		343,853	416,637
Commission and brokerage		85,346	52,949
Subscriptions and publications		48,522	65,536
Clearing charges		92,812	76,547
Staff training		14,596	18,099
Entertainment and staff refreshment		160,256	127,581
Cleaning charges		81,978	55,232
Charitable expenses		40,219	31,351
CNIC verification charges		45,326	31,545
Others		143,503	172,205
		14,749,244	12,249,905



	2015	2014
	(Rupees in '000)	
29.1		
The detail of donations is given below:		
Al-Sayyeda Benevolent Trust	1,500	1,500
GCU Endowment Fund Trust*	1,000	1,000
Habib Education Trust	1,500	17,500
Habib Medical Trust	1,500	1,500
Habib Poor Fund	1,500	1,500
Institute of Management Sciences, Bahauddin Zakariya University	1,000	1,000
Patients' Aid Foundation	15,000	15,000
Rahmatbai Habib Food and Clothing Trust	1,500	1,500
Rahmatbai Habib Widows and Orphans Trust	1,500	1,500
Shaukat Khanum Memorial Cancer Hospital & Research Centre	-	1,000
Sindh Institute of Urology and Transplantation (SIUT)	7,500	2,500
The Citizens Foundation	3,500	3,300
Jinnah Foundation (Memorial) Trust	2,000	-
Bank AL Habib Staff Benefit Trust	100	-
Cancer Research & Treatment Foundation	10,000	-
	<u>49,100</u>	<u>48,800</u>
* Mr. Shameem Ahmed, Director of Bank AL Habib Limited, is member of Executive Committee of GCU Endowment Fund Trust, GC University, Lahore.		
29.2		
Auditors' remuneration		
Audit fee - standalone financial statements	2,532	2,618
Audit fee - consolidated financial statements	495	300
Half yearly review	710	650
Special certifications	253	50
Gratuity fund	75	75
Out of pocket expenses	375	370
	<u>4,440</u>	<u>4,063</u>
30. OTHER PROVISIONS / WRITE-OFFS		
Provision against off-balance sheet items	<u>38,535</u>	<u>9,249</u>
31. OTHER CHARGES		
Workers' welfare fund	251,874	201,866
Penalties imposed by SBP	50,538	1,112
	<u>302,412</u>	<u>202,978</u>
32. TAXATION		
For the year		
Current	4,509,205	3,498,182
Prior years	500,484	-
Deferred	(75,792)	68,687
	<u>4,933,897</u>	<u>3,566,869</u>



		2015	2014
		(Rupees in '000)	
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>12,265,649</u>	<u>10,003,239</u>
Tax at the applicable rate of 35% (2014: 35%)		<u>4,292,977</u>	3,501,134
Tax effects of:			
Expenses that are not deductible in determining taxable income		140,436	158,027
Tax effect of prior years provisions		500,484	-
Dividend income taxed at reduced rate		-	(91,446)
Capital gain taxed at reduced rate		-	(846)
		<u>4,933,897</u>	<u>3,566,869</u>
33. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY			
Profit after taxation - attributable to equity holders of the Holding company		<u>7,332,742</u>	<u>6,432,145</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
Basic and diluted earnings per share		<u>6.60</u>	<u>5.79</u>
		2015	2014
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS	Note		
Cash and balances with treasury banks	8	38,577,760	34,201,844
Balances with other banks	9	3,204,284	4,352,769
Overdrawn nostros	16	(5,304)	(666,884)
		<u>41,776,740</u>	<u>37,887,729</u>
		(Numbers)	
35. STAFF STRENGTH			
Permanent		7,232	6,193
Temporary / on contractual basis		265	250
Group's own staff at end of the year		<u>7,497</u>	<u>6,443</u>
Outsourced		1,918	1,679
Total staff strength		<u>9,415</u>	<u>8,122</u>



36. DEFINED BENEFIT PLAN

36.1 General description

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or on earlier cessation of service as under:

Number of years of eligible service completed:	Amount of gratuity payable:
Less than 5 years	Nil
5 years or more but less than 10 years	1/3rd of basic salary for each year served
10 years or more but less than 15 years	2/3rd of basic salary for each year served
15 years or more	Full basic salary for each year served

36.2 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2015 and the significant assumptions used for actuarial valuation were as follows:

	2015	2014
36.3 Significant Actuarial Assumptions		
Financial Assumptions		
Discount Rate	10.00%	11.75%
Salary Increase Rate	9.00%	10.75%
Demographic Assumptions		
Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Light
	2015	2014
	(Rupees in '000)	
36.4 Statement of Financial Position		
Present value of defined benefit obligation	1,622,662	1,327,761
Fair value of plan assets	(1,293,838)	(1,103,676)
Deficit	328,824	224,085
36.5 Movement in Net defined benefit liability		
Balance accrued as at the beginning of the year	224,085	272,300
Net periodic benefit cost for the year ended	171,390	167,033
Employer's contribution during the year	(171,390)	(167,033)
Amount of remeasurements losses / (gains) recognised in Other Comprehensive Income during the year	104,739	(48,215)
Balance accrued as at the end of the year	328,824	224,085



	2015	2014
	(Rupees in '000)	
36.6 Defined Benefit Cost for the Year		
Cost recognised in Profit and Loss Account for the year		
Service cost		
Current service cost	159,496	133,733
Net Interest cost		
Interest cost on defined benefit obligation	148,029	149,723
Interest income on plan assets	(136,135)	(116,423)
Net interest cost	11,894	33,300
Cost recognised in Profit and Loss for the year	171,390	167,033
Remeasurements recognised in Other Comprehensive Income during the year		
Actuarial loss / (gain) on obligation	61,060	(27,300)
Actuarial loss / (gain) on assets	43,679	(20,915)
Re-measurement loss / (gain) recognised in Other Comprehensive Income	104,739	(48,215)
Total defined benefit cost recognised in Profit and Loss Account and Other Comprehensive Income	276,129	118,818
36.7 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of year	1,327,761	1,103,850
Service cost	159,496	133,733
Interest cost on defined benefit obligation	148,029	149,723
Actual benefits paid during the year	(73,684)	(32,245)
Actual loss / (gain) on obligation	61,060	(27,300)
Present value of defined benefit obligation at the end of year	1,622,662	1,327,761
36.8 Movement in the fair value of plan assets		
Fair value of plan assets at the beginning of year	1,103,676	831,550
Interest income on plan assets	136,135	116,423
Actual contribution by employer	171,390	167,033
Actual benefits paid during the year	61,060	(32,245)
Return on plan assets over interest income (loss) / gain	(43,679)	20,915
Fair value of plan assets at the end of year	1,428,582	1,103,676
36.9 Actual return on plan assets	154,698	149,805



	2016 (Rupees in '000)
36.10 Charge and contribution for the year ending 31 December 2016	
<i>Service cost</i>	
Current service cost	186,216
<i>Net interest cost</i>	
Interest cost on defined benefit obligation	166,978
Interest income on plan assets	(135,626)
Net interest cost	31,352
Cost to be recognised in Profit and loss account for the year 2016	<u>217,568</u>
	2015 (Rupees in '000)
36.11 Analysis of Present value of defined benefit obligation	
<i>Vested / Non-Vested</i>	
Vested Benefits	1,499,659
Non-Vested benefits	123,003
Total	<u>1,622,662</u>
<i>Type of Benefits</i>	
Accumulated Benefit Obligation	698,565
Amounts attributed to future salary increases	924,097
Total	<u>1,622,662</u>
36.12 Remeasurements recognised in Other Comprehensive Income during the year	
<i>Actuarial loss on obligation</i>	
Gain due to change in financial assumptions	(15,728)
Gain due to change in demographic assumptions	(6,838)
Loss due to change in experience adjustments	83,626
Total actuarial loss on obligation	61,060
<i>Net return on plan assets over interest income</i>	
Actuarial loss on plan assets	43,679
Re-measurements loss recognised in Other Comprehensive Income during the year	<u>104,739</u>



2015
 (Rupees in '000)

36.13 Disaggregation of fair value of plan assets

Cash and Cash equivalents (after adjusting current liabilities)	16,064
<i>Unquoted investments</i>	
Pakistan Investment Bonds	837,180
SBP - Treasury Bills	255,000
Term Deposit	185,594
	<u>1,277,774</u>
Total fair value of plan assets	<u><u>1,293,838</u></u>

36.14 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments	
within the next 12 months (next annual reporting period)	89,683
between 2 and 5 years	563,597
between 5 and 10 years	1,315,659
	<u>1,968,939</u>

36.15 Sensitivity Analysis on significant actuarial assumptions:

Actuarial Liability

The Weighted average duration of the PBO is 10.63 years.

Discount Rate + 1%	<u><u>1,463,378</u></u>
Discount Rate - 1%	<u><u>1,810,737</u></u>
Long Term Salary Increases + 1%	<u><u>1,819,024</u></u>
Long Term Salary Increases - 1%	<u><u>1,453,949</u></u>



37. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 5.8.

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors*		Executives	
	2015	2014	2015	2014	2015	2014
	(Rupees in '000)					
Fee **	–	–	8,325	4,700	–	–
Managerial remuneration	16,000	16,000	10,400	10,400	1,844,656	1,438,093
Charge for defined benefit plan	1,333	1,333	867	867	271,751	174,240
Contribution to defined contribution plan	1,600	1,600	1,040	1,040	138,445	106,202
Rent and house maintenance	6,400	6,400	4,160	4,160	646,817	494,014
Utilities	3,361	3,488	1,057	1,066	161,685	123,504
Medical	51	30	47	18	55,552	40,819
Bonus	5,333	4,000	3,467	2,600	526,827	300,764
Others	–	–	–	–	39,022	40,076
	34,078	32,851	29,363	24,851	3,684,755	2,717,712
Number of person(s)	1	1	9	11	1,592	1,212

Executives, including the Chief Executive and Executive Director, are provided with Bank's maintained cars in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Bank. In addition, the Chief Executive and Executive Director are also provided with drivers, club memberships, security arrangements and payment of travel bills in accordance with their terms of employment.

* Directors include one executive director (2014: 01).

** This represents fee paid to non-executive directors for attending Board of Directors and its committees' meetings.



39. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2015		2014	
	Book value	Fair value (Rupees in '000)	Book value	Fair value
On-balance sheet financial instruments				
Assets				
Cash and balances with treasury banks	38,577,760	38,577,760	34,201,844	34,201,844
Balances with other banks	3,204,284	3,204,284	4,352,769	4,352,769
Lendings to financial institutions	5,818,072	5,818,072	—	—
Investments - net	355,081,488	366,575,523	331,737,516	339,431,369
Advances - net	205,858,857	205,858,857	181,357,100	181,357,100
Other assets	13,131,639	13,131,639	12,397,193	12,397,193
	621,672,100	633,166,135	564,046,422	571,740,275
Liabilities				
Bills payable	8,665,462	8,665,462	7,984,808	7,984,808
Borrowings	62,592,299	62,592,299	78,455,452	78,455,452
Deposits and other accounts	516,197,547	516,197,547	446,311,464	446,311,464
Sub-ordinated loans	2,994,600	2,994,600	3,743,700	3,743,700
Other liabilities	5,714,473	5,714,473	4,521,889	4,521,889
	596,164,381	596,164,381	541,017,313	541,017,313
Off-balance sheet financial instruments				
Commitment to extend credit	10,748,236	10,748,236	4,582,095	4,582,095
Forward purchase of foreign exchange contracts	46,760,182	46,443,437	35,574,870	35,135,311
Forward sale of foreign exchange contracts	28,769,804	28,875,247	33,584,498	34,136,179

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government Securities	PKRV rates (Reuters page)
Listed securities	Market prices
Mutual funds	Net asset values
Unlisted equity investments	Break - up value as per latest available audited financial statements.

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Bank's accounting policies as stated in note 5.5 and 5.6.

The table below analyses financial instruments measured at the end of reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	2015									
		Carrying amount					Fair value				
		Available for Sale	Held to Maturity	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
On - balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
- Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)		208,365,392	-	-	-	208,365,392	-	208,365,392	-	208,365,392	-
- Foreign Currency Bonds		627,606	-	-	-	627,606	-	627,606	-	627,606	-
- Fully paid-up ordinary shares - Listed		4,589,414	-	-	-	4,589,414	4,589,414	-	-	-	4,589,414
- Units of mutual funds		1,638,758	-	-	-	1,638,758	1,638,758	-	-	-	1,638,758
- Term Finance Certificates - Listed		305,764	-	-	-	305,764	305,764	-	-	-	305,764
- Associates		-	-	-	396,615	396,615	396,615	-	-	-	396,615
- Listed shares		-	-	-	306,171	306,171	306,171	-	-	-	306,171
- Mutual funds		-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value											
- Cash and bank balances with SBP and NBP	39.1	-	-	-	38,577,760	38,577,760	-	-	-	-	-
- Balances with other banks	39.1	-	-	-	3,204,284	3,204,284	-	-	-	-	-
- Lendings to financial institutions	39.1	-	-	-	5,818,072	5,818,072	-	-	-	-	-
- Investments											
- Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)		-	132,866,129	-	-	132,866,129	-	144,377,846	-	144,377,846	-
- Sukuk Bonds	39.1	2,722,178	172,888	-	-	2,895,066	-	-	-	-	-
- Fully paid-up ordinary shares - Unlisted	39.1	59,651	-	-	-	59,651	-	-	-	-	-
- Term Finance Certificates - Listed											
- Term Finance Certificates - Unlisted	39.1	2,946,686	-	-	-	2,946,686	-	-	-	-	-
- Associates - Unlisted Shares	39.1	84,236	-	-	-	84,236	-	-	-	-	-
- Advances	39.1	-	-	205,858,857	-	205,858,857	-	-	-	-	-
- Other assets	39.1	-	-	-	13,131,639	13,131,639	-	-	-	-	-
		221,339,685	133,039,017	205,858,857	61,434,541	621,672,100	7,236,722	353,370,844	-	360,607,566	-
Financial liabilities not measured at fair value											
- Deposits and other accounts	39.1	-	-	-	-	-	(516,197,547)	(516,197,547)	-	-	-
- Bills payable	39.1	-	-	-	-	-	(8,665,462)	(8,665,462)	-	-	-
- Borrowings	39.1	-	-	-	-	-	(62,592,299)	(62,592,299)	-	-	-
- Sub-ordinated loans	39.1	-	-	-	-	-	(2,994,600)	(2,994,600)	-	-	-
- Other liabilities	39.1	-	-	-	-	-	(5,714,473)	(5,714,473)	-	-	-
		-	-	-	-	(596,164,381)	(596,164,381)	-	-	-	-
		221,339,685	133,039,017	205,858,857	61,434,541	596,164,381	25,507,719	7,236,722	353,370,844	-	360,607,566



	Carrying amount					Fair value				
	Available for Sale	Held to Maturity	Loans and Receivables	Other Financial Assets	Other Financial liabilities	Total	Level 1	Level 2	Level 3	Total
On - balance sheet financial instruments										
Financial assets measured at fair value										
- Investments										
Federal Government Securities										
(TBills + PIBs + Sukuk Bonds + FC Bonds)	201,477,375	-	-	-	-	201,477,375	-	-	-	201,477,375
Foreign Currency Bonds	512,735	-	-	-	-	512,735	-	-	-	512,735
Fully paid-up ordinary shares - Listed	3,736,440	-	-	-	-	3,736,440	3,736,440	-	-	3,736,440
Units of mutual funds	1,952,964	-	-	-	-	1,952,964	1,952,964	-	-	1,952,964
Term Finance Certificates - Listed	317,716	-	-	-	-	317,716	317,716	-	-	317,716
- Associates										
Listed shares	-	-	-	368,997	-	368,997	368,997	-	-	368,997
Mutual funds	-	-	-	707,313	-	707,313	707,313	-	-	707,313
Financial assets not measured at fair value										
- Cash and bank balances with SBP and NBP										
- Balances with other banks										
- Lendings to financial institutions										
- Investments										
Federal Government Securities										
(TBills + PIBs + Sukuk Bonds + FC Bonds)	-	117,293,547	-	-	-	117,293,547	-	125,054,720	-	125,054,720
Sukuk Bonds	2,116,703	198,284	-	-	-	2,314,987	-	-	-	-
Fully paid-up ordinary shares - Unlisted	53,692	-	-	-	-	53,692	-	-	-	-
Term Finance Certificates - Listed	-	86,826	-	-	-	86,826	86,206	-	-	86,206
Term Finance Certificates - Unlisted	2,832,620	-	-	-	-	2,832,620	-	-	-	-
Associates - Unlisted Shares	82,304	-	-	-	-	82,304	-	-	-	-
- Advances										
- 181,357,100	-	-	181,357,100	-	-	181,357,100	-	-	-	-
- Other assets										
- 52,028,116	-	-	52,028,116	-	-	52,028,116	7,168,636	327,044,830	-	334,213,466
Financial liabilities not measured at fair value										
- Deposits and other accounts										
- Bills payable										
- Borrowings										
- Sub-ordinated loans										
- Other liabilities										
- (446,311,464)	-	-	-	-	(446,311,464)	(446,311,464)	-	-	-	-
- (7,984,808)	-	-	-	-	(7,984,808)	(7,984,808)	-	-	-	-
- (78,455,452)	-	-	-	-	(78,455,452)	(78,455,452)	-	-	-	-
- (3,743,700)	-	-	-	-	(3,743,700)	(3,743,700)	-	-	-	-
- (4,521,889)	-	-	-	-	(4,521,889)	(4,521,889)	-	-	-	-
- (541,017,313)	-	-	-	-	(541,017,313)	(541,017,313)	-	-	-	-
213,082,549	117,578,657	181,357,100	52,028,116	52,028,116	(541,017,313)	23,029,109	7,168,636	327,044,830	-	334,213,466

Note

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

The Bank has not disclosed the fair values for these financial assets and liabilities, as these are for short term or repriced over short term. Therefore their carrying amounts are reasonable approximation of fair value. Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 measurement) based on their assessment of the market value as disclosed in note 13.



40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2015				
	Retail banking	Commercial banking	Retail brokerage (Rupees in '000)	Inter Segment elimination	Total
Total income	23,532,531	47,868,943	64,416	(16,669,158)	54,796,732
Total expenses	(17,770,255)	(41,362,774)	(67,212)	16,669,158	(42,531,083)
Net income	<u>5,762,276</u>	<u>6,506,169</u>	<u>(2,796)</u>	<u>-</u>	<u>12,265,649</u>
Segment assets (net of provisions)	<u>476,280,493</u>	<u>610,169,397</u>	<u>342,663</u>	<u>(446,768,739)</u>	<u>640,023,814</u>
Segment non performing loans	<u>44,702</u>	<u>5,829,672</u>	<u>-</u>	<u>-</u>	<u>5,874,374</u>
Segment provision required	<u>38,962</u>	<u>5,488,691</u>	<u>-</u>	<u>-</u>	<u>5,527,653</u>
Segment liabilities	<u>474,519,317</u>	<u>573,902,935</u>	<u>178,767</u>	<u>(446,768,739)</u>	<u>601,832,280</u>
Segment return on assets (ROA) (%)*	<u>4.94%</u>	<u>7.85%</u>	<u>18.80%</u>		
Segment cost of funds (%)*	<u>3.74%</u>	<u>7.21%</u>	<u>37.60%</u>		

AL Habib Credit & Finance (Hong Kong) Limited has not commenced operations.

	2014				
	Retail banking	Commercial banking	Retail brokerage (Rupees in '000)	Inter Segment elimination	Total
Total income	24,369,362	42,624,539	70,247	(19,107,153)	47,956,995
Total expenses	(20,267,249)	(36,726,192)	(67,468)	19,107,153	(37,953,756)
Net income	<u>4,102,113</u>	<u>5,898,347</u>	<u>2,779</u>	<u>-</u>	<u>10,003,239</u>
Segment assets (net of provisions)	<u>427,239,886</u>	<u>554,427,859</u>	<u>427,399</u>	<u>(402,784,704)</u>	<u>579,310,440</u>
Segment non performing loans	<u>37,439</u>	<u>4,987,339</u>	<u>-</u>	<u>-</u>	<u>5,024,778</u>
Segment provision required	<u>35,835</u>	<u>3,996,982</u>	<u>-</u>	<u>-</u>	<u>4,032,817</u>
Segment liabilities	<u>425,480,100</u>	<u>523,316,837</u>	<u>271,644</u>	<u>(402,784,704)</u>	<u>546,283,877</u>
Segment return on assets (ROA) (%)*	<u>5.70%</u>	<u>7.69%</u>	<u>16.44%</u>		
Segment cost of funds (%)*	<u>4.76%</u>	<u>7.02%</u>	<u>24.84%</u>		

*These percentages have been computed based on closing assets / liabilities figures.

41. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), retirement benefit funds, major share holders, directors and key management personnel and their close family members.

Transactions with related parties of the Group are carried out on an arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Group are carried out in accordance with the terms of their employment.



Transactions with related parties, other than those disclosed in note 13.2.1 and 21.1 are summarised as follows:

	2015				Total
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	
Deposits					
At beginning of the year	3,037,277	185,609	401,895	49,441	3,674,222
Placements during the year	157,951,585	2,932,874	2,817,436	2,922,398	166,624,293
Withdrawals during the year	(157,590,860)	(2,934,510)	(2,786,792)	(2,646,015)	(165,958,177)
At end of the year	3,398,002	183,973	432,539	325,824	4,340,338
Advances					
At beginning of the year	1,517,483	294	52,960	-	1,570,737
Given during the year	22,453,719	2,790	72,596	-	22,529,105
Repaid during the year	(22,993,161)	(2,940)	(71,078)	-	(23,067,179)
At end of the year	978,041	144	54,478	-	1,032,663
Investments					
At beginning of the year	1,158,614	-	-	-	1,158,614
Investments made during the year	548,287	-	-	-	548,287
Redeemed during the year	(919,879)	-	-	-	(919,879)
At end of the year	787,022	-	-	-	787,022
Contingencies and commitments	749,299	-	-	-	749,299
Sale / redemption of securities	22,001	-	-	412,295	434,296
Redemption of mutual funds	936,356	-	-	-	936,356
Purchase of securities	1,713	-	-	-	1,713
Mark-up earned	546,574	3	3,085	-	549,662
Mark-up expensed	90,421	10,947	28,449	5,304	135,121
Bank charges and commission	3,572	11	1,109	-	4,692
Gain / (loss) on sale of securities and mutual funds	84,782	-	-	-	84,782
Salaries and allowances	-	-	319,018	-	319,018
Bonus	-	-	58,961	-	58,961
Contribution to defined contribution plan	-	-	14,754	-	14,754
Contribution to defined benefit plan	-	-	25,155	-	25,155
Staff provident fund	-	-	-	265,117	265,117
Staff gratuity fund	-	-	-	171,390	171,390
Directors' fee	-	7,700	-	-	7,700
Insurance claim received	14,410	-	-	-	14,410
Insurance premium paid	134,919	-	-	-	134,919
Dividend income	70,740	-	-	-	70,740
Rental paid	1,538	-	-	-	1,538
Donation	100	-	-	-	100
Brokerage and advisory income	992	-	3	8	1,003
Other expensed	4,302	-	-	-	4,302
Other income	161	-	-	97	258



	2014				Total
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	
Deposits					
At beginning of the year	1,813,814	142,104	368,941	174,811	2,499,670
Placements during the year	108,541,729	1,005,151	2,097,406	8,091,171	119,735,457
Withdrawals during the year	(107,318,266)	(961,646)	(2,064,452)	(8,216,541)	(118,560,905)
At end of the year	<u>3,037,277</u>	<u>185,609</u>	<u>401,895</u>	<u>49,441</u>	<u>3,674,222</u>
Advances					
At beginning of the year	1,282,655	126	37,822	-	1,320,603
Given during the year	24,168,997	4,636	74,665	-	24,248,298
Repaid during the year	(23,934,169)	(4,468)	(59,527)	-	(23,998,164)
At end of the year	<u>1,517,483</u>	<u>294</u>	<u>52,960</u>	<u>-</u>	<u>1,570,737</u>
Investments					
At beginning of the year	1,049,048	-	-	-	1,049,048
Investments made during the year	109,566	-	-	-	109,566
Redeemed during the year	-	-	-	-	-
At end of the year	<u>1,158,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,158,614</u>
Contingencies and commitments	<u>730,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>730,920</u>
Forward purchase contracts	174,758	-	-	-	174,758
Unrealised loss on forward contracts	(2,117)	-	-	-	(2,117)
Sale / redemption of securities	49,054	-	-	2,969,668	3,018,722
Redemption of mutual funds	-	-	-	-	-
Purchase of securities	-	-	-	-	-
Mark-up earned	128,478	-	2,631	-	131,109
Mark-up expensed	207,292	11,450	33,514	16,580	268,836
Bank charges and commission	4,244	26	171	-	4,441
Gain / (loss) on sale of securities and mutual funds	80	-	-	(2,865)	(2,785)
Salaries and allowances	-	-	265,968	-	265,968
Bonus	-	-	36,102	-	36,102
Contribution to defined contribution plan	-	-	13,369	-	13,369
Contribution to defined benefit plan	-	-	17,675	-	17,675
Staff provident fund	-	-	-	222,664	222,664
Staff gratuity fund	-	-	-	167,033	167,033
Directors' fee	-	4,400	-	-	4,400
Insurance claim received	12,266	-	-	-	12,266
Insurance premium paid	113,464	-	-	-	113,464
Dividend income	39,191	-	-	-	39,191
Rental paid	1,118	-	-	-	1,118
Donation	-	-	-	-	-
Brokerage and advisory income	1,515	-	26	-	1,541
Other expensed	12,221	-	-	-	12,221
Other income	180	-	-	130	310



42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Capital adequacy

As per requirements of SBP, the Bank is required to comply with the capital adequacy framework which comprises the following capital standards:

i) Minimum Capital Requirement (MCR):

The MCR standard sets the paid-up amount of capital that the Bank is required to hold at all times.

As of the statement of financial position date, the Bank's paid-up capital stands at Rs.11.114 billion as against the required MCR of Rs. 10 billion.

ii) Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks. The banks are required to comply with the CAR as specified by SBP on standalone as well as consolidated basis.

During the year 2013, SBP issued revised instructions on the computation of CAR based on Basel III Capital Reform as issued by the Basel Committee on Banking Supervision. These instructions became effective from 31 December 2013 with full implementation intended by 31 December 2019. These instructions also specify the transitional arrangements from 2013 to 2019.

Accordingly, the Bank has assessed and reported its Capital Adequacy Ratio in the financial statements on the basis of Basel III requirements as prescribed by SBP.

The CAR on the basis of above framework works out to be as follows:

	2015
Required CAR	10.25%
CAR on standalone basis	<u>13.75%</u>
CAR on consolidated basis	<u>13.87%</u>

It is the Bank's policy that the level of capital maintained by it should be such that it maximises the return to shareholders while providing sufficient buffer to absorb risks, including those from any unexpected events. Therefore, the Bank carefully monitors its capital adequacy ratio with a view to ensuring that growth in risk assets is accompanied by commensurate growth in capital, and endeavours to maintain the capital adequacy ratio at a level sufficiently higher than the minimum regulatory requirement. Stress testing of capital adequacy is carried out periodically.

Based on its experience over the years, the Bank expects to be able to raise the required capital internally through its operations as well as in the capital markets.

The Bank has a risk management framework commensurate with its size and the nature of its business. The Board of Directors has approved risk management policies covering key areas of activities, including a Risk Tolerance Statement, for the guidance of management and staff of the Bank.

The Bank calculates capital requirement as per Basel III regulatory framework, using the following approaches:

Credit Risk	Standardised Approach
Market Risk	Standardised Approach
Operational Risk	Basic Indicator Approach

42.2 Scope of application

The Basel III Framework for capital adequacy is applicable to the Bank both at the consolidated level (including subsidiaries) and also on standalone basis. Bank AL Habib Limited is the only bank



in the Group to which Basel III capital adequacy framework applies. The Bank has ownership in the following subsidiaries, where the Bank holds more than 50% of voting shares as at December 31, 2015:

Name	Type of entity	Country of incorporation
AL Habib Capital Markets (Private) Limited	Financial	Pakistan
AL Habib Credit & Finance (Hong Kong) Limited	Financial	Hong Kong

The assets, liabilities, income, expenses and cash flows of above subsidiaries are included in the consolidated financial statements and also consolidated for regulatory capital adequacy purposes.

42.3 Capital structure

The Bank's Tier 1 capital comprises paid-up capital, statutory reserve, special reserve, general reserve, and unappropriated profit and is adjusted for deductions in respect of intangible assets, shortfall in provision against classified assets, deficit on revaluation of investments, deferred tax asset, direct or indirect investment in own shares and is adjusted for reciprocal cross holdings in Tier 1 instruments.

The Bank's Tier 2 capital includes subordinated loans, general provisions, revaluation reserves, and exchange translation reserve and is adjusted for reciprocal cross holdings in Tier 2 instruments.

2015 2014
(Rupees in '000)

42.3.1 Common Equity Tier 1 capital (CET1): Instruments and reserves

Fully Paid-up Capital	11,114,254	11,114,254
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General / Statutory Reserves	10,080,132	8,599,150
Gains / (losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits / (losses)	10,414,605	7,912,345
Minority interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	70,340	7,597
CET 1 before Regulatory Adjustments	31,679,331	27,633,346
Total regulatory adjustments applied to CET1 (Note 42.3.2)	(796,847)	(513,874)
Common Equity Tier 1	(a) 30,882,484	27,119,472
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium		
of which: Classified as equity	-	-
of which: Classified as liabilities	-	-
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	-	-
Total regulatory adjustments applied to AT1 capital (Note 42.3.3)	(25,271)	-
Additional Tier 1 capital after regulatory adjustments	(25,271)	-
Additional Tier 1 capital recognised for capital adequacy	(b) (25,271)	-
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b) 30,857,213	27,119,472



	2015	2014
	(Rupees in '000)	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	2,153,760	2,393,760
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,876,278	2,583,182
Revaluation Reserves (net of taxes)	4,167,711	5,125,084
of which: Revaluation reserves on fixed assets	1,803,884	2,749,123
of which: Unrealised gains/(losses) on AFS	2,363,827	2,375,961
Foreign Exchange Translation Reserves	249,101	161,761
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	9,446,850	10,263,787
Total regulatory adjustment applied to T2 capital (Note 42.3.4)	(280,794)	(504,342)
Tier 2 capital (T2) after regulatory adjustments	9,166,056	9,759,445
Tier 2 capital recognised for capital adequacy	-	-
Portion of Additional Tier 1 capital recognised in Tier 2 capital	9,166,056	9,759,445
Total Tier 2 capital admissible for capital adequacy	(d) 9,166,056	9,759,445
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d) 40,023,269	36,878,917
Total Risk Weighted Assets (RWA) (Note 42.6)	(f) 288,647,264	246,305,974
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	(a/f) 10.70%	11.01%
Tier-1 capital to total RWA	(c/f) 10.69%	11.01%
Total capital to total RWA	(e/f) 13.87%	14.97%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
of which: capital conservation buffer requirement	-	-
of which: countercyclical buffer requirement	-	-
of which: D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	5.50%
Tier 1 minimum ratio	7.50%	7.00%
Total capital minimum ratio	10.25%	10.00%



2015
(Rupees in '000)

2014

42.3.2 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	–	–
All other intangibles (net of any associated deferred tax liability)	(68,913)	(107,626)
Shortfall in provisions against classified assets	–	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	–
Defined-benefit pension fund net assets	–	–
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(727,935)	(406,248)
Cash flow hedge reserve	–	–
Investment in own shares/ CET1 instruments	–	–
Securitisation gain on sale	–	–
Capital shortfall of regulated subsidiaries	–	–
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–
Amount exceeding 15% threshold	–	–
of which: significant investments in the common stocks of financial entities	–	–
of which: deferred tax assets arising from temporary differences	–	–
National specific regulatory adjustments applied to CET1 capital	–	–
investments in TFCs of other banks exceeding the prescribed limit	–	–
Any other deduction specified by SBP	–	–
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	–	–
Total regulatory adjustments applied to CET1	(796,848)	(513,874)

42.3.3 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	–	–
Investment in own AT1 capital instruments	–	–
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier-1 capital	(25,271)	–
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
Total regulatory adjustment applied to AT1 capital	(25,271)	–



2015 2014
(Rupees in '000)

42.3.4 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(25,271)	–
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	(255,524)	(504,342)
Investment in own Tier 2 capital instrument	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–
Total regulatory adjustment applied to T2 capital	(280,795)	(504,342)

42.3.5 Risk Weighted Assets subject to pre-Basel III treatment

Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
of which: Deferred tax assets	–	–
of which: Defined-benefit pension fund net assets	–	–
of which: Recognised portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	–	–
of which: Recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	–	–

Amounts below the thresholds for deduction (before risk weighting)

Non-significant investments in the capital of other financial entities	–	–
Significant investments in the common stock of financial entities	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)	–	–

Applicable caps on the inclusion of provisions in Tier 2

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	2,876,278	2,583,182
Cap on inclusion of provisions in Tier 2 under standardised approach	2,876,278	2,583,182
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–



2015 As per published financial statements	2015 Under regulatory scope of reporting for consolidation
--	---

(Rupees in '000)

42.4 Capital Structure Reconciliation

42.4.1 Reconciliation of accounting and regulatory scope of consolidation

Assets

Cash and balances with treasury banks	38,577,760	38,577,760
Balances with other banks	3,204,284	3,204,284
Lendings to financial institutions	5,818,072	5,818,072
Investments	355,081,488	355,081,488
Advances	205,858,857	205,858,857
Operating fixed assets	15,782,394	15,782,394
Deferred tax assets	—	—
Other assets	15,700,959	15,700,959
Total assets	640,023,814	640,023,814

Liabilities & Equity

Bills payable	8,665,462	8,665,462
Borrowings	62,592,299	62,592,299
Deposits and other accounts	516,197,547	516,197,547
Sub-ordinated loans	2,994,600	2,994,600
Liabilities against assets subject to finance lease	—	—
Deferred tax liabilities	3,627,612	3,627,612
Other liabilities	7,754,760	7,754,760
Total liabilities	601,832,280	601,832,280

Share capital/Head office capital account	11,114,254	11,114,254
Reserves	10,329,233	10,329,233
Unappropriated/Unremitted profits/(losses)	10,414,605	10,414,605
Minority Interest	112,979	112,979
Surplus on revaluation of assets	6,220,463	6,220,463
Total equity	38,191,534	38,191,534

Total liabilities & equity	640,023,814	640,023,814
---------------------------------------	--------------------	--------------------



Reference	2015	2015
	As per published financial statements	Under regulatory scope of reporting for consolidation

(Rupees in '000)

42.4.2 Reconciliation for balance sheet items that require capital adjustments

Assets

Cash and balances with treasury banks	38,577,760	38,577,760
Balances with other banks	3,204,284	3,204,284
Lendings to financial institutions	5,818,072	5,818,072
Investments	355,081,488	355,081,488
of which: Non-significant capital investments in capital instruments of banking, financial and insurance entities exceeding 10% threshold	(a) -	-
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	(b) -	-
of which: Mutual Funds exceeding regulatory threshold	(c) -	-
of which: reciprocal crossholding of capital instrument of CET1	(d) 727,935	727,935
of which: reciprocal crossholding of capital instrument of T2	(e) -	-
Advances	205,858,857	205,858,857
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	(f) -	-
General provisions reflected in Tier 2 capital	(g) 2,876,278	2,876,278
Fixed Assets	15,782,394	15,782,394
of which: Intangibles	(h) 68,913	68,913
Deferred Tax Assets	-	-
of which: DTAs that rely on future profitability excluding those arising from temporary differences	(i) -	-
of which: DTAs arising from temporary differences exceeding regulatory threshold	(j) -	-
Other assets	15,700,959	15,700,959
of which: Goodwill	(k) -	-
of which: Defined-benefit pension fund net assets	(l) -	-
Total assets	640,023,814	640,023,814

Liabilities & Equity

Bills payable	8,665,462	8,665,462
Borrowings	62,592,299	62,592,299
Deposits and other accounts	516,197,547	516,197,547
Sub-ordinated loans	2,994,600	2,994,600
of which: eligible for inclusion in AT1	(m) -	-
of which: eligible for inclusion in Tier 2	(n) -	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	3,627,612	3,627,612
of which: DTLs related to goodwill	(o) -	-
of which: DTLs related to intangible assets	(p) -	-
of which: DTLs related to defined pension fund net assets	(q) -	-
of which: other deferred tax liabilities	(r) -	-
Other liabilities	7,754,760	7,754,760
Total liabilities	601,832,280	601,832,280



Reference	2015	2015
	As per published financial statements	Under regulatory scope of reporting for consolidation
(Rupees in '000)		
Share capital	11,114,254	11,114,254
of which: amount eligible for CET1	(s) 11,114,254	11,114,254
of which: amount eligible for AT1	(t) -	-
Reserves	10,329,233	10,329,233
of which: portion eligible for inclusion in CET1	(u) 10,080,132	10,080,132
of which: portion eligible for inclusion in Tier 2	(v) 249,101	249,101
Unappropriated profits / (losses)	(w) 10,414,605	10,414,605
Minority Interest	112,979	112,979
of which: portion eligible for inclusion in CET1	(x) 70,340	70,340
of which: portion eligible for inclusion in AT1	(y) -	-
of which: portion eligible for inclusion in Tier 2	(z) -	-
Surplus on revaluation of assets	6,220,463	6,220,463
of which: Revaluation reserves on Properties	(aa) { 2,692,363	2,692,363
of which: Unrealised Gains/(Losses) on AFS	3,258,100	3,258,100
In case of Deficit on revaluation (deduction from CET1)	(ab) -	-
Total Equity	38,191,534	38,191,534
Total liabilities & equity	640,023,814	640,023,814



42.4.3 Reconciliation of computation of capital with balance sheet of the Bank

	Source based on reference number from Note 42.4.2	2015 Component of regulatory capital reported by Bank (Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital / Capital deposited with SBP		11,114,254
Balance in Share Premium Account	(s)	-
Reserve for issue of Bonus Shares		-
General / Statutory Reserves	(u)	10,080,132
Gains / (Losses) on derivatives held as Cash Flow Hedge		-
Unappropriated/unremitted profits / (losses)	(w)	10,414,605
Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	70,340
CET 1 before Regulatory Adjustments		31,679,331
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(k)-(o)	-
All other intangibles (net of any associated deferred tax liability)	(h)-(p)	(68,913)
Shortfall of provisions against classified assets	(f)	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(i-r) * x %	-
Defined-benefit pension fund net assets	(l-q) * x %	-
Reciprocal cross holdings in CET1 capital instruments	(d)	(727,935)
Cash flow hedge reserve		-
Investment in own shares/ CET1 instruments		-
Securitisation gain on sale		-
Capital shortfall of regulated subsidiaries		-
Deficit on account of revaluation from bank's holdings of properties/ AFS	(ab)	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
Amount exceeding 15% threshold		-
of which: significant investments in the common stocks of financial entities		-
of which: deferred tax assets arising from temporary differences		-
National specific regulatory adjustments applied to CET1 capital		-
of which: Investment in TFCs of other banks exceeding the prescribed limit		-
of which: Any other deduction specified by SBP		-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
Total regulatory adjustments applied to CET1		(796,848)
Common Equity Tier 1		30,882,483



	Source based on reference number from Note 42.4.2	2015 Component of regulatory capital reported by Bank (Rupees in '000)
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		
of which: Classified as equity	(t)	-
of which: Classified as liabilities	(m)	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		
of which: instrument issued by subsidiaries subject to phase out	(y)	-
AT1 before regulatory adjustments		
Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
Investment in own AT1 capital instruments		-
Reciprocal cross holdings in Additional Tier 1 capital instruments		-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		(25,271)
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
Total of Regulatory Adjustment applied to AT1 capital		(25,271)
Additional Tier 1 capital		-
Additional Tier 1 capital recognised for capital adequacy		(25,271)
Tier 1 Capital (CET1 + admissible AT1)		30,857,212
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		2,153,760
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	-
of which: instruments issued by subsidiaries subject to phase out		-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	2,876,278
Revaluation Reserves eligible for Tier 2		4,167,711
of which: portion pertaining to Properties	portion of (aa) {	1,803,884
of which: portion pertaining to AFS securities		2,363,827
Foreign Exchange Translation Reserves	(v)	249,101
Undisclosed/Other Reserves (if any)		-
T2 before regulatory adjustments		9,446,850



	Source based on reference number from Note 42.4.2	2015 Component of regulatory capital reported by Bank (Rupees in '000)
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction		-
Reciprocal cross holdings in Tier 2 instruments		(25,271)
Investment in own Tier 2 capital instrument		(255,523)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
Amount of Regulatory Adjustment applied to T2 capital		(280,794)
Tier 2 capital (T2)		9,166,056
Tier 2 capital recognised for capital adequacy		9,166,056
Excess Additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		9,166,056
TOTAL CAPITAL (T1 + admissible T2)		40,023,268



42.5 Main Features of Regulatory Capital Instruments

	Main Features	Common Shares	Instrument 1
1	Issuer	Bank AL Habib Limited	Bank AL Habib Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BAHL	BAHL TFC4
3	Governing law(s) of the instrument (Regulatory Authorities) Regulatory treatment	SBP & SECP	SBP & SECP
4	Transitional Basel III rules	CET-1	Tier 2
5	Post-transitional Basel III rules	CET-1	Ineligible
6	Eligible at solo/group/group & solo	Group & Standalone	Group & Standalone
7	Instrument type	Ordinary Shares	Subordinated Debt
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	11,114,254	2,153,760
9	Par value of instrument	Rs. 10	Rs. 5,000
10	Accounting classification	Shareholders' Equity	Liability-Subordinated Loans
11	Original date of issuance	January, 1992	30-Jun-2011
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	N/A	30-Jun-2021
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	30-Jun-2016
16	Subsequent call dates, if applicable	N/A	On each coupon payment date after 60 months from the date of issue.
	Coupons / dividends		
17	Fixed or floating dividend / coupon	N/A	Fixed
18	Coupon rate and any related index / benchmark	N/A	15.00% p.a for Years 1 to 5 and 15.50% p.a for years 6 to 10.
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	N/A	Yes
22	Noncumulative or cumulative	Non-Cumulative Shares	Non-Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger (s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	N/A	No
31	If write-down, write-down trigger (s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated Loans	All TFCs are subordinate to all other debts including deposits
36	Non-compliant transitioned features	No	Yes
37	If yes, specify non-compliant features	N/A	No loss absorbency



	Capital Requirements		Risk Weighted Assets	
	2015	2014	2015	2014
	(Rupees in '000)			
42.6 Credit Risk				
On-Balance sheet				
Portfolios subject to standardised approach (Comprehensive)				
Sovereign	1,123,858	633,898	11,238,577	6,338,981
Public sector enterprises	62,506	400,836	625,063	4,008,362
Banks	466,437	422,679	4,664,369	4,226,794
Corporate	13,125,214	12,415,326	131,252,141	124,153,259
Retail	1,109,769	796,259	11,097,689	7,962,592
Residential mortgages	90,100	78,319	901,000	783,194
Past due loans	29,037	87,167	290,365	871,672
Equity portfolio	702,873	584,402	7,028,732	5,844,017
Operating fixed assets	1,571,348	1,381,016	15,713,480	13,810,162
Other assets	238,373	221,260	2,383,732	2,212,601
	18,519,515	17,021,162	185,195,148	170,211,634
Off-Balance sheet				
Non-market related				
Direct Credit Substitutes / Acceptances / Standby LCs	1,552,869	1,534,465	15,528,687	15,344,650
Transaction Related Contingent Liabilities	1,213,682	609,832	12,136,819	6,098,321
Trade Related Contingent Liabilities	1,107,282	1,108,881	11,072,825	11,088,810
Other Commitments	770,244	498,602	7,702,444	4,986,018
	4,644,077	3,751,780	46,440,775	37,517,799
Market related				
Outstanding Foreign Exchange Contracts	467,678	69,751	4,676,779	697,514
	5,111,755	3,821,531	51,117,554	38,215,313
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk				
General market risk	449,441	59,305	5,618,014	741,309
Specific market risk	1,991	3,765	24,893	47,058
Foreign exchange risk	238,369	13,296	2,979,612	166,203
	689,801	76,366	8,622,519	954,570
Operational Risk				
Capital Requirement for operational risks	3,496,963	2,953,957	43,712,043	36,924,457
	27,818,034	23,873,016	288,647,264	246,305,974
Capital Adequacy Ratios				
	Required		Actual	
	2015	2014	2015	2014
CET1 to total RWA	6.00%	5.50%	10.70%	11.01%
Tier-1 capital to total RWA	7.50%	7.00%	10.69%	11.01%
Total capital to total RWA	10.25%	10.00%	13.87%	14.97%
Leverage ratio	3.00%	3.00%	3.78%	3.82%



43. RISK MANAGEMENT

The Bank has a risk management framework commensurate with its size and the nature of its business. The Board of Directors has approved risk management policies covering key areas of activities for the guidance of management and committees of the Board, management committees, and Divisions / Departments of the Bank.

This section presents information about the Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments.

43.1 Credit risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances, commitments to lend, contingent liabilities such as letters of credit and guarantees, and other similar transactions both on and off balance sheet. These exclude investments and treasury-related exposures, which are covered under market risk.

It is the Bank's policy that all credit exposures shall be adequately collateralised, except when specially exempted by SBP as in case of personal loans and credit cards, and those at overseas branches where the accepted local banking practice is followed.

The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Bank's risk capital, to maintain the soundness of assets and to ensure returns commensurate with risk.

Credit risk of the Bank is managed through the credit policy approved by the Board, a well defined credit approval mechanism, prescribed documentation requirement, post disbursement administration, review and monitoring of all credit facilities; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.

Counterparty exposure limits are approved in line with the Prudential Regulations and the Bank's own policies, by taking into account both qualitative and quantitative criteria. There is an established system for continuous monitoring of credit exposures and follow-up of any past due loans with the respective business units. All past due loans, including trade bills, are reviewed on fortnightly basis and pursued for recovery. Any non-performing loans are classified and provided for as per Prudential Regulations. The Bank has also established a mechanism for independent post-disbursement review of large credit risk exposures.

Credit facilities, both fund based and non-fund based, extended to large customer groups and industrial sectors are regularly monitored. The Bank has concentration of credit in textile which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub-sectors like spinning, weaving and composites, credit worthiness of counterparties, and adequate collateralisation of exposures.

Credit administration function has been placed under a centralised set-up. Its main focus is on compliance with terms of sanction of credit facilities and the Bank's internal policies and procedures, scrutiny of documentation, monitoring of collateral, and maintenance of borrowers' limits, mark-up rates, and security details.

The Bank has implemented its own internal risk rating system for the credit portfolio, as per guidelines of SBP. Credit ratings by external rating agencies, if available, are also considered.

The Bank lends primarily against the cash flow of the business with recourse to the assets being financed as primary security. Collaterals in the form of liquid securities, tangible securities, and other acceptable securities are obtained to hedge the risk, as deemed appropriate. Main types of collaterals taken by the Bank include charge on stock - in - trade, receivables, machinery, mortgage of properties, pledge of goods, shares and other marketable securities, government securities, government guarantees, bank guarantees and cash margins and bank deposits.

Specific provisions on credit portfolio are determined in accordance with the Prudential Regulations. General provision on the consumer portfolio is also determined as per Prudential Regulations. The Bank maintains additional general provision in line with its prudent policies. Particulars of provisions against advances are given in note 12.6.



The Bank uses the Standardised Approach to calculate capital charge for credit risk as per Basel regulatory framework, with comprehensive approach for credit risk mitigation.

Stress testing for credit risk is carried out regularly to estimate the impact of increase in non-performing loans and downward shift in these categories.

43.1.1 Credit risk: Disclosures on portfolio subject to Standardised Approach - Basel Specific

The Bank uses the ratings issued by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) for its local currency exposures and ratings issued by Moody's, S&P, and Fitch for its foreign currency exposures. These External Credit Assessments Institutions (ECAIs) have been approved by SBP.

For foreign currency claims on sovereigns, the Bank also uses risk scores of Export Credit Agencies (ECAs).

Types of exposures	JCR-VIS (local currency)	PACRA (local currency)	Moody's, S&P, and Fitch (foreign currency)	ECA Score (foreign currency)
Corporates	✓	✓	–	–
Banks	✓	✓	✓	–
Sovereigns	–	–	✓	✓
Small and Medium Enterprises	–	–	–	–
Securitisations	–	–	–	–
Others (public sector enterprises)	✓	✓	–	–

The Bank has not transferred public issue ratings onto comparable assets in the banking book in its calculations. ECAI ratings and ECA scores are aligned with risk buckets as determined by SBP.

Credit exposures subject to Standardised Approach

Risk buckets	Amount outstanding/ credit equivalent (rated and unrated)	Credit Risk Mitigation (CRM) deduction (Rupees in '000)	Net amount
0%	426,450,075	33,473,740	392,976,335
20%	26,194,403	4,562,661	21,631,742
35%	2,574,287	–	2,574,287
50%	29,724,015	13,965,287	15,758,728
75%	19,844,415	1,764,054	18,080,361
100%	172,672,227	7,046,932	165,625,295
125%	26,052,927	31,096	26,021,831
150%	7,365,759	–	7,365,759
250%	177,800	–	177,800
	<u>711,055,908</u>	<u>60,843,770</u>	<u>650,212,138</u>

43.1.2 Credit risk: Disclosures on CRM for Standardised Approach – Basel Specific

Eligible collaterals used by the Bank for credit risk mitigation are cash margins and cash deposits, government securities, financial guarantees, listed shares, and other listed, quoted or rated securities. The Bank requires perfection of collaterals by marking lien on cash margins and deposits, pledging of shares and other securities and verifying the authenticity of guarantees received. Shares and securities including marketable government securities are taken at market value and other government securities are taken at encashment value. Appropriate hair-cuts are applied as per Basel regulatory framework. Among the mitigants used by the Bank, there is concentration in cash margins, cash deposits, and sovereign guarantees.



43.1.3 Segment by class of business

2015

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	3,718,885	1.74	1,168,280	0.23	854,014	0.64
Automobiles and transportation equipment	1,264,527	0.59	6,477,022	1.25	4,797,327	3.58
Cement	566,433	0.26	2,268,983	0.44	1,055,021	0.79
Chemicals / pharmaceuticals	2,214,037	1.03	2,195,481	0.43	2,443,822	1.82
Commerce and trade	18,579,870	8.67	31,863,010	6.17	17,348,609	12.93
Electronics and electrical appliances	2,403,179	1.12	584,838	0.11	2,394,325	1.78
Fertilizers	4,990,212	2.33	7,152,443	1.39	450,860	0.34
Financial	2,256,572	1.05	12,504,102	2.43	24,328,937	18.13
Food and allied	47,347,757	22.10	3,460,041	0.67	3,745,562	2.79
Ghee and edible oil	6,884,057	3.21	1,508,255	0.29	5,563,230	4.15
Individuals	8,423,565	3.93	336,807,253	65.25	7,438	0.01
Iron and steel	11,336,260	5.29	978,783	0.19	8,421,043	6.28
Oil refinery / marketing	2,613,459	1.22	22,133,217	4.29	10,421,054	7.77
Paper and board	1,019,638	0.48	266,392	0.05	1,088,974	0.81
Plastic products	2,458,725	1.15	674,936	0.13	4,819,509	3.59
Production and transmission of energy	11,895,904	5.55	5,284,886	1.02	5,331,743	3.97
Real estate / construction	3,816,348	1.78	6,629,213	1.28	4,316,043	3.22
Services (other than financial)	4,522,321	2.11	15,168,330	2.94	2,669,807	1.99
Shoes and leather garments	2,734,954	1.28	1,684,597	0.33	428,181	0.32
Sugar	5,792,965	2.70	2,598,472	0.50	198,230	0.15
Surgical equipments and metal products	873,359	0.41	1,521,858	0.29	1,339,472	1.00
Textile						
Spinning	21,324,439	9.95	2,229,303	0.43	5,781,415	4.31
Weaving	9,650,524	4.51	1,139,869	0.22	2,910,680	2.16
Composite	17,643,339	8.23	3,607,165	0.70	6,541,323	4.88
Ready made garments	8,097,173	3.78	1,641,323	0.32	4,084,618	3.04
	56,715,475	26.47	8,617,660	1.67	19,318,036	14.39
Others	11,844,005	5.53	44,649,495	8.65	12,814,178	9.55
	<u>214,272,507</u>	<u>100.00</u>	<u>516,197,547</u>	<u>100.00</u>	<u>134,155,415</u>	<u>100.00</u>



	2014					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	4,069,347	2.16	1,066,899	0.24	1,530,837	1.43
Automobiles and transportation equipment	967,027	0.51	1,373,112	0.31	6,073,012	5.69
Cement	466,995	0.25	293,865	0.07	1,114,047	1.04
Chemicals / pharmaceuticals	3,310,146	1.76	1,436,443	0.32	2,898,134	2.71
Commerce and trade	12,927,855	6.88	21,986,638	4.93	11,444,779	10.71
Electronics and electrical appliances	761,377	0.41	698,151	0.16	980,085	0.92
Fertilizers	2,542,613	1.35	5,486,411	1.23	753,813	0.71
Financial	2,200,683	1.17	9,756,339	2.19	9,113,733	8.53
Food and allied	30,980,355	16.48	3,716,977	0.83	2,893,386	2.71
Ghee and edible oil	9,554,825	5.08	1,067,997	0.24	4,929,807	4.61
Individuals	5,931,735	3.16	305,592,704	68.47	8,778	0.01
Iron and steel	11,196,411	5.96	830,412	0.19	8,164,987	7.64
Oil refinery / marketing	3,608,421	1.92	21,820,829	4.89	11,738,514	10.99
Paper and board	2,158,615	1.15	226,931	0.05	662,861	0.62
Plastic products	2,404,197	1.28	348,395	0.07	3,108,171	2.91
Production and transmission of energy	7,930,767	4.22	4,291,215	0.96	4,252,274	3.98
Real estate / construction	1,134,853	0.60	6,179,808	1.39	4,028,983	3.77
Services (other than financial)	1,395,975	0.74	11,420,621	2.56	1,366,727	1.28
Shoes and leather garments	1,430,703	0.76	1,105,858	0.25	527,256	0.49
Sugar	6,085,499	3.24	2,514,596	0.56	363,537	0.34
Surgical equipments and metal products	1,007,046	0.54	1,142,069	0.25	1,019,162	0.95
Textile						
Spinning	25,999,120	13.83	1,544,087	0.35	6,127,999	5.74
Weaving	11,163,257	5.94	976,726	0.22	5,494,499	5.14
Composite	21,074,133	11.21	2,218,383	0.49	5,347,167	5.01
Ready made garments	6,607,279	3.52	1,384,527	0.31	3,133,534	2.93
	64,843,789	34.50	6,123,723	1.37	20,103,199	18.82
Others	11,063,865	5.88	37,831,471	8.47	9,759,288	9.14
	<u>187,973,099</u>	<u>100.00</u>	<u>446,311,464</u>	<u>100.00</u>	<u>106,835,370</u>	<u>100.00</u>



43.1.4 Details of non-performing advances and specific provisions by class of business segment

	2015		2014	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Agriculture / agri business	98,192	93,493	95,883	83,677
Automobiles and transportation equipment	27,073	17,073	7,015	7,015
Commerce and trade	929,384	737,694	619,660	559,520
Electronics and electrical appliances	4,058	4,058	4,058	4,058
Financial	101,949	91,160	101,949	70,957
Ghee and edible oil	3,138	3,138	3,138	3,138
Individuals	49,474	43,734	42,544	40,929
Iron and steel	585,110	554,407	753,623	222,574
Oil refinery / marketing	3,983	3,983	3,983	3,983
Plastic products	68,990	62,999	61,003	61,003
Real estate / construction	253,704	253,704	256,504	256,504
Services (other than financial)	16,485	4,122	–	–
Shoes and leather garments	–	–	572	572
Surgical equipments and metal products	5,293	3,421	2,797	2,797
Textile				
Spinning	1,361,253	1,307,097	795,214	781,646
Weaving	985,875	977,610	881,829	540,807
Composite	940,811	940,433	971,108	969,739
Ready made garments	431,021	430,664	415,317	415,317
	3,718,960	3,655,804	3,063,468	2,707,509
Others	8,581	8,581	8,581	8,581
	5,874,374	5,537,371	5,024,778	4,032,817

43.1.5 Segment by sector

	2015					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	50,785,144	23.70	43,839,613	8.49	18,374,421	13.70
Private	163,487,363	76.30	472,357,934	91.51	115,780,994	86.30
	214,272,507	100.00	516,197,547	100.00	134,155,415	100.00
	2014					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	34,203,270	18.20	40,763,122	9.13	17,348,123	16.24
Private	153,769,829	81.80	405,548,342	90.87	89,487,247	83.76
	187,973,099	100.00	446,311,464	100.00	106,835,370	100.00



43.1.6 Details of non-performing advances and specific provisions by sector

	2015		2014	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Public / Government	—	—	—	—
Private	5,874,374	5,537,371	5,024,778	4,032,817
	5,874,374	5,537,371	5,024,778	4,032,817

43.1.7 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	11,806,999	612,887,625	35,502,638	128,703,646
Middle East	440,422	20,064,708	1,931,407	5,451,769
Asia Pacific	18,687	5,578,785	470,303	—
Africa	(459)	1,492,696	287,186	—
	12,265,649	640,023,814	38,191,534	134,155,415

	2014			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	9,711,262	561,056,452	30,796,440	104,109,281
Middle East	364,991	16,416,728	1,605,870	2,726,089
Asia Pacific	(49,247)	1,218,851	448,275	—
Africa	(23,767)	618,409	175,978	—
	10,003,239	579,310,440	33,026,563	106,835,370

43.2 Market risk

Market risk is the risk of loss arising from movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices.

The Bank takes positions in securities for the purpose of investment and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities. As regards foreign exchange positions, the purpose is to serve the needs of clients. Except as aforesaid, the Bank does not engage in trading or market making activities.

Market risk is managed through the market risk policy approved by the Board, approval of counterparty and dealer limits, specific senior management approval for each investment and regular review and monitoring of the investment portfolio by the Asset Liability Management Committee (ALCO). A key element of the Bank's market risk management is to balance safety, liquidity, and



income in that order of priority. Another key element is separation of functions and reporting lines for the Treasury Division which undertakes dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deal and Middle Office which independently monitors and analyses the risks inherent in treasury operations. Risk Management Committee of the Board provides overall guidance in managing the Bank's market risk.

Dealing activities of the Bank include investment in government securities, term finance certificates, sukuks / bonds, shares and mutual funds, money market transactions and foreign exchange transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Any excess over limits noted by the Settlements Department and / or the Middle Office is reported to senior management and ALCO. Stress testing is performed as per guidelines of SBP as well as Bank's internal policy.

The Bank uses the Standardised Approach to calculate capital charge for market risk as per Basel regulatory framework. Details of capital charge for market risk are given in note 42.6.

43.2.1 Interest rate / yield risk

Interest rate risk is the risk of loss from adverse movements in interest rates. ALCO monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.

The Bank's interest rate exposure is calculated by categorising its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity dates.

Interest rate risk exposures of the Bank are controlled through dealer limits, counter-party exposure limits and (when necessary) type - of - instrument limits. Duration and modified duration of various types of debt securities as well as their entire portfolio are also calculated, and the impact of adverse change in interest rates on the market value of the securities is estimated. Stress testing for interest rate risk is carried out regularly to estimate the impact of adverse changes in the interest rates.

Interest rate / yield risk in the banking book – Basel Specific

The Bank holds financial assets and financial liabilities with different maturities or repricing dates and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates. Interest rate risk in the banking book refers to the risk associated with interest-bearing financial instruments that are not held in the trading book of the Bank.

Repricing gap analysis presents the Bank's interest sensitive assets (ISA) and interest sensitive liabilities (ISL), categorised into various time bands based on the earlier of their contractual repricing or maturity dates (or settlement dates for off-balance sheet instruments). Deposits with no fixed maturity dates (for example, saving deposits and treasurer's call deposits) are included in the lowest, one - month time band, but these are not expected to be payable within a one - month period. The difference between ISA and ISL for each time band signifies the gap in that time band, and provides a workable framework for determining the impact on net interest income.

The Bank reviews the repricing gap analysis periodically to monitor and manage interest rate risk in the banking book.

43.2.2 Mismatch of interest rate sensitive assets and liabilities

2015

Effective yield/ Interest Rate	Total	Exposed to yield / Interest rate risk							Non interest bearing financial instruments	
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years		Over 5 years to 10 years
(Rupees in '000)										
On - balance sheet financial instruments										
Assets										
-	38,577,760	5,805,938	-	-	-	-	-	-	-	32,771,822
2.02%	3,204,284	1,837,908	-	-	-	-	-	-	-	1,366,376
6.26%	5,818,072	3,992,794	-	1,825,278	-	-	-	-	-	-
9.60%	355,081,488	1,314,122	41,862,859	139,816,257	33,835,205	37,567,377	41,946,206	31,456,967	-	7,074,846
6.66%	205,858,857	148,120,089	26,378,882	5,315,189	15,204,262	2,048,926	1,529,761	3,728,866	-	-
-	13,131,639	-	-	-	-	-	-	-	-	13,131,639
	621,672,100	161,070,851	68,241,541	146,956,724	49,039,467	22,356,575	39,036,553	43,375,967	35,185,833	2,063,906
Liabilities										
-	8,665,462	-	-	-	-	-	-	-	-	8,665,462
5.05%	62,592,298	58,615,270	83,039	210,767	-	395,866	374,521	781,832	-	-
5.21%	516,197,548	254,199,926	18,409,716	28,328,468	26,107,275	5,057,975	3,659,979	3,480,245	-	176,954,964
15.00%	2,994,600	-	2,994,600	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	5,714,473	-	-	-	-	-	-	-	-	5,714,473
	596,164,381	312,814,196	18,463,637	28,539,235	29,184,914	16,902,734	4,034,500	4,262,077	2,077,082	191,334,899
	25,507,719	(151,743,345)	49,777,904	118,417,489	19,854,553	35,002,053	39,113,890	33,108,751	2,063,906	(136,990,216)
On - balance sheet gap										
Off - balance sheet financial instruments										
	46,760,182	13,172,132	20,220,719	6,541,115	-	-	-	-	-	-
	(28,769,804)	(15,323,278)	(10,026,799)	(230,864)	-	-	-	-	-	-
	10,748,236	260,156	1,827,220	4,055,680	1,563,000	-	-	-	-	-
	28,738,614	(1,890,990)	12,021,140	10,365,931	1,563,000	-	-	-	-	-
	54,246,333	(153,634,335)	61,799,044	128,783,420	18,465,734	55,002,053	39,113,890	33,108,751	2,063,906	
		(153,634,335)	(91,835,291)	63,482,215	81,947,949	116,950,002	156,063,892	189,172,643	191,236,549	

2014

Effective yield / Interest Rate	Total	Exposed to yield / Interest rate risk										Non interest bearing financial instruments	
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years			
		(Rupees in '000)											
On - balance sheet financial instruments													
Assets													
		34,201,844	4,810,823	-	-	-	-	-	-	-	-	-	29,391,021
2.88%	4,352,769	2,703,353	-	-	-	-	-	-	-	-	-	-	1,649,416
-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.00%	331,737,516	1,073,349	20,233,407	30,639,043	55,830,272	47,645,949	19,610,619	53,407,190	36,399,615	-	-	-	6,898,072
9.53%	181,357,100	125,899,953	30,001,434	14,971,533	2,165,609	1,568,215	1,576,731	2,157,974	1,436,072	1,880,179	-	-	-
-	12,397,193	-	-	-	-	-	-	-	-	-	-	-	12,397,193
	564,046,422	134,487,478	50,234,841	105,610,576	57,995,881	49,214,164	21,187,350	55,564,564	37,555,687	1,880,179	-	-	50,335,702
Liabilities													
		7,984,808	-	-	-	-	-	-	-	-	-	-	7,984,808
8.72%	78,455,452	74,863,838	77,136	94,415	229,366	558,798	348,352	1,391,061	890,592	-	-	-	1,894
7.37%	446,311,464	224,098,200	17,876,659	16,902,339	28,355,801	3,892,001	4,782,226	2,761,074	-	-	-	-	147,643,164
14.42%	3,743,700	-	747,900	600	600	2,994,600	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	4,521,889	-	-	-	-	-	-	-	-	-	-	-	4,521,889
	541,017,313	298,962,038	18,701,695	16,997,354	28,585,767	7,445,399	5,130,578	4,152,135	890,592	-	-	-	160,151,755
	23,029,109	(164,474,560)	31,533,146	88,613,222	29,410,114	41,788,765	16,056,772	51,412,429	36,645,095	1,880,179	-	-	(109,816,053)
Off - balance sheet financial instruments													
		35,574,870	10,534,044	8,784,248	8,667,756	7,311,120	277,702	-	-	-	-	-	-
	(33,584,498)	(15,025,873)	(6,592,659)	(11,952,760)	(13,206)	-	-	-	-	-	-	-	-
	4,582,095	1,268,375	880,360	1,933,360	500,000	-	-	-	-	-	-	-	-
	6,572,467	(3,223,454)	3,071,949	(1,351,644)	7,797,914	277,702	-	-	-	-	-	-	-
	29,601,576	(167,698,014)	34,605,095	87,261,578	37,208,028	42,046,467	16,056,772	51,412,429	36,645,095	1,880,179	-	-	-
		(167,698,014)	(133,092,919)	(45,831,341)	(8,623,313)	33,423,154	49,479,926	100,892,355	137,537,450	139,417,629	-	-	-



43.2.3 Foreign exchange risk

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Bank's foreign exchange exposure comprises forward contracts, purchase of foreign bills, foreign currency loans and investments, foreign currency cash in hand, balances with banks abroad, foreign currency deposits and foreign currency placements with SBP and other banks. Focus of the Bank's foreign exchange activities is on catering to the needs of its customers, both in spot and forward markets.

Foreign exchange risk exposures of the Bank are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities within strict limits. The net open position in any single currency and the overall foreign exchange exposure are both managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Bank itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impact of adverse changes in foreign exchange rates.

	2015			Net
	Assets	Liabilities	Off-balance sheet items	currency exposure
	(Rupees in '000)			
Pakistan Rupee	592,150,573	538,946,578	(17,990,377)	35,213,618
United States Dollar	45,409,825	49,507,291	6,702,689	2,605,223
Great Britain Pound	1,350,974	9,279,902	8,152,306	223,378
Japanese Yen	4,710	9,608	6,895	1,997
Euro	899,604	3,227,952	2,454,482	126,134
Other currencies	208,128	860,949	674,005	21,184
	640,023,814	601,832,280	–	38,191,534
	2014			Net
	Assets	Liabilities	Off-balance sheet items	currency exposure
	(Rupees in '000)			
Pakistan Rupee	528,824,213	496,171,431	(1,990,371)	30,662,411
United States Dollar	47,724,325	39,218,085	(6,516,659)	1,989,581
Great Britain Pound	973,959	6,988,949	6,129,289	114,299
Japanese Yen	22,521	6,688	(15,973)	(140)
Euro	1,389,311	3,250,171	1,902,253	41,393
Other currencies	376,111	648,553	491,461	219,019
	579,310,440	546,283,877	–	33,026,563



43.3 Liquidity risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable losses.

Liquidity risk is managed through the liquidity risk policy approved by the Board, careful monitoring of daily liquidity position by the Treasury Division and the Middle Office and regular review and monitoring of the liquidity position by ALCO. Risk Management Committee of the Board provides overall guidance in managing the Bank's liquidity risk.

Key elements of the Bank's liquidity risk management are as follows:

- To maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet the Bank's funding requirements at any time.
- To keep a strong focus on mobilisation of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioural maturity profiles of assets and liabilities.
- To maintain excellent credit rating (as borrowing costs and ability to raise funds are directly affected by credit rating).
- To have a written contingency funding plan to address any hypothetical situations when access to normal sources of funding is constrained.

The Bank's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity risk is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.

43.3.1

Maturities of assets and liabilities - based on expected maturities as determined by ALCO

For assets and liabilities that have a contractual maturity, the expected maturity is considered to be the same as contractual maturity. Assets and Liabilities that do not have a contractual maturity have been categorised on the basis of expected maturities as determined by ALCO. In case of saving and current accounts, their historical net withdrawal pattern over the next one year was reviewed, based on year - end balances for the last three years. Thereafter, taking a conservative view, ALCO categorised these deposits in various maturity bands. Other assets and liabilities have been categorised on the basis of assumptions / judgments that are believed to be reasonable.

2015

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	38,577,760	-	-	-	-	-	-	-	-	-
Balances with other banks	3,204,284	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,818,072	3,992,794	-	1,825,278	-	-	-	-	-	-
Investments - net	355,081,488	(696,342)	39,835,878	28,903,150	146,978,770	22,476,912	40,235,835	43,310,918	33,490,598	545,969
Advances - net	205,868,857	39,969,660	42,984,295	59,958,377	18,775,694	11,804,286	10,478,491	11,256,314	8,128,961	2,502,779
Operating fixed assets	15,782,394	266,328	535,368	649,184	748,758	4,630,949	1,057,211	1,233,555	737,001	5,924,040
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	15,700,959	12,767,798	1,578,551	815,470	218,345	111,767	50,823	40,253	38,139	79,813
	640,023,814	98,082,282	84,934,092	90,326,181	168,546,845	39,023,914	51,822,160	55,841,040	42,394,639	9,052,601
Liabilities										
Bills payable	8,665,462	8,665,462	-	-	-	-	-	-	-	-
Borrowings	62,592,299	39,648,813	11,900,511	7,202,904	210,767	395,866	374,521	781,832	2,077,085	-
Deposits and other accounts	516,197,547	76,265,624	57,841,745	65,539,305	67,760,497	76,035,628	74,637,632	78,401,102	19,716,014	-
Sub-ordinated loans	2,994,600	-	-	600	600	1,200	1,200	1,496,400	1,494,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	3,627,612	(88,791)	80,625	104,050	640,200	1,082,435	317,290	434,771	571,529	475,503
Other liabilities	7,754,760	5,303,242	7,098	4,347	629,398	28,465	73,596	940,758	-	767,856
	601,832,280	129,794,350	69,829,979	72,851,206	69,241,462	77,553,594	75,404,239	82,054,863	23,859,228	1,243,359
Net assets	38,191,534	(31,712,068)	15,104,113	17,474,975	99,305,383	(38,529,680)	(23,582,079)	(26,213,823)	18,535,471	7,809,242
Share capital	11,114,254									
Reserves	10,329,233									
Unappropriated profit	10,414,605									
Non Controlling interest	112,979									
Surplus on revaluation of assets - net of tax	6,220,463									
	38,191,534									



2014

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	34,201,844	-	-	-	-	-	-	-	-	-
Balances with other banks	4,352,769	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	331,737,516	(1,153,732)	17,671,865	88,066,626	63,536,213	48,610,382	21,708,999	54,617,948	38,168,798	510,517
Advances - net	181,357,100	44,638,796	48,901,441	42,216,394	14,062,095	8,177,109	7,172,775	10,823,653	3,379,453	1,985,384
Operating fixed assets	13,917,781	173,961	316,268	347,736	535,127	915,662	4,050,974	794,953	949,229	5,833,871
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	13,743,430	12,371,607	732,488	183,799	175,871	85,050	41,632	35,958	46,246	70,779
	579,310,440	94,585,245	67,622,062	130,814,555	78,309,306	57,786,203	32,974,380	66,272,412	42,543,726	8,400,551
Liabilities										
Bills payable	7,984,808	7,984,808	-	-	-	-	-	-	-	-
Borrowings	78,455,452	57,530,290	12,411,666	5,085,326	229,366	558,798	348,352	1,391,061	890,593	-
Deposits and other accounts	446,311,464	65,334,621	51,921,852	50,947,532	62,400,993	65,173,349	66,063,574	67,446,943	17,022,600	-
Sub-ordinated loans	3,743,700	-	747,900	600	600	1,200	1,200	2,400	2,989,800	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	2,769,852	(1,061)	33,420	89,670	324,683	215,822	912,148	246,971	323,726	624,473
Other liabilities	7,018,601	5,041,675	52,241	52,509	719,355	4,729	29,940	460,420	-	657,732
	546,283,877	135,890,333	65,167,079	56,185,637	63,674,997	65,953,898	67,355,214	69,547,795	21,226,719	1,282,205
Net assets	33,026,563	(41,305,088)	2,454,983	74,628,918	14,634,309	(8,165,695)	(34,380,834)	(3,275,383)	21,317,007	7,118,346
Share capital	11,114,254									
Reserves	8,760,911									
Unappropriated profit	7,912,345									
Non-controlling interest	113,969									
Surplus on revaluation of assets - net of tax	5,125,084									
	33,026,563									

43.3.2 Maturities of assets and liabilities - based on contractual maturities

The following maturity profile is based on contractual maturities for assets and liabilities that have a contractual maturity. Assets and liabilities that do not have a contractual maturity have been categorised in the shortest maturity band.

2015

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	38,577,760	-	-	-	-	-	-	-	-	-
Balances with other banks	3,204,284	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,818,072	3,992,794	-	1,825,278	-	-	-	-	-	-
Investments - net	355,081,488	10,908,662	39,732,567	28,791,085	139,896,481	22,166,308	39,849,310	41,837,033	31,900,042	-
Advances - net	205,858,857	39,969,660	42,984,295	59,958,377	18,775,694	11,804,286	10,478,491	11,256,314	8,128,961	2,502,779
Operating fixed assets	15,782,394	7,490,929	253,135	368,574	674,180	1,235,388	1,067,772	1,254,678	789,808	2,647,930
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	15,700,959	12,978,879	1,554,684	779,671	146,746	111,767	50,823	40,253	38,136	-
	640,023,814	117,122,968	84,524,681	89,897,707	161,318,379	35,317,749	51,446,396	54,388,278	40,856,947	5,150,709
Liabilities										
Bills payable	8,665,462	8,665,462	-	-	-	-	-	-	-	-
Borrowings	62,592,299	39,648,813	11,900,511	7,202,904	210,767	395,866	374,521	781,832	2,077,085	-
Deposits and other accounts	516,197,547	431,153,890	18,409,715	26,107,275	28,328,468	5,057,975	3,659,979	3,480,245	-	-
Sub-ordinated loans	2,994,600	-	-	600	600	1,200	1,200	1,496,400	1,494,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	3,627,612	2,619,417	41,349	60,177	111,908	204,691	182,076	(82,914)	14,835	476,073
Other liabilities	7,754,760	7,276,382	7,098	4,347	300,573	28,465	73,596	63,799	-	-
	601,832,280	489,364,464	30,358,673	33,375,303	28,952,316	5,688,197	4,291,372	5,739,362	3,586,520	476,073
Net assets	38,191,534	(372,241,496)	54,166,008	56,522,404	132,366,063	29,629,552	47,155,024	48,648,916	37,270,427	4,674,636
Share capital	11,114,254									
Reserves	10,329,233									
Unappropriated profit	10,414,605									
Non Controlling interest	112,979									
Surplus on revaluation of assets - net of tax	6,220,463									
	38,191,534									



2014

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	34,201,844	-	-	-	-	-	-	-	-	-
Balances with other banks	4,352,769	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	331,737,516	8,000,914	17,666,725	87,928,986	57,060,345	48,339,562	21,575,818	54,032,275	37,152,891	-
Advances - net	181,357,100	44,638,796	48,901,441	42,216,394	14,062,095	8,177,109	7,172,775	10,823,653	3,379,453	1,965,384
Operating fixed assets	13,917,781	6,880,605	177,385	259,487	485,824	810,993	640,947	794,953	949,229	2,918,358
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	13,743,430	12,530,830	716,191	158,528	128,996	85,050	41,632	35,958	46,245	-
	579,310,440	110,605,758	67,451,742	130,563,395	71,727,260	57,412,714	29,431,172	65,686,839	41,527,818	4,903,742
Liabilities										
Bills payable	7,984,808	7,984,808	-	-	-	-	-	-	-	-
Borrowings	78,455,452	57,530,290	12,411,666	5,095,326	229,366	558,798	348,352	1,391,061	890,593	-
Deposits and other accounts	446,311,464	371,741,363	17,876,659	16,902,339	28,355,801	3,892,001	4,782,226	2,761,075	-	-
Sub-ordinated loans	3,743,700	-	747,900	600	600	1,200	1,200	2,400	2,989,800	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	2,769,852	1,826,438	24,995	36,806	65,912	102,279	77,050	42,020	(31,942)	626,194
Other liabilities	7,018,601	6,402,431	48,641	12,351	495,300	4,729	29,940	25,209	-	-
	546,283,877	445,485,330	31,109,861	22,047,422	29,146,979	4,559,007	5,238,768	4,221,765	3,948,551	626,194
Net assets	33,026,563	(334,879,572)	36,341,881	108,515,973	42,580,281	52,853,707	24,192,404	61,465,074	37,679,267	4,277,548
Share capital	11,114,254									
Reserves	8,760,911									
Unappropriated profit	7,912,345									
Non-controlling interest	113,969									
Surplus on revaluation of assets - net of tax	5,125,084									
	33,026,563									



43.4 Equity position risk in the banking book – Basel Specific

Except for very limited trading position in equities as mentioned above (note 43.2), the Bank's policy is to take equity positions for investment purposes. Equity holdings include direct investment in shares and in equity-based mutual funds, both closed-end and open-end. Policies covering their valuation and accounting are disclosed in note 5.5.

Equity position risk

Equity position risk is the risk of loss from adverse movements in equity prices. The Bank's policy is to take equity positions for investment purposes and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities.

Equity position risk of the Bank is controlled through equity portfolio limits, sector limits, scrip limits, and future contracts limits. Direct investment in equities and mutual funds is managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Bank itself. Stress testing for equity price risk is carried out regularly to estimate the impact of decline in stock prices.

43.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

Operational risk is managed through the operational risk policy and audit policy approved by the Board, along with the policies on prevention of frauds and forgeries and compliance with "Know Your Customer" / "Customer Due Diligence" and "Anti Money Laundering / Combating Financing of Terrorism" requirements; operational manuals and procedures issued from time to time; a system of internal controls and dual authorisation for important transactions and safe-keeping; a Business Continuity Plan, including a Disaster Recovery Plan for I.T., to prevent interruption of business services in the event of a major incident or disaster; an I.T. Security Policy to ensure security and integrity of I.T. systems; and regular audit of the branches. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

The Bank's operational risk management framework, as laid down in the operational risk policy, permits the overall risk management approach to evolve in the light of organisational learning and the future needs of the Bank.

The Bank places a high priority on conducting all business dealings with integrity and fairness, as laid down in the Code of Conduct, which is required to be complied with by all employees.

Internal controls are an essential feature of risk reduction in operational risk management and the Bank continues to improve its internal controls.

Operational risk disclosures – Basel Specific

The Bank uses Basic Indicator Approach to calculate capital charge for operational risk as per Basel regulatory framework. This approach is considered to be most suitable in view of the business model of the Bank which relies on an extensive network of branches to offer one-stop, full-service banking to its clients. The Bank has developed and implemented an Operational Loss Database. Operational loss and "near miss" events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve security and control procedures.



44. ISLAMIC BANKING BUSINESS

44.1 The Bank is operating 29 (2014: 17) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2015 and for the year are as follows:

44.1.1 STATEMENT OF FINANCIAL POSITION

	Note	2015 (Rupees in '000)	2014
ASSETS			
Cash and balances with treasury banks		882,606	484,073
Balances with and due from financial institutions		744,861	1,638,371
Investments		5,594,911	2,798,926
Islamic financing and related assets	44.1.1.1	11,980,951	7,974,727
Operating fixed assets		134,795	62,860
Other assets		244,172	214,790
		19,582,296	13,173,747
LIABILITIES			
Bills payable		8,452	142,421
Due to financial institutions		2,734,239	1,336,648
Deposits and other accounts		14,718,557	9,859,014
– Current accounts		4,797,701	3,267,028
– Saving accounts		3,675,740	2,085,041
– Term deposits		5,152,092	4,449,048
– Others		71,726	40,532
– Deposits from financial institutions - remunerative		1,019,316	16,439
– Deposits from financial institutions - non-remunerative		1,982	926
Due to Head Office		1,490	–
Other liabilities		427,968	462,701
		(17,890,706)	(11,800,784)
NET ASSETS		1,691,590	1,372,963
REPRESENTED BY:			
Islamic banking fund		1,500,000	1,100,000
Unremitted profit		180,290	305,917
		1,680,290	1,405,917
Surplus / (deficit) on revaluation of assets		11,300	(32,954)
		1,691,590	1,372,963



44.1.1.1 Islamic financing and related assets

	2015	2014
	(Rupees in '000)	
Murabaha	2,850,625	1,988,650
Net book value of assets / investment in ijarah under IFAS 2	695,688	488,316
Diminishing musharika	3,639,528	3,106,668
Musawama	274,033	-
Export refinance murabaha	32,351	86,274
Export refinance istisna	2,491,638	1,257,788
Istisna	568,922	667,453
Gross financings	<u>10,552,785</u>	<u>7,595,149</u>
Less: general provisioning against consumer financing	(1,784)	(688)
Net financing	<u>10,551,001</u>	<u>7,594,461</u>
Advance against murabaha	1,176,821	360,910
Advance against ijarah	253,129	19,356
Islamic financing and related assets - net off provision	<u><u>11,980,951</u></u>	<u><u>7,974,727</u></u>

44.1.1.2 Islamic mode of financing

Financings / inventory / receivables	10,552,785	7,595,149
Advances	1,429,950	380,266
Less: general provision against consumer financing	(1,784)	(688)
	<u><u>11,980,951</u></u>	<u><u>7,974,727</u></u>

44.2 PROFIT AND LOSS ACCOUNT

Profit / return on financing and placements earned	1,155,163	1,111,230
Profit / return on deposits and other dues expensed	(626,271)	(561,964)
	<u>528,892</u>	<u>549,266</u>
Provision against non performing loans and advances	(1,096)	(164)
Net spread earned	<u>527,796</u>	<u>549,102</u>
OTHER INCOME		
Fee, commission and brokerage income	45,068	37,169
Income from dealing in foreign currencies	11,241	9,232
Other income	15,366	10,792
	<u>71,675</u>	<u>57,193</u>
	<u>599,471</u>	<u>606,295</u>
OTHER EXPENSES		
Administrative expenses	(419,181)	(300,378)
PROFIT BEFORE TAXATION	<u><u>180,290</u></u>	<u><u>305,917</u></u>



	2015 (Rupees in '000)	2014
44.3 Remuneration to Shariah Advisor / Board	3,354	2,250
44.4 CHARITY FUND		
Opening balance	2,621	4,144
Additions during the year	2,686	2,621
Payments / utilisation during the year		
Health	(1,021)	(2,500)
Social welfare	(1,600)	(1,644)
	(2,621)	(4,144)
Closing balance	2,686	2,621

44.5 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

44.5.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk & reward characteristics:

We have a single pool mechanism with the depositors. The pool operates on Mudaraba basis. Since we are operating in a single pool structure the risk and reward are proportionately shared by the depositor.

Parameters associated with risk and rewards:

Following are the key considerations attached with risk and reward of the pool:

- Period, return, safety, security and liquidity of investment.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & Shariah clearance.

44.5.2 Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

The Mudaraba based funds have been deployed in the following avenues / sectors / business:

- Chemical & pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes & leather garments
- Investment in Sukuk
- Production and transmission of energy
- Food and allied except sugar
- Wheat
- Individuals
- Others (Domestic whole sale, plastic product etc.)



44.5.3 Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

The Bank's Islamic Banking Division (IBD) is currently accepting Pak Rupees Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-UI-Maal. The Bank also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing such as Murabaha, Ijarah, Istisna, Diminishing Musharaka and Ijarah Sukuk.

The Bank calculates the profit of the pool after every quarter. Profit is distributed at the Net income level. Net income is calculated after deducting costs and expenses such as cost of Murabaha, cost of Takaful, Depreciation and loss of investments, directly incurred in deriving that Income.

The Net income / loss is being allocated between the Bank's equity and the depositors' fund in proportion to their respective share in pool.

The Bank's profit sharing ratio during the year was 50% (2014: 50%) of Net income and the depositors' profit sharing ratio was 50% (2014: 50%) of Net income.

After the allocation of Income between the equity holder and depositors the profit is distributed among the account holders on the basis of predetermined weightages, announced by the Bank at the beginning of the quarter based on their respective category / tiers. In case of loss, Rab-UI-Maal has to bear the loss in the ratio of its investment.

In case of provisioning, the general and specific provisions created against non - performing financing and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the IBIs as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to the pool along with other direct expenses.

44.5.4 Mudarib share (in amount and percentage of Distributable Income)

	2015	2014
	(Rupees in million)	
Distributable Income	765	739
Mudarib Share	383	368
Mudarib Share (%)	50%	50%

44.5.5 Amount and percentage of Mudarib share transferred to the depositors through Hiba

Mudarib Share	383	368
Hiba	115	110
Hiba percentage of Mudarib Share	30%	30%

44.5.6 Profit rate earned vs. profit rate distributed to the depositors during the year

Profit Rate Earned	7.80%	10.24%
Profit Rate Distributed	4.11%	5.29%



45. SUBSEQUENT EVENT

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 3.5 (2014: Rs. 3) per share.

46. GENERAL

46.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements, wherever necessary to facilitate comparative and to conform with changes in presentation in the current year.

46.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

47. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on January 27, 2016.

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



Annexure-1

**Statement showing written-off loans or any other financial relief
of five hundred thousand rupees or above provided
during the year ended 31 December 2015**

(Rupees in '000)

S. No.	Name and address of the borrowers	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Others	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	S. Afzal Hussaini B-04, Aashiyana II, Block 17, Gulshan-e-Iqbal, Karachi	(Late) Syed Afzal Hussaini (CNIC: 42201-0683396-5)	Syed Akbar Hussaini	-	4,632	-	4,632	-	4,632	-	4,632
2.	De-Phoqs Enterprises 8th KM. Pakpattan Road, Sahiwal	Mrs. Yasmin Rifat Khan (CNIC: 36502-2409091-2)	Mr. Khalid Mehmood Khan	572	666	-	1,238	-	666	-	666
3.	Yaseen Garments & General Store Bazar Dilgaran, inside Haddood Committee, Kasur	(Late) Mr. Muhammad Yaseen (CNIC: 35102-0677043-5)	Mr. Jaan Muhammad	1,500	333	171	2,004	-	333	171	504
			Total	2,072	5,631	171	7,874	-	5,631	171	5,802

Note 1: Interest / mark-up written off was against suspended mark-up.



Report of Shariah Board as at 31 December 2015

In the name of Allah, the Beneficent, the Merciful

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank AL Habib – Islamic Banking Division (BAHL-IBD) are conducted in a manner that comply with Shariah principles and guidelines issued by the Shariah Board of the BAHL-IBD at all times. The Shariah Governance Framework issued by the State Bank of Pakistan, required the Shariah Board (SB) to submit a report on the overall Shariah compliance environment of BAHL-IBD.

To form the opinion as expressed in this report, the Shariah Compliance review carried out, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, Shariah Board have also reviewed the reports of the Internal Shariah audit. Based on above, we are of the view that:

- (i) BAHL-IBD has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by its Shariah Board.
- (ii) BAHL-IBD has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
- (iii) BAHL-IBD is in process of developing Shariah Compliance mechanism to ensure overall Shariah compliance which will be approved by the Shariah Board. The process of hiring of Shariah Compliance Team is also in process.
- (iv) BAHL-IBD has a well-defined system in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized.
- (v) BAHL-IBD has complied with the SBP instructions on profit and loss distribution and pool management.
- (vi) Improvement is required in level of awareness of Islamic finance of the staff, management and the BOD. Proper training schedule to be developed and organized for each level. The management and the BOD appreciates the importance of Shariah compliance in the products, processes and operations of the BAHL-IBD.
- (vii) The management is in process to arrange adequate resources to Shariah Board enabling them to discharge their duties effectively.

MUFTI MUHAMMAD SARFARAZ NIHAL
Resident Shariah Board Member

MUFTI MOHIB UL HAQ
Member Shariah Board

MUFTI ISMATULLAH HAMDULLAH
Chairman Shariah Board

Karachi: January 27, 2016



Branch Network

The Bank has a network of 528 branches including 105 sub-branches, 03 overseas branches and 29 Islamic Banking branches. The Bank also has 03 representative offices. The Bank has branches / sub-branches / representative offices in the following cities:

- Abbotabad
- Alipur
- Arifwala
- Attock
- Badin
- Bagh (A.K.)
- Bahawalnagar
- Bahawalpur
- Bannu
- Basti Malook
- Bhalwal
- Bhan Saeedabad
- Bhiria Road
- Burewala
- Chaksawari (A.K.)
- Chakwal
- Chenab Nagar
- Chichawatni
- Chiniot
- Dadu
- Dadyal (A.K.)
- Daharki
- Darya Khan Mari
- Daska
- Deh 75 Nusrat
- Deh Gad
- Deh Noonari
- Deh Taib
- Dera Ghazi Khan
- Dera Ismail Khan
- Digri
- Dina
- Dinga
- Faisalabad
- Faqirwali
- Fateh Jang
- Fazil Pur
- Feroza
- Ferozewatoan
- Gaggo Mandi
- Gambat
- Gawadar
- Ghakhar
- Gharo
- Ghotki
- Gilgit
- Golarchi
- Gujar Khan
- Gujranwala
- Gujrat
- Hafizabad
- Hala
- Haripur
- Haroonabad
- Hasilpur
- Hattar
- Hazro
- Head Rajkan
- Hingorja
- Hub
- Hyderabad
- Islamabad
- Jacobabad
- Jalalpur Jattan
- Jehlum
- Jhang
- Joharabad
- Kahrur Pacca
- Kamalia
- Kamoke
- Kandhkot
- Kandiaro
- Karachi
- Karkhana Bazar Vehari
- Kasur
- Khairpur
- Khanbela
- Khanewal
- Khanpur
- Kharian
- Khipro
- Khurrianwala
- Khushab
- Kichiwala
- Kot Ghulam Muhammad
- Kotla Arab Ali Khan
- Kotli
- Kunri
- Lahore
- Lala Musa
- Larkana
- Malakand Agency
- Mandi Bahauddin
- Manshera
- Mardan
- Mathanichangan Swabi
- Matli
- Mehar
- Mehrabpur
- Mian Channu
- Mianwali
- Mingora
- Mirpur (A.K.)
- Mirpurkhas
- Mithi
- Moro
- Multan
- Muridke
- Muzaffarabad (A.K.)
- Muzaffargarh
- Narowal
- Nathan Shah
- Naukot
- Naushero Feroze
- Nawabshah
- Nooriabad
- Okara
- Panu Aqil
- Parachinar
- Peshawar
- Pir Mahal
- Pull Kharan
- Pull Manda (A.K.)
- Qambar Ali Khan
- Qasba Gujrat
- Qazi Ahmed
- Quetta
- Rahim Yar Khan
- Rajanpur
- Rawalakot (A.K.)
- Rawalpindi
- Rohaillian Wali
- Sadiqabad
- Sahiwal
- Sakrand
- Saleh Khana
- Sambrial
- Sanghar
- Sargodha
- Sawabi
- Shahdaddkot
- Shahdadpur
- Shahpur Chakar
- Sheikhpura
- Shikarpur
- Sialkot
- Skardu
- Sukkur
- Talagang
- Tando Adam
- Tando Muhammad Khan
- Tando Allahyar
- Tando Bagho
- Taranada Muhammad Pannah
- Tarnol
- Taxila
- Thari Mirwah
- Tharu Shah
- Thatta
- Tibba Sultanpur
- Timergara
- Toba Tek Singh
- Turbat
- Ubauro
- Uch Sharif
- Ugoki
- Umerkot
- Wah Cantt
- Wazirabad
- ZahirPir

Overseas Branches

- Manama, Bahrain
- Labuan, Malaysia
- Victoria, Seychelles

Representative Offices

- Beijing, China
- Dubai, U.A.E.
- Istanbul, Turkey

Principal Office

Mackinnons Building, I. I. Chundrigar Road, Karachi.
Phones: (92-21) 32412421, 32446916 & 111-786-110
Fax: (92-21) 32419752

Registered Office

126-C, Old Bahawalpur Road, Multan.
Phones: (92-61) 4580314-16, & 111-786-110
Fax: (92-61) 4582471

SWIFT CODE : BAHLPKKA website : www.bankalhabib.com



Form of Proxy

The Company Secretary
Bank AL Habib Limited
126-C, Old Bahawalpur Road,
MULTAN.

I/We _____ of _____

being a member(s) of Bank AL Habib Limited and holding _____

ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. _____

do hereby appoint _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

or failing him/her _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

another member of the Bank as my/our proxy to vote for me/us and on my/our behalf at the Twenty Fifth Annual General Meeting of the Bank to be held on Monday, March 28, 2016 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2016.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

(The signature of the shareholder should agree with the specimen signature registered with the Bank or as per CNIC / Passport in case the share(s) is / are registered in CDC account).

Witnesses:

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
CNIC/Passport No. _____	CNIC/Passport No. _____

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his / her original CNIC / Passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted along with proxy form.

The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxy forms, together with the power of attorney (if any), under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.



مختار نامہ (پراکسی فارم)

میں اہم _____ ساکن _____ بحیثیت ممبر (رکن) بینک الحبیب لمیٹڈ اور حامل
عام حصص، بمطابق شیئر رجسٹر فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپینٹ آئی ڈی نمبر _____
ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپینٹ آئی ڈی نمبر _____ کو
یا ان کی غیر حاضری میں ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپینٹ آئی ڈی نمبر _____
کو اپنے اہم اے ایم اے پر بروز پیر ۲۸ مارچ ۲۰۱۶ء کو بینک الحبیب لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے بینک کے پچیسویں سالانہ اجلاس عام میں
حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں / کرتے ہیں۔
آج بروز _____ بتاریخ _____ ۲۰۱۶ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
رسیدی ٹکٹ پر دستخط

دستخط ممبر (رکن)

ممبر (رکن) کے دستخط بینک میں رجسٹرڈ شدہ دستخط سے مماثلت رکھتے ہوں اور سی ڈی سی اکاؤنٹ ہولڈرز کے دستخط ان کے کمپیوٹرائزڈ قومی شناختی کارڈ
یا پاسپورٹ کے نمونہ دستخط سے مماثل ہونا ضروری ہے۔

گواہان:

۱- دستخط _____ نام _____
۲- دستخط _____ نام _____
پتہ _____ پتہ _____
کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہوا اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پراکسی) شرکت کرنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔
سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوگی۔
مختار (پراکسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)،
بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد / پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختار نامہ (پراکسی فارم) جمع کرانا ہونگے۔

مختار نامہ (پراکسی فارم) پر ممبر (رکن) یا ان کے اٹارنی کے دستخط ہونا لازمی ہے۔ کارپوریٹ ادارہ ہونے کی صورت میں مختار نامہ (پراکسی فارم) پر کمپنی کی مہر ہونا
بھی ضروری ہے۔

مختار نامہ (پراکسی فارم) بمعہ نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) بینک کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم
۲۸ گھنٹے قبل جمع کرانا ضروری ہے۔

www.jamapunji.pk




سرمایہ کاری سمجھداری کے ساتھ




Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk


Key features:


 Licensed Entities Verification


 Scam meter*


 Jamapunji games*


 Tax credit calculator*

 Company Verification

 Insurance & Investment Checklist


 FAQs Answered

 Stock trading simulator
(based on live feed from KSE)


 Knowledge center

 Risk profiler*

 Financial calculator

 Subscription to Alerts (event
notifications, corporate and
regulatory actions)

 Jamapunji application for
mobile device

 Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices