

هَذَا مِنْ فَضْلِ رَبِّي



## **VISION STATEMENT**

TO BE OUR CUSTOMERS' MOST CONVENIENT  
AND TRUSTED BANK

## **MISSION STATEMENT**

TO MAKE BANKING SAFE, SIMPLE, AND PLEASANT

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## CORPORATE INFORMATION

<b>Board of Directors</b>	Abbas D. Habib Ali Raza D. Habib Anwar Haji Karim Arshad Nasar Murtaza H. Habib Qumail R. Habib Safar Ali Lakhani Shahid Ghaffar Syed Mazhar Abbas Syed Hasan Ali Bukhari	<i>Chairman</i>          <i>Executive Director</i>
	Mansoor Ali Khan	<i>Chief Executive</i>
<b>Audit Committee</b>	Syed Mazhar Abbas Anwar Haji Karim Arshad Nasar Syed Hasan Ali Bukhari Safar Ali Lakhani	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
<b>Human Resource &amp; Remuneration Committee</b>	Syed Mazhar Abbas Anwar Haji Karim Arshad Nasar Murtaza H. Habib Syed Hasan Ali Bukhari	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
<b>Company Secretary</b>	Mohammad Taqi Lakhani	
<b>Statutory Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants	
<b>Legal Advisor</b>	LMA Ebrahim Hosain Barristers, Advocates & Corporate Legal Consultants	
<b>Registered Office</b>	126-C, Old Bahawalpur Road, Multan	
<b>Principal Office</b>	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi	
<b>Share Registrar</b>	Central Depository Company of Pakistan Ltd. CDC House 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400.	
<b>Website</b>	<a href="http://www.bankalhabib.com">www.bankalhabib.com</a>	

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## HISTORY

**1891**

Habib Esmail started his career in Bombay at the age of 13 on a salary of Rs. 5 per month.

**1896**

By the age of 18, he was made a partner in the firm and had established an excellent reputation for honesty, hard work, trustworthiness, and humility.

**1941**

Habib Bank Limited was established in Bombay by the sons of Habib Esmail. [Quaid-e-Azam Mohammad Ali Jinnah, Founder of Pakistan, reposed confidence in the bank by opening his personal account.]

**1947**

On the creation of Pakistan and at the request of the Quaid-e-Azam, Habib Family shifted all of its businesses including Habib Bank to Pakistan.

**1947-1973**

Habib Bank played a vital role in meeting the financial and banking needs of Pakistan. It continued to record substantial growth and progress and emerged as the leading private sector bank in Pakistan.

**1974**

Habib Bank was nationalized along with other Pakistani banks.

**1991**

Government of Pakistan decided to allow private sector to establish commercial banks in the country. Dawood Habib Group (comprising grandsons of Habib Esmail) was granted permission to set up a new bank, and Bank AL Habib Limited was incorporated.

**1992**

Bank AL Habib Limited started operation with shareholders' funds of Rs. 300 million and six branches.

**2017**

Bank AL Habib Limited completed twenty five years of its operation.



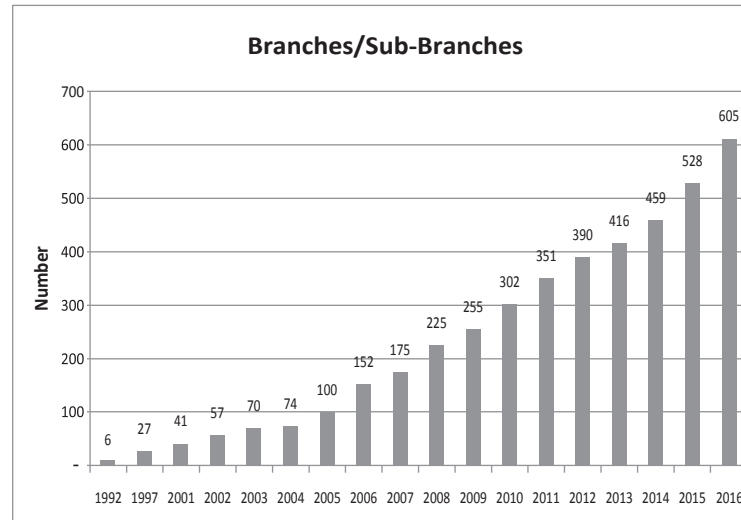
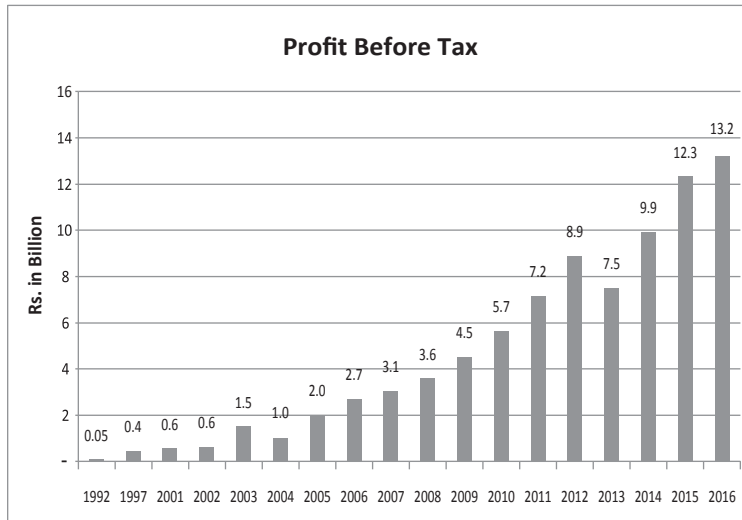
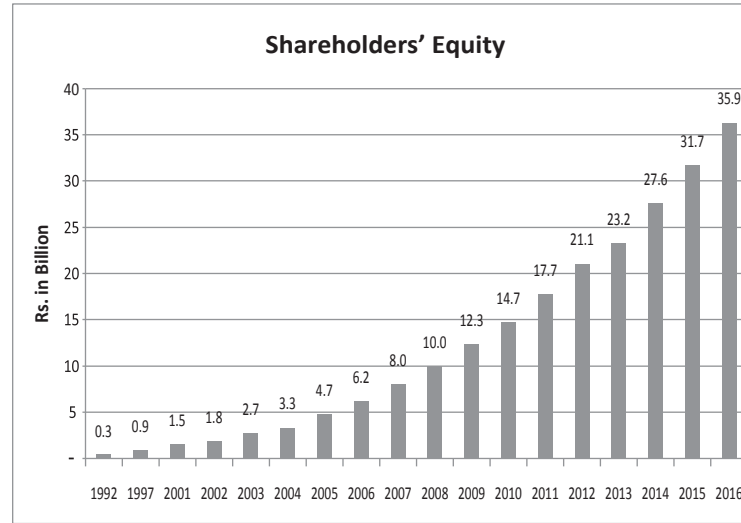
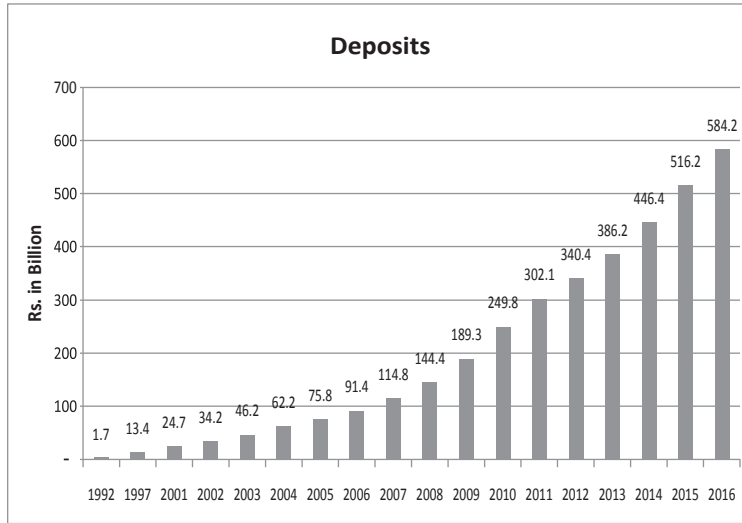
## Performance 1992-2016 : Financials

(Rupees in Million)

Years	Assets	Deposits	Advances	Investments	Shareholders' Equity	Profit Before Tax	Profit After Tax	Cash Dividend	Stock Dividend
1992	2,727	1,679	607	1,060	325	51	25	–	–
1993	5,590	3,372	1,647	1,907	421	151	96	–	–
1994	8,346	5,200	3,067	1,932	528	224	107	–	–
1995	11,395	6,353	4,254	2,055	611	255	127	15.0%	–
1996	11,248	8,573	5,664	2,489	718	341	153	15.0%	10.0%
1997	16,515	13,445	7,372	7,440	851	442	199	20.0%	15.0%
1998	16,897	13,226	7,564	6,999	1,016	445	203	10.0%	32.0%
1999	19,870	14,113	10,925	4,601	1,169	373	153	–	20.0%
2000	24,226	17,823	14,722	1,289	1,322	403	153	–	20.0%
2001	29,025	24,697	15,902	5,664	1,532	551	246	5.0%	20.0%
2002	49,437	34,240	23,775	18,831	1,822	620	290	–	25.0%
2003	58,066	46,178	35,232	14,109	2,726	1,513	1,012	10.0%	25.0%
2004	77,436	62,171	47,367	14,414	3,274	1,039	541	–	35.0%
2005	91,502	75,796	55,304	19,758	4,746	2,022	1,464	15.0%	40.0%
2006	114,998	91,420	70,796	21,023	6,186	2,689	1,761	15.0%	40.0%
2007	141,234	114,819	79,224	35,287	8,014	3,052	2,211	15.0%	30.0%
2008	177,324	144,390	100,197	48,234	9,967	3,579	2,425	12.5%	27.5%
2009	249,807	189,280	105,985	111,018	12,287	4,512	2,856	20.0%	20.0%
2010	301,552	249,774	125,773	137,168	14,706	5,656	3,602	20.0%	20.0%
2011	384,282	302,099	114,872	222,959	17,723	7,155	4,533	25.0%	15.0%
2012	453,106	340,393	147,869	249,754	21,058	8,878	5,455	30.0%	–
2013	460,727	386,161	167,579	239,753	23,227	7,513	5,155	20.0%	10.0%
2014	579,394	446,409	181,737	331,423	27,555	9,917	6,349	30.0%	–
2015	639,973	516,213	207,289	356,649	31,698	12,332	7,405	35.0%	–
2016	751,396	584,172	261,440	405,028	35,922	13,164	8,119	35.0%	–



## Performance 1992-2016 : Charts





## DIRECTORS' REPORT

Alhamdulillah, Bank AL Habib has completed 25 year of its operation, and the Directors are pleased to present the Twenty-sixth Annual Report together with the audited financial statements of the Bank for the year ended December 31, 2016.

The operating results and appropriations, as recommended by the Board, are given below:

	<b>(Rupees in '000)</b>
Profit for the year before tax	<b>13,163,987</b>
Taxation	<b>(5,044,758)</b>
Profit for the year after tax	<b>8,119,229</b>
Unappropriated profit brought forward	<b>10,253,920</b>
Transfer from surplus on revaluation of fixed assets – net of tax	<b>53,229</b>
Other comprehensive income	<b>(53,736)</b>
	<b>10,253,413</b>
Profit available for appropriations	<b>18,372,642</b>
Appropriations:	
Transfer to Statutory Reserve	<b>(1,623,846)</b>
Cash dividend – 2015	<b>(3,889,989)</b>
	<b>(5,513,835)</b>
Unappropriated profit carried forward	<b>12,858,807</b>
Basic / Diluted earnings per share – after tax	<b>Rs. 7.31</b>

For the year ended December 31, 2016, the Directors propose a cash dividend of 35%, i.e., Rs. 3.50 per share.

### Performance Review

Alhamdulillah, the performance of your Bank continued to be satisfactory during the year. Deposits rose to Rs. 584,172 million against Rs. 516,213 million a year earlier, while advances increased to Rs. 261,440 million from Rs. 207,289 million. Foreign Trade Business handled by the Bank during the year was Rs. 825,826 million. Profit before tax for the year was Rs. 13,164 million as compared to Rs. 12,332 million last year, while profit after tax was Rs. 8,119 million against Rs. 7,405 million last year.

During the year, the Bank opened 77 new branches and converted 18 sub-branches into full-fledged branches, bringing our network to 608 offices, which comprises 518 branches (including 41 Islamic Banking Branches and 3 Overseas Branches, one each in Bahrain, Malaysia, and Seychelles), 87 sub-branches, and 3 Representative Offices, one each in Dubai, Istanbul, and Beijing. The Bank will continue to expand its network in Pakistan and abroad.



## Top Companies Award for the Year 2015

We are pleased to advise that your Bank was selected for “Top 25 Companies Award” for the year 2015 by the Pakistan Stock Exchange. Criteria for the award include dividend payout, capital efficiency, profitability, free-float of shares, transparency & investor relation and compliance with listing and securities regulations. This is the fifth time that the Bank has received this award.

## Changes in Board of Directors

During the year, the following changes took place in the Board of Directors:

- Sadly, Mr. Shameem Ahmed, Director, passed away on February 5, 2016, and subsequently Mr. Arshad Nasar was appointed as a Director of the Bank. The Board places on record its appreciation of the meritorious services rendered by Mr. Shameem Ahmed during his association with the Bank since 2006.
- Mr. Abbas D. Habib retired as Managing Director & Chief Executive of the Bank on October 31, 2016, and Mr. Mansoor A. Khan was appointed as Chief Executive with effect from November 1, 2016.
- Mr. Ali Raza D. Habib retired as Chairman of the Board on October 31, 2016, and Mr. Abbas D. Habib was elected as Chairman of the Board with effect from November 1, 2016.

The Board places on record its appreciation of the invaluable contributions made by Mr. Ali Raza D. Habib and Mr. Abbas D. Habib during their long association with the Bank since its inception, and is pleased that they will continue to serve on the Bank’s Board of Directors.

## Board Meetings

During the year, seven meetings of the Board were held and the attendance of each Director was as follows:

Name of Director	Meetings Held	Meetings Attended
Mr. Ali Raza D. Habib	7	5
Mr. Abbas D. Habib	7	7
Mr. Anwar Haji Karim	7	6
Mr. Murtaza H. Habib	7	6
Mr. Qumail R. Habib	7	6
Mr. S. Mazhar Abbas	7	7
Mr. Arshad Nasar *	7	5
Mr. Safar Ali Lakhani	7	6
Mr. S. Hasan Ali Bukhari	7	6
Mr. Shahid Ghaffar	7	7
Mr. Mansoor Ali Khan, Chief Executive*	7	1

\*Mr. Arshad Nasar and Mr. Mansoor Ali Khan attended all meetings of the Board after assuming their respective offices.

## Committee Meetings

Code of Corporate Governance requires formation of two committees of the Board, viz. Audit Committee and Human Resource & Remuneration Committee. During the year, nine meetings of the Audit Committee and five meetings of the Human Resource & Remuneration Committee (HR&RC) were held, and the attendance of members was as follows:





Audit Committee			Human Resource & Remuneration Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Mr. S. Mazhar Abbas, Chairman	9	9	Mr. S. Mazhar Abbas, Chairman	5	5
Mr. Anwar Haji Karim	9	8	Mr. Abbas D. Habib**	5	3
Mr. S.Hasan Ali Bukhari	9	8	Mr. Anwar Haji Karim	5	4
Mr. Safar Ali Lakhani	9	9	Mr. Murtaza H. Habib	5	5
Mr. Arshad Nasar*	9	6	Mr. S. Hasan Ali Bukhari	5	4
			Mr. Arshad Nasar*	5	2
*Mr. Arshad Nasar attended all meetings of the Audit Committee and HR&RC after his nomination to these Committees.					
**Mr. Abbas D. Habib ceased to be member of HR&RC during the year. He attended all meetings of HR&RC while he was its member.					

### Directors Training Programme

During the year, one more Director completed the directors' training programme.

### Credit Rating

Alhamdollilah, Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term and short term entity ratings at **AA+** (Double A plus) and **A1+** (A One plus), respectively. Our unsecured, subordinated TFC issue of 2016 has been assigned instrument rating of **AA** (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

### Future Outlook

Pakistan's economy seems to be well positioned to maintain its growth momentum. GDP has been rising, energy situation and security environment have improved, inflation has been under control, exchange rate has been stable, and performance of equity market has been commendable. Investments in CPEC-related projects are expected to bring about further improvement in energy and infrastructure sectors. But there are also adverse indications relating to external current account, trade balance, inward remittances, and geopolitical environment. Moreover, continuation of low interest rates may result in further reduction in earnings of banks. We are, nevertheless, confident that the Bank will Inshallah continue to grow and progress, as in the past.

### Auditors

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment to the shareholders, as auditors of the Bank for the year ending December 31, 2017, at a fee to be mutually agreed.



## **Risk Management Framework**

The Bank always had a risk management framework commensurate with the size of the Bank and the nature of its business. This framework has developed over the years and continues to be refined and improved. Its salient features are summarized below:

- Credit risk is managed through the credit policies approved by the Board; a well-defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of credit facilities; and continuous assessment of credit worthiness of counterparties. The Bank has also established a mechanism for independent, post-disbursement review of large credit risk exposures. 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.
- Market risk is managed through the market risk policy approved by the Board; approval of counterparty limits and dealer limits; senior management approval for investments; and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Bank, which is monitored on daily basis by the Treasury and the Middle Office. Risk Management Committee of the Board provides overall guidance in managing the Bank's market and liquidity risks, capital adequacy, and integrated risk management (also known as enterprise risk management).
- Operational risk is managed through the audit policy and the operational risk policy approved by the Board, along with the fraud prevention policy; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; a Business Continuity Plan, including a Disaster Recovery Plan for I.T.; and regular audit of the branches. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

In order to comply with SBP's guidelines on risk management, the Bank has established a separate Risk Management Division, including a Middle Office that independently monitors and analyses the risks inherent in Treasury operations. The steps taken by the Division include: sensitivity testing of Government Securities portfolio; computation of portfolio duration and modified duration; analysis of forward foreign exchange gap positions; more detailed reporting of TFCs and equities portfolios; development of improved procedures for dealing in equities and settlements; monitoring of off-market foreign exchange rates and foreign exchange earnings; and establishment of a mechanism for independent, post-disbursement review of large credit risk exposures. Assessment of enterprise-wide integrated risk profile of the Bank is carried out, using the Basel Framework, Internal Capital Adequacy Assessment Process, and Stress Testing.

## **Corporate Social Responsibility (CSR)**

Your Bank is fully committed to the concept of Corporate Social Responsibility and fulfills this responsibility by engaging in a wide range of activities which include:

- corporate philanthropy amounting to Rs. 184.9 million by way of donations during the year for social and educational development and welfare of people;
- energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and "No Smoking Zone", and providing a safe and healthy work environment;
- business ethics and anti-corruption measures, requiring all staff members to comply with the Bank's "Code of Conduct";
- consumer protection measures, requiring disclosure of the schedule of charges and terms and conditions that apply to the Bank's products and services;



- amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;
- employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc., including employment of special persons;
- expansion of the Bank's branch network to rural areas, which helps in rural development;
- contribution to the national exchequer by the Bank by way of direct taxes of about Rs. 5.25 billion paid to the Government of Pakistan during the year; furthermore, an additional amount of over Rs. 10 billion was deducted/collected by the Bank on account of withholding taxes, federal excise duties and sales tax on services, and paid to the Government of Pakistan/Provincial Governments.

### Statement on Corporate and Financial Reporting

1. The financial statements, prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account have been maintained by the Bank.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements; changes, if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored. The Board's endorsement of the management's evaluation related to Internal Control over Financial Reporting, along with endorsement of overall Internal Controls is given on page 13.
6. Going concern assumption is appropriate. There is no identifiable material uncertainty that raises doubt about the ability of the Bank to continue as a going concern.
7. Key operating and financial data for last six years are summarized below:

(Rupees in million)

	2016	2015	2014	2013	2012	2011
Total customer deposits	584,172	516,213	446,409	386,161	340,393	302,099
Total advances	261,440	207,289	181,737	167,579	147,869	114,872
Profit before tax	13,164	12,332	9,917	7,513	8,878	7,155
Profit after tax	8,119	7,405	6,349	5,155	5,455	4,533
Shareholders' Equity	35,922	31,698	27,555	23,227	21,058	17,723
Earnings per share * (Rs)	7.31	6.66	5.71	4.64	4.91	4.08
Cash Dividend (%)	35	35	30	20	30	25
Stock Dividend (%)	–	–	–	10	–	15

\*Earnings per share from 2011 to 2013 have been recalculated based on the existing paid-up capital.

8. Value of investments of Provident Fund and Gratuity Fund Schemes based on latest audited financial statements as at December 31, 2015 was as follows:

(Rupees in '000)

Provident Fund	3,236,974
Gratuity Fund	1,203,984

9. The pattern of shareholding and additional information regarding pattern of shareholding is given on pages 112, 113 & 114



10. The Board has approved a formal process for its performance evaluation. The Bank has adopted In-House Approach and Quantitative Technique with scored questionnaires for Board evaluation. Scope of Board evaluation covers evaluation of the full Board, individual Directors, Board Committees, the Chairman, and the Chief Executive. Consolidated results/findings will be discussed with the relevant parties. Any areas of improvement identified during the evaluation will be noted for appropriate action. Evaluation process for each calendar year will be completed latest by April 30 of the next year.
11. No trade in the shares of the Bank was carried out by the Directors, CEO, CFO, Head of Internal Audit, Company Secretary, and Executives and their spouses and minor children, except the following:
  - One Director transferred 6,000,000 shares to his relatives;
  - Son of a Director, who acts independently, purchased 75,000 shares through a CDC account in which spouse of the Director is a joint account holder with the son.

For the purpose of this disclosure, the definition of “Executive” includes Assistant General Managers and above, in addition to officials already mentioned in the Rule Book of the Pakistan Stock Exchange regulations.

#### **General**

We wish to thank our customers for their continued support and confidence, the State Bank of Pakistan for their guidance, and local and foreign correspondents for their cooperation. We also thank all our staff members for their sincere and dedicated services, which enabled the Bank to achieve these satisfactory results.

On behalf of the Board of Directors

Karachi: January 26, 2017

ABBAS D. HABIB  
**Chairman**



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2016

This statement is being presented to comply with the Code of Corporate Governance (“the Code”) contained in Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Syed Mazhar Abbas Syed Hasan Ali Bukhari Mr. Arshad Nasar
Executive Director	Mr. Qumail R. Habib
Non-Executive Directors	Mr. Abbas D. Habib Mr. Ali Raza D. Habib Mr. Anwar Haji Karim Mr. Murtaza H. Habib Mr. Safar Ali Lakhani Mr. Shahid Ghaffar

The independent directors meet the criteria of independence as per Prudential Regulations of State Bank of Pakistan.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Bank.
3. All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the Board during the year which was filled up by the directors within stipulated time.
5. The Bank has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Director, together with appointment and remuneration of the Chairman, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the Bank are well conversant with their duties and responsibilities. One director attended training program during the year.



10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises five members, who are independent or non-executive directors. Chairman of the Committee is an independent director.
16. Meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource & Remuneration Committee. It comprises five members, of whom all are non-executive directors, including the Chairman of the Committee.
18. The Bank has an effective internal audit division that is manned by suitably qualified and experienced personnel. The audit team is conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the PSX regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all the other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

ABBAS D. HABIB  
**Chairman**

Karachi: January 26, 2017



## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of **Bank AL Habib Limited** (“the Bank”) for the year ended 31 December 2016 to comply with the requirements of Regulations contained in the Rule Book of the Pakistan Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank’s personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank’s corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2016.

Karachi: January 26, 2017

KPMG Taseer Hadi & Co.  
Chartered Accountants



## STATEMENT ON INTERNAL CONTROLS

The Management of the Bank is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations; reliability of financial reporting; safeguarding of assets; and compliance with applicable laws and regulations. The Internal Control System has evolved over the years, as it is an ongoing process and is included in the Bank's policies, procedures, financial limits, etc., as detailed in various manuals, circulars and instructions issued by the Bank. This system continues to be reviewed, refined and improved from time to time and immediate corrective action is taken to minimize risks which are inherent in banking business and operations.

The Internal Control System is reviewed by the Internal Auditors as well as External Auditors and their findings and recommendations are reported to the management and to the Audit Committee of the Board, and corrective action is taken to address control deficiencies and for improving procedures and systems as they are identified. The Board, acting through the Audit Committee, provides supervision and overall guidance in improving the effectiveness of the Internal Control System.

While the Internal Control System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure and circumvention or overriding of controls. Accordingly, even an effective Internal Control System can only provide reasonable but not absolute assurance that the system's objectives will be achieved.

Internal Control over Financial Reporting (ICFR) aims to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the applicable financial reporting standards. During the year, Internal Auditors tested the Bank's ICFR and reported their findings to the management and the Audit Committee of the Board. While no material deficiencies were detected, indicating that ICFR is effectively implemented in the Bank, it may be reiterated that any control system can provide reasonable but not absolute assurance that its objectives will be achieved.

In accordance with the State Bank of Pakistan (SBP) directives, the Bank has completed all the stages of ICFR. Upon satisfactory completion of ICFR roadmap, the Bank has been granted exemption by SBP from the requirement of submission of Long Form Report by the External Auditors.

The Bank has endeavored to follow the guidelines issued by SBP on internal controls. Updation and review of ICFR exercise for the year 2016 as per SBP Guidelines on Internal Controls has been successfully completed. In accordance with SBP directives, the annual assessment report for the year 2016 will be submitted by the Audit Committee of the Board to SBP within the stipulated time. Evaluation and management of significant risks is an on-going process and we will make further efforts to improve our Internal Control System during 2017.

ASHAR HUSAIN  
*Chief Financial Officer*

ARIF SAEED KHAN  
*Head of Internal Audit*

Karachi: January 26, 2017

### BOARD OF DIRECTORS' REMARKS ON THE MANAGEMENT'S EVALUATION OF INTERNAL CONTROLS

Keeping in view the feedback received by the Board of Directors from the Audit Committee and the management, the Board of Directors endorse management's evaluation of Internal Controls, including Internal Control over Financial Reporting.

On behalf of the Board of Directors

Karachi: January 26, 2017

ABBAS D. HABIB  
*Chairman*





## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of **Bank AL Habib Limited** ("the Bank") as at 31 December 2016 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for eighteen branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the unconsolidated statement of financial position and the unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change disclosed in note 5.1.1 to the accompanying financial statements, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2016 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: January 26, 2017

KPMG Taseer Hadi & Co.  
Chartered Accountants  
**Muhammad Taufiq**



**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	2016	2015	2014
		(Rupees in '000)		
<b>ASSETS</b>				
Cash and balances with treasury banks	8	50,600,041	38,577,738	34,201,813
Balances with other banks	9	2,866,455	3,185,669	4,345,042
Lendings to financial institutions	10	—	3,992,794	—
Investments - net	11	405,027,569	356,649,003	331,422,572
Advances - net	12	261,440,098	207,288,608	181,737,083
Operating fixed assets	13	18,894,031	15,764,284	13,898,321
Deferred tax assets - net		—	—	—
Other assets - net	14	12,567,622	14,515,118	13,788,806
		<b>751,395,816</b>	639,973,214	579,393,637
<b>LIABILITIES</b>				
Bills payable	15	13,872,057	8,665,462	7,984,808
Borrowings	16	93,717,345	62,592,299	78,455,452
Deposits and other accounts	17	584,171,954	516,213,178	446,409,004
Sub - ordinated loans	18	3,999,200	2,994,600	3,743,700
Liabilities against assets subject to finance lease		—	—	—
Deferred tax liabilities - net	19	4,131,830	3,632,598	2,780,536
Other liabilities	20	8,989,686	8,018,419	7,391,786
		<b>708,882,072</b>	602,116,556	546,765,286
<b>NET ASSETS</b>		<b>42,513,744</b>	37,856,658	32,628,351
<b>REPRESENTED BY:</b>				
Share capital	21	11,114,254	11,114,254	11,114,254
Reserves		11,949,311	10,329,659	8,760,911
Unappropriated profit		12,858,807	10,253,920	7,679,490
		<b>35,922,372</b>	31,697,833	27,554,655
Surplus on revaluation of assets - net of tax	22	6,591,372	6,158,825	5,073,696
		<b>42,513,744</b>	37,856,658	32,628,351
<b>CONTINGENCIES AND COMMITMENTS</b>	23			

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

ABBAS D. HABIB  
Chairman

MANSOOR ALI KHAN  
Chief Executive

SYED MAZHAR ABBAS  
Director

ANWAR HAJI KARIM  
Director



## UNCONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 (Rupees in '000)	2015
Mark - up / return / interest earned	25	47,804,368	50,293,226
Mark - up / return / interest expensed	26	(23,132,808)	(25,476,349)
Net mark - up / return / interest income		24,671,560	24,816,877
Reversal / (provision) against non - performing loans and advances - net	12.5	441,057	(1,763,279)
Reversal / (provision) for diminution in the value of investments	11.4	196,992	(196,992)
Bad debts written - off directly	12.6	—	(34)
		638,049	(1,960,305)
Net mark - up / return / interest income after provisions		25,309,609	22,856,572
<b>NON MARK - UP / INTEREST INCOME</b>			
Fees, commission and brokerage income		2,521,496	2,286,952
Dividend income	27	591,500	601,701
Income from dealing in foreign currencies		491,038	707,484
Gain on sale / redemption of securities - net	28	715,470	217,254
Unrealised gain on revaluation of investments classified as held for trading	11.5	3,385	—
Other income	29	729,359	697,475
Total non mark - up / interest income		5,052,248	4,510,866
		30,361,857	27,367,438
<b>NON MARK - UP / INTEREST EXPENSES</b>			
Administrative expenses	30	(17,728,349)	(14,695,040)
Other reversals / (provisions) / write - offs	31	38,033	(38,535)
Other reversals / (charges)	32	492,446	(302,204)
Total non mark - up / interest expenses		(17,197,870)	(15,035,779)
Extra - ordinary / unusual items		—	—
<b>PROFIT BEFORE TAXATION</b>		13,163,987	12,331,659
Taxation – Current		(4,299,752)	(4,503,771)
– Prior years		(502,993)	(500,484)
– Deferred		(242,013)	77,508
	33	(5,044,758)	(4,926,747)
<b>PROFIT AFTER TAXATION</b>		8,119,229	7,404,912
		(Rupees)	
<b>Basic and diluted earnings per share</b>	34	7.31	6.66

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

ABBAS D. HABIB  
Chairman

MANSOOR ALI KHAN  
Chief Executive

SYED MAZHAR ABBAS  
Director

ANWAR HAJI KARIM  
Director



**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 (Rupees in '000)	2015
<b>Profit after taxation for the year</b>		<b>8,119,229</b>	7,404,912
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit and loss account</i>			
Exchange differences on translation of net investment in foreign branches		(4,194)	87,766
<i>Items that will never be reclassified to profit and loss subsequently</i>			
Remeasurement of defined benefit plan	37.6	(82,670)	(104,739)
Related tax charge		28,934	36,659
		(53,736)	(68,080)
<b>Comprehensive income transferred to equity</b>		<b>8,061,299</b>	7,424,598
<i>Components of comprehensive income not reflected in equity</i>			
Surplus on revaluation of available for sale securities		729,170	2,071,459
Related tax charge		(255,210)	(929,570)
		473,960	1,141,889
<b>Total comprehensive income</b>		<b>8,535,259</b>	8,566,487

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

ABBAS D. HABIB  
Chairman

MANSOOR ALI KHAN  
Chief Executive

SYED MAZHAR ABBAS  
Director

ANWAR HAJI KARIM  
Director



## UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 (Rupees in '000)	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		13,163,987	12,331,659
Less: Dividend income		(591,500)	(601,701)
		<u>12,572,487</u>	<u>11,729,958</u>
<b>Adjustments for:</b>			
Depreciation		1,598,840	1,180,653
Amortisation		82,351	85,328
(Reversal) / provision against non - performing loans and advances - net		(441,057)	1,763,279
(Reversal) / provision for diminution in the value of investments		(196,992)	196,992
Gain on sale of operating fixed assets		(101,024)	(56,372)
Gain on sale / redemption of securities - net		(715,470)	(217,254)
Unrealised gain on held for trading securities		(3,385)	-
Charge for compensated absences		54,174	49,654
(Reversals) / provisions against off - balance sheet items		(41,785)	38,535
		<u>235,652</u>	<u>3,040,815</u>
		<u>12,808,139</u>	<u>14,770,773</u>
<b>Decrease / (increase) in operating assets</b>			
Lendings to financial institutions		3,992,794	(3,992,794)
Advances - net		(53,710,433)	(27,695,070)
Other assets - (excluding advance taxation)		2,123,126	(353,198)
		<u>(47,594,513)</u>	<u>(32,041,062)</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		5,206,595	680,654
Borrowings		29,985,638	(15,201,573)
Deposits and other accounts		67,958,776	69,804,174
Other liabilities - (excluding provision for taxation)		1,132,150	580,299
		<u>104,283,159</u>	<u>55,863,554</u>
		<u>69,496,785</u>	<u>38,593,265</u>
Income tax paid		(5,244,641)	(5,158,034)
Net cash generated from operating activities		<u>64,252,144</u>	<u>33,435,231</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in securities		(46,733,549)	(23,522,779)
Net investments in associates		-	388,069
Dividend received		570,456	601,243
Investments in operating fixed assets		(4,827,994)	(3,202,040)
Sale proceeds from disposal of operating fixed assets		131,413	130,172
Net cash used in investing activities		<u>(50,859,674)</u>	<u>(25,605,335)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipts / (repayments) of sub - ordinated loans		1,004,600	(749,100)
Dividends paid		(3,829,195)	(3,290,430)
Net cash used in financing activities		(2,824,595)	(4,039,530)
Exchange differences on translation of net investment in foreign branches		(4,194)	87,766
Increase in cash and cash equivalents		<u>10,563,681</u>	<u>3,878,132</u>
Cash and cash equivalents at beginning of the year		<u>41,758,103</u>	<u>37,879,971</u>
Cash and cash equivalents at end of the year	35	<u>52,321,784</u>	<u>41,758,103</u>

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

ABBAS D. HABIB  
Chairman

MANSOOR ALI KHAN  
Chief Executive

SYED MAZHAR ABBAS  
Director

ANWAR HAJI KARIM  
Director





## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1. STATUS AND NATURE OF BUSINESS

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 Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 518 branches (2015: 423 branches), 87 sub-branches (2015: 105 sub - branches) and 03 representative offices (2015: 03 representative offices). The branch network of the Bank includes 03 overseas branches (2015: 03 overseas branches) and 41 Islamic Banking branches (2015: 29 Islamic Banking branches).

### 2. BASIS OF PRESENTATION

- 2.1 These unconsolidated 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 unconsolidated 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 unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 45.
- 2.4 These are separate financial statements of the Bank in which investments in subsidiaries and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

### 3. STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated financial statements of the Bank 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 unconsolidated 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 unconsolidated financial statements have been prepared under the historical cost convention except for non - banking assets acquired in satisfaction of claims, certain investments, land and buildings and derivative financial instruments which are revalued as referred to in notes 5.1.1, 5.4, 5.6, 5.14 and 5.15.

#### **5. SIGNIFICANT ACCOUNTING POLICIES**

5.1 The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year, except for certain standards, which became effective during the year. However, they don't have material effect on these unconsolidated financial statements of the Bank.

##### **5.1.1 Change in accounting policy**

Effective 1 January 2016, the Bank has changed its accounting policy for recording of non - banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated 1 January 2016. In line with the guidance provided in the Regulations, the non - banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, non - banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, non - banking assets (included in Other Assets in the statement of financial position), surplus on revaluation of assets and deferred tax liability - net would have been lowered by Rs. 8.101 million, Rs. 11.443 million and Rs. 1.808 million respectively while profit after tax would have been higher by Rs. 3.721 million.

##### **5.2 Cash and cash equivalents**

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

##### **5.3 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 as investments in the statement of financial position. Amounts paid under these arrangements are included in repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

##### **5.4 Investments**

Investments in subsidiaries and associates are stated at cost less provision for impairment, if any. Other investments 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 Bank has the intention and ability to hold till maturity.

In Bai Muajjal, the Bank sells sukuk on credit to 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.

### **Available for sale**

These are investments which do not fall under 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 Bank 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 break-up 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.

## **5.5 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 Musharaka**

In Diminishing Musharaka financing, the Bank enters into Musharaka 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 Musharaka share by the customer. The customer purchases the Bank's 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.

## **5.6 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 Bank 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 Bank 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 Bank 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.

#### **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.

### **5.7 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.

#### **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.



## 5.8 Provisions against liabilities

These are recognised when the Bank 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.

## 5.9 Provisions against off - balance sheet obligations

The Bank, 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 Bank's 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.

## 5.10 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.

## 5.11 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.

## 5.12 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.

### **5.13 Statutory reserve**

Every Bank incorporated in Pakistan is required to transfer 20% of their profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the Bank is to be transferred to this reserve.

### **5.14 Currency translation**

#### **Functional and presentation currency**

These financial statements are presented in Pak Rupees which is the Bank'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 Bank 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 Bank 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 Bank 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 Bank'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.

##### **5.19.2 Geographical segments**

The Bank operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

#### **5.20 Earnings per share**

The Bank 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 2016.



## 5.21 Clients' assets

The Bank 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 Bank.

## 6. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of 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
Other assets - Non - banking assets acquired in satisfaction of claims	5.1.1 & 14
Classification of investments and provision for diminution in the value of investments	5.4 & 11
Provision against non - performing advances	5.5 & 12
Useful lives of assets and methods of depreciation and amortisation	5.6 & 13
Employees' benefits	5.7, 20 & 37
Provisions against off - balance sheet obligations	5.9 & 20.2
Current and deferred taxation	5.12 & 19

## 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 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on unconsolidated financial statements of the Bank.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non - cash changes.
- Amendments to IFRS 2 - Share - based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash - settled share - based payments; (b) classification of share - based payments settled net of tax withholdings; and (c) accounting for a modification of a share - based payment from cash - settled to equity - settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.



- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.
- Annual improvements to IFRS standards 2014 - 2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
  - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non - current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.
  - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organisation and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non - investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.
  - IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognised. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognised. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The above amendments are not likely to have an impact on Bank's unconsolidated financial statements.





	Note	2016 (Rupees in '000)	2015
<b>8. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand:			
Local currency		11,012,289	9,727,193
Foreign currencies		1,119,703	837,409
		<b>12,131,992</b>	10,564,602
In transit:			
Local currency		36,800	27,610
Foreign currencies		3,138	62,107
		<b>39,938</b>	89,717
With SBP in:			
Local currency current accounts	8.1	22,782,491	13,513,411
Local currency current account - Islamic Banking	8.1	965,549	598,802
Foreign currency deposit accounts			
Cash reserve account	8.1	2,013,521	1,924,616
Cash reserve / special cash reserve account - Islamic Banking		62,132	29,956
Special cash reserve account	8.1	6,040,564	5,773,848
Local US Dollar collection account	8.2	69,991	15,750
		<b>31,934,248</b>	21,856,383
With National Bank of Pakistan (NBP) in:			
Local currency current accounts		6,460,582	6,034,612
National prize bonds		33,281	32,424
		<b>50,600,041</b>	38,577,738

**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	2016 (Rupees in '000)	2015
<b>9. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
Current accounts		510,004	573,130
Deposit account		—	500,000
Savings accounts	9.1	345,686	215,743
		<u>855,690</u>	<u>1,288,873</u>
Outside Pakistan			
Current accounts		1,005,543	1,724,248
Deposit accounts	9.2	1,005,222	172,548
		<u>2,010,765</u>	<u>1,896,796</u>
		<u>2,866,455</u>	<u>3,185,669</u>

9.1 These carry expected profit rates ranging from 2.50% to 5% (2015: 2.25% to 5%) per annum.

9.2 These carry interest rates ranging from 0.05% to 0.30% (2015: 0.05% to 0.30%) per annum.

9.3 These include Rs. 302.037 million (2015: Rs. 744.861 million) placed under Shariah permissible mode.

	2016 (Rupees in '000)	2015
<b>10. LENDINGS TO FINANCIAL INSTITUTIONS</b>		
In local currency		
Call money lendings	—	400,000
Repurchase agreement lendings (Reverse Repo)	—	3,592,794
	<u>—</u>	<u>3,992,794</u>



## 11. INVESTMENTS

11.1 Investments by type	Note	2016			2015		
		Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
<b>(Rupees in '000)</b>							
<b>Available for Sale Securities</b>	11.6						
Market Treasury Bills		166,762,623	62,559,668	229,322,291	96,543,319	39,361,572	135,904,891
Pakistan Investment Bonds		50,282,495	—	50,282,495	60,095,104	—	60,095,104
Foreign Currency Bonds		5,254,192	—	5,254,192	4,043,886	—	4,043,886
Sukuk Bonds		10,794,106	—	10,794,106	6,983,848	—	6,983,848
Fully paid - up ordinary shares - Listed		3,162,708	—	3,162,708	4,018,649	—	4,018,649
Fully paid - up ordinary shares - Unlisted		45,529	—	45,529	45,529	—	45,529
Term finance certificates - Listed		702,771	—	702,771	702,972	—	702,972
Term finance certificates - Unlisted		2,227,524	—	2,227,524	2,546,686	—	2,546,686
Units of mutual funds		2,100,000	—	2,100,000	1,550,000	—	1,550,000
		<b>241,331,948</b>	<b>62,559,668</b>	<b>303,891,616</b>	<b>176,529,993</b>	<b>39,361,572</b>	<b>215,891,565</b>
<b>Held to Maturity Securities</b>	11.2						
Pakistan Investment Bonds		91,101,157	—	91,101,157	130,462,425	—	130,462,425
Foreign Currency Bonds		2,386,321	—	2,386,321	1,879,702	—	1,879,702
Other Federal Government Securities		—	—	—	1,825,278	—	1,825,278
Sukuk Bonds		671,785	—	671,785	696,890	—	696,890
		<b>94,159,263</b>	<b>—</b>	<b>94,159,263</b>	<b>134,864,295</b>	<b>—</b>	<b>134,864,295</b>
<b>Held for Trading Securities</b>							
Full paid - up ordinary shares - Listed	11.7	154,000	—	154,000	—	—	—
<b>Associates</b>	11.14						
Habib Sugar Mills Limited		182,690	—	182,690	182,690	—	182,690
Habib Asset Management Limited		60,000	—	60,000	60,000	—	60,000
First Habib Income Fund		150,000	—	150,000	150,000	—	150,000
First Habib Stock Fund		10,000	—	10,000	10,000	—	10,000
First Habib Cash Fund		150,000	—	150,000	150,000	—	150,000
First Habib Islamic Balanced Fund		10,000	—	10,000	10,000	—	10,000
		<b>562,690</b>	<b>—</b>	<b>562,690</b>	<b>562,690</b>	<b>—</b>	<b>562,690</b>
<b>Subsidiaries</b>	11.15						
AL Habib Capital Markets (Private) Limited		200,000	—	200,000	200,000	—	200,000
AL Habib Credit & Finance (Hong Kong) Limited		127	—	127	127	—	127
		<b>200,127</b>	<b>—</b>	<b>200,127</b>	<b>200,127</b>	<b>—</b>	<b>200,127</b>
<b>Investments at cost</b>		<b>336,408,028</b>	<b>62,559,668</b>	<b>398,967,696</b>	<b>312,157,105</b>	<b>39,361,572</b>	<b>351,518,677</b>
Less: Provision for diminution in the value of investments	11.4	(5,700)	—	(5,700)	(202,692)	—	(202,692)
<b>Investments (net of provisions)</b>		<b>336,402,328</b>	<b>62,559,668</b>	<b>398,961,996</b>	<b>311,954,413</b>	<b>39,361,572</b>	<b>351,315,985</b>
Surplus on revaluation of held for trading securities - net	11.5	3,385	—	3,385	—	—	—
Surplus on revaluation of available for sale securities - net	22.2	6,042,721	19,467	6,062,188	5,213,270	119,748	5,333,018
<b>Total Investments</b>		<b>342,448,434</b>	<b>62,579,135</b>	<b>405,027,569</b>	<b>317,167,683</b>	<b>39,481,320</b>	<b>356,649,003</b>

11.2 The aggregate market value of held to maturity securities as at 31 December 2016 amounted to Rs. 103,979 million (2015: Rs. 146,376 million).



	Note	2016 (Rupees in '000)	2015
<b>11.3 Investments by segment</b>			
<i>Federal Government Securities</i>			
Market Treasury Bills	11.8	229,322,291	135,904,891
Pakistan Investment Bonds	11.9	141,383,652	190,557,529
Foreign Currency Bonds	11.12	5,427,359	5,293,812
Sukuk Bonds	11.10	8,479,526	5,035,672
Term Finance Certificates - Unlisted	11.11	1,428,571	1,714,286
Other Federal Government Securities		–	1,825,278
		<b>386,041,399</b>	340,331,468
<i>Fully paid - up ordinary shares</i>			
Listed companies	11.6.5 & 11.7	3,316,708	4,018,649
Unlisted companies	11.13	45,529	45,529
		<b>3,362,237</b>	4,064,178
<i>Term finance certificates, sukuks and bonds</i>			
Term Finance Certificates			
Term finance certificates - Listed		702,771	702,972
Term finance certificates - Unlisted		798,953	832,400
	11.11	1,501,724	1,535,372
Sukuk Bonds	11.10	2,986,365	2,645,066
Foreign Currency Bonds	11.12	2,213,154	629,776
		<b>6,701,243</b>	4,810,214
<i>Others</i>			
Units of mutual funds	11.6.9	2,100,000	1,550,000
Associates	11.14	562,690	562,690
Subsidiaries	11.15	200,127	200,127
		<b>2,862,817</b>	2,312,817
<b>Investments at cost</b>		<b>398,967,696</b>	351,518,677
Less: Provision for diminution in the value of investments	11.4	(5,700)	(202,692)
<b>Investments (net of provisions)</b>		<b>398,961,996</b>	351,315,985
Surplus on revaluation of held for trading securities - net	11.5	3,385	–
Surplus on revaluation of available for sale securities - net	22.2	6,062,188	5,333,018
<b>Total Investments</b>		<b>405,027,569</b>	356,649,003



		Note	2016 (Rupees in '000)	2015				
<b>11.4</b>	<b>Particulars of provision for diminution in the value of investments</b>							
	Available for sale investments:							
	Opening balance		202,692	5,700				
	(Reversal) / charge for the year		(196,992)	196,992				
	Closing balance	11.4.1	5,700	202,692				
<b>11.4.1</b>	<b>Particulars of provision in respect of type and segment</b>							
	Available for sale investments:							
	Listed companies:							
	Pakistan Oilfields Limited		—	133,241				
	Pakistan Petroleum Limited		—	63,751				
			—	196,992				
	Unlisted company:							
	Pakistan Export Finance Guarantee Agency Limited		5,700	5,700				
			5,700	202,692				
<b>11.5</b>	<b>Unrealised gain on revaluation of held for trading securities</b>							
	Fully paid - up ordinary shares - Listed shares		3,385	—				
<b>11.6</b>	<b>Quality of available for sale securities</b>							
	<b>Name of security</b>	<b>Face value</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>		
			<b>Long term rating*</b>		<b>Cost</b>	<b>Carrying value</b>		
		<b>USD</b>			<b>(Rupees in '000)</b>			
11.6.1	Market Treasury Bills	—	Unrated	Unrated	229,322,291	135,904,891	229,255,610	136,211,678
11.6.2	Pakistan Investment Bonds	—	Unrated	Unrated	50,282,495	60,095,104	54,617,188	64,245,955
11.6.3	Foreign Currency Bonds							
	Government of Pakistan Bonds	USD 100	B	B-	2,115,256	1,338,682	2,135,920	1,390,228
	Government of Pakistan Bonds	USD 100	—	B-	—	623,277	—	628,942
	Government of Pakistan Bonds	USD 100	B	B-	588,306	588,574	607,543	590,426
	Government of Pakistan Bonds	USD 100	B	B-	527,715	529,239	571,736	537,389
	Government of Pakistan Bonds	USD 100	B	B-	330,757	334,338	339,191	323,002
	Government of Sri Lanka Bonds	USD 100	B+	—	536,086	—	536,136	—
	Kingdom of Bahrain	USD 100	BB+	BBB-	209,197	209,482	217,209	214,216
	Bank of Ceylon	USD 100	B+	BB-	737,850	211,134	737,864	210,368
	Bank of Ceylon	USD 100	B+	BB-	209,025	209,160	209,413	203,022
					5,254,192	4,043,886	5,355,012	4,097,593



11.6.4 Sukuk Bonds		Face value	2016	2015	2016	2015	2016	2015	
2016	2015	Name of security	Long term rating*	Cost	Carrying value				
No. of certificates		Rs. / USD	(Rupees in '000)						
170,000	170,000	Engro Foods Limited	A+	A+	361,250	786,250	361,250	786,250	
20,000	20,000	Government of Pakistan Ijarah Sukuk XVI	Unrated	Unrated	2,000,000	2,000,000	2,049,000	2,022,600	
12,000	12,000	Government of Pakistan Ijarah Sukuk XV	Unrated	Unrated	1,200,000	1,200,000	1,200,720	1,200,000	
100,000	100,000	Government of Pakistan Sukuk	B	B-	1,056,307	1,061,670	1,104,037	1,060,356	
1,124,278	1,124,278	Liberty Power Tech Limited	A+	A+	668,119	777,498	668,119	777,498	
181,686	181,686	K - Electric Limited Sukuk IV	AA+	AA+	908,430	908,430	908,430	908,430	
150,000	150,000	WAPDA Second Sukuk Company Limited	Unrated	Unrated	125,000	250,000	125,000	250,000	
		Neelam Jhelum Hydropower Company							
35,750	-	(Private) Limited	AAA	-	3,575,000	-	3,575,000	-	
900	-	Meezan Bank Limited Tier II	AA-	-	900,000	-	900,000	-	
					10,794,106	6,983,848	10,891,556	7,005,134	

#### 11.6.5 Fully paid - up ordinary shares - Listed

2016	2015	Name of security	Face value	2016	2015	2016	2015	2016	2015
No. of shares	No. of shares			Long term rating*	Long term rating*	Cost	Carrying value	Cost	Carrying value
337,500	-	Adamjee Insurance Company Limited	Rs.10	AA+	-	19,973	-	25,022	-
377,800	754,800	Allied Bank Limited	Rs.10	AA+	AA+	22,585	45,121	45,038	71,147
-	196,640	Attock Petroleum Limited	Rs.10	-	Unrated	-	89,332	-	99,327
300,000	-	Cherat Cement Company Limited	Rs.10	A	-	38,784	-	52,212	-
300,000	-	D. G. Khan Cement Company Limited	Rs.10	Unrated	-	58,457	-	66,519	-
230,000	-	Engro Corporation Limited	Rs.10	AA	-	74,779	-	72,701	-
410,000	-	Engro Fertilizer Company Limited	Rs.10	AA-	-	28,004	-	27,872	-
250,000	-	Fatima Fertilizer Company Limited	Rs.10	AA-	-	8,443	-	9,223	-
2,960,000	-	Fauji Cement Company Limited	Rs.10	Unrated	-	112,603	-	133,437	-
700,000	4,454,500	Fauji Fertilizer Bin Qasim Limited	Rs.10	Unrated	Unrated	38,692	189,579	35,847	234,663
4,650,000	3,224,800	Fauji Fertilizer Company Limited	Rs.10	Unrated	Unrated	524,833	364,507	485,321	380,462
294,000	294,000	First Habib Modaraba	Rs.5	AA+	AA+	2,607	2,607	3,087	2,940
100,000	-	Glaxo Smith Kline Pakistan Limited	Rs.10	Unrated	-	21,775	-	23,330	-
600,043	1,199,643	Habib Bank Limited	Rs.10	AAA	AAA	113,622	227,160	163,962	240,074
7,513,915	15,027,415	Habib Metropolitan Bank Limited	Rs.10	AA+	AA+	170,303	340,597	278,015	457,885
175,000	-	Honda Atlas Cars Private Limited	Rs.10	Unrated	-	74,654	-	117,012	-
5,722,500	7,627,500	Hub Power Company Limited	Rs.10	AA+	AA+	349,700	466,114	706,614	782,582
25,000	-	ICI Pakistan Limited	Rs.10	Unrated	-	12,337	-	24,843	-
52,862	52,862	International Industries Limited	Rs.10	Unrated	Unrated	357	357	10,770	3,251
2,812,056	5,623,556	International Steels Limited	Rs.10	Unrated	Unrated	44,618	89,228	274,822	137,271
2,500,000	-	K - Electric Limited	Rs.3.5	AA	-	20,715	-	23,425	-
6,824,000	6,420,500	Kot Addu Power Company Limited	Rs.10	AA+	AA+	476,445	441,480	537,731	520,061
2,749,500	2,094,500	Lalpir Power Limited	Rs.10	AA	AA	66,855	51,894	66,538	62,290
25,000	-	Lucky Cement Limited	Rs.10	Unrated	-	17,273	-	21,657	-
500,010	396,110	MCB Bank Limited	Rs.10	AAA	AAA	108,602	99,902	118,912	85,896
-	119,067	Meezan Bank Limited	Rs.10	-	AA	-	3,028	-	5,447
4,780,500	4,780,500	Nishat Chunian Power Limited	Rs.10	Unrated	Unrated	195,514	195,514	265,222	263,167
17,500	17,500	Packages Limited	Rs.10	AA	AA	1,429	1,429	14,876	10,187
50,000	-	Pak Suzuki Motor Company Limited	Rs.10	Unrated	-	30,178	-	30,641	-
5,065,000	4,407,500	Pakgen Power Limited	Rs.10	AA	AA	125,531	108,544	135,590	129,713
-	949,075	Pakistan Oilfields Limited	Rs.10	-	Unrated	-	387,612	-	121,130
-	1,643,941	Pakistan Petroleum Limited	Rs.10	-	Unrated	-	264,000	-	136,497
-	914,500	Pakistan State Oil Company Limited	Rs.10	-	AA	-	295,077	-	297,917
6,871,500	-	Pakistan Telecommunication Company Limited	Rs.10	Unrated	-	112,981	-	118,052	-
3,000	-	Rafhan Maize Product Limited	Rs.10	Unrated	-	23,211	-	26,293	-



2016	2015	Name of security	Face value	2016 Long term rating*	2015 Long term rating*	2016 Cost	2015 Cost	2016 Carrying value	2015 Carrying value
No. of shares	No. of shares		Rs.			(Rupees in '000)			
-	22,500	Shell Pakistan Limited	Rs.10	-	Unrated	-	2,189	-	5,135
13,232,450	16,541,450	Soneri Bank Limited	Rs.10	AA-	AA-	150,607	164,418	233,551	250,272
1,591,500	3,183,000	Standard Chartered Bank (Pakistan) Limited	Rs.10	AAA	AAA	30,851	61,701	40,185	69,708
50,000	-	Thal Limited	Rs.5	Unrated	-	21,760	-	25,427	-
527,500	1,055,000	United Bank Limited	Rs.10	AAA	AA+	63,630	127,259	126,020	163,472
						<b>3,162,708</b>	<b>4,018,649</b>	<b>4,339,767</b>	<b>4,530,494</b>
<b>11.6.6 Fully paid - up ordinary shares - Unlisted</b>									
2016	2015	Name of security	Face value	2016 Long term rating*	2015 Long term rating*	2016 Cost	2015 Cost	2016 Carrying value	2015 Carrying value
No. of shares / certificates	No. of shares / certificates		Rs.			(Rupees in '000)			
3,000,000	3,000,000	Khushhali Bank Limited	Rs.10	A+	A+	30,000	30,000	30,000	30,000
569,958	569,958	Pakistan Export Finance Agency Limited	Rs.10	Unrated	Unrated	5,700	5,700	-	-
39	39	Society for Worldwide Interbank Financial Telecommunication	-	Unrated	Unrated	9,829	9,829	9,829	9,829
						<b>45,529</b>	<b>45,529</b>	<b>39,829</b>	<b>39,829</b>
<b>11.6.7 Term finance certificates - Listed</b>									
2016	2015	Name of security	Face value	2016 Long term rating*	2015 Long term rating*	2016 Cost	2015 Cost	2016 Carrying value	2015 Carrying value
No. of certificates	No. of certificates		Rs.			(Rupees in '000)			
30,625	30,625	Bank Alfalah Limited - V	Rs.5,000	AA-	AA-	152,911	152,972	157,040	155,764
30,000	30,000	Soneri Bank Limited	Rs.5,000	A+	A+	149,940	150,000	152,639	150,000
4,000	4,000	Habib Bank Limited	Rs.100,000	AAA	AAA	399,920	400,000	394,921	400,000
						<b>702,771</b>	<b>702,972</b>	<b>704,600</b>	<b>705,764</b>
<b>11.6.8 Term finance certificates - Unlisted</b>									
2016	2015	Name of security	Face value	2016 Long term rating*	2015 Long term rating*	2016 Cost	2015 Cost	2016 Carrying value	2015 Carrying value
No. of certificates	No. of certificates		Rs.			(Rupees in '000)			
150	150	Askari Bank Limited - IV	Rs.1,000,000	AA-	AA-	149,700	149,760	149,700	149,760
60,000	60,000	Askari Bank Limited - V	Rs.5,000	AA-	AA-	299,760	299,880	299,760	299,880
20,000	20,000	Bank Alfalah Limited - IV	Rs.5,000	AA-	AA-	66,493	99,760	66,493	99,760
56,600	56,600	Standard Chartered Bank (Pakistan) Limited	Rs.5,000	AAA	AAA	283,000	283,000	283,000	283,000
400,000	400,000	Water and Power Development Authority	Rs.5,000	AAA	AAA	1,428,571	1,714,286	1,428,571	1,714,286
						<b>2,227,524</b>	<b>2,546,686</b>	<b>2,227,524</b>	<b>2,546,686</b>
<b>11.6.9 Units of mutual funds</b>									
2016	2015	Name of security	Face value	2016 Long term rating*	2015 Long term rating*	2016 Cost	2015 Cost	2016 Carrying value	2015 Carrying value
No. of units	No. of units		Rs.			(Rupees in '000)			
4,820,132	-	HBL Money Market Fund	Rs.10	AA	-	500,000	-	501,173	-
48,615,258	48,615,258	NIT Government Bond Fund	Rs.10	AA-	AA-	550,000	550,000	493,980	506,654
17,422,393	17,422,393	NIT Income Fund	Rs.10	A+	A+	200,000	200,000	183,447	187,430
11,032,727	11,032,727	NIT Unit Trust	Rs.10	AM2+	AM2	550,000	550,000	965,805	697,710
25,047,082	25,047,082	NIT Islamic Equity Fund	Rs.10	AM2+	AM2	250,000	250,000	321,354	246,964
4,990,817	-	NIT Government Treasury Fund	Rs.10	AM2+	-	50,000	-	51,259	-
						<b>2,100,000</b>	<b>1,550,000</b>	<b>2,517,018</b>	<b>1,638,758</b>
						<b>303,891,616</b>	<b>215,891,565</b>	<b>309,948,104</b>	<b>221,021,891</b>

\*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.



### 11.7 Investment in listed companies - Held for trading

2016	2015	Name of security	Face value	2016	2015	2016	2015	2016	2015
No. of shares			Rs.	Short term rating		Cost		Carrying value	
						(Rupees in '000)			
75,000	-	Engro Corporation Limited	Rs.10	A1+	-	23,786	-	23,707	-
125,000	-	Engro Fertilizer Company Limited	Rs.10	A1+	-	8,498	-	8,498	-
750,000	-	Fauji Fertilizer Bin Qasim Limited	Rs.10	Unrated	-	34,807	-	38,408	-
300,000	-	K - Electric Limited	Rs.3.5	A1+	-	2,747	-	2,811	-
400,000	-	Kot Addu Power Company Limited	Rs.10	A1+	-	31,507	-	31,520	-
25,000	-	Pak Electron Limited	Rs.10	Unrated	-	1,765	-	1,782	-
9,200	-	Pak Suzuki Motor Company Limited	Rs.10	Unrated	-	5,666	-	5,638	-
41,000	-	Pakistan Oilfields Limited	Rs.10	Unrated	-	22,101	-	21,919	-
250,000	-	Pakistan Telecommunication Company Limited	Rs.10	Unrated	-	4,318	-	4,295	-
150,000	-	Saif Power Limited	Rs.10	A1	-	5,025	-	5,334	-
300	-	The SEARLE Company Limited	Rs.10	Unrated	-	191	-	195	-
300,000	-	TRG Pakistan Limited	Rs.10	Unrated	-	13,589	-	13,278	-
						154,000	-	157,385	-

### 11.8 Market Treasury Bills

These securities have a maturity period of one year (2015: one year), with yield ranging between 5.84% to 6.24% (2015: 6.33% to 8.34%) per annum.

### 11.9 Pakistan Investment Bonds

These securities have a maturity period of 3, 5 and 10 years (2015: 3, 5 and 10 years) with interest rates ranging between 9.25% to 12% (2015: 9.25% to 12%) per annum. These include securities costing Rs. 5 million (2015: 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.





## 11.10 Sukuk Bonds

<u>2016</u>	<u>2015</u>	<u>Redeemable value per certificate</u>	<u>Maturity Date</u>	<u>Name of Security</u>	<u>Rate</u>	<u>2016</u>	<u>2015</u>
<u>No. of certificates</u>		<u>(Rupees)</u>				<u>(Rupees in '000)</u>	
<b>Federal Government Securities</b>							
<b>Available for sale</b>							
20,000	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	2,000,000
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
100,000	100,000	10,563	Dec-19	Government of Pakistan Sukuk	6.750% p.a.	1,056,307	1,061,670
150,000	150,000	833	Jul-17	WAPDA Second Sukuk Company Limited	6 months' KIBOR less 25 bps	125,000	250,000
35,750	-	100,000	Jun-26	Neelam Jhelum Hydropower Company (Private) Limited	6 months' KIBOR plus 113 bps	3,575,000	-
						7,956,307	4,511,670
<b>Held to maturity</b>							
50,000	50,000	10,464	Dec-19	Government of Pakistan Sukuk	6.750% p.a.	523,219	524,002
						8,479,526	5,035,672
<b>Others</b>							
<b>Available for sale</b>							
170,000	170,000	2,125	Jan-17	Engro Foods Limited	6 months' KIBOR plus 69 bps	361,250	786,250
1,124,278	1,124,278	594	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	668,119	777,498
181,686	181,686	5,000	Sep-22	K-Electric Limited Sukuk IV	3 months' KIBOR plus 100 bps	908,430	908,430
900	-	1,000,000	Sep-26	Meezan Bank Limited Tier II	6 months' KIBOR plus 50 bps	900,000	-
						2,837,799	2,472,178
<b>Held to maturity</b>							
250,000	250,000	594	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	148,566	172,888
						2,986,365	2,645,066
						11,465,891	7,680,738

11.10.1 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, Government of Pakistan Ijarah Sukuk Bonds and Neelam Jhelum Hydropower Company (Private) Limited Sukuk Bonds which have face value of Rs. 100,000 per certificate and Meezan Bank Limited Tier II Sukuk Bonds which have a face value of Rs. 1,000,000 per certificate.

## 11.11 Term Finance Certificates

<u>2016</u>	<u>2015</u>	<u>Redeemable value per certificate</u>	<u>Maturity Date</u>	<u>Name of Security</u>	<u>Rate</u>	<u>2016</u>	<u>2015</u>
<u>No. of certificates</u>		<u>(Rupees)</u>				<u>(Rupees in '000)</u>	
<b>Federal Government Securities</b>							
<b>Unlisted - Available for sale</b>							
400,000	400,000	3,571	Sep-21	Water and Power Development Authority	6 months' KIBOR plus 100 bps	1,428,571	1,714,286



2016	2015	Redeemable value per certificate (Rupees)	Maturity Date	Name of Security	Rate	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>Others</b>							
<b>Listed - Available for sale</b>							
30,625	30,625	4,993	Feb-21	Bank Alfalah Limited - V*	6 months' KIBOR plus 125 bps	152,911	152,972
30,000	30,000	4,998	Jul-23	Soneri Bank Limited*	6 months' KIBOR plus 135 bps	149,940	150,000
4,000	4,000	99,980	Dec-25	Habib Bank Limited*	6 months' KIBOR plus 50 bps	399,920	400,000
						<b>702,771</b>	<b>702,972</b>
<b>Unlisted - Available for sale</b>							
150	150	998,400	Dec-21	Askari Bank Limited - IV*	6 months' KIBOR plus 175 bps	149,700	149,760
60,000	60,000	4,996	Sep-24	Askari Bank Limited - V*	6 months' KIBOR plus 120 bps	299,760	299,880
20,000	20,000	3,325	Dec-17	Bank Alfalah Limited - IV*	15% p.a.	66,493	99,760
56,600	56,600	5,000	Jun-22	Standard Chartered Bank (Pakistan) Limited*	6 months' KIBOR plus 75 bps	283,000	283,000
						<b>798,953</b>	<b>832,400</b>
						<b>2,930,295</b>	<b>3,249,658</b>

\*These Term Finance Certificates are sub - ordinated.

11.11.1 These Term Finance Certificates have face value of Rs. 5,000 per certificate except for Habib Bank Limited which have face value of Rs 100,000 and Askari Bank Limited - IV which have face value of Rs. 1,000,000 per certificate.

#### 11.12 Foreign Currency Bonds

2016	2015	Redeemable value per certificate (Rupees)	Maturity Date	Name of Security	Rate	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>Federal Government Securities</b>							
<b>Available for sale</b>							
202,000	130,000	10,472	Jun-17	Government of Pakistan Bonds	6.875% p.a.	2,115,256	1,338,682
-	59,770	-	Mar-16	Government of Pakistan Bonds	7.125% p.a.	-	623,277
55,000	55,000	10,696	Apr-19	Government of Pakistan Bonds	7.250% p.a.	588,306	588,574
30,000	30,000	11,025	Apr-24	Government of Pakistan Bonds	8.250% p.a.	330,757	334,338
50,000	50,000	10,554	Sep-25	Government of Pakistan Bonds	8.250% p.a.	527,715	529,239
						<b>3,562,034</b>	<b>3,414,110</b>
<b>Held to maturity</b>							
145,000	145,000	10,586	Apr-19	Government of Pakistan Bonds	7.250% p.a.	1,534,906	1,545,762
30,000	30,000	11,014	Apr-24	Government of Pakistan Bonds	8.250% p.a.	330,419	333,940
						<b>1,865,325</b>	<b>1,879,702</b>
						<b>5,427,359</b>	<b>5,293,812</b>
<b>Others</b>							
<b>Available for sale</b>							
50,000	-	10,722	Jan-19	Government of Srilanka Bonds	6% p.a.	536,086	-
70,000	20,000	10,541	May-17	Bank of Ceylon	6.875% p.a.	737,850	211,134
20,000	20,000	10,451	Apr-18	Bank of Ceylon	5.325% p.a.	209,025	209,160
20,000	20,000	10,460	Jan-21	Kingdom of Bahrain	5.875% p.a.	209,197	209,482
						<b>1,692,158</b>	<b>629,776</b>
<b>Held to maturity</b>							
25,000	-	10,487	May-17	Bank of Ceylon	6.875% p.a.	262,184	-
25,000	-	10,352	Apr-18	Bank of Ceylon	5.325% p.a.	258,812	-
						<b>520,996</b>	<b>-</b>
						<b>2,213,154</b>	<b>629,776</b>
						<b>7,640,513</b>	<b>5,923,588</b>



### 11.13 Ordinary shares of unlisted companies

<u>2016</u>	<u>2015</u>	<u>Name of companies</u>	<u>Note</u>	<u>2016</u>	<u>2015</u>
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. 23.08 (2015: Rs. 19.27) based on audited financial statements for the year ended 31 December 2015 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 (2015: 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	39	Society for Worldwide Interbank Financial Telecommunication allocated shares based on the financial contribution from network based serviced by the Bank.		9,829	9,829
				<u>45,529</u>	<u>45,529</u>

### 11.14 Associates

9,415,312	9,415,312	Habib Sugar Mills Limited % of holding: 6.28% (2015: 6.28%) Par value per share: Rs. 5 Market value: Rs. 452.877 million (2015: Rs. 357.876 million) Chief Executive: Mr. Raeesul Hasan	11.14.2	182,690	182,690
6,900,000	6,900,000	Habib Asset Management Limited % of holding: 30% (2015: 30%) Par value per share: Rs. 10 Break - up value per share: Rs. 11.12 (2015: Rs. 11.23) based on audited financial statements for the year ended 30 June 2016 Chief Executive: Mr. Imran Azim	11.14.3	60,000	60,000
1,363,808	1,357,163	First Habib Income Fund Average cost per unit: Rs. 109.99 (2015: Rs. 110.52) Net asset value: Rs. 102.78 (2015: Rs. 105.16) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		150,000	150,000



<u>2016</u>	<u>2015</u>	<u>Name of companies</u>	<u>2016</u>	<u>2015</u>		
<u>No. of ordinary shares / units</u>			<u>(Rupees in '000)</u>			
<b>100,000</b>	100,000	First Habib Stock Fund Average cost per unit: Rs. 100 (2015: Rs. 100) Net Asset Value: Rs. 124.28 (2015: Rs. 95.34) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	<b>10,000</b>	10,000		
<b>1,392,189</b>	1,392,189	First Habib Cash Fund Average cost per unit: Rs. 107.74 (2015: Rs. 107.74) Net Asset Value: Rs. 103.01 (2015: Rs. 103.51) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	<b>150,000</b>	150,000		
<b>100,929</b>	100,929	First Habib Islamic Balanced Fund Average cost per unit: Rs. 99.08 (2015: Rs. 99.08) Net Asset Value: Rs. 117.31 (2015: Rs. 97.22) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	<b>10,000</b>	10,000		
			<u><b>562,690</b></u>	<u><b>562,690</b></u>		
<b>11.14.1</b>	The above associates are incorporated in Pakistan.					
	<b>Associates - Key Information</b>					
	(Based on latest audited financial statements)					
	<b>Habib Sugar Mills Limited</b>	<b>Habib Asset Management Limited</b>	<b>First Habib Income Fund</b>	<b>First Habib Stock Fund</b>	<b>First Habib Cash Fund</b>	<b>First Habib Islamic Balanced Fund</b>
	(Rupees in '000)					
Assets	<u>8,624,071</u>	<u>263,510</u>	<u>1,373,133</u>	<u>168,004</u>	<u>1,082,904</u>	<u>124,940</u>
Liabilities	<u>2,092,634</u>	<u>7,784</u>	<u>42,750</u>	<u>35,339</u>	<u>48,370</u>	<u>11,007</u>
Total income	<u>8,824,643</u>	<u>64,456</u>	<u>153,491</u>	<u>16,602</u>	<u>85,335</u>	<u>7,983</u>
Profit / (loss) before taxation	<u>970,962</u>	<u>(563)</u>	<u>46,148</u>	<u>3,088</u>	<u>40,415</u>	<u>2,245</u>
Profit / (loss) after taxation	<u>824,962</u>	<u>(2,617)</u>	<u>46,148</u>	<u>3,088</u>	<u>40,415</u>	<u>2,245</u>
<b>11.14.2</b>	Due to common directorship in Habib Sugar Mills Limited, the Bank considers the investee company as an associate.					
<b>11.14.3</b>	Includes Rs. 24.750 million (2015: 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.					
<b>11.15</b>	<b>Subsidiaries</b>					
<b>20,000,000</b>	20,000,000	AL Habib Capital Markets (Private) Limited % of holding: 66.67% (2015: 66.67%) Par value per share: Rs. 10 Break up value per share: Rs. 11.29 (2015: Rs. 11.48) based on audited financial statements for the year ended 30 June 2016 Chief Executive: Mr. Aftab Q. Munshi			<b>200,000</b>	200,000
<b>10,000</b>	10,000	AL Habib Credit & Finance (Hong Kong) Limited % of holding: 100% (2015: 100%) Par value per share: HK \$ 1			<b>127</b>	127
					<u><b>200,127</b></u>	<u><b>200,127</b></u>



	Note	2016 (Rupees in '000)	2015
<b>12. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
– In Pakistan		<b>209,997,397</b>	171,210,373
– Outside Pakistan		<b>18,611,520</b>	14,648,449
		<b>228,608,917</b>	185,858,822
Islamic financing and related assets - gross	12.2	<b>18,134,258</b>	11,982,735
Net investment in finance lease			
– In Pakistan	12.3	<b>8,305,218</b>	4,297,187
– Outside Pakistan		–	–
		<b>8,305,218</b>	4,297,187
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		<b>1,635,915</b>	3,222,616
– Payable outside Pakistan		<b>12,582,959</b>	10,340,898
		<b>14,218,874</b>	13,563,514
Advances - gross		<b>269,267,267</b>	215,702,258
Provision against non - performing loans and advances			
– Specific provision	12.4	<b>(4,882,330)</b>	(5,537,371)
– General provision against small enterprises and consumer advances (as per SBP regulations)	12.5.1	<b>(194,839)</b>	(126,279)
– General provision	12.5.2	<b>(2,750,000)</b>	(2,750,000)
		<b>(7,827,169)</b>	(8,413,650)
Advances - net of provisions		<b>261,440,098</b>	207,288,608
<b>12.1 Particulars of advances - gross</b>			
<b>12.1.1 In local currency</b>		<b>231,104,199</b>	185,239,970
In foreign currencies		<b>38,163,068</b>	30,462,288
		<b>269,267,267</b>	215,702,258
<b>12.1.2 Short term (for upto one year)</b>		<b>210,265,222</b>	171,531,427
Long term (for over one year)		<b>59,002,045</b>	44,170,831
		<b>269,267,267</b>	215,702,258



	Note	2016 (Rupees in '000)	2015
<b>12.2</b>	These represent financing and related assets placed under Shariah permissible modes which includes following:		
Murabaha		<b>3,153,222</b>	2,850,625
Export refinance murabaha		<b>408,789</b>	32,351
	12.2.1	<b>3,562,011</b>	2,882,976
Net book value of assets / investments in ijarah under IFAS 2	12.2.2	<b>1,338,279</b>	695,688
Diminishing musharaka		<b>5,264,472</b>	3,639,528
Musawama		<b>960,059</b>	274,033
Export refinance istisna		<b>2,052,048</b>	2,491,638
Istisna		<b>1,771,968</b>	568,922
Gross financing		<b>14,948,837</b>	10,552,785
Advance against murabaha		<b>668,142</b>	1,176,821
Advance against ijarah		<b>864,728</b>	253,129
Advance against diminishing musharaka		<b>1,563,383</b>	–
Advance against istisna		<b>89,168</b>	–
Islamic financing and related assets - gross		<b>18,134,258</b>	11,982,735
<b>12.2.1</b>	Murabaha - gross	<b>3,631,394</b>	2,963,501
	Less: Deferred murabaha income	<b>(35,087)</b>	(28,252)
	Profit receivable shown in other assets	<b>(34,296)</b>	(52,273)
	Murabaha	<b>3,562,011</b>	2,882,976

#### 12.2.2 Ijarah financing under IFAS 2

	2016								
	Cost			Accumulated Depreciation			Book Value		Rate of depreciation %
	As at 01 Jan.	Additions / (deletions)	As at 31 Dec.	As at 01 Jan.	Charge / (deletions)	As at 31 Dec.	As at 31 Dec.		
(Rupees in '000)									
Equipment	605,815	519,191 (47,965)	1,077,041	243,205	223,669 (43,585)	423,289	653,752		
Vehicles	420,318	515,181 (37,414)	898,085	87,240	142,023 (15,705)	213,558	684,527		
	<b>1,026,133</b>	<b>1,034,372 (85,379)</b>	<b>1,975,126</b>	<b>330,445</b>	<b>365,692 (59,290)</b>	<b>636,847</b>	<b>1,338,279</b>	<b>33.33</b>	
2015									
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		
	<b>863,852</b>	<b>432,838 (270,557)</b>	<b>1,026,133</b>	<b>375,537</b>	<b>197,765 (242,857)</b>	<b>330,445</b>	<b>695,688</b>	<b>33.33</b>	



### 12.2.2.1 Future Ijarah payments receivable

	2016	2015
	(Rupees in '000)	
Not later than one year	516,871	287,100
Later than one year and not later than five years	758,045	378,456
	<u>1,274,916</u>	<u>665,556</u>

### 12.3 Net investment in finance lease

	2016				2015			
	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
Lease rentals receivable	2,945,964	4,204,933	-	7,150,897	1,684,785	2,161,445	-	3,846,230
Residual value	313,626	1,663,587	-	1,977,213	88,205	810,705	-	898,910
Minimum lease payments	3,259,590	5,868,520	-	9,128,110	1,772,990	2,972,150	-	4,745,140
Financial charges for future periods	(396,369)	(426,523)	-	(822,892)	(235,365)	(212,588)	-	(447,953)
Present value of minimum lease payments	<u>2,863,221</u>	<u>5,441,997</u>	<u>-</u>	<u>8,305,218</u>	<u>1,537,625</u>	<u>2,759,562</u>	<u>-</u>	<u>4,297,187</u>

12.4 Advances include Rs. 5,715.466 million (2015: Rs 5,874.374 million) which have been placed under non - performing status as detailed below:

	2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Category of classification									
Other assets especially mentioned	18,908	-	18,908	530	-	530	530	-	530
Substandard	94,120	-	94,120	23,071	-	23,071	23,071	-	23,071
Doubtful	1,426,456	-	1,426,456	699,328	-	699,328	699,328	-	699,328
Loss	3,235,378	940,604	4,175,982	3,218,793	940,604	4,159,397	3,218,797	940,604	4,159,401
	<u>4,774,862</u>	<u>940,604</u>	<u>5,715,466</u>	<u>3,941,722</u>	<u>940,604</u>	<u>4,882,326</u>	<u>3,941,726</u>	<u>940,604</u>	<u>4,882,330</u>
	2015								
	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
	<u>4,926,713</u>	<u>947,661</u>	<u>5,874,374</u>	<u>4,579,992</u>	<u>947,661</u>	<u>5,527,653</u>	<u>4,589,710</u>	<u>947,661</u>	<u>5,537,371</u>

12.4.1 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.



## 12.5 Particulars of provision against non - performing loans and advances

Note	2016			2015		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	5,537,371	2,876,279	8,413,650	4,032,817	2,583,182	6,615,999
Charge for the year						
– Specific provision	947,403	–	947,403	1,732,123	–	1,732,123
– General provision for small enterprises and consumer portfolio	–	68,560	68,560	–	43,097	43,097
– General provision for loans and advances	–	–	–	–	250,000	250,000
Reversals	(1,457,020)	–	(1,457,020)	(261,941)	–	(261,941)
	(509,617)	68,560	(441,057)	1,470,182	293,097	1,763,279
Exchange adjustment	(1,281)	–	(1,281)	34,593	–	34,593
Amount written - off	(144,143)	–	(144,143)	(221)	–	(221)
Closing balance	4,882,330	2,944,839	7,827,169	5,537,371	2,876,279	8,413,650

**12.5.1** General provision represents provision amounting to Rs. 134.178 million (2015: Rs. 100.618 million) against consumer finance portfolio and Rs. 60.661 million (2015: 25.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP. General provision against consumer finance portfolio includes Rs. 5.344 million (2015: Rs. 1.784 million) permissible under Shariah.

**12.5.2** 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 2016 amounts to Rs. 2,750 million (2015: Rs.2,750 million).

### 12.5.3 Particulars of provision against non - performing loans and advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	3,941,726	2,944,839	6,886,565	4,589,710	2,876,279	7,465,989
In foreign currency	940,604	–	940,604	947,661	–	947,661
	4,882,330	2,944,839	7,827,169	5,537,371	2,876,279	8,413,650

## 12.6 Particulars of write - offs

	2016	2015
	(Rupees in '000)	
<b>12.6.1</b> Against provision	144,143	221
Directly charged to profit and loss account	–	34
	144,143	255
<b>12.6.2</b> Write - offs of Rs. 500,000 and above	144,017	–
Write - offs of below Rs. 500,000	126	255
	144,143	255





**12.6.3** 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 2016 is given in Annexure 1.

<b>12.7 Particulars of loans and advances to directors, associated companies, subsidiaries etc.</b>	Note	<b>2016 (Rupees in '000)</b>	2015
(i) Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		2,675,144	2,316,512
Loans granted during the year		1,447,200	968,243
Repayments		(731,234)	(609,611)
Balance at end of the year		<u>3,391,110</u>	<u>2,675,144</u>
(ii) Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of the year		978,041	1,517,483
Loans granted during the year		27,478,082	22,453,719
Repayments		(27,064,890)	(22,993,161)
Balance at end of the year		<u>1,391,233</u>	<u>978,041</u>
(iii) Debts due by subsidiary companies, controlled firms and other related parties			
Balance at beginning of the year		-	-
Loans granted during the year		5,650,821	10,948,669
Repayments		(5,650,821)	(10,948,669)
Balance at end of the year		<u>-</u>	<u>-</u>
<b>13. OPERATING FIXED ASSETS</b>			
Capital work - in - progress	13.1	650,415	703,896
Property and equipment	13.2	18,125,803	15,000,956
Intangible assets	13.3	117,813	59,432
		<u>18,894,031</u>	<u>15,764,284</u>
<b>13.1 Capital work - in - progress</b>			
Civil works		227,401	184,829
Advance payment towards suppliers, contractors and property		407,743	472,987
Consultants' fee and other charges		15,271	46,080
		<u>650,415</u>	<u>703,896</u>



## 13.2 Property and equipment

2016

	Cost / Revalued amount			Accumulated depreciation			Book value	
	As at 01 January 2016	Additions / (deletions) / transfers	As at 31 December 2016	As at 01 January 2016	Charge / (deletions) / transfers	As at 31 December 2016	As at 31 December 2016	Rate of depreciation %
(Rupees in '000)								
<i>Owned</i>								
Leasehold land	4,387,106	1,026,087	5,413,193	-	-	-	5,413,193	-
		-			-			
Buildings on leasehold land	6,560,707	1,436,178	8,003,127	303,939	226,611	532,375	7,470,752	2.22 - 10
		-			-			
		6,242			1,825			
Improvements to leasehold buildings	1,469,261	344,253 (17,254) (6,242)	1,790,018	300,291	272,324 (6,791) (1,825)	563,999	1,226,019	20
Furniture and fixtures	674,701	189,037 (20,102)	843,636	331,988	64,103 (17,917)	378,174	465,462	10
		-			-			
Electrical, office and computer equipments	5,027,468	1,143,669 (173,079)	5,998,058	3,120,431	679,021 (169,659)	3,629,793	2,368,265	20
		-			-			
Vehicles	1,828,790	609,128 (214,228)	2,223,690	890,428	351,057 (199,907)	1,041,578	1,182,112	20
		-			-			
	19,948,033	4,748,352 (424,663)	24,271,722	4,947,077	1,593,116 (394,274)	6,145,919	18,125,803	



2015

	Cost / Revalued Amount			Accumulated Depreciation			Book Value		
	As at 01 January 2015	Revaluation surplus	Additions / (deletions) transfers	As at 31 December 2015	As at 01 January 2015	Charge / (deletions) transfers	As at 31 December 2015	As at 31 December 2015	Rate of depreciation %
	(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	6,099,369	-	459,687 (1,440) 3,091	6,560,707	107,994	195,745 (72) 272	303,939	6,256,768	2.22 - 10
Improvements to leasehold buildings	1,247,511	-	291,303 (66,462) (3,091)	1,469,261	228,624	94,069 (22,130) (272)	300,291	1,168,970	5 - 20
Furniture and fixtures	549,638	-	137,844 (12,781)	674,701	290,694	51,840 (10,546)	331,988	342,713	10
Electrical, office and computer equipments	4,009,362	-	1,183,408 (165,302)	5,027,468	2,735,312	542,224 (157,105)	3,120,431	1,907,037	20
Vehicles	1,536,276	-	422,862 (130,348)	1,828,790	712,983	296,775 (119,330)	890,428	938,362	20
	17,578,182	(3,905)	2,756,739 (382,983)	19,948,033	4,075,607	1,180,653 (309,183)	4,947,077	15,000,956	



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
<b>Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000</b>					
Improvements to leasehold buildings	17,254	10,463	-	Write off	-
Furniture and fixtures	16,741	1,347	1,036	Auction	Karachi Auction Mart, Karachi.
Electrical, office and computer equipments	56,657	1,804	3,961	Auction	Karachi Auction Mart, Karachi.
Electrical, office and computer equipments	8,447	123	638	Auction	M/s. Farhan & Co, Karachi.
Electrical, office and computer equipments	1,339	3	53	Auction	M/s. Gulzar - e - Madina Traders, Gujrat.
Electrical, office and computer equipments	8,085	313	397	Auction	M/s. Price 7 International, Karachi.
Electrical, office and computer equipments	83,744	11	4,298	Auction	M/s. Edwards & Robertson, Karachi.
Electrical, office and computer equipments	1,061	478	-	Write off	-
Electrical, office and computer equipments	993	270	798	Insurance claim	Habib Insurance Company Limited (a related party), Karachi.
Vehicles	11,881	5,303	9,845	Insurance claim	Habib Insurance Company Limited (a related party), Karachi.
Vehicles	9,715	1	9,863	Auction	Mr. Abdul Samad Khan, Karachi.
Vehicles	1,162	8	909	Auction	Mr. Ali Raza, Karachi.
Vehicles	1,857	308	1,102	Auction	Mr. Amir Ali, Karachi.
Vehicles	3,356	1	2,307	Auction	Mr. Cornell Jb Fernandes, Karachi.
Vehicles	1,234	-	949	Auction	Dr. Mariya Nazir, Karachi.
Vehicles	1,109	-	566	Auction	Mr. Faizan Umar Paracha, Karachi.
Vehicles	1,109	-	541	Auction	Mr. Farhan Aijaz, Karachi.
Vehicles	1,192	-	1,051	Auction	Mr. Gul Sher, Karachi.
Vehicles	1,149	-	510	Auction	Mr. Hafeez Ahmed, Karachi.
Vehicles	7,236	1	5,233	Auction	Mr. Hasan Ali Warsi, Karachi.
Vehicles	1,129	-	622	Auction	Mr. Jawed Muhammad Khan, Karachi.
Vehicles	12,665	1	8,258	Auction	Mr. Khalid Anwar, Karachi.
Vehicles	1,185	-	634	Auction	Mr. Khalid Saifullah, Karachi.
Vehicles	1,099	-	581	Auction	M/s. Noble Pharma, Karachi.
Vehicles	1,346	-	1,062	Auction	Mr. Mohsin Ahmed, Karachi.
Vehicles	1,185	-	648	Auction	Ms. Doulat Amin, Karachi.
Vehicles	1,281	-	1,098	Auction	Ms. Fauzia Nadeem, Karachi.
Vehicles	1,185	-	610	Auction	Mr. Mohammad Arif, Karachi.
Vehicles	1,170	-	602	Auction	Mr. Mohammad Hamza, Karachi.
Vehicles	1,545	16	1,253	Auction	Mr. Muhammad Imran, Karachi.
Vehicles	12,183	1	5,978	Auction	Mr. Mohammad Nadeem Chaudhry, Karachi.
Vehicles	2,248	19	998	Auction	Mr. Muhammad Nasir Khan, Karachi.
Vehicles	2,672	-	2,167	Auction	Mr. Muhammad Qasimudin, Karachi.
Vehicles	2,279	-	1,054	Auction	Mr. Muhammad Salim Khan, Karachi.
Vehicles	4,332	40	2,053	Auction	Mr. Muhammad Umer, Karachi.
Vehicles	1,651	-	1,046	Auction	Mr. Mohammad Zaman, Karachi.
Vehicles	1,202	120	597	Auction	Mr. Mustafa Hayat, Karachi.
Vehicles	5,312	-	3,398	Auction	Mr. Nadeem, Karachi.
Vehicles	1,426	-	1,130	Auction	Mr. Naimatullah Khan Haji, Karachi.
Vehicles	1,382	346	634	Auction	Mr. Nouman Ahmed Siddiqui, Karachi.
Vehicles	1,682	-	1,272	Auction	Mr. Numeri Abrar, Karachi.
Vehicles	1,109	-	570	Auction	Mr. Nusrat Iqbal, Karachi.
Vehicles	6,425	-	4,957	Auction	Mr. Rana Abdul Samad, Karachi.
Vehicles	1,303	-	978	Auction	Mr. Rashid Ayoob, Karachi.
Vehicles	1,426	-	1,093	Auction	Mr. Shakeel Ahmed, Karachi.
Vehicles	1,054	-	901	Auction	Mr. Sher Alam, Karachi.
Vehicles	1,110	-	818	Auction	Syed Amir Ali, Karachi.
Vehicles	1,384	-	1,160	Auction	Syed Riaz Ahmed, Karachi.
Vehicles	10,331	182	6,757	Auction	Mr. Waseem Mirza, Karachi.
Vehicles	3,653	-	2,507	Auction	Mr. Wazeer Muhammad, Karachi.
Vehicles	2,417	-	1,647	Auction	Mr. Zahid Ali, Karachi.
Vehicles	1,426	-	1,093	Auction	Mr. Zahid Qadri, Karachi.
Vehicles	47,543	7,874	7,939	As per Bank's policy and decision	Various employees / ex - employees / family members of deceased employees.
<b>Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000</b>					
Furniture and fixtures	3,361	838	326		
Electrical, office and computer equipments	12,753	418	1,523		
Vehicles	33,888	100	19,392		
	<u>424,663</u>	<u>30,389</u>	<u>131,413</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:

	2016	2015
	(Rupees in '000)	
Leasehold land	4,196,584	3,170,497
Buildings on leasehold land	5,281,238	3,985,937
	<u>9,477,822</u>	<u>7,156,434</u>

**13.2.3** As at 31 December 2016, the gross carrying amount of fully depreciated assets still in use amounted to Rs. 2,646.630 million (2015: Rs. 2,231.875 million).

### 13.3 Intangible assets

	2016							
	Cost		Accumulated Amortisation			Book Value		
	As at 01 January 2016	As at 31 December 2016	As at 01 January 2016	Charge	As at 31 December 2016	As at 31 December 2016	Rate of Amortisation %	
	(Rupees in '000)							
Computer software	451,271	133,123	584,394	391,839	74,742	466,581	117,813	50
	2015							
	Cost		Accumulated Amortisation			Book Value		
	As at 01 January 2015	As at 31 December 2015	As at 01 January 2015	Charge	As at 31 December 2015	As at 31 December 2015	Rate of Amortisation %	
	(Rupees in '000)							
Computer software	411,865	39,406	451,271	314,120	77,719	391,839	59,432	50

**13.3.1** As at 31 December 2016, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs.412.589 million (2015: Rs. 283.887 million).

	Note	2016	2015
		(Rupees in '000)	
<b>14. OTHER ASSETS</b>			
Mark - up / return / interest accrued in local currency		9,524,442	12,503,820
Mark - up / return / interest accrued in foreign currencies		238,631	192,910
Advances, deposits and prepayments		830,202	734,665
Advance taxation (payments less provisions)		154,094	-
Branch adjustment account		413,345	-
Unrealised gain on forward foreign exchange contracts		240,264	260,746
Stationery and stamps on hand		142,298	143,198
Receivable from SBP on encashment of Government Securities		200,213	22,012
Non - refundable deposits	14.1	58,673	66,282
Non - banking assets acquired in satisfaction of claims	14.2	189,437	181,336
ATM settlement account		347,026	-
Receivable against sale of securities		40,844	291,953
Others		191,905	118,196
		<u>12,571,374</u>	<u>14,515,118</u>
Provision held against other assets		(3,752)	-
Other assets - net		<u>12,567,622</u>	<u>14,515,118</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** During the year, the Bank revalued its non - banking assets acquired in satisfaction of claims according to the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated 1 January 2016. Had there been no revaluation, the net book value of non - banking assets acquired in satisfaction of claims would have amounted to:

	Note	2016 (Rupees in '000)	2015
Leasehold land		129,836	129,836
Buildings on leasehold land		46,350	51,500
		<b>176,186</b>	<b>181,336</b>
<b>15. BILLS PAYABLE</b>			
In Pakistan		<b>13,872,057</b>	8,665,462
<b>16. BORROWINGS</b>			
In Pakistan		<b>92,572,633</b>	62,586,995
Outside Pakistan		<b>1,144,712</b>	5,304
		<b>93,717,345</b>	<b>62,592,299</b>
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		<b>88,388,693</b>	62,586,995
In foreign currencies		<b>5,328,652</b>	5,304
		<b>93,717,345</b>	<b>62,592,299</b>
<b>16.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from SBP			
Export refinance scheme	16.3	<b>20,143,239</b>	19,118,954
Long term financing for export oriented projects		—	4,246
Long term financing for imported and locally manufactured plant and machinery	16.4	<b>5,632,293</b>	3,953,374
Financing facility for storage of agricultural produce	16.5	<b>56,875</b>	36,861
		<b>25,832,407</b>	23,113,435
Repurchase agreement borrowings	16.6	<b>62,556,286</b>	39,473,560
		<b>88,388,693</b>	62,586,995
<b>Unsecured</b>			
Borrowings from financial institutions	16.7	<b>4,183,940</b>	—
Overdrawn nostros		<b>1,144,712</b>	5,304
		<b>5,328,652</b>	5,304
		<b>93,717,345</b>	<b>62,592,299</b>



- 16.3** These carry mark - up rates ranging from 1% to 2% (2015: 2.50% to 3.50%) 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 2% to 8.8% (2015: 2.00% to 10.10% ) per annum having maturity periods upto ten years.
- 16.5** These carry mark - up rate of 3.50% (2015: 3.50% to 7.50%) per annum having maturity periods upto 2 to 3 years.
- 16.6** These repurchase agreement borrowings are secured against market treasury bills, which carry mark - up rates ranging from 5.85% to 5.88% (2015: 6.10% to 6.21%) per annum, having maturity periods upto one month.
- 16.7** This carry mark - up rate of 1.75% (2015: Nil) having maturity period upto three months.

	Note	2016 (Rupees in '000)	2015
<b>17. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		114,762,820	120,268,519
Savings deposits		170,130,029	150,427,540
Current accounts - Remunerative		72,737,910	57,094,573
Current accounts - Non - remunerative		210,377,190	175,902,813
		<b>568,007,949</b>	503,693,445
<b>Financial institutions</b>			
Remunerative deposits		14,150,564	11,462,606
Non - remunerative deposits		2,013,441	1,057,127
		<b>16,164,005</b>	12,519,733
		<b>584,171,954</b>	516,213,178
<b>17.1 Particulars of deposits</b>			
In local currency		515,728,530	454,127,047
In foreign currencies		68,443,424	62,086,131
		<b>584,171,954</b>	516,213,178
<b>17.2</b> Deposits include Rs. 22,607.349 million (2015: Rs. 14,718.557 million) placed under permissible Shariah modes.			
<b>18. SUB - ORDINATED LOANS - unsecured</b>			
Term Finance Certificates (TFCs) - IV - (Unquoted)	18.1	–	2,994,600
Term Finance Certificates (TFCs) - V - (Unquoted)	18.2	3,999,200	–
		<b>3,999,200</b>	2,994,600
<b>18.1</b> During the year, the Bank exercised the Call option of Term Finance Certificates - IV in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on 30 June 2016.			



## 18.2 Term Finance Certificates - V (Unquoted)

Total issue	Rupees 4,000 million
Rating	<b>AA</b>
Rate	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	March 2026

	Note	2016 (Rupees in '000)	2015
<b>19. DEFERRED TAX LIABILITIES</b>			
<b>Taxable temporary differences arising in respect of:</b>			
Accelerated depreciation		1,126,519	1,029,252
Surplus on revaluation of fixed assets / non - banking assets	22.1	770,977	797,630
Surplus on revaluation of held for trading investments		1,186	-
Surplus on revaluation of available for sale investments	22.2	2,121,766	1,866,556
		<b>4,020,448</b>	<b>3,693,438</b>
<b>Deductible temporary differences arising in respect of:</b>			
Provision against non - performing loans and advances		(32,071)	(106,412)
Remeasurement of defined benefit plan		144,023	115,089
Provision against diminution in the value of investments		(570)	(69,517)
		<b>111,382</b>	<b>(60,840)</b>
		<b>4,131,830</b>	<b>3,632,598</b>

### 19.1 Reconciliation of deferred tax

	Balance as at 01 January 2016	Recognised in profit and loss account (Rupees in '000)	Recognised in surplus on revaluation of assets	Balance as at 31 December 2016
<b>Taxable temporary differences arising in respect of:</b>				
Accelerated depreciation	1,029,252	97,267	-	1,126,519
Surplus on revaluation of fixed assets / non - banking assets	797,630	(28,662)	2,009	770,977
Surplus on revaluation of held for trading investments	-	1,186	-	1,186
Surplus on revaluation of available for sale investments	1,866,556	-	255,210	2,121,766
	<b>3,693,438</b>	<b>69,791</b>	<b>257,219</b>	<b>4,020,448</b>
<b>Deductible temporary differences arising in respect of:</b>				
Provision against non - performing loans and advances	(106,412)	74,341	-	(32,071)
Remeasurement of defined benefit plan	115,089	28,934	-	144,023
Provision against diminution in the value of investments	(69,517)	68,947	-	(570)
	<b>(60,840)</b>	<b>172,222</b>	<b>-</b>	<b>111,382</b>
	<b>3,632,598</b>	<b>242,013</b>	<b>257,219</b>	<b>4,131,830</b>





	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
<b>Taxable temporary differences arising in respect of:</b>				
Accelerated depreciation	956,156	73,096	–	1,029,252
Surplus on revaluation of fixed assets / non - banking assets	826,092	(28,462)	–	797,630
Surplus on revaluation of held for trading investments	–	–	–	–
Surplus on revaluation of available for sale investments	936,986	–	929,570	1,866,556
	<u>2,719,234</u>	<u>44,634</u>	<u>929,570</u>	<u>3,693,438</u>
<b>Deductible temporary differences arising in respect of:</b>				
Provision against non - performing loans and advances	(16,558)	(89,854)	–	(106,412)
Remeasurement of defined benefit plan	78,430	36,659	–	115,089
Provision against diminution in the value of investments	(570)	(68,947)	–	(69,517)
	<u>61,302</u>	<u>(122,142)</u>	<u>–</u>	<u>(60,840)</u>
	<u>2,780,536</u>	<u>(77,508)</u>	<u>929,570</u>	<u>3,632,598</u>

2016  
(Rupees in '000)

## 20. OTHER LIABILITIES

	Note	2016 (Rupees in '000)	2015
Mark - up / return / interest payable in local currency		1,834,073	1,784,466
Mark - up / return / interest payable in foreign currencies		148,230	131,580
Provision for compensated absences	20.1	417,084	362,923
Taxation (Provisions less payments)		–	316,737
Unclaimed dividends		290,390	229,596
Branch adjustment account		–	73,247
Special exporters' accounts in foreign currencies		73,644	78,524
Unearned commission income		115,154	86,016
Unrealised loss on forward foreign exchange contracts		745,531	472,048
Security deposits against leases / ijarah		2,232,355	1,054,304
Other security deposits		417,763	369,690
Workers' welfare fund		722,091	1,063,464
Accrued expenses		668,599	604,161
Payable to defined benefit plan	37.4	411,494	328,824
Provision against off - balance sheet items	20.2	102,257	144,042
Payable to SBP / NBP		81,759	320,683
Payable to supplier against murabaha		158,459	103,247
Payable against purchase of securities		22,422	18,016
Charity payable		2,738	2,690
Insurance payable		232,448	132,061
Others		313,195	342,100
		<u>8,989,686</u>	<u>8,018,419</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:

	2016 (% per annum)	2015
Discount rate	9.25%	10%
Expected rate of increase in salary in future years	8.25%	9%



		2016 (Rupees in '000)	2015
<b>20.2 Provision against off - balance sheet items</b>			
Opening balance		144,042	105,507
Charge for the year		4,549	38,535
Reversal during the year		(46,334)	-
		<b>(41,785)</b>	38,535
Closing balance		<b>102,257</b>	144,042
<b>21. SHARE CAPITAL</b>			
	2016	2015	
	(Number of shares)		
<b>Authorised Capital</b>			
<b>1,500,000,000</b>	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000
			15,000,000
<b>Issued, subscribed and paid - up capital</b>			
	<b>30,000,000</b>	30,000,000	Issued for cash
	<b>1,081,425,416</b>	1,081,425,416	Issued as bonus shares
	<b>1,111,425,416</b>	1,111,425,416	
			<b>300,000</b>
			10,814,254
			<b>11,114,254</b>
			11,114,254
<b>21.1</b>	As of statement of financial position date 197,857,620 (2015: 202,920,855) ordinary shares of Rs. 10/- each were held by the related parties.		
		2016 (Rupees in '000)	2015
<b>22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>	Note		
Fixed assets / non - banking assets	22.1	2,650,950	2,692,363
Available for sale investments	22.2	3,940,422	3,466,462
		<b>6,591,372</b>	6,158,825
<b>22.1 Fixed assets / non - banking assets</b>			
Balance at beginning of the year		3,489,993	3,575,215
Surplus / (adjustment) on revaluation of the Bank's fixed assets / non - banking assets during the year		13,825	(3,905)
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(81,891)	(81,317)
		<b>3,421,927</b>	3,489,993
Related deferred tax liability on:			
Balance at beginning of the year		797,630	826,092
Revaluation of Bank's fixed assets / non - banking assets during the year		2,009	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(28,662)	(28,462)
		<b>(770,977)</b>	(797,630)
		<b>2,650,950</b>	2,692,363



	2016	2015
	(Rupees in '000)	
<b>22.2 Available for sale investments</b>		
Federal Government Securities	4,457,817	4,534,035
Fully paid - up ordinary shares	1,177,059	708,837
Term finance certificates, sukuk bonds and foreign currency bonds	10,294	1,388
Units of mutual funds	417,018	88,758
	<u>6,062,188</u>	<u>5,333,018</u>
Related deferred tax liability	<u>(2,121,766)</u>	<u>(1,866,556)</u>
	<u>3,940,422</u>	<u>3,466,462</u>
<b>22.2.1</b>	This includes surplus of Rs. 31.963 million (2015: Rs. 11.300 million) on revaluation of available for sale securities placed as per arrangements permissible under Shariah.	
<b>23. CONTINGENCIES AND COMMITMENTS</b>		
<b>23.1 Direct credit substitutes</b>		
<b>Financial guarantees issued favouring:</b>		
- Financial institutions	930,792	462,800
- Others	4,695,734	5,086,805
	<u>5,626,526</u>	<u>5,549,605</u>
<b>23.2 Transaction - related contingent liabilities</b>		
<b>Guarantees issued favouring:</b>		
- Government	34,649,327	29,798,948
- Financial institutions	594,401	668,750
- Others	11,682,502	6,743,423
	<u>46,926,230</u>	<u>37,211,121</u>
<b>23.3 Trade - related contingent liabilities</b>		
Letters of credit	107,641,921	77,847,579
Acceptances	16,622,601	13,547,110
Bankers liability rediscount	1,898,680	-
	<u>126,163,202</u>	<u>91,394,689</u>
<b>23.4 Commitments in respect of forward lending</b>		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>10,967,104</u>	<u>10,748,236</u>
<b>23.5 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>49,396,754</u>	<u>46,760,182</u>
Sale	<u>28,383,678</u>	<u>28,769,804</u>
The maturities of above contracts are spread over the periods upto two years.		
<b>23.6 Commitments for the acquisition of operating fixed assets</b>	<u>328,351</u>	<u>635,075</u>
<b>23.7 Claims against the Bank not acknowledged as debts</b>	<u>4,459,758</u>	<u>4,616,297</u>



### 23.8 Other contingencies

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2015. The income tax assessments of the Bank are complete upto tax year 2013.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) has passed order u/s. 122(5A) of the Income Tax Ordinance, 2001 by disallowing certain expenses. Subsequently, amended order was received from ACIR based on a rectification application filed by the Bank resulting in net aggregate tax impact of Rs. 797.233 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 amortisation 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.

### 24. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank 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 Bank'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 Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter - bank foreign exchange market.

	2016	2015
	(Rupees in '000)	
<b>25. MARK - UP / RETURN / INTEREST EARNED</b>		
On loans and advances to:		
Customers	14,337,345	14,576,038
Financial institutions	152,828	118,886
	<u>14,490,173</u>	<u>14,694,924</u>
On investments:		
Available for sale securities	19,422,961	20,726,153
Held to maturity securities	13,533,230	14,635,744
	<u>32,956,191</u>	<u>35,361,897</u>
On deposits with financial institutions	200,852	169,542
On securities purchased under resale agreements	60,084	52,961
On Bai Muajjal	95,468	13,086
On call money lendings	1,600	816
	<u>47,804,368</u>	<u>50,293,226</u>

25.1 These include Rs. 1,320.354 million (2015: Rs. 1,155.163 million) pertaining to Islamic banking out of which Rs. 82.387 million (2015: Rs. 84.825 million) represents profit from placements permissible under Shariah.

### 26. MARK - UP / RETURN / INTEREST EXPENSED

Deposits	17,440,877	18,503,435
Sub - ordinated loans	444,277	458,513
Repurchase agreement borrowings	3,904,952	5,028,611
Borrowings from SBP	603,166	969,378
Other borrowings	739,536	516,412
	<u>23,132,808</u>	<u>25,476,349</u>



27. DIVIDEND INCOME	2016 (Rupees in '000)	2015
<b>Listed shares</b>		
Adamjee Insurance Company Limited	525	150
AL - Ghazi Tractors Limited	600	-
Allied Bank Limited	5,472	5,417
Askari Bank Limited	-	150
Attock Petroleum Limited	7,866	6,166
Attock Refinery Limited	500	-
Cherat Cement Company Limited	506	900
D.G. Khan Cement Company Limited	1,500	1,250
Dawood Hercules Corporation Limited	519	-
EFU General Insurance Limited	50	-
Engro Corporation Limited	5,340	858
Engro Fertilizer Limited	2,750	699
Fatima Fertilizer Company Limited	313	-
Fauji Cement Company Limited	2,960	750
Fauji Fertilizer Bin Qasim Limited	305	10,440
Fauji Fertilizer Company Limited	38,690	38,600
Faysal Bank Limited	100	-
First Habib Modaraba	294	323
Habib Bank Limited	15,765	12,630
Habib Metropolitan Bank Limited	30,055	55,310
Habib Sugar Mills Limited	23,538	23,416
Hascol Petroleum Limited	175	-
Hub Power Company Limited	95,794	72,460
ICI Pakistan Limited	450	-
Indus Motor Company Limited	1,539	-
International Industries Limited	238	210
International Steels Limited	7,029	-
Kot Addu Power Company Limited	59,702	46,337
Lalpir Power Limited	4,944	4,189
Lucky Cement Limited	100	248
MCB Bank Limited	14,073	6,478
Meezan Bank Limited	-	357
Millat Tractors Limited	600	-
Nishat Chunian Power Limited	32,268	35,183
Oil & Gas Development Company Limited	-	443
Packages Limited	263	158
Pak Electron Limited	313	125
Pakgen Power Limited	9,648	8,830
Pakistan Oilfields Limited	33,218	32,533
Pakistan Petroleum Limited	3,699	12,907
Pakistan State Oil Company Limited	11,806	9,375
Pakistan Telecommunication Company Limited	7,033	949
Pioneer Cement Limited	188	-
Raffhan Maize Products Company Limited	384	-
Shell Pakistan Limited	360	180
Soneri Bank Limited	20,677	11,580
Standard Chartered Bank (Pakistan) Limited	6,366	7,162
The SEARLE Company Limited	150	-
United Bank Limited	13,715	12,247
	<b>462,380</b>	<b>419,010</b>
<b>Mutual funds</b>		
First Habib Cash Fund	8,005	21,579
First Habib Income Fund	9,500	20,357
First Habib Islamic Balanced Fund	338	1,388
First Habib Stock Fund	410	4,000
National Investment (Unit) Trust	49,647	46,889
NIT Government Bond Fund	36,461	67,089
NIT Government Treasury Fund	998	-
NIT Income Fund	13,241	21,081
NIT Islamic Equity Fund	10,520	-
PIML Income Fund	-	308
	<b>129,120</b>	<b>182,691</b>
	<b>591,500</b>	<b>601,701</b>



	Note	2016 (Rupees in '000)	2015
<b>28. GAIN ON SALE / REDEMPTION OF SECURITIES - NET</b>			
Mutual funds		–	318,246
Government securities		–	26
Listed shares		<b>715,470</b>	(101,018)
		<b>715,470</b>	<b>217,254</b>
<b>29. OTHER INCOME</b>			
Gain on sale of operating fixed assets		<b>101,024</b>	56,372
Recovery of expenses from customers	29.1	<b>209,117</b>	178,839
Lockers rent		<b>327</b>	512
Rent on property		<b>2,100</b>	2,100
Cheque book issuance / cheque return charges		<b>243,819</b>	261,120
Banking charges		<b>82,274</b>	74,927
Others		<b>90,698</b>	123,605
		<b>729,359</b>	<b>697,475</b>
<b>29.1</b>	Includes courier, SWIFT, postage and other charges recovered from customers.		
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		<b>7,899,631</b>	6,729,630
Charge for defined benefit plan	37.6	<b>217,568</b>	171,390
Charge for defined contribution plan		<b>319,518</b>	263,530
Charge for employees compensated absences		<b>54,174</b>	49,654
Non-executive directors' fee, allowances and other expenses		<b>9,975</b>	8,325
Rent, taxes, insurance, electricity, etc.		<b>2,375,023</b>	2,055,478
Legal and professional charges		<b>210,739</b>	88,383
Communications		<b>291,159</b>	309,728
Repairs and maintenance		<b>1,375,636</b>	1,088,708
Security charges		<b>814,656</b>	711,682
Stationery and printing		<b>443,359</b>	385,564
Advertisement and publicity		<b>325,968</b>	324,693
Donations	30.1	<b>184,900</b>	49,100
Auditors' remuneration	30.2	<b>5,521</b>	3,508
Depreciation		<b>1,598,840</b>	1,180,653
Amortisation		<b>82,351</b>	85,328
Travelling and conveyance		<b>158,582</b>	142,703
Vehicle running expenses		<b>360,455</b>	342,605
Commission and brokerage		<b>140,826</b>	86,477
Subscriptions and publications		<b>79,536</b>	57,952
Clearing charges		<b>85,699</b>	90,032
Staff training		<b>26,712</b>	14,596
Entertainment and staff refreshment		<b>288,911</b>	160,164
Cleaning charges		<b>109,488</b>	81,978
Charitable expenses		<b>51,341</b>	40,219
CNIC verification charges		<b>27,308</b>	45,326
Others		<b>190,473</b>	127,634
		<b>17,728,349</b>	<b>14,695,040</b>



	Note	2016 (Rupees in '000)	2015
<b>30.1</b>	The detail of donations is given below:		
Al-Sayyeda Benevolent Trust		1,500	1,500
Bank AL Habib Staff Benefit Trust		99,900	100
Cancer Research & Treatment Foundation		–	10,000
Childlife Foundation		5,000	–
Developments in Literacy		500	–
Friends of Punjab Institute of Cardiology		10,000	–
GCU Endowment Fund Trust		1,000	1,000
Habib Education Trust		1,500	1,500
Habib Medical Trust		1,500	1,500
Habib Poor Fund		1,500	1,500
Husaini Hematology and Oncology Trust		10,000	–
Institute of Management Sciences, Bahauddin Zakariya University		–	1,000
Jinnah Foundation (Memorial) Trust		–	2,000
Patients' Aid Foundation		30,000	15,000
Rahmatbai Habib Food and Clothing Trust		1,500	1,500
Rahmatbai Habib Widows and Orphans Trust		1,500	1,500
Sindh Institute of Urology and Transplantation (SIUT)		15,000	7,500
The Citizens Foundation		4,000	3,500
The Health Foundation		500	–
		<b>184,900</b>	<b>49,100</b>
<b>30.2</b>	<b>Auditors' remuneration</b>		
Audit fee		2,375	2,145
Half yearly review		750	660
Special certifications		1,681	253
Gratuity fund		83	75
Out of pocket expenses		632	375
		<b>5,521</b>	<b>3,508</b>
<b>31.</b>	<b>OTHER (REVERSALS) / PROVISIONS / WRITE-OFFS</b>		
(Reversal) / provision against off - balance sheet items		(41,785)	38,535
Provision against other assets		3,752	–
		<b>(38,033)</b>	<b>38,535</b>
<b>32.</b>	<b>OTHER (REVERSALS) / CHARGES</b>		
Workers' welfare fund	32.1	(504,507)	251,666
Penalties imposed by SBP		12,061	50,538
		<b>(492,446)</b>	<b>302,204</b>
<b>32.1</b>	This includes reversal of provision for Workers' Welfare Fund amounting to Rs. 773.160 million for the period from January 2008 to December 2013, based on Supreme Court's judgement dated November 10, 2016.		



	Note	2016 (Rupees in '000)	2015
<b>33. TAXATION</b>			
For the year			
Current		4,299,752	4,503,771
Prior years		502,993	500,484
Deferred		242,013	(77,508)
		<u>5,044,758</u>	<u>4,926,747</u>
<b>33.1 Relationship between tax expense and accounting profit</b>			
Profit before taxation		<u>13,163,987</u>	<u>12,331,659</u>
Tax at the applicable rate of 35% (2015: 35%)		4,607,395	4,316,081
Tax effects of:			
Expenses that are not deductible in determining taxable income		3,316	110,182
Tax effect of prior year provisions	33.1.1	502,993	500,484
Others		(68,946)	–
		<u>5,044,758</u>	<u>4,926,747</u>
<b>33.1.1</b>	This amount includes super tax at the rate of 4% on income of Banks for the year ended 31 December 2014 (Tax Year 2015) introduced by the Federal Government vide Finance Act, 2015. This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. This super tax has been extended for 31 December 2015 (Tax Year 2016).		
<b>34. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit after taxation		<u>8,119,229</u>	<u>7,404,912</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>7.31</u>	<u>6.66</u>
		2016	2015
		(Rupees in '000)	
<b>35. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	8	50,600,041	38,577,738
Balances with other banks	9	2,866,455	3,185,669
Overdrawn nostros	16	(1,144,712)	(5,304)
		<u>52,321,784</u>	<u>41,758,103</u>
		(Numbers)	
<b>36. STAFF STRENGTH</b>			
Permanent		8,286	7,209
Temporary / on contractual basis		305	265
Bank's own staff at end of the year		<u>8,591</u>	<u>7,474</u>
Outsourced		2,180	1,917
Total staff strength		<u>10,771</u>	<u>9,391</u>





## 37. DEFINED BENEFIT PLAN

### 37.1 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

### 37.2 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2016 and the significant assumptions used for actuarial valuation were as follows:

	2016	2015
<b>37.3 Significant Actuarial Assumptions</b>		
<b>Financial Assumptions</b>		
Discount Rate	9.25%	10%
Salary Increase Rate	8.25%	9%
<b>Demographic Assumptions</b>		
Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Moderate
	2016	2015
	(Rupees in '000)	
<b>37.4 Statement of Financial Position</b>		
Present value of defined benefit obligation	1,938,013	1,622,662
Fair value of plan assets	(1,526,519)	(1,293,838)
Deficit	<u>411,494</u>	<u>328,824</u>
<b>37.5 Movement in net defined benefit liability</b>		
Balance accrued as at beginning of the year	328,824	224,085
Net periodic benefit cost for the year ended	217,568	171,390
Employer's contribution during the year	(217,568)	(171,390)
Amount of remeasurements losses recognised in Other Comprehensive Income during the year	82,670	104,739
Balance accrued as at end of the year	<u>411,494</u>	<u>328,824</u>



	2016	2015
	(Rupees in '000)	
<b>37.6 Defined Benefit Cost for the Year</b>		
<b>Cost recognised in Profit and Loss Account for the year</b>		
Service cost		
Current service cost	186,216	159,496
Net interest cost		
Interest cost on defined benefit obligation	166,978	148,029
Interest income on plan assets	(135,626)	(136,135)
Net interest cost	31,352	11,894
Cost recognised in Profit and Loss for the year	217,568	171,390
<b>Remeasurements recognised in Other Comprehensive Income during the year</b>		
Actuarial loss on obligation	65,784	61,060
Actuarial loss on assets	16,886	43,679
Remeasurement loss recognised in Other Comprehensive Income	82,670	104,739
<b>Total defined benefit cost recognised in Profit and Loss Account and Other Comprehensive Income</b>	<b>300,238</b>	<b>276,129</b>
<b>37.7 Movement in the present value of defined benefit obligation</b>		
Present value of defined benefit obligation at beginning of year	1,622,662	1,327,761
Service cost	186,216	159,496
Interest cost on defined benefit obligation	166,978	148,029
Actual benefits paid during the year	(103,627)	(73,684)
Actuarial loss on obligation	65,784	61,060
Present value of defined benefit obligation at end of year	<b>1,938,013</b>	<b>1,622,662</b>
<b>37.8 Movement in the fair value of plan assets</b>		
Fair value of plan assets at beginning of year	1,293,838	1,103,676
Interest income on plan assets	135,626	136,135
Actual contribution by employer	217,568	171,390
Actual benefits paid during the year	(103,627)	(73,684)
Actuarial loss on plan assets	(16,886)	(43,679)
Fair value of plan assets at end of year	<b>1,526,519</b>	<b>1,293,838</b>
<b>37.9 Actual return on plan assets</b>	<b>153,787</b>	<b>154,698</b>



	2017 (Rupees in '000)
<b>37.10 Charge and contribution for the year ending 31 December 2017</b>	
<i>Service cost</i>	
Current service cost	218,742
<i>Net interest cost</i>	
Interest cost on defined benefit obligation	184,786
Interest income on plan assets	(148,369)
Net interest cost	36,417
Cost to be recognised in Profit and loss account for the year 2017	255,159
	2016 (Rupees in '000)
<b>37.11 Analysis of Present value of defined benefit obligation</b>	
<i>Vested / Non - Vested</i>	
Vested Benefits	1,788,446
Non - Vested benefits	149,567
Total	1,938,013
<i>Type of Benefits</i>	
Accumulated Benefit Obligation	868,323
Amounts attributed to future salary increases	1,069,690
Total	1,938,013
<b>37.12 Remeasurements recognised in Other Comprehensive Income during the year</b>	
<i>Actuarial loss on obligation</i>	
Gain due to change in financial assumptions	(8,153)
Loss due to change in experience adjustments	73,937
Total actuarial loss on obligation	65,784
<i>Net return on plan assets over interest income</i>	
Actuarial loss on plan assets	16,886
Remeasurements loss recognised in Other Comprehensive Income during the year	82,670



**2016**  
(Rupees in '000)

**37.13 Disaggregation of fair value of plan assets**

Cash and Cash equivalents (after adjusting current liabilities)	10,741
<i>Unquoted investments</i>	
Pakistan Investment Bonds	837,295
SBP - Treasury Bills	210,000
Term Deposit	468,483
	1,515,778
Total fair value of plan assets	1,526,519

**37.14 Maturity profile of the defined benefit obligation**

Distribution of timing of benefit payments	
Within the next 12 months (next annual reporting period)	96,706
Between 2 and 5 years	648,758
Between 5 and 10 years	1,464,806
	2,210,270

**37.15 Sensitivity Analysis on significant actuarial assumptions:  
Actuarial Liability**

The Weighted average duration of the PBO is 10.83 years.

Discount Rate + 1%	1,744,393
Discount Rate - 1%	2,166,740
Long Term Salary Increases + 1%	2,176,725
Long Term Salary Increases - 1%	1,733,013



### 38. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 5.7.

### 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Fee	–	–	14,142	8,325	–	–
Managerial remuneration	20,467	16,000	15,227	10,400	2,250,456	1,831,666
Charge for defined benefit plan	9,655	1,333	12,611	867	324,772	271,751
Contribution to defined contribution plan	2,047	1,600	1,523	1,040	170,468	137,186
Rent and house maintenance	8,187	6,400	6,091	4,160	795,191	641,621
Utilities	3,986	3,361	1,542	1,057	198,798	160,386
Medical	–	51	100	47	68,980	55,428
Bonus	5,000	5,333	3,920	3,467	478,952	526,647
Others	–	–	–	–	53,043	37,522
	<b>49,342</b>	<b>34,078</b>	<b>55,156</b>	<b>29,363</b>	<b>4,340,660</b>	<b>3,662,207</b>
Number of person(s)	<b>2*</b>	<b>1</b>	<b>10</b>	<b>9</b>	<b>2,061</b>	<b>1,586</b>

Executives, including the Chief Executive and Executive Director, are entitled to 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 entitled to drivers, club memberships, security arrangements and payment of travel bills in accordance with their terms of employment.

Chairman of the Board is also entitled to Bank's maintained cars, security guard services, payment of utility bills, club and entertainment bills, travelling bills, appropriate office, staff, and administrative support.

\* This includes the former Chief Executive & Managing Director who retired during the year.

### 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 5.4 and 5.5.





		2015						Fair value			
		Carrying amount					Total	Level 1	Level 2	Level 3	Total
Note		Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Other Financial Assets	Other Financial Liabilities (Rupees in '000)				
<b>On - balance sheet financial instruments</b>											
Financial assets measured at fair value											
- Investments											
	Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	208,210,576	-	-	-	-	208,210,576	-	208,210,576	-	208,210,576
	Foreign Currency Bonds - Others	627,606	-	-	-	-	627,606	-	627,606	-	627,606
	Fully paid-up ordinary shares - Listed	4,530,494	-	-	-	-	4,530,494	4,727,486	-	-	4,727,486
	Units of mutual funds	1,638,758	-	-	-	-	1,638,758	1,638,758	-	-	1,638,758
	Term Finance Certificates - Listed	705,764	-	-	-	-	705,764	705,764	-	-	705,764
Financial assets not measured at fair value											
	- Cash and bank balances with treasury bank	-	-	-	-	38,577,738	38,577,738	-	-	-	-
	- Balances with other banks	-	-	-	-	3,185,669	3,185,669	-	-	-	-
	- Lendings to financial institutions	-	-	-	-	3,992,794	3,992,794	-	-	-	-
- Investments											
	Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC + Others)	1,964,286	-	132,866,129	-	-	134,830,415	-	144,377,844	-	144,377,844
40.1	Other Federal Government Securities	-	-	1,825,278	-	-	1,825,278	-	-	-	-
40.1	Foreign Currency Bonds - Others	-	-	-	-	-	-	-	-	-	-
40.1	Sukuk Bonds - Others	2,472,178	-	172,888	-	-	2,645,066	-	-	-	-
40.1	Fully paid-up ordinary shares - Unlisted	39,829	-	-	-	-	39,829	-	-	-	-
40.1	Term Finance Certificates - Unlisted	832,400	-	-	-	-	832,400	-	-	-	-
Associates											
	Listed shares	-	-	-	-	182,690	182,690	357,876	-	-	357,876
	Mutual funds	-	-	-	-	320,000	320,000	306,171	-	-	306,171
40.1	Unlisted shares	-	-	-	-	60,000	60,000	-	-	-	-
40.1	Subsidiaries - Unlisted Shares	-	-	-	-	200,127	200,127	-	-	-	-
40.1	- Advances	-	-	-	207,288,608	-	207,288,608	-	-	-	-
40.1	- Other assets	-	-	-	-	13,389,637	13,389,637	-	-	-	-
		221,021,891	-	134,864,295	207,288,608	59,908,655	623,083,449	7,736,055	353,216,026	-	360,952,081
Financial liabilities not measured at fair value											
40.1	- Bills payable	-	-	-	-	(8,665,462)	(8,665,462)	-	-	-	-
40.1	- Borrowings	-	-	-	-	(62,592,299)	(62,592,299)	-	-	-	-
40.1	- Deposits and other accounts	-	-	-	-	(516,213,178)	(516,213,178)	-	-	-	-
40.1	- Sub-ordinated loans	-	-	-	-	(2,994,600)	(2,994,600)	-	-	-	-
40.1	- Other liabilities	-	-	-	-	(5,971,990)	(5,971,990)	-	-	-	-
		-	-	-	-	(596,437,529)	(596,437,529)	-	-	-	-
		221,021,891	-	134,864,295	207,288,608	59,908,655	26,645,920	7,736,055	353,216,026	-	360,952,081
<b>Off-balance sheet financial instruments measured at fair value</b>											
	Forward purchase of foreign exchange contracts	-	-	-	-	46,760,182	46,760,182	-	46,443,437	-	46,443,437
	Forward sale of foreign exchange contracts	-	-	-	-	(28,769,804)	(28,769,804)	-	(28,875,247)	-	(28,875,247)
<b>Off-balance sheet financial instruments not measured at fair value</b>											
40.1	Commitment to extend credit	-	-	-	-	10,748,236	10,748,236	-	-	-	-

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 liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

40.1 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.

40.2 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.



#### 41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016			Total
	Retail Banking	Commercial Banking	Inter Segment Elimination	
	(Rupees in '000)			
Total income	22,105,025	46,962,196	(16,210,605)	52,856,616
Total expenses	(17,631,376)	(38,271,858)	16,210,605	(39,692,629)
Net income	4,473,649	8,690,338	–	13,163,987
Segment assets (net of provisions)	598,809,237	703,142,596	(550,556,017)	751,395,816
Segment non - performing loans	47,601	5,667,865	–	5,715,466
Segment provision required	41,589	4,840,737	–	4,882,326
Segment liabilities	596,427,227	663,010,862	(550,556,017)	708,882,072
Segment return on assets (ROA) (%)*	3.69%	6.68%		
Segment cost of funds (%)*	2.96%	5.77%		
	2015			
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	23,535,055	47,933,913	(16,664,876)	54,804,092
Total expenses	(17,765,538)	(41,371,771)	16,664,876	(42,472,433)
Net income	5,769,517	6,562,142	–	12,331,659
Segment assets (net of provisions)	476,499,192	610,451,755	(446,977,733)	639,973,214
Segment non - performing loans	44,702	5,829,672	–	5,874,374
Segment provision required	38,962	5,488,691	–	5,527,653
Segment liabilities	474,750,169	574,344,120	(446,977,733)	602,116,556
Segment return on assets (ROA) (%)*	4.94%	7.85%		
Segment cost of funds (%)*	3.74%	7.20%		

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

#### 42. RELATED PARTY TRANSACTIONS

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

Transactions with related parties of the Bank 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 Bank are carried out in accordance with the terms of their employment.





Transactions with related parties, other than those disclosed in note 13.2.1, 21.1 and 39 are summarised as follows:

	<b>2016</b>					<b>Total</b>
	<b>Subsidiaries</b>	<b>Associates</b>	<b>Non Executive Directors</b>	<b>Key Management Personnel</b>	<b>Retirement Benefit Funds</b>	
			<b>(Rupees in '000)</b>			
<b>Deposits</b>						
At beginning of the year	13,185	3,398,002	183,973	432,539	325,824	4,353,523
Placements during the year	414,980	116,514,517	2,811,177	2,212,391	4,772,953	126,726,018
Withdrawals during the year	(413,851)	(117,135,141)	(2,438,591)	(2,193,840)	(4,256,002)	(126,437,425)
At end of the year	14,314	2,777,378	556,559	451,090	842,775	4,642,116
<b>Advances</b>						
At beginning of the year	–	978,041	144	54,478	–	1,032,663
Given during the year	5,650,821	27,478,082	5,112	89,093	–	33,223,108
Repaid during the year	(5,650,821)	(27,064,890)	(5,046)	(94,511)	–	(32,815,268)
At end of the year	–	1,391,233	210	49,060	–	1,440,503
<b>Investments</b>						
At beginning of the year	200,127	562,690	–	–	–	762,817
Investments made during the year	–	–	–	–	–	–
Investments redeemed during the year	–	–	–	–	–	–
At end of the year	200,127	562,690	–	–	–	762,817
Contingencies and commitments	–	1,191,933	–	–	–	1,191,933
Forward purchase contracts	–	227,946	–	–	–	227,946
Other assets	20,296	1,230	–	–	–	21,526
Other liabilities	135	–	–	–	–	135
Unrealised loss on forward contracts	–	(3,763)	–	–	–	(3,763)
Sale / redemption of securities	–	29,614	–	–	615,758	645,372
Redemption of mutual funds	–	–	–	–	–	–
Purchase of securities	–	–	–	–	–	–
Purchase of mutual funds	–	–	–	–	–	–
Mark - up earned	272	68,674	–	3,170	–	72,116
Mark - up expensed	454	196,089	16,114	27,296	35,209	275,162
Bank charges and commission	1	5,059	10	48	–	5,118
Gain on sale of securities and mutual funds	–	–	–	–	–	–
Salaries and allowances	–	–	–	367,372	–	367,372
Bonus	–	–	–	49,099	–	49,099
Contribution to defined contribution plan	–	–	–	14,777	–	14,777
Contribution to defined benefit plan	–	–	–	43,027	–	43,027
Staff provident fund	–	–	–	–	319,518	319,518
Staff gratuity fund	–	–	–	–	217,568	217,568
Directors' fee	–	–	13,317	–	–	13,317
Insurance claim received	–	13,210	–	–	–	13,210
Insurance premium paid	–	149,894	–	–	–	149,894
Dividend income	–	41,792	–	–	–	41,792
Rental paid	–	–	–	–	–	–
Rental income	2,100	–	–	–	–	2,100
Commission expensed	2,308	–	–	–	–	2,308
Donation	–	109,900	–	–	–	109,900
Other expensed	–	5,751	–	–	–	5,751
Other income	633	282	–	–	96	1,011



2015

	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	Total
<b>Deposits</b>						
At beginning of the year	98,058	3,037,277	185,609	401,895	49,441	3,772,280
Placements during the year	687,051	157,951,585	2,932,874	2,817,436	2,922,398	167,311,344
Withdrawals during the year	(771,924)	(157,590,860)	(2,934,510)	(2,786,792)	(2,646,015)	(166,730,101)
At end of the year	13,185	3,398,002	183,973	432,539	325,824	4,353,523
<b>Advances</b>						
At beginning of the year	–	1,517,483	294	52,960	–	1,570,737
Given during the year	10,948,669	22,453,719	2,790	72,596	–	33,477,774
Repaid during the year	(10,948,669)	(22,993,161)	(2,940)	(71,078)	–	(34,015,848)
At end of the year	–	978,041	144	54,478	–	1,032,663
<b>Investments</b>						
At beginning of the year	200,127	865,977	–	–	–	1,066,104
Investments made during the year	–	548,287	–	–	–	548,287
Investments redeemed during the year	–	(851,574)	–	–	–	(851,574)
At end of the year	200,127	562,690	–	–	–	762,817
Contingencies and commitments	–	749,299	–	–	–	749,299
Forward purchase contracts	–	–	–	–	–	–
Other assets	13,688	–	–	–	–	13,688
Other liabilities	135	–	–	–	–	135
Unrealised loss on forward contracts	–	–	–	–	–	–
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
Purchase of mutual funds	–	546,574	–	–	–	546,574
Mark - up earned	676	90,421	3	3,085	–	94,185
Mark - up expensed	804	141,868	10,947	28,449	5,304	187,372
Bank charges and commission	1	3,572	11	1,106	–	4,690
Gain on sale of securities and mutual funds	–	84,782	–	–	–	84,782
Salaries and allowances	–	–	–	309,093	–	309,093
Bonus	–	–	–	58,961	–	58,961
Contribution to defined contribution plan	–	–	–	14,094	–	14,094
Contribution to defined benefit plan	–	–	–	25,155	–	25,155
Staff provident fund	–	–	–	–	263,530	263,530
Staff gratuity fund	–	–	–	–	171,390	171,390
Directors' fee	–	–	7,700	–	–	7,700
Insurance claim received	–	14,410	–	–	–	14,410
Insurance premium paid	–	133,365	–	–	–	133,365
Dividend income	–	70,740	–	–	–	70,740
Rental paid	–	1,538	–	–	–	1,538
Rental income	2,100	–	–	–	–	2,100
Commission expensed	1,276	–	–	–	–	1,276
Donation	–	100	–	–	–	100
Other expensed	115	4,302	–	–	–	4,417
Other income	537	161	–	–	97	795



## 43. CAPITAL ASSESSMENT AND ADEQUACY

### 43.1 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 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:

	<b>2016</b>
Required CAR	<u>10.65%</u>
CAR on stand - alone basis	<u>14.18%</u>
CAR on consolidated basis	<u>14.28%</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

#### iii) Leverage ratio:

The leverage ratio compares Tier 1 capital to total exposure, which includes on balance sheet exposures and credit equivalent of certain off balance sheet exposures adjusted by the regulatory credit conversion factors. The Bank's current leverage ratio is 3.60% which is above the current minimum requirement of 3% set by SBP.

### 43.2 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, 2016:

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.

### 43.3 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.

2016                      2015  
(Rupees in '000)

#### 43.3.1 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	11,703,978	10,080,132
Gains / (losses) on derivatives held as Cash Flow Hedge	—	—
Unappropriated/unremitted profits / (losses)	12,858,807	10,253,920
Minority interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	—	—
<b>CET 1 before Regulatory Adjustments</b>	<b>35,677,039</b>	<b>31,448,306</b>
Total regulatory adjustments applied to CET1 (Note 43.3.2)	(713,152)	(787,367)
<b>Common Equity Tier 1</b>	<b>(a) 34,963,887</b>	<b>30,660,939</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
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	—	—
<b>AT1 before regulatory adjustments</b>	<b>—</b>	<b>—</b>
Total regulatory adjustments applied to AT1 capital (Note 43.3.3)	(52,025)	(78,038)
Additional Tier 1 capital after regulatory adjustments	(52,025)	(78,038)
<b>Additional Tier 1 capital recognised for capital adequacy</b>	<b>(b) (52,025)</b>	<b>(78,038)</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>(c=a+b) 34,911,862</b>	<b>30,582,901</b>



	2016	2015
	(Rupees in '000)	
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	3,994,400	–
Tier 2 capital instruments subject to phaseout arrangement issued under pre - Basel 3 rules	–	2,153,760
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	2,944,839	2,876,278
Revaluation Reserves (net of taxes)	5,132,211	4,126,413
of which: Revaluation reserves on fixed assets	2,058,682	1,803,884
of which: Unrealised gains / (losses) on AFS	3,073,529	2,322,529
Foreign Exchange Translation Reserves	245,333	249,527
Undisclosed / Other Reserves (if any)	–	–
<b>T2 before regulatory adjustments</b>	<b>12,316,783</b>	<b>9,405,978</b>
Total regulatory adjustment applied to T2 capital (Note 43.3.4)	(548,653)	(333,562)
Tier 2 capital (T2) after regulatory adjustments	<b>11,768,130</b>	<b>9,072,416</b>
Tier 2 capital recognised for capital adequacy	<b>11,768,130</b>	<b>9,072,416</b>
Portion of Additional Tier 1 capital recognised in Tier 2 capital	–	–
<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>(d) 11,768,130</b>	<b>9,072,416</b>
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>(e=c+d) 46,679,992</b>	<b>39,655,317</b>
<b>Total Risk Weighted Assets (RWA) (Note 43.6)</b>	<b>(f) 329,086,630</b>	<b>288,305,026</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
<b>CET1 to total RWA</b>	<b>(a/f) 10.62%</b>	<b>10.63%</b>
<b>Tier - 1 capital to total RWA</b>	<b>(c/f) 10.61%</b>	<b>10.61%</b>
<b>Total capital to total RWA</b>	<b>(e/f) 14.18%</b>	<b>13.75%</b>
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	<b>6.65%</b>	<b>6.25%</b>
of which: capital conservation buffer requirement	<b>0.65%</b>	<b>0.25%</b>
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)	<b>4.62%</b>	<b>4.63%</b>
<b>National minimum capital requirements prescribed by SBP</b>		
<b>CET1 minimum ratio</b>	<b>6.00%</b>	<b>6.00%</b>
<b>Tier 1 minimum ratio</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Total capital minimum ratio</b>	<b>10.65%</b>	<b>10.25%</b>



2016  
(Rupees in '000)

2015

#### 43.3.2 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	—	—
All other intangibles (net of any associated deferred tax liability)	(117,813)	(59,432)
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	(595,339)	(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 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	(713,152)	(787,367)

#### 43.3.3 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	(52,025)	(78,038)
Adjustments to Additional Tier-1 due to insufficient Tier-2 to cover deductions	—	—
Total regulatory adjustment applied to AT1 capital	(52,025)	(78,038)



2016  
2015  
(Rupees in '000)

#### 43.3.4 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	(52,025)	(78,038)
Reciprocal cross holdings in Tier-2 instruments of banking, financial and insurance entities	(493,479)	(255,524)
Investment in own Tier-2 capital instrument	(3,149)	-
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 T-2 capital	(548,653)	(333,562)

#### 43.3.5 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)	2,944,839	2,876,278
Cap on inclusion of provisions in Tier 2 under standardised approach	2,944,839	2,876,278
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	-	-



2016 As per published financial statements	2016 Under regulatory scope for capital adequacy
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(Rupees in '000)

#### 43.4 Capital Structure Reconciliation

##### 43.4.1 Reconciliation of accounting and regulatory scope of consolidation

###### Assets

Cash and balances with treasury banks	50,600,041	50,600,041
Balances with other banks	2,866,455	2,866,455
Lendings to financial institutions	-	-
Investments	405,027,569	405,027,569
Advances	261,440,098	261,440,098
Operating fixed assets	18,894,031	18,894,031
Deferred tax assets	-	-
Other assets	12,567,622	12,567,622
<b>Total assets</b>	<b>751,395,816</b>	<b>751,395,816</b>

###### Liabilities & Equity

Bills payable	13,872,057	13,872,057
Borrowings	93,717,345	93,717,345
Deposits and other accounts	584,171,954	584,171,954
Sub-ordinated loans	3,999,200	3,999,200
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	4,131,830	4,131,830
Other liabilities	8,989,686	8,989,686
<b>Total liabilities</b>	<b>708,882,072</b>	<b>708,882,072</b>

Share capital/Head office capital account	11,114,254	11,114,254
Reserves	11,949,311	11,949,311
Unappropriated/Unremitted profits/(losses)	12,858,807	12,858,807
Minority interest	-	-
Surplus on revaluation of assets	6,591,372	6,591,372
<b>Total equity</b>	<b>42,513,744</b>	<b>42,513,744</b>

<b>Total liabilities &amp; equity</b>	<b>751,395,816</b>	<b>751,395,816</b>
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Reference	2016	2016
	As per published financial statements	Under regulatory scope for capital adequacy

(Rupees in '000)

#### 43.4.2 Reconciliation for balance sheet items that require capital adjustments

##### Assets

Cash and balances with treasury banks	50,600,041	50,600,041
Balances with other banks	2,866,455	2,866,455
Lendings to financial institutions	—	—
Investments	405,027,569	405,027,569
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) 260,127	260,127
of which: Mutual Funds exceeding regulatory threshold	(c) —	—
of which: reciprocal crossholding of capital instrument of CET1	(d) 595,339	595,339
of which: reciprocal crossholding of capital instrument of T2	(e) 493,479	493,479
Advances	261,440,098	261,440,098
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	(f) —	—
General provisions reflected in Tier 2 capital	(g) 2,944,839	2,944,839
Fixed Assets	18,894,031	18,894,031
of which: Intangibles	(h) 117,813	117,813
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	12,567,622	12,567,622
of which: Goodwill	(k) —	—
of which: Defined-benefit pension fund net assets	(l) —	—
<b>Total assets</b>	<b>751,395,816</b>	<b>751,395,816</b>

##### Liabilities & Equity

Bills payable	13,872,057	13,872,057
Borrowings	93,717,345	93,717,345
Deposits and other accounts	584,171,954	584,171,954
Sub-ordinated loans	3,999,200	3,999,200
of which: eligible for inclusion in AT1	(m) —	—
of which: eligible for inclusion in Tier 2	(n) 3,994,400	3,994,400
Liabilities against assets subject to finance lease	—	—
Deferred tax liabilities	4,131,830	4,131,830
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	8,989,686	8,989,686
<b>Total liabilities</b>	<b>708,882,072</b>	<b>708,882,072</b>



Reference	2016	2016
	As per published financial statements	Under regulatory scope for capital adequacy
(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	11,949,311	11,949,311
of which: portion eligible for inclusion in CET1 (u)	11,703,978	11,703,978
of which: portion eligible for inclusion in Tier 2 (v)	245,333	245,333
Unappropriated profits / (losses) (w)	12,858,807	12,858,807
Minority interest	-	-
of which: portion eligible for inclusion in CET1 (x)	-	-
of which: portion eligible for inclusion in AT1 (y)	-	-
of which: portion eligible for inclusion in Tier 2 (z)	-	-
Surplus on revaluation of assets	6,591,372	6,591,372
of which: Revaluation reserves on Properties (aa)	2,650,950	2,650,950
of which: Unrealised Gains/(Losses) on AFS	3,940,422	3,940,422
In case of deficit on revaluation (deduction from CET1) (ab)	-	-
<b>Total equity</b>	<b>42,513,744</b>	<b>42,513,744</b>
<b>Total liabilities &amp; equity</b>	<b>751,395,816</b>	<b>751,395,816</b>



#### 43.4.3 Reconciliation of computation of capital with balance sheet of the Bank

	Source based on reference number from Note 43.4.2	2016 Component of regulatory capital reported by Bank (Rupees in '000)
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
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)	11,703,978
Gains / (losses) on derivatives held as Cash Flow Hedge		-
Unappropriated/unremitted profits / (losses)	(w)	12,858,807
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)	-
<b>CET 1 before Regulatory Adjustments</b>		<b>35,677,039</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
Goodwill (net of related deferred tax liability)	(k)-(o)	-
All other intangibles (net of any associated deferred tax liability)	(h)-(p)	(117,813)
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)	(595,339)
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		-
<b>Total regulatory adjustments applied to CET1</b>		<b>(713,152)</b>
<b>Common Equity Tier 1</b>		<b>34,963,887</b>



Source based on  
reference number  
from Note 43.4.2

2016  
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)	—
<b>AT1 before regulatory adjustments</b>		
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
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		(52,025)
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		—
Total of Regulatory Adjustment applied to AT1 capital		(52,025)
Additional Tier 1 capital		—
<b>Additional Tier 1 capital recognised for capital adequacy</b>		<b>(52,025)</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		<b>34,911,862</b>

### Tier 2 Capital

Qualifying Tier 2 capital instruments under Basel III plus any related share premium		<b>3,994,400</b>
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)	<b>2,944,839</b>
Revaluation Reserves eligible for Tier 2		<b>5,132,211</b>
of which: portion pertaining to Property	portion of (aa) {	<b>2,058,682</b>
of which: portion pertaining to AFS securities		<b>3,073,529</b>
Foreign Exchange Translation Reserves	(v)	<b>245,333</b>
Undisclosed/Other Reserves (if any)		—
<b>T2 before regulatory adjustments</b>		<b>12,316,783</b>



	Source based on reference number from Note 43.4.2	2016 Component of regulatory capital reported by Bank (Rupees in '000)
<b>Tier 2 Capital: regulatory adjustments</b>		
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		(52,025)
Reciprocal cross holdings in Tier 2 instruments		(493,479)
Investment in own Tier 2 capital instrument		(3,149)
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)	-
<b>Amount of Regulatory Adjustment applied to T2 capital</b>		<b>(548,653)</b>
<b>Tier 2 capital (T2)</b>		<b>11,768,130</b>
Tier 2 capital recognised for capital adequacy		11,768,130
Excess Additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		<b>11,768,130</b>
<b>TOTAL CAPITAL (T1 + admissible T2)</b>		<b>46,679,992</b>



#### 43.5 Main Features of Regulatory Capital Instruments

	Main Features	Common Shares	Tier 2 Sub-Ordinated Debt
1	Issuer	Bank AL Habib Limited	Bank AL Habib Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	BAHL	BAHL TFC5
3	Governing law(s) of the instrument (Regulatory Authorities)	Laws of Pakistan (SBP & SECP)	Laws of Pakistan (SBP & SECP)
	Regulatory treatment		
4	Transitional Basel III rules	CET-1	Tier 2
5	Post-transitional Basel III rules	CET-1	Tier 2
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	3,994,400
9	Par value of instrument	Rs. 10	Rs. 5,000
10	Accounting classification	Shareholders' Equity	Liability-Sub-ordinated Loans
11	Original date of issuance	January, 1992	17-Mar-2016
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	N/A	17-Mar-2026
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	17-Mar-2021
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	Floating
18	Coupon rate and any related index / benchmark	N/A	6 months Kibor + 0.75%
19	Existence of a dividend / coupon 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	No
22	Noncumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	N/A	Convertible
24	If convertible, conversion trigger (s)	N/A	Upon occurrence of a Point of Non Viability (PONV) event, as defined in SBP's Basel III Instructions
25	If convertible, fully or partially	N/A	Full or Partially: To be determined as per SBP's Basel III Instructions
26	If convertible, conversion rate	N/A	To be determined in the case of trigger event
27	If convertible, mandatory or optional conversion	N/A	To be determined as per SBP's Basel III Instructions
28	If convertible, specify instrument type convertible into	N/A	Common Equity Tier I
29	If convertible, specify issuer of instrument it converts into	N/A	BAHL
30	Write-down feature	N/A	Yes
31	If write-down, write-down trigger (s)	N/A	Upon occurrence of a Point of Non Viability (PONV) event, as defined in SBP's Basel III Instructions
32	If write-down, full or partial	N/A	Full or Partial: To be determined as per SBP's Basel III Instructions
33	If write-down, permanent or temporary	N/A	Permanent or Temporary: To be determined as per SBP's Basel III Instructions
34	If temporary write-down, description of write-up mechanism	N/A	Subject to regulatory instructions / approval
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Sub-ordinated Loans	Sub-ordinate to all other debts, including deposits
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A



	Capital Requirements		Risk Weighted Assets	
	2016	2015	2016	2015
<b>(Rupees in '000)</b>				
<b>43.6 Credit Risk</b>				
<b>On-Balance sheet</b>				
Portfolios subject to standardised approach (Comprehensive)				
Sovereign	809,214	1,123,858	8,092,144	11,238,577
Public sector enterprises	31,297	62,506	312,967	625,063
Banks	465,214	466,065	4,652,138	4,660,646
Corporate	16,009,968	13,125,214	160,099,677	131,252,141
Retail	1,216,219	1,109,754	12,162,195	11,097,538
Residential mortgages	114,816	90,100	1,148,156	901,000
Past due loans	47,917	29,037	479,167	290,365
Equity portfolio	668,428	691,743	6,684,285	6,917,433
Operating fixed assets	1,877,622	1,570,485	18,776,218	15,704,851
Other assets	259,340	236,709	2,593,402	2,367,094
	<b>21,500,035</b>	<b>18,505,471</b>	<b>215,000,349</b>	<b>185,054,708</b>
<b>Off-Balance sheet</b>				
<b>Non-market related</b>				
Direct Credit Substitutes / Acceptances / Standby LCs	1,997,728	1,552,869	19,977,276	15,528,688
Transaction Related Contingent Liabilities	1,457,030	1,213,682	14,570,300	12,136,820
Trade Related Contingent Liabilities	1,519,261	1,107,282	15,192,615	11,072,825
Other Commitments	519,954	770,111	5,199,536	7,701,113
	<b>5,493,973</b>	<b>4,643,944</b>	<b>54,939,727</b>	<b>46,439,446</b>
<b>Market related</b>				
Outstanding Foreign Exchange Contracts	48,609	467,678	486,092	4,676,779
	<b>5,542,582</b>	<b>5,111,622</b>	<b>55,425,819</b>	<b>51,116,225</b>
<b>Market Risk</b>				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk				
General market risk	199,765	449,441	2,497,057	5,618,014
Specific market risk	68,288	1,991	853,602	24,893
Foreign exchange risk	373,034	238,369	4,662,929	2,979,612
	<b>641,087</b>	<b>689,801</b>	<b>8,013,588</b>	<b>8,622,519</b>
<b>Operational Risk</b>				
Capital Requirement for operational risks	4,051,750	3,480,926	50,646,874	43,511,574
	<b>31,735,454</b>	<b>27,787,820</b>	<b>329,086,630</b>	<b>288,305,026</b>
<b>Capital Adequacy Ratios</b>	<b>Required</b>		<b>Actual</b>	
	2016	2015	2016	2015
CET1 to total RWA	6.00%	6.00%	10.62%	10.63%
Tier-1 capital to total RWA	7.50%	7.50%	10.61%	10.61%
Total capital to total RWA	10.65%	10.25%	14.18%	13.75%
Leverage ratio	3.00%	3.00%	3.60%	3.75%



## 44. 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.

### 44.1 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 and SEs portfolios 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 12.5.





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.

#### 44.1.1 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%	481,512,047	30,247,764	451,264,283
20%	41,495,773	8,312,117	33,183,656
35%	3,280,445	–	3,280,445
50%	46,983,823	29,739,703	17,244,120
75%	22,494,064	3,608,062	18,886,002
100%	182,487,927	12,920,506	169,567,421
125%	58,458,082	2,667,933	55,790,149
150%	107,145	866	106,279
250%	156,076	–	156,076
	<u>836,975,382</u>	<u>87,496,951</u>	<u>749,478,431</u>

#### 44.1.2 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.



#### 44.1.3 Segment by class of business

2016

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	5,086,576	1.89	1,402,916	0.24	2,065,719	1.16
Automobiles and transportation equipment	1,256,170	0.47	9,532,136	1.63	7,536,562	4.22
Cement	1,686,085	0.63	119,843	0.02	486,976	0.27
Chemicals / pharmaceuticals	3,308,758	1.23	2,357,184	0.40	4,210,186	2.35
Commerce and trade	47,486,812	17.63	37,551,130	6.43	25,020,916	14.00
Electronics and electrical appliances	2,412,595	0.89	1,231,736	0.21	2,552,661	1.43
Fertilizers	7,705,861	2.86	2,409,241	0.41	2,393,912	1.34
Financial	4,525,081	1.68	17,217,339	2.95	21,670,587	12.12
Food and allied	37,757,576	14.02	6,202,194	1.06	6,202,103	3.47
Ghee and edible oil	5,890,320	2.19	1,399,947	0.24	8,969,779	5.02
Individuals	12,113,811	4.50	381,397,061	65.29	9,572	0.01
Iron and steel	11,873,068	4.41	879,626	0.15	8,936,209	5.00
Oil refinery / marketing	4,699,340	1.74	22,524,992	3.86	11,244,174	6.29
Paper and board	998,978	0.37	177,899	0.03	930,815	0.52
Plastic products	1,930,003	0.72	748,006	0.13	6,220,534	3.48
Production and transmission of energy	14,293,068	5.31	6,029,997	1.03	8,408,643	4.71
Real estate / construction	4,031,937	1.50	7,901,885	1.35	5,127,079	2.87
Services (other than financial)	5,541,096	2.06	19,996,891	3.42	2,184,879	1.22
Shoes and leather garments	2,315,799	0.86	769,920	0.13	625,821	0.35
Sugar	7,246,005	2.69	1,581,358	0.27	653,005	0.36
Surgical equipments and metal products	1,584,586	0.59	1,444,071	0.25	1,513,207	0.84
Textile						
Spinning	25,246,667	9.37	4,165,021	0.72	10,701,652	5.99
Weaving	10,257,901	3.81	1,138,756	0.19	4,468,533	2.50
Composite	20,784,484	7.72	3,480,410	0.60	9,378,632	5.25
Ready made garments	9,285,050	3.45	3,472,286	0.59	5,087,089	2.85
	65,574,102	24.35	12,256,473	2.10	29,635,906	16.59
Others	19,949,640	7.41	49,040,109	8.40	22,116,713	12.38
	<u>269,267,267</u>	<u>100.00</u>	<u>584,171,954</u>	<u>100.00</u>	<u>178,715,958</u>	<u>100.00</u>



2015

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	3,720,033	1.72	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	2,237,120	1.04	2,195,481	0.43	2,443,822	1.82
Commerce and trade	18,612,434	8.63	31,863,010	6.17	17,348,609	12.93
Electronics and electrical appliances	2,408,006	1.12	584,838	0.11	2,394,325	1.78
Fertilizers	5,000,493	2.32	7,152,443	1.39	450,860	0.34
Financial	2,256,572	1.05	12,519,733	2.43	24,328,937	18.13
Food and allied	47,466,241	22.01	3,460,041	0.67	3,745,562	2.79
Ghee and edible oil	6,967,057	3.23	1,508,255	0.29	5,563,230	4.15
Individuals	8,423,366	3.90	336,807,253	65.25	7,438	0.01
Iron and steel	11,356,648	5.27	978,783	0.19	8,421,043	6.28
Oil refinery / marketing	2,613,459	1.21	22,133,217	4.29	10,421,054	7.77
Paper and board	1,021,588	0.47	266,392	0.05	1,088,974	0.81
Plastic products	2,458,725	1.14	674,936	0.13	4,819,509	3.59
Production and transmission of energy	11,895,904	5.51	5,284,886	1.02	5,331,743	3.97
Real estate / construction	3,816,348	1.77	6,629,213	1.28	4,316,043	3.22
Services (other than financial)	4,523,004	2.10	15,168,330	2.94	2,669,807	1.99
Shoes and leather garments	2,734,954	1.27	1,684,597	0.33	428,181	0.32
Sugar	6,068,215	2.81	2,598,472	0.50	198,230	0.15
Surgical equipments and metal products	873,359	0.40	1,521,858	0.29	1,339,472	1.00
Textile						
Spinning	21,950,379	10.18	2,229,303	0.43	5,781,415	4.31
Weaving	9,681,318	4.49	1,139,869	0.22	2,910,680	2.16
Composite	17,643,339	8.18	3,607,165	0.70	6,541,323	4.88
Ready made garments	8,097,173	3.75	1,641,323	0.32	4,084,618	3.04
	57,372,209	26.60	8,617,660	1.67	19,318,036	14.39
Others	12,045,563	5.58	44,649,495	8.65	12,814,178	9.55
	<u>215,702,258</u>	<u>100.00</u>	<u>516,213,178</u>	<u>100.00</u>	<u>134,155,415</u>	<u>100.00</u>



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

	2016		2015	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Agriculture / agri business	106,369	90,666	98,192	93,493
Automobiles and transportation equipment	20,000	20,000	27,073	17,073
Commerce and trade	679,281	633,559	929,384	737,694
Electronics and electrical appliances	4,000	400	4,058	4,058
Financial	101,949	85,364	101,949	91,160
Food and allied	7,999	2,000	—	—
Ghee and edible oil	48,371	13,996	3,138	3,138
Individuals	51,467	44,156	49,474	43,734
Iron and steel	583,861	583,861	585,110	554,407
Oil refinery / marketing	—	—	3,983	3,983
Paper and board	5,500	1,375	—	—
Plastic products	61,003	61,003	68,990	62,999
Real estate / construction	147,210	147,210	253,704	253,704
Services (other than financial)	14,930	7,652	16,485	4,122
Surgical equipments and metal products	5,293	5,293	5,293	3,421
Textile				
Spinning	981,178	976,018	1,361,253	1,307,097
Weaving	150,911	148,796	985,875	977,610
Composite	947,644	947,481	940,811	940,433
Ready made garments	423,574	421,876	431,021	430,664
	2,503,307	2,494,171	3,718,960	3,655,804
Others	1,374,926	691,624	8,581	8,581
	<b>5,715,466</b>	<b>4,882,330</b>	<b>5,874,374</b>	<b>5,537,371</b>

#### 44.1.5 Segment by sector

	2016					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	59,132,429	21.96	47,019,752	8.05	28,750,124	16.09
Private	210,134,838	78.04	537,152,202	91.95	149,965,834	83.91
	<b>269,267,267</b>	<b>100.00</b>	<b>584,171,954</b>	<b>100.00</b>	<b>178,715,958</b>	<b>100.00</b>
	2015					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	50,785,144	23.54	43,839,613	8.49	18,374,421	13.70
Private	164,917,114	76.46	472,373,565	91.51	115,780,994	86.30
	<b>215,702,258</b>	<b>100.00</b>	<b>516,213,178</b>	<b>100.00</b>	<b>134,155,415</b>	<b>100.00</b>



#### 44.1.6 Details of non-performing advances and specific provisions by sector

	2016		2015	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Public / Government	-	-	-	-
Private	5,715,466	4,882,330	5,874,374	5,537,371
	<b>5,715,466</b>	<b>4,882,330</b>	<b>5,874,374</b>	<b>5,537,371</b>

#### 44.1.7 Geographical segment analysis

	2016			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	12,433,745	718,456,823	39,037,660	173,566,014
Middle East	586,405	23,115,542	2,413,684	2,624,763
Asia Pacific	133,140	8,511,368	651,292	2,516,332
Africa	10,697	1,312,083	411,108	8,849
	<b>13,163,987</b>	<b>751,395,816</b>	<b>42,513,744</b>	<b>178,715,958</b>
	2015			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	11,869,276	612,837,160	35,153,642	129,238,609
Middle East	440,422	20,064,708	1,931,407	1,804,106
Asia Pacific	22,420	5,578,650	484,423	3,060,329
Africa	(459)	1,492,696	287,186	52,371
	<b>12,331,659</b>	<b>639,973,214</b>	<b>37,856,658</b>	<b>134,155,415</b>

#### 44.2 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 43.6.

#### **44.2.1 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.



#### 44.2.2 Mismatch of interest rate sensitive assets and liabilities

2016

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		
<b>(Rupees in '000)</b>												
<b>On - balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	-	50,600,041	6,144,444	-	-	-	-	-	-	-	-	44,455,597
Balances with other banks	1.12%	2,866,455	1,831,201	-	-	-	-	-	-	-	-	1,035,254
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments - net	7.94%	405,027,569	296,118	112,641,652	8,633,187	142,317,432	38,072,720	19,179,750	45,388,389	30,681,505	-	7,816,816
Advances - net	6.07%	261,440,098	183,929,826	27,013,826	22,905,161	7,016,782	6,091,617	2,961,072	2,565,257	6,110,715	2,845,842	-
Other assets - net	-	10,432,547	-	-	-	-	-	-	-	-	-	10,432,547
		730,366,710	192,201,589	139,655,478	31,538,348	149,334,214	44,164,337	22,140,822	47,953,646	36,792,220	2,845,842	63,740,214
<b>Liabilities</b>												
Bills payable	-	13,872,057	-	-	-	-	-	-	-	-	-	13,872,057
Borrowings	4.63%	93,717,345	81,528,916	5,173,296	1,467,226	149,764	404,928	447,076	784,293	3,761,846	-	-
Deposits and other accounts	4.69%	584,171,954	289,296,739	28,672,784	21,801,979	20,248,381	5,146,706	3,250,501	3,364,233	-	-	212,390,631
Sub-ordinated loans	6.80%	3,999,200	-	3,999,200	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	7,633,100	-	-	-	-	-	-	-	-	-	7,633,100
		703,393,656	370,825,655	37,845,280	23,269,205	20,398,145	5,551,634	3,697,577	4,148,526	3,761,846	-	233,895,788
On - balance sheet gap		26,973,054	(178,624,066)	101,810,198	8,269,143	128,936,069	38,612,703	18,443,245	43,805,120	33,030,374	2,845,842	(170,155,574)
<b>Off - balance sheet financial instruments</b>												
Forward purchase of foreign exchange contracts		49,396,754	8,580,064	20,379,988	13,546,514	6,847,411	42,777	-	-	-	-	-
Forward sale of foreign exchange contracts		(28,383,678)	(8,795,172)	(13,783,101)	(5,591,570)	(213,835)	-	-	-	-	-	-
Forward commitments to extend credit		10,967,104	213,237	1,067,694	4,174,850	3,423,418	2,087,905	-	-	-	-	-
Off - balance sheet gap		31,980,180	(1,871)	7,664,581	12,129,794	10,056,994	2,130,682	-	-	-	-	-
Total interest / yield risk sensitivity gap		58,953,234	(178,625,937)	109,474,779	20,398,937	138,993,063	40,743,385	18,443,245	43,805,120	33,030,374	2,845,842	-
Cumulative interest / yield risk sensitivity gap			(178,625,937)	(69,151,158)	(48,752,221)	90,240,842	130,984,227	149,427,472	193,232,592	226,262,966	229,108,808	-



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	Over 10 years		
(Rupees in '000)												
On - balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	38,577,738	5,805,938	-	-	-	-	-	-	-	-	32,771,800
Balances with other banks	2.02%	3,185,669	1,828,936	-	-	-	-	-	-	-	-	1,356,733
Lendings to financial institutions	6.38%	3,992,794	3,992,794	-	-	-	-	-	-	-	-	-
Investments - net	9.58%	356,649,003	1,314,016	41,862,859	33,835,205	141,641,535	20,152,941	37,567,377	41,846,206	31,456,967	-	6,971,897
Advances - net	6.65%	207,288,608	148,537,026	26,822,032	15,773,726	5,315,189	2,048,926	1,469,176	1,529,761	3,728,866	2,063,906	-
Other assets - net	-	13,389,637	-	-	-	-	-	-	-	-	-	13,389,637
		623,083,449	161,478,710	68,684,891	49,608,931	146,956,724	22,201,867	39,036,553	43,375,967	35,185,833	2,063,906	54,490,067
Liabilities												
Bills payable	-	8,665,462	-	-	-	-	-	-	-	-	-	8,665,462
Borrowings	5.05%	62,592,299	58,615,270	53,922	83,039	210,767	395,866	374,521	781,832	2,077,082	-	-
Deposits and other accounts	5.21%	516,213,178	254,209,581	18,409,715	26,107,275	28,328,468	5,057,975	3,659,979	3,480,245	-	-	176,959,940
Sub - ordinated loans	15%	2,994,600	-	-	2,994,600	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	5,971,990	-	-	-	-	-	-	-	-	-	5,971,990
		596,437,529	312,824,851	18,463,637	29,184,914	28,539,235	5,453,841	4,034,500	4,262,077	2,077,082	-	191,597,392
On - balance sheet gap		26,645,920	(151,346,141)	50,221,254	20,424,017	118,417,489	16,748,026	35,002,053	39,113,890	33,108,751	2,063,906	(137,107,325)
Off - balance sheet financial instruments												
Forward purchase of foreign exchange contracts		46,760,182	13,172,132	20,220,719	6,826,216	6,541,115	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(28,769,804)	(15,323,278)	(10,026,799)	(3,188,863)	(230,864)	-	-	-	-	-	-
Forward commitments to extend credit		10,748,236	260,156	1,827,220	3,042,180	4,055,680	1,563,000	-	-	-	-	-
Off - balance sheet gap		28,738,614	(1,890,990)	12,021,140	6,679,533	10,365,931	1,563,000	-	-	-	-	-
Total interest / yield risk sensitivity gap		55,384,534	(153,237,131)	62,242,394	27,103,550	128,783,420	18,311,026	35,002,053	39,113,890	33,108,751	2,063,906	-
Cumulative interest / yield risk sensitivity gap			(153,237,131)	(90,994,737)	(63,891,187)	64,892,233	83,203,259	118,205,312	157,319,202	190,427,953	192,491,859	-





### 44.2.3 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.

	2016			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	693,693,028	634,818,676	(21,014,624)	37,859,728
United States Dollar	54,419,874	61,441,043	11,144,416	4,123,247
Great Britain Pound	1,541,266	8,425,365	7,057,384	173,285
Japanese Yen	26,436	41,477	9,110	(5,931)
Euro	1,539,434	3,436,635	2,208,683	311,482
Other currencies	175,778	718,876	595,031	51,933
	<b>751,395,816</b>	<b>708,882,072</b>	-	<b>42,513,744</b>
	2015			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	592,100,100	539,230,981	(17,990,377)	34,878,742
United States Dollar	45,409,833	49,507,299	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	207,993	860,814	674,005	21,184
	<b>639,973,214</b>	<b>602,116,556</b>	-	<b>37,856,658</b>



### 44.3 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.



#### 44.3.1 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.

	2016									
	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)									
<i>Assets</i>										
Cash and balances with treasury banks	50,600,041	50,600,041	-	-	-	-	-	-	-	-
Balances with other banks	2,866,455	2,866,455	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	405,027,569	(578,293)	108,695,958	2,580,750	149,857,024	40,990,816	20,303,405	47,979,436	34,715,827	482,646
Advances - net	261,440,098	82,864,008	59,558,111	40,664,610	19,351,324	13,077,898	14,965,473	16,008,837	11,980,991	2,968,846
Operating fixed assets	18,894,031	276,979	569,152	4,041,839	924,083	1,589,344	1,357,079	1,331,920	1,006,511	7,797,124
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets - net	12,567,622	10,171,779	1,413,074	297,298	376,839	101,654	47,753	50,996	28,259	79,970
	751,395,816	146,200,969	170,236,295	47,584,497	170,509,270	55,759,712	36,673,710	65,371,189	47,731,588	11,328,586
<i>Liabilities</i>										
Bills payable	13,872,057	13,872,057	-	-	-	-	-	-	-	-
Borrowings	93,717,345	64,271,632	16,977,679	6,920,127	149,764	404,928	447,076	784,294	3,761,845	-
Deposits and other accounts	584,171,954	80,997,079	75,416,150	68,545,345	66,991,747	89,284,764	87,388,559	92,176,627	23,371,683	-
Sub -ordinated loans	3,999,200	-	800	-	800	1,600	1,600	3,200	3,991,200	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	4,131,830	140,845	62,482	839,895	690,122	359,733	528,852	429,439	491,790	588,672
Other liabilities	8,989,686	5,804,070	87,955	18,172	3,303	66,350	90,786	2,040,905	-	878,145
	708,882,072	165,085,683	92,545,066	76,323,539	67,835,736	90,117,375	88,456,873	95,434,465	31,616,518	1,466,817
<i>Net assets</i>	42,513,744	(18,884,714)	77,691,229	(28,739,042)	102,673,534	(34,357,663)	(51,783,163)	(30,063,276)	16,115,070	9,861,769
Share capital	11,114,254									
Reserves	11,949,311									
Unappropriated profit	12,858,807									
Surplus on revaluation of assets - net of tax	6,591,372									
	42,513,744									



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)									
<i>Assets</i>										
Cash and balances with treasury banks	38,577,738	38,577,738	-	-	-	-	-	-	-	-
Balances with other banks	3,185,669	3,185,669	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,992,794	3,992,794	-	-	-	-	-	-	-	-
Investments - net	356,649,003	(696,342)	39,835,878	28,903,150	148,764,420	22,322,098	40,235,635	43,310,918	33,490,598	482,648
Advances - net	207,288,608	40,386,597	43,427,645	60,527,841	18,775,694	11,804,286	10,478,491	11,256,314	8,128,961	2,502,779
Operating fixed assets	15,764,284	266,262	535,269	649,036	748,462	4,630,358	1,056,620	1,232,373	734,953	5,910,951
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets - net	14,515,118	12,595,620	1,135,047	245,774	217,882	111,767	50,823	40,253	38,139	79,813
	639,973,214	98,308,338	84,933,839	90,325,801	168,506,458	38,868,509	51,821,569	55,839,858	42,392,651	8,976,191
<i>Liabilities</i>										
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	516,213,178	76,267,187	57,843,308	65,540,868	67,762,060	76,038,442	74,640,446	78,404,071	19,716,796	-
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	3,632,598	(83,805)	80,625	104,050	640,200	1,092,435	317,290	434,771	571,529	475,503
Other liabilities	8,018,419	5,548,053	7,098	4,347	648,246	28,465	73,596	940,758	-	767,856
	602,116,556	130,045,710	69,831,542	72,852,769	69,261,873	77,556,408	75,407,053	82,057,832	23,860,010	1,243,359
<i>Net assets</i>	37,856,658	(31,737,372)	15,102,297	17,473,032	99,244,585	(38,687,899)	(23,585,484)	(26,217,974)	18,532,641	7,732,832
Share capital	11,114,254									
Reserves	10,329,659									
Unappropriated profit	10,253,920									
Surplus on revaluation of assets – net of tax	6,158,825									
	37,856,658									



#### 44.3.2 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.

	2016									
	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)									
<i>Assets</i>										
Cash and balances with treasury banks	50,600,041	50,600,041	-	-	-	-	-	-	-	-
Balances with other banks	2,866,455	2,866,455	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	405,027,569	11,549,249	108,656,263	2,559,351	142,676,220	40,662,696	19,433,747	46,938,370	32,551,673	-
Advances - net	261,440,098	82,864,008	59,558,111	40,664,610	19,351,324	13,077,898	14,965,473	16,008,837	11,980,991	2,968,846
Operating fixed assets	18,894,031	8,408,994	301,756	445,171	852,716	1,589,344	1,357,079	1,331,920	1,006,511	3,600,540
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets - net	12,567,622	10,382,189	1,389,358	261,723	305,690	101,654	47,753	50,996	28,259	-
	751,395,816	166,670,936	169,905,488	43,930,855	163,185,950	55,431,592	35,804,052	64,330,123	45,567,434	6,569,386
<i>Liabilities</i>										
Bills payable	13,872,057	13,872,057	-	-	-	-	-	-	-	-
Borrowings	93,717,345	64,271,632	16,977,679	6,920,127	149,764	404,928	447,076	784,294	3,761,845	-
Deposits and other accounts	584,171,954	501,687,370	28,672,784	21,801,979	20,248,381	5,146,706	3,250,501	3,364,233	-	-
Sub - ordinated loans	3,999,200	-	800	-	800	1,600	1,600	3,200	3,991,200	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	4,131,830	3,029,479	45,529	68,028	130,788	244,891	224,472	65,065	(265,664)	589,242
Other liabilities	8,989,686	8,626,379	87,955	18,172	3,303	66,350	90,786	96,741	-	-
	708,882,072	591,486,917	45,784,747	28,808,306	20,533,036	5,864,475	4,014,435	4,313,533	7,487,381	589,242
<i>Net assets</i>	42,513,744	(424,815,981)	124,120,741	15,122,549	142,652,914	49,567,117	31,789,617	60,016,590	38,080,053	5,980,144
Share capital	11,114,254									
Reserves	11,949,311									
Unappropriated profit	12,858,807									
Surplus on revaluation of assets – net of tax	6,591,372									
	42,513,744									



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)									
<i>Assets</i>										
Cash and balances with treasury banks	38,577,738	38,577,738	-	-	-	-	-	-	-	-
Balances with other banks	3,185,669	3,185,669	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,992,794	3,992,794	-	-	-	-	-	-	-	-
Investments - net	356,649,003	10,805,713	39,732,567	28,791,085	141,721,759	22,011,494	39,849,310	41,837,033	31,900,042	-
Advances - net	207,288,608	40,386,597	43,427,645	60,527,841	18,775,694	11,804,286	10,478,491	11,256,314	8,128,961	2,502,779
Operating fixed assets	15,764,284	7,490,863	253,036	368,426	673,884	1,234,797	1,067,181	1,253,496	787,760	2,634,841
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets - net	14,515,118	12,806,698	1,111,180	209,975	146,283	111,767	50,823	40,253	38,139	-
	639,973,214	117,246,072	84,524,428	89,897,327	161,317,620	35,162,344	51,445,805	54,387,096	40,854,902	5,137,620
<i>Liabilities</i>										
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	516,213,178	431,169,521	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	3,632,598	2,624,403	41,349	60,177	111,908	204,691	182,076	(82,914)	14,835	476,073
Other liabilities	8,018,419	7,521,693	7,098	4,347	319,421	28,465	73,596	63,799	-	-
	602,116,556	489,629,892	30,358,673	33,375,303	28,971,164	5,688,197	4,291,372	5,739,362	3,586,520	476,073
<i>Net assets</i>	37,856,658	(372,383,820)	54,165,755	56,522,024	132,346,456	29,474,147	47,154,433	48,647,734	37,268,382	4,661,547
Share capital	11,114,254									
Reserves	10,329,659									
Unappropriated profit	10,253,920									
Surplus on revaluation of assets - net of tax	6,158,825									
	37,856,658									



#### **44.4 Equity position risk in the banking book – Basel Specific**

Except for very limited trading position in equities as mentioned above (note 44.2), 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 5.4.

##### **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.

#### **44.5 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.



## 45. ISLAMIC BANKING BUSINESS

45.1 The Bank is operating 41 (2015: 29) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2016 and for the year are as follows:

### 45.1.1 STATEMENT OF FINANCIAL POSITION

	Note	2016 (Rupees in '000)	2015
<b>ASSETS</b>			
Cash and balances with treasury banks		1,552,162	882,606
Balances with and due from financial institutions		302,037	744,861
Investments	45.1.1.1	9,132,670	5,594,911
Islamic financing and related assets	45.1.1.2	18,128,914	11,980,951
Operating fixed assets		182,487	134,795
Other assets		252,443	244,172
		<b>29,550,713</b>	<b>19,582,296</b>
<b>LIABILITIES</b>			
Bills payable		22,514	8,452
Due to financial institutions		2,641,655	2,734,239
Deposits and other accounts		22,607,349	14,718,557
– Current accounts		8,044,145	4,797,701
– Saving accounts		6,533,321	3,675,740
– Term deposits		5,049,667	5,152,092
– Others		81,580	71,726
– Deposits from financial institutions - remunerative		2,897,919	1,019,316
– Deposits from financial institutions - non - remunerative		717	1,982
Due to Head Office		513,406	1,490
Other liabilities		1,125,648	427,968
		<b>(26,910,572)</b>	<b>(17,890,706)</b>
<b>NET ASSETS</b>		<b>2,640,141</b>	<b>1,691,590</b>
<b>REPRESENTED BY:</b>			
Islamic banking fund		2,500,000	1,500,000
Unremitted profit		108,178	180,290
		<b>2,608,178</b>	<b>1,680,290</b>
Surplus on revaluation of assets		31,963	11,300
		<b>2,640,141</b>	<b>1,691,590</b>





	2016	2015
	(Rupees in '000)	
<b>45.1.1.1 Investments</b>		
Sukuk bonds	9,009,327	3,769,633
Bai Muajjal	–	1,825,278
Fully paid - up ordinary shares - Listed	123,343	–
	<u>9,132,670</u>	<u>5,594,911</u>
<b>45.1.1.2 Islamic financing and related assets</b>		
Murabaha	3,153,222	2,850,625
Net book value of assets / investment in ijarah under IFAS 2	1,338,279	695,688
Diminishing musharaka	5,264,472	3,639,528
Musawama	960,059	274,033
Export refinance murabaha	408,789	32,351
Export refinance istisna	2,052,048	2,491,638
Istisna	1,771,968	568,922
Gross financings	14,948,837	10,552,785
Advance against murabaha	668,142	1,176,821
Advance against ijarah	864,728	253,129
Advance against diminishing musharaka	1,563,383	–
Advance against istisna	89,168	–
Islamic financing and related assets - gross	18,134,258	11,982,735
Less: general provisioning against consumer financing	(5,344)	(1,784)
Islamic financing and related assets - net off provision	<u>18,128,914</u>	<u>11,980,951</u>
<b>45.1.1.3 Islamic mode of financing</b>		
Financings / inventory / receivables	14,948,837	10,552,785
Advances	3,185,421	1,429,950
Less: general provision against consumer financing	(5,344)	(1,784)
	<u>18,128,914</u>	<u>11,980,951</u>
<b>45.2 PROFIT AND LOSS ACCOUNT</b>		
Profit / return on financing and placements earned	1,320,354	1,155,163
Profit / return on deposits and other dues expensed	(654,881)	(626,271)
	<u>665,473</u>	<u>528,892</u>
Provision against non - performing loans and advances	(3,560)	(1,096)
Net spread earned	661,913	527,796
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	72,021	45,068
Dividend income	5,615	–
Income from dealing in foreign currencies	20,038	11,241
Gain on sale of securities	8,235	–
Other income	22,033	15,366
	<u>127,942</u>	<u>71,675</u>
	789,855	599,471
<b>OTHER EXPENSES</b>		
Administrative expenses	(681,677)	(419,181)
<b>PROFIT BEFORE TAXATION</b>	<u>108,178</u>	<u>180,290</u>



	2016 (Rupees in '000)	2015
45.3 Remuneration to Shariah Board / Advisor	<u>5,334</u>	<u>3,354</u>
<b>45.4 CHARITY FUND</b>		
Opening balance	2,686	2,621
Additions during the year	2,738	2,686
Payments / utilisation during the year		
Health	(630)	(1,021)
Social welfare	(2,056)	(1,600)
	<u>(2,686)</u>	<u>(2,621)</u>
Closing balance	<u>2,738</u>	<u>2,686</u>

The non - shariah compliant income identified during the year is transferred to the charity account.

#### 45.5 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

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

##### General Pool PKR (Mudaraba)

Generally the deposits parked in general pool are based on normal weightages. The risk of loss is minimal due to the less risky assets parked in General Pool.

##### Special Pool(s) PKR (Mudaraba)

Separate pool(s) are created where the customers desire to invest in a special class of assets. These pool(s) rates are higher than the general pool depending on the special class of assets. In case of loss in special pool the loss will be borne by the Special pool members.

##### General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and Investments are parked to share the return among the FCY deposit holders. The weightages are also declared separately.

##### Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by SBP to facilitate the exporters under IERS.

##### 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.



#### **45.5.2 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.)

#### **45.5.3 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 - Ul - 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, Musawama and Ijarah Sukuk.

The Bank calculates the profit of the pool after every month. 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% (2015: 50%) of net income and the depositors' profit sharing ratio was 50% (2015: 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 month based on their respective category / tiers. In case of loss, Rab - ul - 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.



#### 45.5.4 Mudarib share & HIBA distributed to depositor's pool and specific pool

	2016				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	963,914	460,681	48%	82,024	18%
FCY Pool	3,828	3,554	93%	192	5%
2015					
LCY Pool	765,492	382,746	50%	114,730	30%
FCY Pool	2,793	2,514	90%	42	2%

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

	2016 (Percentage)	2015
Profit Rate Earned	6.03%	7.80%
Profit Rate Distributed	3.36%	4.11%

#### 46. SUBSEQUENT EVENT

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 3.5 (2015: Rs. 3.5) per share.

#### 47. GENERAL

47.1 SBP has issued BPRD Circular Letter No. 5 dated February 29, 2016 regarding the classification of Islamic financing and related assets. Accordingly, prior year numbers have been reclassified as follows:

Reclassification from Statement of Financial Position	Reclassification to Statement of Financial Position	2015 (Rupees in '000)	2014
Lendings to Financial Institutions	Investments - net	1,825,278	—
Other assets - net	Advances - net	1,429,950	380,266

No other major reclassifications were made during the year.

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

#### 48. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue in the Board of Directors' meeting held on January 26, 2017.

ABBAS D. HABIB  
Chairman

MANSOOR ALI KHAN  
Chief Executive

SYED MAZHAR ABBAS  
Director

ANWAR HAJI KARIM  
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 2016**

(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.	Amin Textile Mills 97-B, Gulberg II, Lahore	Mr. Mohamad Rafi (CNIC: 35202-3244650-5)  Mr. Tariq Rafi (CNIC: 42301-0838522-7)  Mr. Arif Rafi (CNIC: 35202-1504108-3)  Mr. Anjum Rafi (CNIC: 35202-2434949-9)  Mr. Abdullah Rafi (CNIC: 35200-1416576-7)	Mr. Haji Mohamed Ismail  Mr. Muhammad Rafi  Mr. Muhammad Rafi  Mr. Muhammad Rafi	429,793	52,552	-	482,345	-	53,503	-	53,503
2.	Nova Medicines (Pvt.) Ltd 406, Panorama Center, Rajja Ghazanfer Ali Road, Saddar, Karachi	Mr. Khuzema (CNIC: 42301-8563204-1)  Ms. Fatema (CNIC: 42301-0780523-2)	Mr. Nauman Bhai  W/o. Mr. Khuzema	-	849	-	849	-	849	-	849
3.	Hassan Cotton Ginners Rajapur Road, Muhamad Pur, District Rajapur	Syed Muhammad Saleer Raza Rizvi (CNIC: 32102-3048111-9)  Syed John Raza Rizvi (CNIC: 32102-3037661-9)	Syed Mumtaz Hussain Rizvi  Syed Zahid Hussain Rizvi	-	618	172	790	-	618	172	790
4.	Green City CNG F/S & Kit Conversion Center Near NBP Bosan Road Branch, Neel Kot Bosan Road, Multan	Mr. Abdul Waheed Khan (CNIC: 36302-2825475-3)	Mr. Abdul Razzaq Khan	120	623	65	808	-	623	65	688
5.	Union Exports (Pvt.) Limited D-248 Metrowille, SITE, Karachi	Mr. Muhammad Ibrahim (CNIC: 42301-8831772-7)  Mr. Suleman Ibrahim Bhura (CNIC: 42301-3388707-9)	Mr. Abdul Sattar  Mr. Ibrahim Abdul Sattar	834,460	-	-	834,460	144,017	-	-	144,017
6.	S. J. Industries 7.5-KM, Luddan Road, Burewala	Mr. Muhammad Javed Rafi (CNIC: 35202-9057849-9)  Ms. Shehnaz Javed (CNIC: 35202-5172769-2)	Mr. Sheikh Abdul Haq  W/o. Mr. Muhammad Javed Rafi	20,170	8,828	1,009	30,007	-	8,828	1,009	9,837
7.	United Lubricants (Pvt.) Ltd 55-D, Haji Park, Bund Road, Lahore	Mr. Gohar Ejaz (CNIC: 35202-2255457-3)  Ms. Aroona Gohar (CNIC: 35202-2183211-8)	Mr. Muhammad Ayub  W/o. Mr. Gohar Ayub	3,983	1,551	228	5,762	-	534	228	762
8.	Mr. Rafiq Ahmad House No. 819, Street No. 45, Sector G-10/4, Islamabad	Mr. Rafiq Ahmed (CNIC: 61101-1886789-7)	Mr. Sheikh Atta Ullah	2,155	570	-	2,725	-	570	-	570
9.	S. Nazim Hussain Shah House No. 1B/216, Muhalla Gharbabad Near Khawaja Chowk, Nawabshah	Syed Nazim Hussain Shah (CNIC: 42000-6577545-5)	Syed Kazim Hussain Shah	4,539	4,690	-	9,229	-	3,788	-	3,788
			<b>Total</b>	<b>1,295,220</b>	<b>70,281</b>	<b>1,474</b>	<b>1,366,975</b>	<b>144,017</b>	<b>69,313</b>	<b>1,474</b>	<b>214,804</b>

Note 1: The amount of principal written off was against the specific provision held by the Bank.

Note 2: Interest / mark - up written off was against suspended mark - up.



## **Disclosure on Complaint Handling**

Customer Services and Customer Satisfaction are key indicators of performance, and achievement of efficient customer service and high customer satisfaction assures growth and profitability of the Bank.

The Bank has developed a comprehensive Customer Grievances Handling Policy, in line with regulatory requirements, which is based on the principles of fairness, promptness, and customer's right to approach alternate remedial avenues in case of dissatisfaction. A number of channels are available and advised to customers, through which they may register their complaints to Customer Services Division / CEO's Office. All complaints, including submissions through Website, emails, drop-boxes as well as direct submissions to Customer Services Division / CEO's Office, are logged in the Complaint Management System and acknowledged. The logged complaints are tracked for end-to-end resolution within regulatory timelines and escalated to senior management, as required. In case a complainant is not satisfied with the resolution provided by the Bank, he may escalate his complaint to Banking Mohtasib Pakistan. This process is informed to customers through Branches and the Website.

During 2016, the Complaint Management System has been enhanced to make the process more effective for the Bank to assure compliance with regulatory guidelines, Extensive training has been arranged for Branches and all key customer centric staff to improve service levels and handling of complaints.

During 2016, the Bank received 47,921 complaints through different channels, out of which almost 99% were investigated and closed within defined standards and regulatory requirements.



## Report of Shariah Board as at 31 December 2016

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 Department carried out Shariah Reviews on test check basis, of each class of transactions, the relevant documentation and process flows. Further, during the last year, Shariah Board have also reviewed Internal Shariah Audit Reports that were provided. 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 has developed the basic mechanism for Shariah compliance in its overall operations and should ensure that Shariah Compliance Department and Shariah Board may carry out their responsibilities in an effective manner.
- (iv) The Shariah Board feels that there is a need to further strengthen the system to make it sound enough to ensure that any impure earnings 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. Proper training schedule/calendar needs to be developed and organized for each level. However, trainings have been conducted for the new staff along with 3 refreshers for the old staff. The BOD appreciates the importance of Shariah compliance in the products, processes and operations of the BAHL-IBD. The Management also needs to improve their understanding on the importance of Shariah compliance in these areas.
- (vii) It is required from the management 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 26, 2017



## Notice of Annual General Meeting

Notice is hereby given that the Twenty-sixth Annual General Meeting of Bank AL Habib Limited will be held at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, on Wednesday, March 1, 2017 at 10:30 a.m. to transact the following business:

1. To receive and adopt the Audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2016 together with the Reports of Directors and Auditors thereon.
2. To consider and approve payment of cash dividend @ 35%, i.e., Rs. 3.50 per share of Rs. 10/- each for the year ended December 31, 2016 as recommended by the Board of Directors.
3. To appoint auditors for the year 2017 and to fix their remuneration. KPMG Taseer Hadi & Co. Chartered Accountants, being eligible, offer themselves for re-appointment.
4. To consider any other business of the Bank with the permission of the Chair.

By order of the Board

MOHAMMAD TAQI LAKHANI  
*Company Secretary*

Karachi: February 8, 2017

### Notes:

1. The share transfer book of the Bank will remain closed from February 18, 2017 to March 1, 2017 (both days inclusive). Transfers received in order at the office of our Share Registrar, Central Depository Company of Pakistan Ltd, located at CDC House, 99-B, Block B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi – 74400, by the close of business on February 17, 2017 will be treated in time for payment of dividend (subject to approval of the members). Members are requested to promptly communicate any change in their address to our above mentioned Share Registrar.
2. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy (except for a corporation) must be a member of the Bank. Proxy form, in order to be effective, must be received at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, duly stamped and signed not less than 48 hours before the meeting.
3. The CDC account/sub account holders are requested to bring with them their Computerized National Identity Cards (CNICs)/Passport along with participant(s) ID Number and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. The proxy shall also produce his/her original CNIC or Passport at the time of the meeting. In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted along with Proxy Form in the Bank.
4. SECP vide its SRO 831(I) / 2012 dated July 5, 2012, has directed all listed companies that dividend warrant(s) should bear CNIC Number of registered members. Members who have not yet provided attested copies of their valid CNICs/NTNs (in case of corporate entities) are requested to send the same directly to the aforesaid Share Registrar of the Bank before February 18, 2017. In case of non-receipt of CNICs, the Bank will withhold dispatch of dividend warrants of such shareholders.
5. The Government of Pakistan through Finance Act, 2016 has made certain amendments in Section 150 of the Income Tax ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies/banks. These tax rates are as follows:





- (a) For filers of income tax returns 12.5%  
 (b) For non-filers of income tax returns 20.0%

To enable the Bank to make tax deduction on the amount of cash dividend @ 12.5% instead of 20.0% all shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, i.e., March 1, 2017; otherwise tax on their cash dividend will be deducted @20.0% instead of 12.5%.

According to FBR, withholding tax will be determined separately on 'Filer / Non-Filer' status of principal shareholder as well as joint-shareholder(s) based on their shareholding proportions, in case of joint accounts. Members that hold shares with joint-shareholder(s) are requested to provide shareholding proportions of principal shareholder and joint-shareholder(s) in respect of shares held by them to the Bank's Share Registrar in writing in the following format.

Bank Name	Folio/CDC Account No.	Total Shares	Principal Shareholder		Joint-Shareholder(s)	
			Name and CNIC	Shareholding Proportion (No. of Shares)	Name and CNIC	Shareholding Proportion (No. of Shares)

In case the required information is not provided to our Share Registrar latest by February 17, 2017, it will be assumed that the shares are equally held by them.

In case of corporate entity, withholding tax exemption from dividend income shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar latest by February 17, 2017.

**6. Audited Financial Statements through e-mail:**

SECP through its Notification SRO 787 (I)/2014 dated September 8, 2014 has allowed the circulation of Audited Financial Statements along with Notice of Annual General Meeting to the members through e-mail. Therefore, all members of the Bank who wish to receive soft copy of Annual Report are requested to send their e-mail addresses to our Share Registrar through consent form. The said consent form for electronic transmission can be downloaded from the Bank's website: [www.bankalhabib.com](http://www.bankalhabib.com). Audited Financial Statements and reports are being placed on the aforesaid website.

**7. Consent for video conference facility:**

For this Annual General Meeting, under following conditions, Members can also avail video conference facility at Karachi.

If the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city.

The Bank will intimate members regarding venue of video conference facility 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.



In this regard, members who wish to participate through video conference facility at Karachi should send a duly signed request as per following format to the registered address of the Bank at least 10 days before the date of general meeting.

I/We, \_\_\_\_\_ of \_\_\_\_\_ being a member of  
Bank AL Habib LIMITED, holder of \_\_\_\_\_ ordinary share(s) as per register Folio  
No./ CDC Sub-Account No.: \_\_\_\_\_ hereby opt for video conference facility at Karachi.

\_\_\_\_\_  
Signature of Member



## Pattern of Shareholding as at December 31, 2016

Number of Shareholders	Size of Shareholding				Total Shares Held
412	From	1	To	100	13,971
642	From	101	To	500	188,375
485	From	501	To	1,000	383,298
1,937	From	1,001	To	5,000	5,241,197
569	From	5,001	To	10,000	4,232,531
351	From	10,001	To	15,000	4,374,271
1,280	From	15,001	To	20,000	23,442,538
95	From	20,001	To	25,000	2,138,353
70	From	25,001	To	30,000	1,929,737
71	From	30,001	To	35,000	2,304,271
98	From	35,001	To	40,000	3,658,544
85	From	40,001	To	50,000	3,931,647
64	From	50,001	To	60,000	3,515,243
73	From	60,001	To	80,000	5,156,419
74	From	80,001	To	100,000	6,723,806
76	From	100,001	To	150,000	9,051,106
65	From	150,001	To	200,000	11,603,660
46	From	200,001	To	250,000	10,391,689
35	From	250,001	To	300,000	9,642,934
22	From	300,001	To	350,000	7,260,114
98	From	350,001	To	600,000	44,787,860
58	From	600,001	To	1,000,000	45,916,773
151	From	1,000,001	To	100,000,000	905,537,079
6,857					1,111,425,416

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,569	613,357,482	55.20
Investment Companies	3	54,335	0.01
Insurance Companies	10	103,411,642	9.30
Joint Stock Companies	96	118,271,325	10.64
Financial Institutions	14	21,277,324	1.91
Modaraba & Mutual Funds	31	92,037,275	8.28
Foreign Companies	25	53,172,756	4.78
Pension Funds	23	14,884,054	1.34
Others	86	94,959,223	8.54
<b>TOTAL</b>	<b>6,857</b>	<b>1,111,425,416</b>	<b>100.00</b>



## Pattern of Shareholding as at December 31, 2016 Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
<b>Associated Companies</b>		
Habib Insurance Co., Ltd.	1	4,123,000
Habib Sugar Mills Limited	1	24,136,691
<b>Mutual Funds</b>		
Tri - Star Mutual Fund Limited	1	1,904
Safeway Fund (Pvt.) Ltd.	1	5,001
CDC - Trustee Picic Income Fund - MT	1	24,500
CDC - Trustee Askari Equity Fund	1	25,000
CDC - Trustee First Capital Mutual Fund	1	30,300
CDC - Trustee Faysal Saving Growth Fund - MT	1	27,000
CDC - Trustee AKD Index Tracker Fund	1	153,332
CDC - Trustee Lakson Tactical Fund	1	231,196
CDC - Trustee JS Large Cap. Fund	1	275,000
CDC - Trustee Pakistan Capital Market Fund	1	195,000
CDC - Trustee NIT Equity Market Opportunity Fund	1	478,489
CDC - Trustee NAFA Asset Allocation Fund	1	529,150
CDC - Trustee NAFA Multi Asset Fund	1	565,900
CDC - Trustee Lakson Equity Fund	1	1,643,012
CDC - Trustee UBL Stock Advantage Fund	1	2,335,000
CDC - Trustee Atlas Stock Mkt Fund	1	1,500,000
CDC - Trustee NAFA Stock Fund	1	5,205,650
CDC - Trustee MCB Pakistan Stock Market Fund	1	2,316,500
Trustee - BMA Chundrigar Road Savings Fund	1	1,000
CDC - Trustee Pakistan Income Enhancement Fund - MT	1	9,500
CDC - Trustee Askari High Yield Scheme - MT	1	97,500
CDC - Trustee Alfalah GHP Value Fund	1	451,000
CDC - Trustee Alfalah GHP Alpha Fund	1	609,500
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	1	631,500
CDC - Trustee UBL Asset Allocation Fund	1	700,500
MCBFSL - Trustee JS Value Fund	1	718,500
CDC - Trustee Unit Trust of Pakistan	1	922,000
CDC - Trustee Alfalah GHP Stock Fund	1	928,000
CDC - Trustee ABL Stock Fund	1	950,000
CDC - Trustee National Investment (Unit) Trust National Bank of Pakistan, Trustee Dept.	1	70,476,329
<b>Directors</b>		
Abbas D. Habib	1	42,450,257
Ali Raza D. Habib	1	10,406,595
Qumail R. Habib	1	15,978,656
Anwar Haji Karim	1	6,349,159
Shahid Ghaffar (NIT Nominee)	1	1,100
Murtaza H. Habib	1	13,698,691
Syed Mazhar Abbas	1	18,474
Syed Hasan Ali Bukhari	1	15,092
Arshad Nasar	1	500
Safar Ali Lakhani	1	116,840



Shareholders' Category	Number of Shareholders	Number of Shares Held
<b>Chief Executive Officer</b> Mansoor Ali Khan	–	NIL
<b>Directors' Spouses</b> Mrs. Niamet Fatima W/o. Mr. Abbas D. Habib Mrs. Razia A. Raza Habib W/o. Mr. Ali Raza D. Habib Mrs. Shirin Lakhani W/o Mr. Safar Ali Lakhani	1 1 1 1	4,818,197 4,630,917 77,042
<b>Executives</b>	45	3,676,917
<b>Joint Stock Companies and Corporations</b>	95	94,134,634
<b>Banks, Development Financial Institutions, Non - Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	49	62,069,213
<b>Shareholders holding five percent or more voting rights</b> State life Insurance Corporation National Investment (Unit) Trust (included in the list above under Mutual Funds)	1	73,435,154
<b>Individuals</b>	6,511	511,119,045
<b>Others</b> (including foreign companies)	111	148,131,979
<b>TOTAL</b>	<u>6,857</u>	<u>1,111,425,416</u>



# **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, 2016.

	<b>(Rupees in '000)</b>
Profit for the year before tax	<b>13,195,634</b>
Taxation	<b>(5,051,055)</b>
Profit for the year after tax	<b>8,144,579</b>
Share of Profit attributable to Non-controlling interest	<b>(1,236)</b>
Profit attributable to shareholders	<b>8,143,343</b>
Un-appropriated profit brought forward	<b>10,414,605</b>
Transfer from surplus on revaluation of fixed assets - net of tax	<b>53,229</b>
Other comprehensive income	<b>(53,736)</b>
Profit available for appropriation	<b>18,557,441</b>
Appropriations:	
Transfer to Statutory Reserve	<b>(1,623,846)</b>
Cash dividend – 2015	<b>(3,889,989)</b>
	<b>(5,513,835)</b>
Un-appropriated profit carried forward	<b>13,043,606</b>
Earnings per share (after tax) – Holding company	<b>Rs. 7.33</b>

**Pattern of Shareholding**

The pattern of shareholding as at December 31, 2016 is annexed with the financial statements of Bank AL Habib Limited.

On behalf of the Board of Directors

Karachi: January 26, 2017

ABBAS D. HABIB  
**Chairman**



## 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 as at 31 December 2016 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 & Finance (Hong Kong) Limited which were 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 company, 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 2016 and the results of their operations for the year then ended.

Karachi: January 26, 2017

KPMG Taseer Hadi & Co.  
Chartered Accountants  
**Muhammad Taufiq**





**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	2016	2015	2014
		(Rupees in '000)		
<b>ASSETS</b>				
Cash and balances with treasury banks	8	50,600,061	38,577,760	34,201,844
Balances with other banks	9	2,910,200	3,204,284	4,352,769
Lendings to financial institutions	10	–	3,992,794	–
Investments - net	11	405,343,017	356,906,766	331,737,516
Advances - net	12	261,440,523	207,288,807	181,737,366
Operating fixed assets	13	18,914,506	15,782,394	13,917,781
Deferred tax assets - net		–	–	–
Other assets - net	14	12,611,227	14,531,755	13,837,972
		<b>751,819,534</b>	<b>640,284,560</b>	<b>579,785,248</b>
<b>LIABILITIES</b>				
Bills payable	15	13,872,057	8,665,462	7,984,808
Borrowings	16	93,717,345	62,592,299	78,455,452
Deposits and other accounts	17	584,165,978	516,197,547	446,311,464
Sub-ordinated loans	18	3,999,200	2,994,600	3,743,700
Liabilities against assets subject to finance lease		–	–	–
Deferred tax liabilities - net	19	4,127,981	3,627,612	2,769,852
Other liabilities	20	9,041,670	8,015,506	7,493,409
		<b>708,924,231</b>	<b>602,093,026</b>	<b>546,758,685</b>
<b>NET ASSETS</b>		<b>42,895,303</b>	<b>38,191,534</b>	<b>33,026,563</b>
<b>REPRESENTED BY:</b>				
Share capital	21	11,114,254	11,114,254	11,114,254
Reserves		11,948,911	10,329,233	8,760,911
Unappropriated profit		13,043,606	10,414,605	7,912,345
<b>Equity attributable to the shareholders of the Holding company</b>		<b>36,106,771</b>	<b>31,858,092</b>	<b>27,787,510</b>
Non-controlling interest		114,215	112,979	113,969
<b>Total equity</b>		<b>36,220,986</b>	<b>31,971,071</b>	<b>27,901,479</b>
Surplus on revaluation of assets - net of tax	22	6,674,317	6,220,463	5,125,084
		<b>42,895,303</b>	<b>38,191,534</b>	<b>33,026,563</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	23			

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

ABBAS D. HABIB  
Chairman

MANSOOR ALI KHAN  
Chief Executive

SYED MAZHAR ABBAS  
Director

ANWAR HAJI KARIM  
Director



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 (Rupees in '000)	2015
Mark-up / return / interest earned	25	47,820,451	50,310,263
Mark-up / return / interest expensed	26	(23,132,351)	(25,475,557)
Net mark-up / return / interest income		24,688,100	24,834,706
Reversal / (provision) against non-performing loans and advances - net	12.5	441,057	(1,763,279)
Reversal / (provision) for diminution in the value of investments	11.4	196,992	(202,022)
Bad debts written-off directly	12.6	—	(34)
		638,049	(1,965,335)
Net mark-up / return / interest income after provisions		25,326,149	22,869,371
<b>NON MARK-UP / INTEREST INCOME</b>			
Fees, commission and brokerage income		2,551,324	2,320,893
Dividend income	27	554,973	536,664
Income from dealing in foreign currencies		491,038	707,484
Gain on sale / redemption of securities - net	28	722,579	136,864
Unrealised gain on revaluation of investments classified as held for trading	11.5	3,385	—
Share of profit from associates		71,267	89,066
Other income	29	727,264	695,498
Total non mark-up / interest income		5,121,830	4,486,469
		30,447,979	27,355,840
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	30	(17,782,622)	(14,749,244)
Other reversals / (provisions) / write-offs	31	38,033	(38,535)
Other reversals / (charges)	32	492,244	(302,412)
Total non mark-up / interest expenses		(17,252,345)	(15,090,191)
Extra-ordinary / unusual items		—	—
<b>PROFIT BEFORE TAXATION</b>		13,195,634	12,265,649
Taxation – Current		(4,304,844)	(4,509,205)
– Prior years		(502,993)	(500,484)
– Deferred		(243,218)	75,792
	33	(5,051,055)	(4,933,897)
<b>PROFIT AFTER TAXATION</b>		8,144,579	7,331,752
<b>Attributable to:</b>			
Shareholders of the Holding company		8,143,343	7,332,742
Non-controlling interest		1,236	(990)
		8,144,579	7,331,752
<b>(Rupees)</b>			
<b>Basic and diluted earnings per share attributable to equity holders of the Holding company</b>	34	7.33	6.60

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

ABBAS D. HABIB  
Chairman

MANSOOR ALI KHAN  
Chief Executive

SYED MAZHAR ABBAS  
Director

ANWAR HAJI KARIM  
Director



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 (Rupees in '000)	2015
<b>Profit after taxation for the year</b>		<b>8,144,579</b>	7,331,752
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit and loss account</i>			
Exchange differences on translation of net investment in foreign operations		(4,168)	87,340
<i>Items that will never be reclassified to profit and loss subsequently</i>			
Remeasurement of defined benefit plan	37.6	(82,670)	(104,739)
Related tax charge		28,934	36,659
		(53,736)	(68,080)
<b>Comprehensive income transferred to equity</b>		<b>8,086,675</b>	7,351,012
<i>Components of comprehensive income not reflected in equity</i>			
Surplus on revaluation of available for sale securities		750,409	2,037,005
Related tax charge		(255,142)	(884,866)
		495,267	1,152,139
<b>Total comprehensive income</b>		<b>8,581,942</b>	8,503,151
<b>Attributable to:</b>			
Shareholders of the Holding company		8,578,237	8,500,107
Non-controlling interest		3,705	3,044
		<b>8,581,942</b>	8,503,151

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

ABBAS D. HABIB  
Chairman

MANSOOR ALI KHAN  
Chief Executive

SYED MAZHAR ABBAS  
Director

ANWAR HAJI KARIM  
Director



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 (Rupees in '000)	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		13,195,634	12,265,649
Less: Dividend income		(554,973)	(536,664)
		<b>12,640,661</b>	<b>11,728,985</b>
<b>Adjustments for:</b>			
Depreciation		1,600,197	1,182,001
Amortisation		82,759	85,720
(Reversal) / provision against non-performing loans and advances - net		(441,057)	1,763,279
(Reversal) / provision for diminution in the value of investments		(196,992)	202,022
Gain on sale of operating fixed assets		(101,392)	(56,359)
Share of profit from associates		(71,267)	(89,066)
Gain on sale / redemption of securities - net		(722,579)	(136,864)
Unrealised gain on held for trading securities		(3,385)	—
Charge for compensated absences		54,174	49,654
(Reversals) / provisions against off-balance sheet items		(41,785)	38,535
		<b>158,673</b>	<b>3,038,922</b>
		<b>12,799,334</b>	<b>14,767,907</b>
<b>Decrease / (increase) in operating assets</b>			
Lendings to financial institutions		3,992,794	(3,992,794)
Advances - net		(53,710,659)	(27,694,986)
Other assets - (excluding advance taxation)		2,116,280	(320,669)
		<b>(47,601,585)</b>	<b>(32,008,449)</b>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		5,206,595	680,654
Borrowings		29,985,638	(15,201,573)
Deposits and other accounts		67,968,431	69,886,083
Other liabilities - (excluding provision for taxation)		1,168,201	475,814
		<b>104,328,865</b>	<b>55,840,978</b>
		<b>69,526,614</b>	<b>38,600,436</b>
Income tax paid		(5,251,007)	(5,163,520)
Net cash generated from operating activities		<b>64,275,607</b>	<b>33,436,916</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in securities		(46,733,414)	(23,518,456)
Net investments in associates		41,792	458,807
Dividend received		533,929	536,206
Investments in operating fixed assets		(4,832,228)	(3,202,531)
Sale proceeds from disposal of operating fixed assets		131,886	130,259
Net cash used in investing activities		<b>(50,858,035)</b>	<b>(25,595,715)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipts / (repayments) of sub-ordinated loans		1,004,600	(749,100)
Dividends paid		(3,829,195)	(3,290,430)
Net cash used in financing activities		<b>(2,824,595)</b>	<b>(4,039,530)</b>
Exchange differences on translation of net investment in foreign operations		(4,168)	87,340
Increase in cash and cash equivalents		<b>10,588,809</b>	<b>3,889,011</b>
Cash and cash equivalents at beginning of the year		<b>41,776,740</b>	<b>37,887,729</b>
Cash and cash equivalents at end of the year	35	<b>52,365,549</b>	<b>41,776,740</b>

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

ABBAS D. HABIB  
Chairman

MANSOOR ALI KHAN  
Chief Executive

SYED MAZHAR ABBAS  
Director

ANWAR HAJI KARIM  
Director



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to shareholders of the Holding Company							Non-controlling Interest	Total
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Unappropriated Profit	Sub Total		
			Special Reserve	General Reserve					
	(Rupees in '000)								
Balance as at 01 January 2015	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)	-	-	-
Transactions 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
Total comprehensive income for the year ended 31 December 2016:									
Profit after tax	-	-	-	-	-	8,143,343	8,143,343	1,236	8,144,579
Other comprehensive income	-	-	(4,168)	-	-	(53,736)	(57,904)	-	(57,904)
	-	-	(4,168)	-	-	8,089,607	8,085,439	1,236	8,086,675
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	53,229	53,229	-	53,229
Transfer to statutory reserve	-	1,623,846	-	-	-	(1,623,846)	-	-	-
Transaction with owners, recorded directly in equity:									
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)	-	(3,889,989)
Balance as at 31 December 2016	11,114,254	11,037,478	244,933	126,500	540,000	13,043,606	36,106,771	114,215	36,220,986

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

ABBAS D. HABIB  
*Chairman*

MANSOOR ALI KHAN  
*Chief Executive*

SYED MAZHAR ABBAS  
*Director*

ANWAR HAJI KARIM  
*Director*



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 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 Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 518 branches (2015: 423 branches), 87 sub-branches (2015: 105 sub-branches) and 03 representative offices (2015: 03 representative offices). The branch network of the Bank includes 03 overseas branches (2015: 03 overseas branches) and 41 Islamic Banking branches (2015: 29 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 Pakistan Stock Exchange Limited 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 45.

### 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 non - banking assets acquired in satisfaction of claims, certain investments, land and buildings and derivative financial instruments which are revalued as referred to in notes 5.1.1, 5.5, 5.7, 5.15 and 5.16.

#### **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 certain standards, which became effective during the year. However, they did not have material effect on these consolidated financial statements of the Group.

##### **5.1.1 Change in accounting policy**

Effective 1 January 2016, the Bank has changed its accounting policy for recording of non - banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated 1 January 2016. In line with the guidance provided in the Regulations, the non - banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, non - banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, non - banking assets (included in Other Assets in the statement of financial position), surplus on revaluation of assets and deferred tax liability - net would have been lowered by Rs. 8.101 million, Rs. 11.443 million and Rs. 1.808 million respectively while profit after tax would have been higher by Rs. 3.721 million.

##### **5.2 Basis of consolidation**

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

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 comprise 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 as investments in the statement of financial position. Amounts paid under these arrangements are included in repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

### 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.

In Bai Muajjal, the Bank sells sukuk on credit to 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.

#### 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 is 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 Musharaka**

In Diminishing Musharaka financing, the Bank enters into Musharaka 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 Musharaka share by the customer. The customer purchases the Bank's 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's 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 Statutory reserve**

Every Bank incorporated in Pakistan is required to transfer 20% of their profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the Bank is to be transferred to this reserve.

#### **5.15 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.

#### **5.16 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.

#### **5.17 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.

#### **5.18 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.

#### **5.19 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.



## 5.20 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.

### 5.20.1 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.

### 5.20.2 Geographical segments

The Group operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

### 5.21 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 2016.

### 5.22 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
Other assets - Non - banking assets acquired in satisfaction of claims	5.1.1 & 14
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' benefits	5.8, 20 & 37
Provisions against off - balance sheet obligations	5.10 & 20.2
Current and deferred taxation	5.13 & 19

## 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 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on consolidated financial statements of the Group.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non - cash changes.
- Amendments to IFRS 2 - Share - based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash - settled share - based payments; (b) classification of share - based payments settled net of tax withholdings; and (c) accounting for a modification of a share - based payment from cash - settled to equity - settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Groups's consolidated financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Group's consolidated financial statements.
- Annual improvements to IFRS standards 2014 - 2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
  - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non - current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Group's consolidated financial statements.



- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organisation and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non - investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's consolidated financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognised. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognised. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

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

	Note	2016 (Rupees in '000)	2015
<b>8. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand:			
Local currency		11,012,309	9,727,215
Foreign currencies		1,119,703	837,409
		<b>12,132,012</b>	10,564,624
In transit:			
Local currency		36,800	27,610
Foreign currencies		3,138	62,107
		<b>39,938</b>	89,717
With SBP in:			
Local currency current accounts	8.1	22,782,491	13,513,411
Local currency current account-Islamic Banking	8.1	965,549	598,802
Foreign currency deposit accounts			
Cash reserve account	8.1	2,013,521	1,924,616
Cash reserve / special cash reserve account -Islamic Banking		62,132	29,956
Special cash reserve account	8.1	6,040,564	5,773,848
Local US Dollar collection account	8.2	69,991	15,750
		<b>31,934,248</b>	21,856,383
With National Bank of Pakistan (NBP) in:			
Local currency current accounts		6,460,582	6,034,612
National prize bonds		33,281	32,424
		<b>50,600,061</b>	38,577,760





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	2016 (Rupees in '000)	2015
<b>9. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
Current accounts		540,820	582,773
Deposit account		–	500,000
Savings accounts	9.1	358,615	224,715
		<b>899,435</b>	1,307,488
Outside Pakistan			
Current accounts		1,005,543	1,724,248
Deposit accounts	9.2	1,005,222	172,548
		<b>2,010,765</b>	1,896,796
		<b>2,910,200</b>	3,204,284

9.1 These carry expected profit rates ranging from 2.50% to 5.30% (2015: 2.25% to 5%) per annum.

9.2 These carry interest rates ranging from 0.05% to 0.30% (2015: 0.05% to 0.30%) per annum.

9.3 These include Rs. 302.037 million (2015: Rs. 744.861 million) placed under Shariah permissible mode.

	2016 (Rupees in '000)	2015
<b>10. LENDINGS TO FINANCIAL INSTITUTIONS</b>		
In local currency		
Call money lendings	–	400,000
Repurchase agreement lendings (Reverse Repo)	–	3,592,794
	<b>–</b>	3,992,794



## 11. INVESTMENTS

11.1 Investments by type	Note	2016			2015		
		Held by Group	Given as Collateral	Total	Held by Group	Given as Collateral	Total
		(Rupees in '000)					
<b>Available for Sale Securities</b>	11.6						
Market Treasury Bills		166,762,623	62,559,668	229,322,291	96,543,319	39,361,572	135,904,891
Pakistan Investment Bonds		50,428,524	—	50,428,524	60,240,211	—	60,240,211
Foreign Currency Bonds		5,254,192	—	5,254,192	4,043,886	—	4,043,886
Sukuk Bonds		10,794,106	—	10,794,106	6,983,848	—	6,983,848
Fully paid-up ordinary shares - Listed		3,219,544	—	3,219,544	4,074,462	—	4,074,462
Fully paid-up ordinary shares - Unlisted		70,814	—	70,814	70,814	—	70,814
Term finance certificates - Listed		702,771	—	702,771	702,972	—	702,972
Term finance certificates - Unlisted		2,227,524	—	2,227,524	2,546,686	—	2,546,686
Units of mutual funds		2,100,000	—	2,100,000	1,550,000	—	1,550,000
		<b>241,560,098</b>	<b>62,559,668</b>	<b>304,119,766</b>	176,756,198	39,361,572	216,117,770
<b>Held for Maturity Securities</b>	11.2						
Pakistan Investment Bonds		91,101,157	—	91,101,157	130,462,425	—	130,462,425
Foreign Currency Bonds		2,386,321	—	2,386,321	1,879,702	—	1,879,702
Other Federal Government Securities		—	—	—	1,825,278	—	1,825,278
Sukuk Bonds		671,785	—	671,785	696,890	—	696,890
		<b>94,159,263</b>	<b>—</b>	<b>94,159,263</b>	134,864,295	—	134,864,295
<b>Held for Trading Securities</b>							
Full paid - up ordinary shares - Listed	11.7	154,000	—	154,000	—	—	—
<b>Associates</b>	11.14						
Habib Sugar Mills Limited		438,756	—	438,756	396,615	—	396,615
Habib Asset Management Limited		83,788	—	83,788	84,236	—	84,236
First Habib Income Fund		140,172	—	140,172	142,719	—	142,719
First Habib Stock Fund		12,428	—	12,428	9,534	—	9,534
First Habib Cash Fund		143,409	—	143,409	144,106	—	144,106
First Habib Islamic Balanced Fund		11,840	—	11,840	9,812	—	9,812
		<b>830,393</b>	<b>—</b>	<b>830,393</b>	787,022	—	787,022
<b>Investments at cost</b>		<b>336,703,754</b>	<b>62,559,668</b>	<b>399,263,422</b>	312,407,515	39,361,572	351,769,087
Less: Provision for diminution in the value of investments	11.4	(16,193)	—	(16,193)	(213,185)	—	(213,185)
<b>Investments (net of provisions)</b>		<b>336,687,561</b>	<b>62,559,668</b>	<b>399,247,229</b>	312,194,330	39,361,572	351,555,902
Surplus on revaluation of held for trading securities-net	11.5	3,385	—	3,385	—	—	—
Surplus on revaluation of available for sale securities-net		6,072,936	19,467	6,092,403	5,231,116	119,748	5,350,864
<b>Total Investments</b>		<b>342,763,882</b>	<b>62,579,135</b>	<b>405,343,017</b>	317,425,446	39,481,320	356,906,766

11.2 The aggregate market value of held to maturity securities as at 31 December 2016 amounted to Rs. 103,979 million (2015: Rs. 146,376 million).



	Note	2016 (Rupees in '000)	2015
<b>11.3 Investments by segment</b>			
<i>Federal Government Securities</i>			
Market Treasury Bills	11.8	229,322,291	135,904,891
Pakistan Investment Bonds	11.9	141,529,681	190,702,636
Foreign Currency Bonds	11.12	5,427,359	5,293,812
Sukuk Bonds	11.10	8,479,526	5,035,672
Term Finance Certificates - Unlisted	11.11	1,428,571	1,714,286
Other Federal Government Securities		–	1,825,278
		<b>386,187,428</b>	<b>340,476,575</b>
<i>Fully paid-up ordinary shares</i>			
Listed companies	11.6.5 & 11.7	3,373,544	4,074,462
Unlisted companies	11.13	70,814	70,814
		<b>3,444,358</b>	<b>4,145,276</b>
<i>Term finance certificates, sukuks and bonds</i>			
Term Finance Certificates			
Term finance certificates - Listed		702,771	702,972
Term finance certificates - Unlisted		798,953	832,400
	11.11	1,501,724	1,535,372
Sukuk Bonds	11.10	2,986,365	2,645,066
Foreign Currency Bonds	11.12	2,213,154	629,776
		<b>6,701,243</b>	<b>4,810,214</b>
<i>Others</i>			
Units of mutual funds	11.6.9	2,100,000	1,550,000
Associates	11.14	830,393	787,022
		<b>2,930,393</b>	<b>2,337,022</b>
<b>Investments at cost</b>		<b>399,263,422</b>	<b>351,769,087</b>
Less: Provision for diminution in the value of investments	11.4	(16,193)	(213,185)
<b>Investments (net of provisions)</b>		<b>399,247,229</b>	<b>351,555,902</b>
Surplus on revaluation of held for trading securities - net	11.5	3,385	–
Surplus on revaluation of available for sale securities - net		6,092,403	5,350,864
<b>Total Investments</b>		<b>405,343,017</b>	<b>356,906,766</b>



	Note	2016 (Rupees in '000)	2015				
<b>11.4 Particulars of provision for diminution in the value of investments</b>							
Available for sale investments:							
Opening balance		213,185	11,163				
(Reversal) / charge for the year		(196,992)	202,022				
Closing balance	11.4.1	16,193	213,185				
<b>11.4.1 Particulars of provision in respect of type and segment</b>							
Available for sale investments:							
Listed companies:							
Pakistan Oilfields Limited		–	133,241				
Pakistan Petroleum Limited		5,030	68,781				
		5,030	202,022				
Unlisted companies:							
Pakistan Stock Exchange Limited		5,463	5,463				
Pakistan Export Finance Guarantee Agency Limited		5,700	5,700				
		11,163	11,163				
		16,193	213,185				
<b>11.5 Unrealised gain on revaluation of held for trading securities</b>							
Fully paid - up ordinary shares - Listed shares		3,385	–				
<b>11.6 Quality of available for sale securities</b>							
<b>Name of security</b>	<b>Face value</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
		<b>Long term rating*</b>		<b>Cost</b>		<b>Carrying value</b>	
	<b>USD</b>			<b>(Rupees in '000)</b>			
11.6.1 Market Treasury Bills	–	Unrated	Unrated	229,322,291	135,904,891	229,255,610	136,211,678
11.6.2 Pakistan Investment Bonds	–	Unrated	Unrated	50,428,524	60,240,211	54,766,180	64,400,771
11.6.3 Foreign Currency Bonds							
Government of Pakistan Bonds	USD 100	B	B-	2,115,256	1,338,682	2,135,920	1,390,228
Government of Pakistan Bonds	USD 100	–	B-	–	623,277	–	628,942
Government of Pakistan Bonds	USD 100	B	B-	588,306	588,574	607,543	590,426
Government of Pakistan Bonds	USD 100	B	B-	527,715	529,239	571,736	537,389
Government of Pakistan Bonds	USD 100	B	B-	330,757	334,338	339,191	323,002
Government of Sri Lanka Bonds	USD 100	B+	–	536,086	–	536,136	–
Kingdom of Bahrain	USD 100	BB+	BBB-	209,197	209,482	217,209	214,216
Bank of Ceylon	USD 100	B+	BB-	737,850	211,134	737,864	210,368
Bank of Ceylon	USD 100	B+	BB-	209,025	209,160	209,413	203,022
				5,254,192	4,043,886	5,355,012	4,097,593



11.6.4 Sukuk Bonds		Face	2016	2015	2016	2015	2016	2015	
2016	2015	value	Long term rating*		Cost		Carrying value		
Name of security		Rs. / USD			(Rupees in '000)				
No. of certificates									
170,000	170,000	Engro Foods Limited	Rs.5,000	A+	A+	361,250	786,250	361,250	786,250
20,000	20,000	Government of Pakistan Ijarah Sukuk XVI	Rs. 100,000	Unrated	Unrated	2,000,000	2,000,000	2,049,000	2,022,600
12,000	12,000	Government of Pakistan Ijarah Sukuk XV	Rs. 100,000	Unrated	Unrated	1,200,000	1,200,000	1,200,720	1,200,000
100,000	100,000	Government of Pakistan Sukuk	USD 100	B	B-	1,056,307	1,061,670	1,104,037	1,060,356
1,124,278	1,124,278	Liberty Power Tech Limited	Rs.1,000	A+	A+	668,119	777,498	668,119	777,498
181,686	181,686	K-Electric Limited Sukuk IV	Rs.5,000	AA+	AA+	908,430	908,430	908,430	908,430
150,000	150,000	WAPDA Second Sukuk Company Limited	Rs.5,000	Unrated	Unrated	125,000	250,000	125,000	250,000
		Neelam Jhelum Hydropower Company							
35,750	-	(Private) Limited	Rs.100,000	AAA	-	3,575,000	-	3,575,000	-
900	-	Meezan Bank Limited Tier II	Rs.1,000,000	AA-	-	900,000	-	900,000	-
						10,794,106	6,983,848	10,891,556	7,005,134

#### 11.6.5 Fully paid-up ordinary shares - Listed

2016	2015	Name of security							
No. of shares									
337,500	-	Adamjee Insurance Company Limited	Rs.10	AA+	-	19,973	-	25,022	-
377,800	754,800	Allied Bank Limited	Rs.10	AA+	AA+	22,585	45,121	45,038	71,148
-	196,640	Attock Petroleum Limited	Rs.10	-	Unrated	-	89,332	-	99,327
300,000	-	Cherat Cement Company Limited	Rs.10	A	-	38,784	-	52,212	-
300,000	-	D. G. Khan Cement Company Limited	Rs.10	Unrated	-	58,457	-	66,519	-
230,000	-	Engro Corporation Limited	Rs.10	AA	-	74,779	-	72,701	-
410,000	-	Engro Fertilizer Company Limited	Rs.10	AA-	-	28,004	-	27,872	-
250,000	-	Fatima Fertilizer Company Limited	Rs.10	AA-	-	8,443	-	9,223	-
2,960,000	-	Fauji Cement Company Limited	Rs.10	Unrated	-	112,603	-	133,437	-
700,000	4,454,500	Fauji Fertilizer Bin Qasim Limited	Rs.10	Unrated	Unrated	38,692	189,579	35,847	234,663
4,650,000	3,224,800	Fauji Fertilizer Company Limited	Rs.10	Unrated	Unrated	524,833	364,507	485,321	380,462
294,000	294,000	First Habib Modaraba	Rs.5	AA+	AA+	2,607	2,607	3,087	2,940
100,000	-	Glaxo Smith Kline Pakistan Limited	Rs.10	Unrated	-	21,775	-	23,330	-
687,043	1,286,643	Habib Bank Limited	Rs.10	AAA	AAA	129,787	241,779	187,735	257,484
7,513,915	15,027,415	Habib Metropolitan Bank Limited	Rs.10	AA+	AA+	170,303	340,597	278,015	457,885
175,000	-	Honda Atlas Cars Private Limited	Rs.10	Unrated	-	74,654	-	117,012	-
5,975,000	7,880,000	Hub Power Company Limited	Rs.10	AA+	AA+	372,571	486,674	737,793	808,488
25,000	-	ICI Pakistan Limited	Rs.10	Unrated	-	12,337	-	24,843	-
52,862	52,862	International Industries Limited	Rs.10	Unrated	Unrated	357	357	10,770	3,251
2,812,056	5,623,556	International Steels Limited	Rs.10	Unrated	Unrated	44,618	89,228	274,822	137,271
2,500,000	-	K-Electric Limited	Rs.3.5	AA	-	20,715	-	23,425	-
6,824,000	6,420,500	Kot Addu Power Company Limited	Rs.10	AA+	AA+	476,445	441,480	537,731	520,061
2,749,500	2,094,500	Lalpir Power Limited	Rs.10	AA	AA	66,855	51,894	66,538	62,290
25,000	-	Lucky Cement Limited	Rs.10	Unrated	-	17,273	-	21,657	-
500,010	396,110	MCB Bank Limited	Rs.10	AAA	AAA	108,602	99,902	118,912	85,896
-	119,067	Meezan Bank Limited	Rs.10	-	AA	-	3,028	-	5,447
4,780,500	4,780,500	Nishat Chunian Power Limited	Rs.10	Unrated	Unrated	195,514	195,514	265,222	263,167
17,500	17,500	Packages Limited	Rs.10	AA	AA	1,429	1,429	14,876	10,187
50,000	-	Pak Suzuki Motor Company Limited	Rs.10	Unrated	-	30,178	-	30,641	-
5,065,000	4,407,500	Pakgen Power Limited	Rs.10	AA	AA	125,531	108,544	135,590	129,713
-	949,075	Pakistan Oilfields Limited	Rs.10	-	Unrated	-	387,612	-	121,130
128,100	1,772,041	Pakistan Petroleum Limited	Rs.10	Unrated	Unrated	17,800	284,634	24,106	152,100
-	914,500	Pakistan State Oil Company Limited	Rs.10	-	AA	-	295,077	-	297,917
6,871,500	-	Pakistan Telecommunication Company Limited	Rs.10	Unrated	-	112,981	-	118,052	-
3,000	-	Rafhan Maize Product Limited	Rs.10	Unrated	-	23,211	-	26,293	-



2016	2015	Name of security	Face value	2016 Long term rating*	2015 Long term rating*	2016 Cost	2015 Cost	2016 Carrying value	2015 Carrying value
No. of shares			Rs.			(Rupees in '000)			
-	22,500	Shell Pakistan Limited	Rs.10	-	Unrated	-	2,189	-	5,135
13,232,450	16,541,450	Soneri Bank Limited	Rs.10	AA-	AA-	150,607	164,418	233,551	250,272
1,591,500	3,183,000	Standard Chartered Bank (Pakistan) Limited	Rs.10	AAA	AAA	30,851	61,701	40,185	69,708
50,000	-	Thal Limited	Rs.5	Unrated	-	21,760	-	25,427	-
527,500	1,055,000	United Bank Limited	Rs.10	AAA	AA+	63,630	127,259	126,020	163,472
						<b>3,219,544</b>	<b>4,074,462</b>	<b>4,418,825</b>	<b>4,589,414</b>
<b>11.6.6 Fully paid-up ordinary shares - Unlisted</b>									
2016	2015	Name of security	Face value	2016 Long term rating*	2015 Long term rating*	2016 Cost	2015 Cost	2016 Carrying value	2015 Carrying value
No. of shares / certificates			Rs.			(Rupees in '000)			
3,000,000	3,000,000	Khushhali Bank Limited	Rs.10	A+	A+	30,000	30,000	30,000	30,000
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited	Rs.10	Unrated	Unrated	5,700	5,700	-	-
39	39	Society for Worldwide Interbank Financial Telecommunication	-	Unrated	Unrated	9,829	9,829	9,829	9,829
4,007,383	4,007,383	Pakistan Stock Exchange Limited	Rs.10	Unrated	Unrated	25,285	25,285	19,822	19,822
						<b>70,814</b>	<b>70,814</b>	<b>59,651</b>	<b>59,651</b>
<b>11.6.7 Term finance certificates - Listed</b>									
2016	2015	Name of security	Face value	2016 Long term rating*	2015 Long term rating*	2016 Cost	2015 Cost	2016 Carrying value	2015 Carrying value
No. of certificates			Rs.			(Rupees in '000)			
30,625	30,625	Bank Alfalah Limited - V	Rs.5,000	AA-	AA-	152,911	152,972	157,040	155,764
30,000	30,000	Soneri Bank Limited	Rs.5,000	A+	A+	149,940	150,000	152,639	150,000
4,000	4,000	Habib Bank Limited	Rs.100,000	AAA	AAA	399,920	400,000	394,921	400,000
						<b>702,771</b>	<b>702,972</b>	<b>704,600</b>	<b>705,764</b>
<b>11.6.8 Term finance certificates - Unlisted</b>									
2016	2015	Name of security	Face value	2016 Long term rating*	2015 Long term rating*	2016 Cost	2015 Cost	2016 Carrying value	2015 Carrying value
No. of certificates			Rs.			(Rupees in '000)			
150	150	Askari Bank Limited - IV	Rs.1,000,000	AA-	AA-	149,700	149,760	149,700	149,760
60,000	60,000	Askari Bank Limited - V	Rs.5,000	AA-	AA-	299,760	299,880	299,760	299,880
20,000	20,000	Bank Alfalah Limited - IV	Rs.5,000	AA-	AA-	66,493	99,760	66,493	99,760
56,600	56,600	Standard Chartered Bank (Pakistan) Limited	Rs.5,000	AAA	AAA	283,000	283,000	283,000	283,000
400,000	400,000	Water and Power Development Authority	Rs.5,000	AAA	AAA	1,428,571	1,714,286	1,428,571	1,714,286
						<b>2,227,524</b>	<b>2,546,686</b>	<b>2,227,524</b>	<b>2,546,686</b>
<b>11.6.9 Units of mutual funds</b>									
2016	2015	Name of security	Face value	2016 Long term rating*	2015 Long term rating*	2016 Cost	2015 Cost	2016 Carrying value	2015 Carrying value
No. of units			Rs.			(Rupees in '000)			
4,820,132	-	HBL Money Market Fund	Rs.10	AA	-	500,000	-	501,173	-
48,615,258	48,615,258	NIT Government Bond Fund	Rs.10	AA-	AA-	550,000	550,000	493,980	506,654
17,422,393	17,422,393	NIT Income Fund	Rs.10	A+	A+	200,000	200,000	183,447	187,430
11,032,727	11,032,727	NIT Unit Trust	Rs.10	AM2+	AM2	550,000	550,000	965,805	697,710
25,047,082	25,047,082	NIT Islamic Equity Fund	Rs.10	AM2+	AM2	250,000	250,000	321,354	246,964
4,990,817	-	NIT Government Treasury Fund	Rs.10	AM2+	-	50,000	-	51,259	-
						<b>2,100,000</b>	<b>1,550,000</b>	<b>2,517,018</b>	<b>1,638,758</b>
						<b>304,119,766</b>	<b>216,117,770</b>	<b>310,195,976</b>	<b>221,255,449</b>

\*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.



### 11.7 Investment in listed companies - Held for trading

2016	2015	Name of security	Face value	2016	2015	2016	2015	2016	2015
No. of shares	Short term rating			Cost	Carrying value				
			Rs.			(Rupees in '000)			
75,000	-	Engro Corporation Limited	Rs.10	A1+	-	23,786	-	23,707	-
125,000	-	Engro Fertilizer Company Limited	Rs.10	A1+	-	8,498	-	8,498	-
750,000	-	Fauji Fertilizer Bin Qasim Limited	Rs.10	Unrated	-	34,807	-	38,408	-
300,000	-	K - Electric Limited	Rs.3.5	A1+	-	2,747	-	2,811	-
400,000	-	Kot Addu Power Company Limited	Rs.10	A1+	-	31,507	-	31,520	-
25,000	-	Pak Electron Limited	Rs.10	Unrated	-	1,765	-	1,782	-
9,200	-	Pak Suzuki Motor Company Limited	Rs.10	Unrated	-	5,666	-	5,638	-
41,000	-	Pakistan Oilfields Limited	Rs.10	Unrated	-	22,101	-	21,919	-
		Pakistan Telecommunication							
250,000	-	Company Limited	Rs.10	Unrated	-	4,318	-	4,295	-
150,000	-	Saif Power Limited	Rs.10	A1	-	5,025	-	5,334	-
300	-	The SEARLE Company Limited	Rs.10	Unrated	-	191	-	195	-
300,000	-	TRG Pakistan Limited	Rs.10	Unrated	-	13,589	-	13,278	-
						<b>154,000</b>	<b>-</b>	<b>157,385</b>	<b>-</b>

### 11.8 Market Treasury Bills

These securities have a maturity period of one year (2015: one year), with yield ranging between 5.84% to 6.24% (2015: 6.33% to 8.34%) per annum.

### 11.9 Pakistan Investment Bonds

These securities have a maturity period of 3, 5 and 10 years (2015: 3, 5 and 10 years) with interest rates ranging between 9.25% to 12% (2015: 9.25% to 12%) per annum. These include securities costing Rs. 5 million (2015: 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.



## 11.10 Sukuk Bonds

<u>2016</u>	<u>2015</u>	<u>Redeemable value per certificate</u>	<u>Maturity Date</u>	<u>Name of Security</u>	<u>Rate</u>	<u>2016</u>	<u>2015</u>
<u>No. of certificates</u>		<u>(Rupees)</u>				<u>(Rupees in '000)</u>	
<b>Federal Government Securities</b>							
<b>Available for sale</b>							
20,000	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	2,000,000
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
100,000	100,000	10,563	Dec-19	Government of Pakistan Sukuk	6.750% p.a.	1,056,307	1,061,670
150,000	150,000	833	Jul-17	WAPDA Second Sukuk Company Limited	6 months' KIBOR less 25 bps	125,000	250,000
35,750	-	100,000	Jun-26	Neelam Jhelum Hydropower Company (Private) Limited	6 months' KIBOR plus 113 bps	3,575,000	-
						<b>7,956,307</b>	<b>4,511,670</b>
<b>Held to maturity</b>							
50,000	50,000	10,464	Dec-19	Government of Pakistan Sukuk	6.750% p.a.	523,219	524,002
						<b>8,479,526</b>	<b>5,035,672</b>
<b>Others</b>							
<b>Available for sale</b>							
170,000	170,000	2,125	Jan-17	Engro Foods Limited	6 months' KIBOR plus 69 bps	361,250	786,250
1,124,278	1,124,278	594	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	668,119	777,498
181,686	181,686	5,000	Sep-22	K-Electric Limited Sukuk IV	3 months' KIBOR plus 100 bps	908,430	908,430
900	-	1,000,000	Sep-26	Meezan Bank Limited Tier II	6 months' KIBOR plus 50 bps	900,000	-
						<b>2,837,799</b>	<b>2,472,178</b>
<b>Held to maturity</b>							
250,000	250,000	594	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	148,566	172,888
						<b>2,986,365</b>	<b>2,645,066</b>
						<b>11,465,891</b>	<b>7,680,738</b>

11.10.1 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, Government of Pakistan Ijarah Sukuk Bonds and Neelam Jhelum Hydropower Company (Private) Limited Sukuk Bonds which have face value of Rs. 100,000 per certificate and Meezan Bank Limited Tier II Sukuk Bonds which have a face value of Rs. 1,000,000 per certificate.

## 11.11 Term Finance Certificates

<u>2016</u>	<u>2015</u>	<u>Redeemable value per certificate</u>	<u>Maturity Date</u>	<u>Name of Security</u>	<u>Rate</u>	<u>2016</u>	<u>2015</u>
<u>No. of certificates</u>		<u>(Rupees)</u>				<u>(Rupees in '000)</u>	
<b>Federal Government Securities</b>							
<b>Unlisted - Available for sale</b>							
400,000	400,000	3,571	Sep-21	Water and Power Development Authority	6 months' KIBOR plus 100 bps	1,428,571	1,714,286





<u>2016</u>	<u>2015</u>	<u>Redeemable value per certificate</u>	<u>Maturity Date</u>	<u>Name of Security</u>	<u>Rate</u>	<u>2016</u>	<u>2015</u>
<u>No. of certificates</u>		<u>(Rupees)</u>				<u>(Rupees in '000)</u>	
<b>Others</b>							
<b>Listed - Available for sale</b>							
30,625	30,625	4,993	Feb-21	Bank Alfalah Limited - V*	6 months' KIBOR plus 125 bps	152,911	152,972
30,000	30,000	4,998	Jul-23	Soneri Bank Limited*	6 months' KIBOR plus 135 bps	149,940	150,000
4,000	4,000	99,980	Dec-25	Habib Bank Limited*	6 months' KIBOR plus 50 bps	399,920	400,000
						<b>702,771</b>	<b>702,972</b>
<b>Unlisted - Available for sale</b>							
150	150	998,000	Dec-21	Askari Bank Limited - IV*	6 months' KIBOR plus 175 bps	149,700	149,760
60,000	60,000	4,996	Sep-24	Askari Bank Limited - V*	6 months' KIBOR plus 120 bps	299,760	299,880
20,000	20,000	3,325	Dec-17	Bank Alfalah Limited - IV*	15% p.a.	66,493	99,760
56,600	56,600	5,000	Jun-22	Standard Chartered Bank (Pakistan) Limited*	6 months' KIBOR plus 75 bps	283,000	283,000
						<b>798,953</b>	<b>832,400</b>
						<b>2,930,295</b>	<b>3,249,658</b>

\*These Term Finance Certificates are sub -ordinated.

11.11.1 These Term Finance Certificates have face value of Rs.5,000 per certificate except for Habib Bank Limited which have face value of Rs.100,000 and Askari Bank Limited - IV which have face value of Rs.1,000,000 per certificate.

#### 11.12 Foreign Currency Bonds

<u>2016</u>	<u>2015</u>	<u>Redeemable value per certificate</u>	<u>Maturity Date</u>	<u>Name of Security</u>	<u>Rate</u>	<u>2016</u>	<u>2015</u>
<u>No of certificates of US \$ 100 each</u>		<u>(Rupees)</u>				<u>(Rupees in '000)</u>	
<b>Federal Government Securities Available for sale</b>							
202,000	130,000	10,472	Jun-17	Government of Pakistan Bonds	6.875% p.a.	2,115,256	1,338,682
-	59,770	-	Mar-16	Government of Pakistan Bonds	7.125% p.a.	-	623,277
55,000	55,000	10,696	Apr-19	Government of Pakistan Bonds	7.250% p.a.	588,306	588,574
30,000	30,000	11,025	Apr-24	Government of Pakistan Bonds	8.250% p.a.	330,757	334,338
50,000	50,000	10,554	Sep-25	Government of Pakistan Bonds	8.250% p.a.	527,715	529,239
						<b>3,562,034</b>	<b>3,414,110</b>
<b>Held to maturity</b>							
145,000	145,000	10,586	Apr-19	Government of Pakistan Bonds	7.250% p.a.	1,534,906	1,545,762
30,000	30,000	11,014	Apr-24	Government of Pakistan Bonds	8.250% p.a.	330,419	333,940
						<b>1,865,325</b>	<b>1,879,702</b>
						<b>5,427,359</b>	<b>5,293,812</b>
<b>Others Available for sale</b>							
50,000	-	10,722	Jan-19	Government of Srilanka Bonds	6% p.a.	536,086	-
70,000	20,000	10,541	May-17	Bank of Ceylon	6.875% p.a.	737,850	211,134
20,000	20,000	10,451	Apr-18	Bank of Ceylon	5.325% p.a.	209,025	209,160
20,000	20,000	10,460	Jan-21	Kingdom of Bahrain	5.875% p.a.	209,197	209,482
						<b>1,692,158</b>	<b>629,776</b>
<b>Held to maturity</b>							
25,000	-	10,487	May-17	Bank of Ceylon	6.875% p.a.	262,184	-
25,000	-	10,352	Apr-18	Bank of Ceylon	5.325% p.a.	258,812	-
						<b>520,996</b>	<b>-</b>
						<b>2,213,154</b>	<b>629,776</b>
						<b>7,640,513</b>	<b>5,923,588</b>



### 11.13 Ordinary shares of unlisted companies

2016	2015	Name of companies	Note	2016 (Rupees in '000)	2015
<b>3,000,000</b>	3,000,000	Khushhali Bank Limited Par value per share: Rs. 10 Break-up value per share: Rs. 23.08 (2015: Rs. 19.27) based on audited financial statements for the year ended 31 December 2015 Chief Executive: Mr. Ghalib Nishtar		<b>30,000</b>	30,000
<b>569,958</b>	569,958	Pakistan Export Finance Guarantee Agency Limited Par value per share: Rs. 10 Break-up value per share: Rs. 0.16 (2015: Rs. 0.16) based on audited financial statements for the year ended 31 December 2011 Chief Executive: Mr. S. M. Zaeem		<b>5,700</b>	5,700
<b>39</b>	39	Society for Worldwide Interbank Financial Telecommunication allocated shares based on the financial contribution from network based serviced by the Bank.		<b>9,829</b>	9,829
<b>4,007,383</b>	4,007,383	Pakistan Stock Exchange Limited Per value per share: Rs. 10 Break-up value per share: Rs.9.98 (2015: Rs.10.17) based on audited financial statements for the year ended 30 June 2016 Chief Executive: Mr. Nadeem Naqvi		<b>25,285</b>	25,285
				<b>70,814</b>	70,814

### 11.14 Associates

<b>9,415,312</b>	9,415,312	Habib Sugar Mills Limited % of holding: 6.28% (2015: 6.28%) Par value per share: Rs. 5 Market value: Rs. 452.877 million (2015: Rs. 357.876 million) Chief Executive: Mr. Raaesul Hasan	11.14.1	<b>438,756</b>	396,615
<b>6,900,000</b>	6,900,000	Habib Asset Management Limited % of holding: 30% (2015: 30%) Par value per share: Rs. 10 Break-up value per share: Rs. 11.12 (2015: Rs. 11.23) based on audited financial statements for the year ended 30 June 2016 Chief Executive: Mr. Imran Azim	11.14.2	<b>83,788</b>	84,236
<b>1,363,808</b>	1,357,163	First Habib Income Fund Average cost per unit: Rs. 109.99 (2015: Rs. 110.52) Net asset value: Rs. 102.78 (2015: Rs. 105.16) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		<b>140,172</b>	142,719
<b>100,000</b>	100,000	First Habib Stock Fund Average cost per unit: Rs. 100 (2015: Rs. 100) Net Asset Value: Rs. 124.28 (2015: Rs. 95.34) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		<b>12,428</b>	9,534
<b>1,392,189</b>	1,392,189	First Habib Cash Fund Average cost per unit: Rs. 107.74 (2015: Rs. 107.74) Net Asset Value: Rs. 103.01 (2015: Rs. 103.51) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		<b>143,409</b>	144,106



<u>2016</u>	<u>2015</u>	<u>Name of companies</u>	<u>2016</u>	<u>2015</u>
<u>No. of ordinary shares / units</u>			<u>(Rupees in '000)</u>	
100,929	100,929	First Habib Islamic Balanced Fund Average cost per unit: Rs. 99.08 (2015: Rs. 99.08) Net Asset Value: Rs. 117.31 (2015: Rs. 97.22) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	11,840	9,812
			<u>830,393</u>	<u>787,022</u>

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

11.14.2 It includes Rs. 24.750 million (2015: 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.

	<u>2016</u>	<u>2015</u>
	<u>(Rupees in '000)</u>	
<b>11.15 Movement of Investments in associates</b>		
Opening balance	787,022	1,158,614
Share of profit	71,267	89,066
Investment-net	–	(303,285)
Dividend received	(41,792)	(70,740)
Capital loss	–	(84,782)
Unrealised gain / (loss)	13,896	(1,851)
Closing balance	<u>830,393</u>	<u>787,022</u>

**11.16 Summary of audited financial information of associates**

<u>Name of associates</u>	<u>Based on the financial information for the year ended</u>	<u>2016</u>				
		<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	<u>Profit/(loss)</u>
<u>(Rupees in '000)</u>						
First Habib Cash Fund	June 30, 2016	1,082,904	48,370	1,034,534	85,335	40,415
First Habib Income Fund	June 30, 2016	1,373,133	42,750	1,330,383	153,491	46,148
First Habib Stock Fund	June 30, 2016	168,004	35,339	132,665	16,602	3,088
Habib Asset Management Limited	June 30, 2016	263,510	7,784	255,726	64,456	(2,617)
Habib Sugar Mills Limited	September 30, 2016	8,624,071	2,092,634	6,531,437	8,824,643	824,962
First Habib Islamic Balanced Fund	June 30, 2016	124,940	11,007	113,933	7,983	2,245
<u>2015</u>						
		<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	<u>Profit</u>
<u>(Rupees in '000)</u>						
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



	Note	2016 (Rupees in '000)	2015
<b>12. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
– In Pakistan		<b>209,997,822</b>	171,210,572
– Outside Pakistan		<b>18,611,520</b>	14,648,449
		<b>228,609,342</b>	185,859,021
Islamic financing and related assets - gross	12.2	<b>18,134,258</b>	11,982,735
Net investment in finance lease			
– In Pakistan	12.3	<b>8,305,218</b>	4,297,187
– Outside Pakistan		–	–
		<b>8,305,218</b>	4,297,187
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		<b>1,635,915</b>	3,222,616
– Payable outside Pakistan		<b>12,582,959</b>	10,340,898
		<b>14,218,874</b>	13,563,514
Advances - gross		<b>269,267,692</b>	215,702,457
Provision against non-performing loans and advances			
– Specific provision	12.4	<b>(4,882,330)</b>	(5,537,371)
– General provision against small enterprises and consumer advances (as per SBP regulations)	12.5.1	<b>(194,839)</b>	(126,279)
– General provision	12.5.2	<b>(2,750,000)</b>	(2,750,000)
		<b>(7,827,169)</b>	(8,413,650)
Advances - net of provisions		<b>261,440,523</b>	207,288,807
<b>12.1 Particulars of advances - gross</b>			
<b>12.1.1</b> In local currency		<b>231,104,624</b>	185,240,169
In foreign currencies		<b>38,163,068</b>	30,462,288
		<b>269,267,692</b>	215,702,457
<b>12.1.2</b> Short term (for upto one year)		<b>210,265,538</b>	171,531,626
Long term (for over one year)		<b>59,002,154</b>	44,170,831
		<b>269,267,692</b>	215,702,457



	Note	2016 (Rupees in '000)	2015
<b>12.2</b>	These represent financing and related assets placed under Shariah permissible modes which includes following:		
Murabaha		<b>3,153,222</b>	2,850,625
Export refinance murabaha		<b>408,789</b>	32,351
	12.2.1	<b>3,562,011</b>	2,882,976
Net book value of assets / investments in ijarah under IFAS 2	12.2.2	<b>1,338,279</b>	695,688
Diminishing musharaka		<b>5,264,472</b>	3,639,528
Musawama		<b>960,059</b>	274,033
Export refinance istisna		<b>2,052,048</b>	2,491,638
Istisna		<b>1,771,968</b>	568,922
Gross financing		<b>14,948,837</b>	10,552,785
Advance against murabaha		<b>668,142</b>	1,176,821
Advance against ijarah		<b>864,728</b>	253,129
Advance against diminishing musharaka		<b>1,563,383</b>	–
Advance against istisna		<b>89,168</b>	–
Islamic financing and related assets - gross		<b>18,134,258</b>	11,982,735
<b>12.2.1</b>	Murabaha - gross	<b>3,631,394</b>	2,963,501
	Less: Deferred murabaha income	<b>(35,087)</b>	(28,252)
	Profit receivable shown in other assets	<b>(34,296)</b>	(52,273)
	Murabaha	<b>3,562,011</b>	2,882,976

#### 12.2.2 Ijarah financing under IFAS 2

	2016								
	Cost			Accumulated Depreciation			Book Value		Rate of depreciation %
	As at 01 Jan.	Additions / (deletions)	As at 31 Dec.	As at 01 Jan.	Charge / (deletions)	As at 31 Dec.	As at 31 Dec.		
(Rupees in '000)									
Equipment	605,815	519,191 (47,965)	1,077,041	243,205	223,669 (43,585)	423,289	653,752		
Vehicles	420,318	515,181 (37,414)	898,085	87,240	142,023 (15,705)	213,558	684,527		
	<b>1,026,133</b>	<b>1,034,372 (85,379)</b>	<b>1,975,126</b>	<b>330,445</b>	<b>365,692 (59,290)</b>	<b>636,847</b>	<b>1,338,279</b>	<b>33.33</b>	
2015									
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		
	<b>863,852</b>	<b>432,838 (270,557)</b>	<b>1,026,133</b>	<b>375,537</b>	<b>197,765 (242,857)</b>	<b>330,445</b>	<b>695,688</b>	<b>33.33</b>	



### 12.2.2.1 Future Ijarah payments receivable

	2016	2015
	(Rupees in '000)	
Not later than one year	516,871	287,100
Later than one year and not later than five years	758,045	378,456
	<u>1,274,916</u>	<u>665,556</u>

### 12.3 Net investment in finance lease

	2016				2015			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)							
Lease rentals receivable	2,945,964	4,204,933	-	7,150,897	1,684,785	2,161,445	-	3,846,230
Residual value	313,626	1,663,587	-	1,977,213	88,205	810,705	-	898,910
Minimum lease payments	3,259,590	5,868,520	-	9,128,110	1,772,990	2,972,150	-	4,745,140
Financial charges for future periods	(396,369)	(426,523)	-	(822,892)	(235,365)	(212,588)	-	(447,953)
Present value of minimum lease payments	<u>2,863,221</u>	<u>5,441,997</u>	<u>-</u>	<u>8,305,218</u>	<u>1,537,625</u>	<u>2,759,562</u>	<u>-</u>	<u>4,297,187</u>

12.4 Advances include Rs. 5,715.466 million (2015: Rs 5,874.374 million) which have been placed under non-performing status as detailed below:

	2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Category of classification									
Other assets especially mentioned	18,908	-	18,908	530	-	530	530	-	530
Substandard	94,120	-	94,120	23,071	-	23,071	23,071	-	23,071
Doubtful	1,426,456	-	1,426,456	699,328	-	699,328	699,328	-	699,328
Loss	3,235,378	940,604	4,175,982	3,218,793	940,604	4,159,397	3,218,797	940,604	4,159,401
	<u>4,774,862</u>	<u>940,604</u>	<u>5,715,466</u>	<u>3,941,722</u>	<u>940,604</u>	<u>4,882,326</u>	<u>3,941,726</u>	<u>940,604</u>	<u>4,882,330</u>
	2015								
	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
	<u>4,926,713</u>	<u>947,661</u>	<u>5,874,374</u>	<u>4,579,992</u>	<u>947,661</u>	<u>5,527,653</u>	<u>4,589,710</u>	<u>947,661</u>	<u>5,537,371</u>

12.4.1 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.



## 12.5 Particulars of provision against non-performing loans and advances

Note	2016			2015		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	5,537,371	2,876,279	8,413,650	4,032,817	2,583,182	6,615,999
Charge for the year						
– Specific provision	947,403	–	947,403	1,732,123	–	1,732,123
– General provision for small enterprises and consumer portfolio	–	68,560	68,560	–	43,097	43,097
– General provision for loans and advances	–	–	–	–	250,000	250,000
Reversals	(1,457,020)	–	(1,457,020)	(261,941)	–	(261,941)
	(509,617)	68,560	(441,057)	1,470,182	293,097	1,763,279
Exchange adjustment	(1,281)	–	(1,281)	34,593	–	34,593
Amount written-off	(144,143)	–	(144,143)	(221)	–	(221)
Closing balance	4,882,330	2,944,839	7,827,169	5,537,371	2,876,279	8,413,650

**12.5.1** General provision represents provision amounting to Rs. 134.178 million (2015: Rs. 100.618 million) against consumer finance portfolio and Rs. 60.661 million (2015: 25.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP. General provision against consumer finance portfolio includes Rs. 5.344 million (2015: Rs. 1.784 million) permissible under Shariah.

**12.5.2** 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 2016 amounts to Rs. 2,750 million (2015: Rs.2,750 million).

### 12.5.3 Particulars of provision against non-performing loans and advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	3,941,726	2,944,839	6,886,565	4,589,710	2,876,279	7,465,989
In foreign currency	940,604	–	940,604	947,661	–	947,661
	4,882,330	2,944,839	7,827,169	5,537,371	2,876,279	8,413,650

## 12.6 Particulars of write-offs

	2016		2015	
	(Rupees in '000)			
<b>12.6.1</b> Against provision	144,143		221	
Directly charged to profit and loss account	–		34	
	144,143		255	
<b>12.6.2</b> Write-offs of Rs. 500,000 and above	144,017		–	
Write-offs of below Rs. 500,000	126		255	
	144,143		255	

**12.6.3** 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 2016 is given in Annexure 1.



12.7 Particulars of loans and advances to directors, associated companies etc.	Note	2016 (Rupees in '000)	2015
(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		2,675,584	2,316,795
Loans granted during the year		1,447,728	969,084
Repayments		(731,778)	(610,295)
Balance at end of the year		<u>3,391,534</u>	<u>2,675,584</u>
(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		978,041	1,517,483
Loans granted during the year		27,478,082	22,453,719
Repayments		(27,064,890)	(22,993,161)
Balance at end of the year		<u>1,391,233</u>	<u>978,041</u>
<b>13. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	13.1	650,415	703,896
Property and equipment	13.2	18,134,963	15,009,585
Intangible assets	13.3	129,128	68,913
		<u>18,914,506</u>	<u>15,782,394</u>
<b>13.1 Capital work-in-progress</b>			
Civil works		227,401	184,829
Advance payment towards suppliers, contractors and property		407,743	472,987
Consultants' fee and other charges		15,271	46,080
		<u>650,415</u>	<u>703,896</u>





## 13.2 Property and equipment

2016

	Cost / Revalued amount			Accumulated depreciation		Book value		Rate of depreciation %
	As at 01 January 2016	Additions / (deletions) / transfers	As at 31 December 2016	As at 01 January 2016	Charge / (deletions) / transfers	As at 31 December 2016	As at 31 December 2016	
(Rupees in '000)								
<i>Owned</i>								
Leasehold land	4,387,106	1,026,087	5,413,193	-	-	-	5,413,193	-
		-			-			
		-			-			
Buildings on leasehold land	6,575,207	1,436,178	8,017,627	311,190	227,336	540,351	7,477,276	2.22 - 10
		6,242			1,825			
Improvements to leasehold buildings	1,469,261	344,253 (17,254) (6,242)	1,790,018	300,291	272,324 (6,791) (1,825)	563,999	1,226,019	20
Furniture and fixtures	676,659	189,080 (20,102)	845,637	333,476	64,236 (17,917)	379,795	465,842	10
		-			-			
Electrical, office and computer equipments	5,039,531	1,144,485 (173,994)	6,010,022	3,131,744	679,344 (170,469)	3,640,619	2,369,403	20
		-			-			
Vehicles	1,828,966	610,262 (214,228)	2,225,000	890,444	351,233 (199,907)	1,041,770	1,183,230	20
		-			-			
	19,976,730	4,750,345 (425,578)	24,301,497	4,967,145	1,594,473 (395,084)	6,166,534	18,134,963	



2015

	Cost / Revalued amount			Accumulated depreciation			Book value		
	As at 01 January 2015	Revaluation surplus	Additions / (deletions) transfers	As at 31 December 2015	As at 01 January 2015	Charge / (deletions) transfers	As at 31 December 2015	As at 31 December 2015	Rate of depreciation %
	(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) 3,091	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) (3,091)	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)	2,757,234 (383,229)	19,976,730	4,094,473	1,182,001 (309,329)	4,967,145	15,009,585	



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
<b>Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000</b>					
Improvements to leasehold buildings	17,254	10,463	-	Write off	-
Furniture and fixtures	16,741	1,347	1,036	Auction	Karachi Auction Mart, Karachi.
Electrical, office and computer equipments	56,657	1,804	3,961	Auction	Karachi Auction Mart, Karachi.
Electrical, office and computer equipments	8,447	123	638	Auction	M/s. Farhan & Co, Karachi.
Electrical, office and computer equipments	1,339	3	53	Auction	M/s. Gulzar - e - Madina Traders, Gujrat.
Electrical, office and computer equipments	8,085	313	397	Auction	M/s. Price 7 International, Karachi.
Electrical, office and computer equipments	83,744	11	4,298	Auction	M/s. Edwards & Robertson, Karachi.
Electrical, office and computer equipments	1,061	478	-	Write off	-
Electrical, office and computer equipments	993	270	798	Insurance claim	Habib Insurance Company Limited (a related party), Karachi.
Vehicles	11,881	5,303	9,845	Insurance claim	Habib Insurance Company Limited (a related party), Karachi.
Vehicles	9,715	1	9,863	Auction	Mr. Abdul Samad Khan, Karachi.
Vehicles	1,162	8	909	Auction	Mr. Ali Raza, Karachi.
Vehicles	1,857	308	1,102	Auction	Mr. Amir Ali, Karachi.
Vehicles	3,356	1	2,307	Auction	Mr. Cornell Jb Fernandes, Karachi.
Vehicles	1,234	-	949	Auction	Dr. Mariya Nazir, Karachi.
Vehicles	1,109	-	566	Auction	Mr. Faizan Umar Paracha, Karachi.
Vehicles	1,109	-	541	Auction	Mr. Farhan Aijaz, Karachi.
Vehicles	1,192	-	1,051	Auction	Mr. Gul Sher, Karachi.
Vehicles	1,149	-	510	Auction	Mr. Hafeez Ahmed, Karachi.
Vehicles	7,236	1	5,233	Auction	Mr. Hasan Ali Warsi, Karachi.
Vehicles	1,129	-	622	Auction	Mr. Jawed Muhammad Khan, Karachi.
Vehicles	12,665	1	8,258	Auction	Mr. Khalid Anwar, Karachi.
Vehicles	1,185	-	634	Auction	Mr. Khalid Saifullah, Karachi.
Vehicles	1,099	-	581	Auction	M/s. Noble Pharma, Karachi.
Vehicles	1,346	-	1,062	Auction	Mr. Mohsin Ahmed, Karachi.
Vehicles	1,185	-	648	Auction	Ms. Doulat Amin, Karachi.
Vehicles	1,281	-	1,098	Auction	Ms. Fauzia Nadeem, Karachi.
Vehicles	1,185	-	610	Auction	Mr. Mohammad Arif, Karachi.
Vehicles	1,170	-	602	Auction	Mr. Mohammad Hamza, Karachi.
Vehicles	1,545	16	1,253	Auction	Mr. Muhammad Imran, Karachi.
Vehicles	12,183	1	5,978	Auction	Mr. Mohammad Nadeem Chaudhry, Karachi.
Vehicles	2,248	19	998	Auction	Mr. Muhammad Nasir Khan, Karachi.
Vehicles	2,672	-	2,167	Auction	Mr. Muhammad Qasimudin, Karachi.
Vehicles	2,279	-	1,054	Auction	Mr. Muhammad Salim Khan, Karachi.
Vehicles	4,332	40	2,053	Auction	Mr. Muhammad Umer, Karachi.
Vehicles	1,651	-	1,046	Auction	Mr. Mohammad Zaman, Karachi.
Vehicles	1,202	120	597	Auction	Mr. Mustafa Hayat, Karachi.
Vehicles	5,312	-	3,398	Auction	Mr. Nadeem, Karachi.
Vehicles	1,426	-	1,130	Auction	Mr. Naimatullah Khan Haji, Karachi.
Vehicles	1,382	346	634	Auction	Mr. Nouman Ahmed Siddiqui, Karachi.
Vehicles	1,682	-	1,272	Auction	Mr. Numeri Abrar, Karachi.
Vehicles	1,109	-	570	Auction	Mr. Nusrat Iqbal, Karachi.
Vehicles	6,425	-	4,957	Auction	Mr. Rana Abdul Samad, Karachi.
Vehicles	1,303	-	978	Auction	Mr. Rashid Ayooob, Karachi.
Vehicles	1,426	-	1,093	Auction	Mr. Shakeel Ahmed, Karachi.
Vehicles	1,054	-	901	Auction	Mr. Sher Alam, Karachi.
Vehicles	1,110	-	818	Auction	Syed Amir Ali, Karachi.
Vehicles	1,384	-	1,160	Auction	Syed Riaz Ahmed, Karachi.
Vehicles	10,331	182	6,757	Auction	Mr. Waseem Mirza, Karachi.
Vehicles	3,653	-	2,507	Auction	Mr. Wazeer Muhammad, Karachi.
Vehicles	2,417	-	1,647	Auction	Mr. Zahid Ali, Karachi.
Vehicles	1,426	-	1,093	Auction	Mr. Zahid Qadri, Karachi.
Vehicles	47,543	7,874	7,939	As per Bank's policy and decision	Various employees / ex - employees / family members of deceased employees.
<b>Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000</b>					
Furniture and fixtures	3,361	838	326		
Electrical, office and computer equipments	13,668	523	1,996		
Vehicles	33,888	100	19,392		
	<u>425,578</u>	<u>30,494</u>	<u>131,886</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:

	2016 (Rupees in '000)	2015
Leasehold land	4,196,584	3,170,497
Buildings on leasehold land	5,287,763	3,993,187
	<u>9,484,347</u>	<u>7,163,684</u>

**13.2.3** As at 31 December 2016, the gross carrying amount of fully depreciated assets still in use amounted to Rs. 2,657.478 million (2015: Rs. 2,243.084 million).

### 13.3 Intangible assets

	2016							
	Cost			Accumulated Amortisation			Book Value	
	As at 01 January	Additions	As at 31 December	As at 01 January	Charge	As at 31 December	As at 31 December	Rate of Amortisation %
	(Rupees in '000)							
Computer software	455,354	135,364	590,718	395,906	75,149	471,055	119,663	50
Trading Rights								
Entitlement								
Certificate	34,750	-	34,750	25,285	-	25,285	9,465	
	<u>490,104</u>	<u>135,364</u>	<u>625,468</u>	<u>421,191</u>	<u>75,149</u>	<u>496,340</u>	<u>129,128</u>	
	2015							
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>	

**13.3.1** As at 31 December 2016, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs.413.673 million (2015: Rs. 284.187 million).

	Note	2016 (Rupees in '000)	2015
<b>14. OTHER ASSETS</b>			
Mark-up / return / interest accrued in local currency		9,532,498	12,511,203
Mark-up / return / interest accrued in foreign currencies		238,631	192,910
Advances, deposits and prepayments		831,596	736,102
Advance taxation (payments less provisions)		174,216	-
Branch adjustment account		413,345	-
Unrealised gain on forward foreign exchange contracts		240,264	260,746
Stationery and stamps on hand		142,298	143,198
Receivable from SBP on encashment of Government Securities		200,213	22,012
Non-refundable deposits	14.1	58,673	66,282
Non-banking assets acquired in satisfaction of claims	14.2	189,437	181,336
ATM settlement account		347,026	-
Receivable against sale of securities		40,844	291,953
Others		205,938	126,013
		<u>12,614,979</u>	<u>14,531,755</u>
Provision held against other assets		(3,752)	-
Other assets - net		<u>12,611,227</u>	<u>14,531,755</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** During the year, the Bank revalued its non - banking assets acquired in satisfaction of claims according to the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated 1 January 2016. Had there been no revaluation, the net book value of non - banking assets acquired in satisfaction of claims would have amounted to:

	Note	2016 (Rupees in '000)	2015
Leasehold land		129,836	129,836
Buildings on leasehold land		46,350	51,500
		<b>176,186</b>	<b>181,336</b>
<b>15. BILLS PAYABLE</b>			
In Pakistan		<b>13,872,057</b>	8,665,462
<b>16. BORROWINGS</b>			
In Pakistan		<b>92,572,633</b>	62,586,995
Outside Pakistan		<b>1,144,712</b>	5,304
		<b>93,717,345</b>	<b>62,592,299</b>
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		<b>88,388,693</b>	62,586,995
In foreign currencies		<b>5,328,652</b>	5,304
		<b>93,717,345</b>	<b>62,592,299</b>
<b>16.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from SBP			
Export refinance scheme	16.3	<b>20,143,239</b>	19,118,954
Long term financing for export oriented projects		—	4,246
Long term financing for imported and locally manufactured plant and machinery	16.4	<b>5,632,293</b>	3,953,374
Financing facility for storage of agricultural produce	16.5	<b>56,875</b>	36,861
		<b>25,832,407</b>	23,113,435
Repurchase agreement borrowings	16.6	<b>62,556,286</b>	39,473,560
		<b>88,388,693</b>	62,586,995
<b>Unsecured</b>			
Borrowings from financial institutions	16.7	<b>4,183,940</b>	—
Overdrawn nostros		<b>1,144,712</b>	5,304
		<b>5,328,652</b>	5,304
		<b>93,717,345</b>	<b>62,592,299</b>



- 16.3** These carry mark - up rates ranging from 1% to 2% (2015: 2.50% to 3.50%) 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 2% to 8.8% (2015: 2.00% to 10.10% ) per annum having maturity periods upto ten years.
- 16.5** These carry mark - up rate of 3.50% (2015: 3.50% to 7.50%) per annum having maturity periods upto 2 to 3 years.
- 16.6** These repurchase agreement borrowings are secured against market treasury bills, which carry mark - up rates ranging from 5.85% to 5.88% (2015: 6.10% to 6.21%) per annum, having maturity periods upto one month.
- 16.7** This carry mark - up rate of 1.75% (2015: Nil) having maturity period upto three months.

	Note	2016 (Rupees in '000)	2015
<b>17. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		114,762,820	120,268,519
Savings deposits		170,130,029	150,427,540
Current accounts - Remunerative		72,737,910	57,094,573
Current accounts - Non-remunerative		210,377,190	175,902,813
		<b>568,007,949</b>	<b>503,693,445</b>
<b>Financial institutions</b>			
Remunerative deposits		14,144,649	11,451,951
Non-remunerative deposits		2,013,380	1,052,151
		<b>16,158,029</b>	<b>12,504,102</b>
		<b>584,165,978</b>	<b>516,197,547</b>
<b>17.1 Particulars of deposits</b>			
In local currency		515,722,554	454,111,416
In foreign currencies		68,443,424	62,086,131
		<b>584,165,978</b>	<b>516,197,547</b>
<b>17.2</b> Deposits include Rs. 22,607.349 million (2015: Rs. 14,718.557 million) placed under permissible Shariah modes.			
<b>18. SUB-ORDINATED LOANS - unsecured</b>			
Term Finance Certificates (TFCs) - IV - (Unquoted)	18.1	–	2,994,600
Term Finance Certificates (TFCs) - V - (Unquoted)	18.2	3,999,200	–
		<b>3,999,200</b>	<b>2,994,600</b>
<b>18.1</b> During the year, the Bank exercised the Call option of Term Finance Certificates - IV in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on 30 June 2016.			



## 18.2 Term Finance Certificates - V (Unquoted)

Total issue	Rupees 4,000 million
Rating	<b>AA</b>
Rate	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	March 2026

	Note	2016 (Rupees in '000)	2015
<b>19. DEFERRED TAX LIABILITIES</b>			
<b>Taxable temporary differences arising in respect of:</b>			
Accelerated depreciation		1,127,666	1,029,564
Surplus on revaluation of fixed assets / non - banking assets	22.1	770,977	797,630
Surplus on revaluation of held for trading investments		1,186	-
Surplus on revaluation of available for sale investments	22.2	2,125,680	1,870,538
		<b>4,025,509</b>	<b>3,697,732</b>
<b>Deductible temporary differences arising in respect of:</b>			
Provision against non-performing loans and advances		(32,071)	(106,412)
Provision for compensated absences		(252)	(308)
Recognised tax losses		(8,446)	(8,728)
Intangible assets		(212)	-
Provision against diminution in the value of investments		(570)	(69,761)
Remeasurement of defined benefit plan		144,023	115,089
		<b>102,472</b>	<b>(70,120)</b>
		<b>4,127,981</b>	<b>3,627,612</b>

### 19.1 Reconciliation of deferred tax

	Balance as at 01 January 2016	Recognised in profit and loss account (Rupees in '000)	Recognised in surplus on revaluation of assets	Balance as at 31 December 2016
<b>Taxable temporary differences arising in respect of:</b>				
Accelerated depreciation	1,029,564	98,102	-	1,127,666
Surplus on revaluation of fixed assets / non-banking assets	797,630	(28,662)	2,009	770,977
Surplus on revaluation of held for trading investments	-	1,186	-	1,186
Surplus on revaluation of available for sale investments	1,870,538	-	255,142	2,125,680
	<b>3,697,732</b>	<b>70,626</b>	<b>257,151</b>	<b>4,025,509</b>
<b>Deductible temporary differences arising in respect of:</b>				
Provision against non-performing loans and advances	(106,412)	74,341	-	(32,071)
Provision for compensated absences	(308)	56	-	(252)
Recognised tax losses	(8,728)	282	-	(8,446)
Intangible assets	-	(212)	-	(212)
Provision against diminution in the value of investments	(69,761)	69,191	-	(570)
Remeasurement of defined benefit plan	115,089	28,934	-	144,023
	<b>(70,120)</b>	<b>172,592</b>	<b>-</b>	<b>102,472</b>
	<b>3,627,612</b>	<b>243,218</b>	<b>257,151</b>	<b>4,127,981</b>



	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
<b>Taxable temporary differences arising in respect of:</b>				
Accelerated depreciation	957,579	71,985	–	1,029,564
Surplus on revaluation of fixed assets / non-banking assets	826,092	(28,462)	–	797,630
Surplus on revaluation of held for trading investments	–	–	–	–
Surplus on revaluation of available for sale investments	936,986	–	933,552	1,870,538
	<u>2,720,657</u>	<u>43,523</u>	<u>933,552</u>	<u>3,697,732</u>
<b>Deductible temporary differences arising in respect of:</b>				
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)
Remeasurement of defined benefit plan	78,430	36,659	–	115,089
	<u>49,195</u>	<u>(119,315)</u>	<u>–</u>	<u>(70,120)</u>
	<u>2,769,852</u>	<u>(75,792)</u>	<u>933,552</u>	<u>3,627,612</u>

	Note	2016 (Rupees in '000)	2015
<b>20. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		1,834,030	1,784,449
Mark-up / return / interest payable in foreign currencies		148,230	131,580
Provision for compensated absences	20.1	417,084	362,923
Taxation (Provisions less payments)		–	297,889
Unclaimed dividends		290,390	229,596
Branch adjustment account		–	73,247
Special exporters' accounts in foreign currencies		73,644	78,524
Unearned commission income		115,154	86,016
Security deposits against leases / ijarah		2,232,355	1,054,304
Other security deposits		417,763	369,690
Unearned loss on forward foreign exchange contracts		745,531	472,048
Workers' welfare fund		722,198	1,063,508
Accrued expenses		673,667	607,116
Payable to defined benefit plan	37.4	411,494	328,824
Provision against off-balance sheet items	20.2	102,257	144,042
Payable to SBP / NBP		81,759	320,683
Payable to supplier against murabaha		158,459	103,247
Payable against purchase of securities		22,422	18,016
Charity payable		2,738	2,690
Insurance payable		232,448	132,061
Payable against sale of marketable securities on behalf of customers		46,379	12,630
Others		313,668	342,423
		<u>9,041,670</u>	<u>8,015,506</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:

	2016 (% per annum)	2015
Discount rate	9.25%	10%
Expected rate of increase in salary in future years	8.25%	9%





		2016 (Rupees in '000)	2015
<b>20.2 Provision against off-balance sheet items</b>			
Opening balance		144,042	105,507
Charge for the year		4,549	38,535
Reversal during the year		(46,334)	-
		<u>(41,785)</u>	<u>38,525</u>
Closing balance		<u>102,257</u>	<u>144,042</u>
<b>21. SHARE CAPITAL</b>			
	2016                  2015 (Number of shares)		
<b>Authorised Capital</b>			
<u>1,500,000,000</u>	<u>1,500,000,000</u>	Ordinary shares of Rs.10/- each	<u>15,000,000</u>
			<u>15,000,000</u>
<b>Issued, subscribed and paid-up capital</b>			
<u>30,000,000</u>	<u>30,000,000</u>	Issued for cash	<u>300,000</u>
<u>1,081,425,416</u>	<u>1,081,425,416</u>	Issued as bonus shares	<u>10,814,254</u>
			<u>11,114,254</u>
			<u>11,114,254</u>
<b>21.1</b>	As of statement of financial position date 197,857,620 (2015: 202,920,855) ordinary shares of Rs. 10/- each were held by the related parties.		
		2016 (Rupees in '000)	2015
<b>22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>	Note		
Fixed assets / non - banking assets	22.1	2,650,950	2,692,363
Available for sale investments	22.2	4,023,367	3,528,100
		<u>6,674,317</u>	<u>6,220,463</u>
<b>22.1 Fixed assets / non - banking assets</b>			
Balance at beginning of the year		3,489,993	3,575,215
Surplus / (adjustment) on revaluation of the Bank's fixed assets / non - banking assets during the year		13,825	(3,905)
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(81,891)	(81,317)
		<u>3,421,927</u>	<u>3,489,993</u>
Related deferred tax liability on:			
Balance at beginning of the year		797,630	826,092
Revaluation of Bank's fixed assets / non - banking assets during the year		2,009	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(28,662)	(28,462)
		<u>(770,977)</u>	<u>(797,630)</u>
		<u>2,650,950</u>	<u>2,692,363</u>



	2016	2015
	(Rupees in '000)	
<b>22.2 Available for sale investments</b>		
Federal Government Securities	4,460,781	4,543,743
Fully paid-up ordinary shares	1,199,280	716,974
Term finance certificates, sukuk bonds and foreign currency bonds and other	71,968	49,163
Units of mutual funds	417,018	88,758
	<u>6,149,047</u>	<u>5,398,638</u>
Related deferred tax liability	<u>(2,125,680)</u>	<u>(1,870,538)</u>
	<u>4,023,367</u>	<u>3,528,100</u>
<b>22.2.1</b>	This includes surplus of Rs. 31.963 million (2015: Rs. 11.300 million) on revaluation of available for sale securities placed as per arrangements permissible under Shariah.	
<b>23. CONTINGENCIES AND COMMITMENTS</b>		
<b>23.1 Direct credit substitutes</b>		
<b>Financial guarantees issued favouring:</b>		
- Financial institutions	930,792	462,800
- Others	4,695,734	5,086,805
	<u>5,626,526</u>	<u>5,549,605</u>
<b>23.2 Transaction-related contingent liabilities</b>		
<b>Guarantees issued favouring:</b>		
- Government	34,649,327	29,798,948
- Financial institutions	594,401	668,750
- Others	11,682,502	6,743,423
	<u>46,926,230</u>	<u>37,211,121</u>
<b>23.3 Trade-related contingent liabilities</b>		
Letters of credit	107,641,921	77,847,579
Acceptances	16,622,601	13,547,110
Bankers liability rediscount	1,898,680	-
	<u>126,163,202</u>	<u>91,394,689</u>
<b>23.4 Commitments in respect of forward lending</b>		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>10,967,104</u>	<u>10,748,236</u>
<b>23.5 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>49,396,754</u>	<u>46,760,182</u>
Sale	<u>28,383,678</u>	<u>28,769,804</u>
The maturities of above contracts are spread over the periods upto two years.		
<b>23.6 Commitments for the acquisition of operating fixed assets</b>	<u>329,766</u>	<u>636,406</u>
<b>23.7 Claims against the Bank not acknowledged as debts</b>	<u>4,459,758</u>	<u>4,616,297</u>



### 23.8 Other contingencies

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2015. The income tax assessments of the Bank are complete upto tax year 2013.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) has passed order u/s. 122(5A) of the Income Tax Ordinance, 2001 by disallowing certain expenses. Subsequently, amended order was received from ACIR based on a rectification application filed by the Bank resulting in net aggregate tax impact of Rs. 797.233 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 amortisation 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.

### 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.

	2016	2015
	(Rupees in '000)	
<b>25. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to:		
Customers	14,337,370	14,576,038
Financial institutions	152,532	118,231
	<u>14,489,902</u>	<u>14,694,269</u>
On investments:		
Available for sale securities	19,438,987	20,743,672
Held to maturity securities	13,533,230	14,635,744
	<u>32,972,217</u>	<u>35,379,416</u>
On deposits with financial institutions	201,180	169,715
On securities purchased under resale agreements	60,084	52,961
On Bai Muajjal	95,468	13,086
On call money lendings	1,600	816
	<u>47,820,451</u>	<u>50,310,263</u>

25.1 These include Rs. 1,320.354 million (2015: Rs. 1,155.163 million) pertaining to Islamic banking out of which Rs. 82.387 million (2015: Rs. 84.825 million) represents profit from placements permissible under Shariah.

### 26. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	17,440,420	18,502,643
Sub-ordinated loans	444,277	458,513
Repurchase agreement borrowings	3,904,952	5,028,611
Borrowings from SBP	603,166	969,378
Other borrowings	739,536	516,412
	<u>23,132,351</u>	<u>25,475,557</u>



	2016 (Rupees in '000)	2015
<b>27. DIVIDEND INCOME</b>		
<b>Listed shares</b>		
Adamjee Insurance Company Limited	525	150
AL - Ghazi Tractors Limited	600	-
Allied Bank Limited	5,472	5,417
Askari Bank Limited	-	150
Attock Petroleum Limited	7,866	6,166
Attock Refinery Limited	500	-
Cherat Cement Company Limited	506	900
D.G. Khan Cement Company Limited	1,500	1,250
Dawood Hercules Corporation Limited	519	-
EFU General Insurance Limited	50	-
Engro Corporation Limited	5,340	858
Engro Fertilizer Limited	2,750	699
Fatima Fertilizer Company Limited	313	-
Fauji Cement Company Limited	2,960	750
Fauji Fertilizer Bin Qasim Limited	305	10,440
Fauji Fertilizer Company Limited	38,690	38,600
Faysal Bank Limited	100	-
First Habib Modaraba	294	323
Habib Bank Limited	16,983	12,630
Habib Metropolitan Bank Limited	30,055	55,920
Hascol Petroleum Limited	175	-
Hub Power Company Limited	98,951	74,849
ICI Pakistan Limited	450	-
Indus Motor Company Limited	1,539	-
International Industries Limited	238	210
International Steels Limited	7,029	-
Kot Addu Power Company Limited	59,702	46,337
Lalpir Power Limited	4,944	4,189
Lucky Cement Limited	100	248
MCB Bank Limited	14,073	6,478
Meezan Bank Limited	-	357
Millat Tractors Limited	600	-
Nishat Chunian Power Limited	32,268	35,183
Oil & Gas Development Company Limited	-	443
Packages Limited	263	158
Pak Electron Limited	313	125
Pakgen Power Limited	9,648	8,830
Pakistan Oilfields Limited	33,218	32,533
Pakistan Petroleum Limited	3,987	14,128
Pakistan State Oil Company Limited	11,806	9,375
Pakistan Stock Exchange Limited	601	1,483
Pakistan Telecommunication Company Limited	7,033	949
Pioneer Cement Limited	188	-
Rafhan Maize Products Company Limited	384	-
Shell Pakistan Limited	360	180
Soneri Bank Limited	20,677	11,580
Standard Chartered Bank (Pakistan) Limited	6,366	7,162
The SEARLE Company Limited	150	-
United Bank Limited	13,715	12,247
	<b>444,106</b>	<b>401,297</b>
<b>Mutual funds</b>		
National Investment (Unit) Trust	49,647	46,889
NIT Government Bond Fund	36,461	67,089
NIT Government Treasury Fund	998	-
NIT Income Fund	13,241	21,081
NIT Islamic Equity Fund	10,520	-
PIML Income Fund	-	308
	<b>110,867</b>	<b>135,367</b>
	<b>554,973</b>	<b>536,664</b>



	Note	2016 (Rupees in '000)	2015
<b>28. GAIN ON SALE / REDEMPTION OF SECURITIES - NET</b>			
Mutual funds		–	233,464
Government securities		–	26
Listed shares		<b>722,579</b>	(96,626)
		<b>722,579</b>	<b>136,864</b>
<b>29. OTHER INCOME</b>			
Gain on sale of operating fixed assets		<b>101,392</b>	56,359
Recovery of expenses from customers	29.1	<b>209,117</b>	178,839
Lockers rent		<b>327</b>	512
Cheque book issuance / cheque return charges		<b>243,819</b>	261,120
Banking charges		<b>82,274</b>	74,927
Others		<b>90,335</b>	123,741
		<b>727,264</b>	<b>695,498</b>
<b>29.1</b>	Includes courier, SWIFT, postage and other charges recovered from customers.		
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		<b>7,931,020</b>	6,761,742
Charge for defined benefit plan	37.6	<b>217,568</b>	171,390
Charge for defined contribution plan		<b>319,518</b>	263,530
Charge for employees compensated absences		<b>54,174</b>	49,654
Non-executive directors' fee, allowances and other expenses		<b>9,975</b>	8,325
Rent, taxes, insurance, electricity, etc.		<b>2,376,725</b>	2,057,585
Legal and professional charges		<b>218,921</b>	92,605
Communications		<b>291,765</b>	310,366
Repairs and maintenance		<b>1,377,235</b>	1,090,009
Security charges		<b>815,480</b>	712,443
Stationery and printing		<b>443,690</b>	386,179
Advertisement and publicity		<b>326,010</b>	324,846
Donations	30.1	<b>184,900</b>	49,100
Auditors' remuneration	30.2	<b>6,541</b>	4,440
Depreciation		<b>1,600,197</b>	1,182,001
Amortisation		<b>82,759</b>	85,720
Travelling and conveyance		<b>158,737</b>	142,898
Vehicle running expenses		<b>361,745</b>	343,853
Commission and brokerage		<b>140,944</b>	85,346
Subscriptions and publications		<b>81,034</b>	48,522
Clearing charges		<b>88,170</b>	92,812
Staff training		<b>26,712</b>	14,596
Entertainment and staff refreshment		<b>289,002</b>	160,256
Cleaning charges		<b>109,488</b>	81,978
Charitable expenses		<b>51,341</b>	40,219
CNIC verification charges		<b>27,308</b>	45,326
Others		<b>191,663</b>	143,503
		<b>17,782,622</b>	<b>14,749,244</b>



	Note	2016 (Rupees in '000)	2015
<b>30.1</b>	The detail of donations is given below:		
	Al-Sayyeda Benevolent Trust	1,500	1,500
	Bank AL Habib Staff Benefit Trust	99,900	100
	Cancer Research & Treatment Foundation	–	10,000
	Childlife Foundation	5,000	–
	Developments in Literacy	500	–
	Friends of Punjab Institute of Cardiology	10,000	–
	GCU Endowment Fund Trust	1,000	1,000
	Habib Education Trust	1,500	1,500
	Habib Medical Trust	1,500	1,500
	Habib Poor Fund	1,500	1,500
	Husaini Hematology and Oncology Trust	10,000	–
	Institute of Management Sciences, Bahauddin Zakariya University	–	1,000
	Jinnah Foundation (Memorial) Trust	–	2,000
	Patients' Aid Foundation	30,000	15,000
	Rahmatbai Habib Food and Clothing Trust	1,500	1,500
	Rahmatbai Habib Widows and Orphans Trust	1,500	1,500
	Sindh Institute of Urology and Transplantation (SIUT)	15,000	7,500
	The Citizens Foundation	4,000	3,500
	The Health Foundation	500	–
		<b>184,900</b>	<b>49,100</b>
<b>30.2</b>	<b>Auditors' remuneration</b>		
	Audit fee - standalone financial statements	2,770	2,532
	Audit fee - consolidated financial statements	550	495
	Half yearly review	825	710
	Special certifications	1,681	253
	Gratuity fund	83	75
	Out of pocket expenses	632	375
		<b>6,541</b>	<b>4,440</b>
<b>31.</b>	<b>OTHER (REVERSALS) / PROVISIONS / WRITE-OFFS</b>		
	(Reversal) / provision against off-balance sheet items	(41,785)	38,535
	Provision against other assets	3,752	–
		<b>(38,033)</b>	<b>38,535</b>
<b>32.</b>	<b>OTHER (REVERSALS) / CHARGES</b>		
	Workers' welfare fund	32.1 (504,305)	251,874
	Penalties imposed by SBP	12,061	50,538
		<b>(492,244)</b>	<b>302,412</b>
<b>32.1</b>	This includes reversal of provision for Workers' Welfare Fund amounting to Rs. 773.160 million for the period from January 2008 to December 2013, based on Supreme Court's judgement dated November 10, 2016.		



	Note	2016 (Rupees in '000)	2015
<b>33. TAXATION</b>			
For the year			
Current		4,304,844	4,509,205
Prior years		502,993	500,484
Deferred		243,218	(75,792)
		<u>5,051,055</u>	<u>4,933,897</u>
<b>33.1 Relationship between tax expense and accounting profit</b>			
Profit before taxation		<u>13,195,634</u>	<u>12,265,649</u>
Tax at the applicable rate of 35% (2015: 35%)		4,618,472	4,292,977
Tax effects of:			
Expenses that are not deductible in determining taxable income		3,316	140,436
Tax effect of prior year provisions	33.1.1	502,993	500,484
Others		(73,726)	–
		<u>5,051,055</u>	<u>4,933,897</u>
<b>33.1.1</b>	This amount includes super tax at the rate of 4% on income of Banks for the year ended 31 December 2014 (Tax Year 2015) introduced by the Federal Government vide Finance Act, 2015. This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. This super tax has been extended for 31 December 2015 (Tax Year 2016).		
<b>34. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY</b>			
Profit after taxation - attributable to equity holders of the Holding company		<u>8,143,343</u>	<u>7,332,742</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>7.33</u>	<u>6.60</u>
<b>35. CASH AND CASH EQUIVALENTS</b>	Note	2016 (Rupees in '000)	2015
Cash and balances with treasury banks	8	50,600,061	38,577,760
Balances with other banks	9	2,910,200	3,204,284
Overdrawn nostros	16	(1,144,712)	(5,304)
		<u>52,365,549</u>	<u>41,776,740</u>
		(Numbers)	
<b>36. STAFF STRENGTH</b>			
Permanent		8,308	7,232
Temporary / on contractual basis		306	265
Group's own staff at end of the year		8,614	7,497
Outsourced		2,180	1,918
Total staff strength		<u>10,794</u>	<u>9,415</u>



## 37. DEFINED BENEFIT PLAN

### 37.1 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

### 37.2 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2016 and the significant assumptions used for actuarial valuation were as follows:

	2016	2015
<b>37.3 Significant Actuarial Assumptions</b>		
<b>Financial Assumptions</b>		
Discount Rate	9.25%	10%
Salary Increase Rate	8.25%	9%
<b>Demographic Assumptions</b>		
Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Moderate
	2016	2015
	(Rupees in '000)	
<b>37.4 Statement of Financial Position</b>		
Present value of defined benefit obligation	1,938,013	1,622,662
Fair value of plan assets	(1,526,519)	(1,293,838)
Deficit	411,494	328,824
<b>37.5 Movement in net defined benefit liability</b>		
Balance accrued as at beginning of the year	328,824	224,085
Net periodic benefit cost for the year ended	217,568	171,390
Employer's contribution during the year	(217,568)	(171,390)
Amount of remeasurements losses recognised in Other Comprehensive Income during the year	82,670	104,739
Balance accrued as at end of the year	411,494	328,824





	2016	2015
	(Rupees in '000)	
<b>37.6 Defined Benefit Cost for the Year</b>		
<b>Cost recognised in Profit and Loss Account for the year</b>		
Service cost		
Current service cost	186,216	159,496
Net interest cost		
Interest cost on defined benefit obligation	166,978	148,029
Interest income on plan assets	(135,626)	(136,135)
Net interest cost	31,352	11,894
Cost recognised in Profit and Loss for the year	217,568	171,390
<b>Remeasurements recognised in Other Comprehensive Income during the year</b>		
Actuarial loss on obligation	65,784	61,060
Actuarial loss on assets	16,886	43,679
Remeasurement loss recognised in Other Comprehensive Income	82,670	104,739
<b>Total defined benefit cost recognised in Profit and Loss Account and Other Comprehensive Income</b>	<b>300,238</b>	<b>276,129</b>
<b>37.7 Movement in the present value of defined benefit obligation</b>		
Present value of defined benefit obligation at beginning of year	1,622,662	1,327,761
Service cost	186,216	159,496
Interest cost on defined benefit obligation	166,978	148,029
Actual benefits paid during the year	(103,627)	(73,684)
Actuarial loss on obligation	65,784	61,060
Present value of defined benefit obligation at end of year	<b>1,938,013</b>	<b>1,622,662</b>
<b>37.8 Movement in the fair value of plan assets</b>		
Fair value of plan assets at beginning of year	1,293,838	1,103,676
Interest income on plan assets	135,626	136,135
Actual contribution by employer	217,568	171,390
Actual benefits paid during the year	(103,627)	(73,684)
Actuarial loss on plan assets	(16,886)	(43,679)
Fair value of plan assets at end of year	<b>1,526,519</b>	<b>1,293,838</b>
<b>37.9 Actual return on plan assets</b>	<b>153,787</b>	<b>154,698</b>



	2017 (Rupees in '000)
<b>37.10 Charge and contribution for the year ending 31 December 2017</b>	
<i>Service cost</i>	
Current service cost	218,742
<i>Net interest cost</i>	
Interest cost on defined benefit obligation	184,786
Interest income on plan assets	(148,369)
Net interest cost	36,417
Cost to be recognised in Profit and loss account for the year 2017	255,159
	2016 (Rupees in '000)
<b>37.11 Analysis of Present value of defined benefit obligation</b>	
<i>Vested / Non-Vested</i>	
Vested Benefits	1,788,446
Non-Vested benefits	149,567
Total	1,938,013
<i>Type of Benefits</i>	
Accumulated Benefit Obligation	868,323
Amounts attributed to future salary increases	1,069,690
Total	1,938,013
<b>37.12 Remeasurements recognised in Other Comprehensive Income during the year</b>	
<i>Actuarial loss on obligation</i>	
Gain due to change in financial assumptions	(8,153)
Loss due to change in experience adjustments	73,937
Total actuarial loss on obligation	65,784
<i>Net return on plan assets over interest income</i>	
Actuarial loss on plan assets	16,886
Remeasurements loss recognised in Other Comprehensive Income during the year	82,670



**2016**  
(Rupees in '000)

**37.13 Disaggregation of fair value of plan assets**

Cash and Cash equivalents (after adjusting current liabilities)	10,741
<i>Unquoted investments</i>	
Pakistan Investment Bonds	837,295
SBP - Treasury Bills	210,000
Term Deposit	468,483
	1,515,778
Total fair value of plan assets	1,526,519

**37.14 Maturity profile of the defined benefit obligation**

Distribution of timing of benefit payments	
Within the next 12 months (next annual reporting period)	96,706
Between 2 and 5 years	648,758
Between 5 and 10 years	1,464,806
	2,210,270

**37.15 Sensitivity Analysis on significant actuarial assumptions:  
Actuarial Liability**

The Weighted average duration of the PBO is 10.83 years.

Discount Rate + 1%	1,744,393
Discount Rate - 1%	2,166,740
Long Term Salary Increases + 1%	2,176,725
Long Term Salary Increases - 1%	1,733,013



### 38. DEFINED CONTRIBUTION PLAN

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

### 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Fee	–	–	14,142	8,325	–	–
Managerial remuneration	20,467	16,000	15,227	10,400	2,270,838	1,844,656
Charge for defined benefit plan	9,655	1,333	12,611	867	324,772	271,751
Contribution to defined contribution plan	2,047	1,600	1,523	1,040	171,826	138,445
Rent and house maintenance	8,187	6,400	6,091	4,160	795,191	646,817
Utilities	3,986	3,361	1,542	1,057	198,798	161,685
Medical	–	51	100	47	69,105	55,552
Bonus	5,000	5,333	3,920	3,467	479,452	526,827
Others	–	–	–	–	54,051	39,022
	<b>49,342</b>	<b>34,078</b>	<b>55,156</b>	<b>29,363</b>	<b>4,364,033</b>	<b>3,684,755</b>
Number of person(s)	<b>2*</b>	<b>1</b>	<b>10</b>	<b>9</b>	<b>2,066</b>	<b>1,592</b>

Executives, including the Chief Executive and Executive Director, are entitled to Group'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 entitled to drivers, club memberships, security arrangements and payment of travel bills in accordance with their terms of employment.

Chairman of the Board is also entitled to Bank's maintained cars, security guard services, payment of utility bills, club and entertainment bills, travelling bills, appropriate office, staff, and administrative support.

\* This includes the former Chief Executive & Managing Director who retired during the year.

### 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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	Carrying amount					Total	Fair value			Total	
		Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Other Financial Assets		Other Financial Liabilities (Rupees in '000)	Level 1	Level 2		Level 3
<b>On - balance sheet financial instruments</b>												
Financial assets measured at fair value												
- Investments												
		292,029,937	-	-	-	-	292,029,937	-	292,029,937	-	292,029,937	
		1,700,622	-	-	-	-	1,700,622	-	1,700,622	-	1,700,622	
		4,418,825	157,385	-	-	-	4,576,210	4,581,240	-	-	4,581,240	
		2,517,018	-	-	-	-	2,517,018	2,517,018	-	-	2,517,018	
		704,600	-	-	-	-	704,600	704,600	-	-	704,600	
Financial assets not measured at fair value												
	40.1	-	-	-	-	50,600,061	50,600,061	-	-	-	-	
	40.1	-	-	-	-	2,910,200	2,910,200	-	-	-	-	
	40.1	-	-	-	-	-	-	-	-	-	-	
- Investments												
		5,128,571	-	93,489,701	-	-	98,618,272	-	103,305,566	-	103,305,566	
	40.1	-	-	-	-	-	-	-	-	-	-	
	40.1	-	-	520,996	-	-	520,996	-	-	-	-	
	40.1	2,837,799	-	148,566	-	-	2,986,365	-	-	-	-	
	40.1	59,651	-	-	-	-	59,651	-	-	-	-	
	40.1	798,953	-	-	-	-	798,953	-	-	-	-	
Associates												
		-	-	-	-	438,756	438,756	438,756	-	-	438,756	
		-	-	-	-	83,788	83,788	83,788	-	-	83,788	
	40.1	-	-	-	-	307,849	307,849	-	-	-	-	
- Advances												
	40.1	-	-	-	261,440,523	-	261,440,523	-	-	-	-	
- Other assets												
	40.1	-	-	-	-	10,454,636	10,454,636	-	-	-	-	
		310,195,976	157,385	94,159,263	261,440,523	64,795,290	730,748,437	8,325,402	397,036,125	-	405,361,527	
Financial liabilities not measured at fair value												
	40.1	-	-	-	-	-	(13,872,057)	-	-	-	-	
	40.1	-	-	-	-	-	(93,717,345)	-	-	-	-	
	40.1	-	-	-	-	-	(584,165,978)	-	-	-	-	
	40.1	-	-	-	-	-	(3,999,200)	-	-	-	-	
	40.1	-	-	-	-	-	(7,684,940)	-	-	-	-	
		-	-	-	-	-	(703,439,520)	-	-	-	-	
		310,195,976	157,385	94,159,263	261,440,523	64,795,290	(703,439,520)	27,308,917	8,325,402	397,036,125	-	405,361,527
<b>Off-balance sheet financial instruments measured at fair value</b>												
Forward purchase of foreign exchange contracts												
		-	-	-	-	-	49,396,754	-	48,711,786	-	48,711,786	
Forward sale of foreign exchange contracts												
		-	-	-	-	-	(28,383,678)	-	(28,563,379)	-	(28,563,379)	
<b>Off-balance sheet financial instruments not measured at fair value</b>												
	40.1	-	-	-	-	-	10,967,104	-	-	-	-	



2015

	Note	Carrying amount					Total	Fair value			Total
		Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Other Financial Assets		Other Financial Liabilities (Rupees in '000)	Level 1	Level 2	
<b>On - balance sheet financial instruments</b>											
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 - Others		627,606	-	-	-	-	627,606	-	627,606	-	627,606
Fully paid-up ordinary shares - Listed		4,589,414	-	-	-	-	4,589,414	4,791,436	-	-	4,791,436
Units of mutual funds		1,638,758	-	-	-	-	1,638,758	1,638,758	-	-	1,638,758
Term Finance Certificates - Listed		705,764	-	-	-	-	705,764	705,764	-	-	705,764
Financial assets not measured at fair value											
- Cash and bank balances with treasury bank	40.1	-	-	-	-	38,577,760	38,577,760	-	-	-	-
- Balances with other banks	40.1	-	-	-	-	3,204,284	3,204,284	-	-	-	-
- Lendings to financial institutions	40.1	-	-	-	-	3,992,794	3,992,794	-	-	-	-
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC + Others)		1,964,286	-	132,866,129	-	-	134,830,415	-	144,377,844	-	144,377,844
Other Federal Government Securities	40.1	-	-	1,825,278	-	-	1,825,278	-	-	-	-
Foreign Currency Bonds - Others	40.1	-	-	-	-	-	-	-	-	-	-
Sukuk Bonds - Others	40.1	2,472,178	-	172,888	-	-	2,645,066	-	-	-	-
Fully paid-up ordinary shares - Unlisted	40.1	59,651	-	-	-	-	59,651	-	-	-	-
Term Finance Certificates - Unlisted	40.1	832,400	-	-	-	-	832,400	-	-	-	-
Associates											
Listed shares		-	-	-	-	396,615	396,615	396,615	-	-	396,615
Mutual funds		-	-	-	-	306,171	306,171	306,171	-	-	306,171
Unlisted shares	40.1	-	-	-	-	84,236	84,236	-	-	-	-
- Advances	40.1	-	-	-	207,288,807	-	207,288,807	-	-	-	-
- Other assets	40.1	-	-	-	-	13,392,385	13,392,385	-	-	-	-
		221,255,449	-	134,864,295	207,288,807	59,954,245	623,362,796	7,838,744	353,370,842	-	361,209,586
Financial liabilities not measured at fair value											
- Bills payable	40.1	-	-	-	-	-	(8,665,462)	-	-	-	-
- Borrowings	40.1	-	-	-	-	-	(62,592,299)	-	-	-	-
- Deposits and other accounts	40.1	-	-	-	-	-	(516,197,547)	-	-	-	-
- Sub-ordinated loans	40.1	-	-	-	-	-	(2,994,600)	-	-	-	-
- Other liabilities	40.1	-	-	-	-	-	(5,975,219)	-	-	-	-
		-	-	-	-	-	(596,425,127)	-	-	-	-
		221,255,449	-	134,864,295	207,288,807	59,954,245	(596,425,127)	7,838,744	353,370,842	-	361,209,586
<b>Off-balance sheet financial instruments measured at fair value</b>											
Forward purchase of foreign exchange contracts		-	-	-	-	-	46,760,182	-	46,443,437	-	46,443,437
Forward sale of foreign exchange contracts		-	-	-	-	-	(28,769,804)	-	(28,875,247)	-	(28,875,247)
<b>Off-balance sheet financial instruments not measured at fair value</b>											
Commitment to extend credit	40.1	-	-	-	-	-	10,748,236	-	-	-	-

The Group 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 liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

40.1 The Group has not disclosed the fair values for these financial assets and liabilities, as these are for short term or reprice over short term. Therefore their carrying amounts are reasonable approximation of fair value.

40.2 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.



#### 41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016				Total
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000)	Inter Segment Elimination	
Total income	22,105,025	46,993,572	59,759	(16,216,075)	52,942,281
Total expenses	(17,631,376)	(38,276,418)	(54,928)	16,216,075	(39,746,647)
Net income	<u>4,473,649</u>	<u>8,717,154</u>	<u>4,831</u>	<u>-</u>	<u>13,195,634</u>
Segment assets (net of provisions)	<u>598,809,237</u>	<u>703,342,652</u>	<u>409,448</u>	<u>(550,741,803)</u>	<u>751,819,534</u>
Segment non performing loans	<u>47,601</u>	<u>5,667,865</u>	<u>-</u>	<u>-</u>	<u>5,715,466</u>
Segment provision required	<u>41,589</u>	<u>4,840,737</u>	<u>-</u>	<u>-</u>	<u>4,882,326</u>
Segment liabilities	<u>596,427,227</u>	<u>663,005,608</u>	<u>233,199</u>	<u>(550,741,803)</u>	<u>708,924,231</u>
Segment return on assets (ROA) (%)*	<u>3.69%</u>	<u>6.68%</u>	<u>14.60%</u>		
Segment cost of funds (%)*	<u>2.96%</u>	<u>5.77%</u>	<u>23.55%</u>		

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

	2015				Total
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000)	Inter Segment Elimination	
Total income	23,535,055	47,869,114	64,416	(16,671,853)	54,796,732
Total expenses	(17,765,538)	(41,370,186)	(67,212)	16,671,853	(42,531,083)
Net income	<u>5,769,517</u>	<u>6,498,928</u>	<u>(2,796)</u>	<u>-</u>	<u>12,265,649</u>
Segment assets (net of provisions)	<u>476,499,192</u>	<u>610,607,459</u>	<u>342,663</u>	<u>(447,164,754)</u>	<u>640,284,560</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>474,750,169</u>	<u>574,328,844</u>	<u>178,767</u>	<u>(447,164,754)</u>	<u>602,093,026</u>
Segment return on assets (ROA) (%)*	<u>4.94%</u>	<u>7.84%</u>	<u>18.80%</u>		
Segment cost of funds (%)*	<u>3.74%</u>	<u>7.20%</u>	<u>37.60%</u>		

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

#### 42. 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, 21.1 and 39 are summarised as follows:

	2016				
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
<b>Deposits</b>					
At beginning of the year	3,398,002	183,973	432,539	325,824	4,340,338
Placements during the year	116,514,517	2,811,177	2,212,391	4,772,953	126,311,038
Withdrawals during the year	(117,135,141)	(2,438,591)	(2,193,840)	(4,256,002)	(126,023,574)
At end of the year	<u>2,777,378</u>	<u>556,559</u>	<u>451,090</u>	<u>842,775</u>	<u>4,627,802</u>
<b>Advances</b>					
At beginning of the year	978,041	144	54,478	-	1,032,663
Given during the year	27,478,082	5,112	89,093	-	27,572,287
Repaid during the year	(27,064,890)	(5,046)	(94,511)	-	(27,164,447)
At end of the year	<u>1,391,233</u>	<u>210</u>	<u>49,060</u>	<u>-</u>	<u>1,440,503</u>
<b>Investments</b>					
At beginning of the year	787,022	-	-	-	787,022
Investments made during the year	-	-	-	-	-
Redeemed / adjusted during the year	43,371	-	-	-	43,371
At end of the year	<u>830,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>830,393</u>
Contingencies and commitments	<u>1,191,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,191,933</u>
Forward purchase contracts	227,946	-	-	-	227,946
Other assets	1,523	-	-	-	1,523
Other liabilities	3,751	-	-	-	3,751
Unrealised loss on forward contracts	(3,763)	-	-	-	(3,763)
Sale / redemption of securities	29,614	-	-	615,758	645,372
Redemption of mutual funds	-	-	-	-	-
Purchase of securities	-	-	-	-	-
Purchase of mutual funds	-	-	-	-	-
Mark-up earned	68,674	-	3,170	-	71,844
Mark-up expensed	196,089	16,114	27,296	35,209	274,708
Bank charges and commission	5,059	10	48	-	5,117
Gain on sale of securities and mutual funds	-	-	-	-	-
Salaries and allowances	-	-	379,247	-	379,247
Bonus	-	-	49,599	-	49,599
Contribution to defined contribution plan	-	-	15,567	-	15,567
Contribution to defined benefit plan	-	-	43,027	-	43,027
Staff provident fund	-	-	-	321,448	321,448
Staff gratuity fund	-	-	-	217,568	217,568
Directors' fee	-	13,317	-	-	13,317
Insurance claim received	13,210	-	-	-	13,210
Insurance premium paid	150,293	-	-	-	150,293
Dividend income	41,792	-	-	-	41,792
Rental paid	-	-	-	-	-
Donation	109,900	-	-	-	109,900
Brokerage and advisory income	1,140	-	26	9	1,175
Other expensed	5,751	-	-	-	5,751
Other income	282	-	-	96	378





	2015				Total
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	
<b>Deposits</b>					
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
<b>Advances</b>					
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
<b>Investments</b>					
At beginning of the year	1,158,614	-	-	-	1,158,614
Investments made during the year	548,287	-	-	-	548,287
Redeemed / adjusted during the year	(919,879)	-	-	-	(919,879)
At end of the year	787,022	-	-	-	787,022
Contingencies and commitments	749,299	-	-	-	749,299
Forward purchase contracts	-	-	-	-	-
Other assets	-	-	-	-	-
Other liabilities	-	-	-	-	-
Unrealised loss on forward contracts	-	-	-	-	-
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
Purchase of mutual funds	546,574	-	-	-	546,574
Mark-up earned	90,421	3	3,085	-	93,509
Mark-up expensed	141,868	10,947	28,449	5,304	186,568
Bank charges and commission	3,572	11	1,109	-	4,692
Gain 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



## 43. CAPITAL ASSESSMENT AND ADEQUACY

### 43.1 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 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:

	<b>2016</b>
Required CAR	<u>10.65%</u>
CAR on standalone basis	<u>14.18%</u>
CAR on consolidated basis	<u>14.28%</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

#### iii) Leverage Ratio:

The leverage ratio compares Tier 1 capital to total exposure, which includes on balance sheet exposures and credit equivalent of certain off balance sheet exposures adjusted by the regulatory credit conversion factors. The Bank's current leverage ratio is 3.62% which is above the current minimum requirement of 3% set by SBP.



### 43.2 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, 2016:

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.

### 43.3 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.

2016                  2015  
(Rupees in '000)

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

Fully Paid-up Capital	<b>11,114,254</b>	11,114,254
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General / Statutory Reserves	<b>11,703,978</b>	10,080,132
Gains / (losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits / (losses)	<b>13,043,606</b>	10,414,605
Minority interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	<b>51,368</b>	70,340
<b>CET 1 before Regulatory Adjustments</b>	<b>35,913,206</b>	31,679,331
Total regulatory adjustments applied to CET1 (Note 43.3.2)	<b>(724,467)</b>	(796,848)
<b>Common Equity Tier 1</b>	<b>(a) 35,188,739</b>	30,882,483
<b>Additional Tier 1 (AT 1) Capital</b>		
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	-	-
<b>AT1 before regulatory adjustments</b>	-	-
Total regulatory adjustments applied to AT1 capital (Note 43.3.3)	<b>(16,758)</b>	(25,271)
Additional Tier 1 capital after regulatory adjustments	<b>(16,758)</b>	(25,271)
<b>Additional Tier 1 capital recognised for capital adequacy</b>	<b>(b) (16,758)</b>	(25,271)
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>(c=a+b) 35,171,981</b>	30,857,212



	2016	2015
	(Rupees in '000)	
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	3,994,400	–
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	–	2,153,760
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	2,944,839	2,876,278
Revaluation Reserves (net of taxes)	5,196,908	4,167,711
of which: Revaluation reserves on fixed assets	2,058,682	1,803,884
of which: Unrealised gains/(losses) on AFS	3,138,226	2,363,827
Foreign Exchange Translation Reserves	244,933	249,101
Undisclosed / Other Reserves (if any)	–	–
<b>T2 before regulatory adjustments</b>	<b>12,381,080</b>	<b>9,446,850</b>
Total regulatory adjustment applied to T2 capital (Note 43.3.4)	(513,386)	(280,794)
Tier 2 capital (T2) after regulatory adjustments	<b>11,867,694</b>	<b>9,166,056</b>
Tier 2 capital recognised for capital adequacy	<b>11,867,694</b>	<b>9,166,056</b>
Portion of Additional Tier 1 capital recognised in Tier 2 capital	–	–
<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>(d) 11,867,694</b>	<b>9,166,056</b>
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>(e=c+d) 47,039,675</b>	<b>40,023,268</b>
<b>Total Risk Weighted Assets (RWA) (Note 43.6)</b>	<b>(f) 329,420,972</b>	<b>288,647,264</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
<b>CET1 to total RWA</b>	<b>(a/f) 10.68%</b>	<b>10.70%</b>
<b>Tier-1 capital to total RWA</b>	<b>(c/f) 10.68%</b>	<b>10.69%</b>
<b>Total capital to total RWA</b>	<b>(e/f) 14.28%</b>	<b>13.87%</b>
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	<b>6.65%</b>	<b>6.25%</b>
of which: capital conservation buffer requirement	<b>0.65%</b>	<b>0.25%</b>
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)	<b>4.68%</b>	<b>4.70%</b>
<b>National minimum capital requirements prescribed by SBP</b>		
<b>CET1 minimum ratio</b>	<b>6.00%</b>	<b>6.00%</b>
<b>Tier 1 minimum ratio</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Total capital minimum ratio</b>	<b>10.65%</b>	<b>10.25%</b>



2016  
2015  
(Rupees in '000)

#### 43.3.2 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	–	–
All other intangibles (net of any associated deferred tax liability)	(129,128)	(68,913)
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	(595,339)	(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 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	(724,467)	(796,848)

#### 43.3.3 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	(16,758)	(25,271)
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
Total regulatory adjustment applied to AT1 capital	(16,758)	(25,271)



2016                      2015  
(Rupees in '000)

**43.3.4 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	(16,758)	(25,271)
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	(493,479)	(255,524)
Investment in own Tier 2 capital instrument	(3,149)	-
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	-	-
<b>Total regulatory adjustment applied to T2 capital</b>	<b>(513,386)</b>	<b>(280,795)</b>

**43.3.5 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)	2,944,839	2,876,278
Cap on inclusion of provisions in Tier 2 under standardised approach	2,944,839	2,876,278
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	-	-



2016 As per published financial statements	2016 Under regulatory scope for consolidation
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(Rupees in '000)

#### 43.4 Capital Structure Reconciliation

##### 43.4.1 Reconciliation of accounting and regulatory scope of consolidation

###### Assets

Cash and balances with treasury banks	50,600,061	50,600,061
Balances with other banks	2,910,200	2,910,200
Lendings to financial institutions	-	-
Investments	405,343,017	405,343,017
Advances	261,440,523	261,440,523
Operating fixed assets	18,914,506	18,914,506
Deferred tax assets	-	-
Other assets	12,611,227	12,611,227
<b>Total assets</b>	<b>751,819,534</b>	<b>751,819,534</b>

###### Liabilities & Equity

Bills payable	13,872,057	13,872,057
Borrowings	93,717,345	93,717,345
Deposits and other accounts	584,165,978	584,165,978
Sub-ordinated loans	3,999,200	3,999,200
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	4,127,981	4,127,981
Other liabilities	9,041,670	9,041,670
<b>Total liabilities</b>	<b>708,924,231</b>	<b>708,924,231</b>

Share capital/Head office capital account	11,114,254	11,114,254
Reserves	11,948,911	11,948,911
Unappropriated/Unremitted profits/(losses)	13,043,606	13,043,606
Minority interest	114,215	114,215
Surplus on revaluation of assets	6,674,317	6,674,317
<b>Total equity</b>	<b>42,895,303</b>	<b>42,895,303</b>

<b>Total liabilities &amp; equity</b>	<b>751,819,534</b>	<b>751,819,534</b>
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	2016	2016
Reference	As per published financial statements	Under regulatory scope of reporting for consolidation

(Rupees in '000)

#### 43.4.2 Reconciliation for balance sheet items that require capital adjustments

##### Assets

Cash and balances with treasury banks	50,600,061	50,600,061
Balances with other banks	2,910,200	2,910,200
Lendings to financial institutions	—	—
Investments	405,343,017	405,343,017
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) 83,788	83,788
of which: Mutual Funds exceeding regulatory threshold	(c) —	—
of which: reciprocal crossholding of capital instrument of CET1	(d) 595,339	595,339
of which: reciprocal crossholding of capital instrument of T2	(e) 493,479	493,479
Advances	261,440,523	261,440,523
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	(f) —	—
General provisions reflected in Tier 2 capital	(g) 2,944,839	2,944,839
Fixed Assets	18,914,506	18,914,506
of which: Intangibles	(h) 129,128	129,128
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	12,611,227	12,611,227
of which: Goodwill	(k) —	—
of which: Defined-benefit pension fund net assets	(l) —	—
<b>Total assets</b>	<b>751,819,534</b>	<b>751,819,534</b>

##### Liabilities & Equity

Bills payable	13,872,057	13,872,057
Borrowings	93,717,345	93,717,345
Deposits and other accounts	584,165,978	584,165,978
Sub-ordinated loans	3,999,200	3,999,200
of which: eligible for inclusion in AT1	(m) —	—
of which: eligible for inclusion in Tier 2	(n) 3,994,400	3,994,400
Liabilities against assets subject to finance lease	—	—
Deferred tax liabilities	4,127,981	4,127,981
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	9,041,670	9,041,670
<b>Total liabilities</b>	<b>708,924,231</b>	<b>708,924,231</b>





Reference	2016	2016
	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	11,948,911	11,948,911
of which: portion eligible for inclusion in CET1	(u) 11,703,978	11,703,978
of which: portion eligible for inclusion in Tier 2	(v) 244,933	244,933
Unappropriated profits / (losses)	(w) 13,043,606	13,043,606
Minority interest	114,215	114,215
of which: portion eligible for inclusion in CET1	(x) 51,368	51,368
of which: portion eligible for inclusion in AT1	(y) -	-
of which: portion eligible for inclusion in Tier 2	(z) -	-
Surplus on revaluation of assets	6,674,317	6,674,317
of which: Revaluation reserves on Properties	(aa) { 2,650,950	2,650,950
of which: Unrealised Gains/(losses) on AFS	4,023,367	4,023,367
In case of Deficit on revaluation (deduction from CET1)	(ab) -	-
<b>Total Equity</b>	<b>42,895,303</b>	<b>42,895,303</b>
<b>Total liabilities &amp; equity</b>	<b>751,819,534</b>	<b>751,819,534</b>



#### 43.4.3 Reconciliation of computation of capital with balance sheet of the Bank

	Source based on reference number from Note 43.4.2	2016 Component of regulatory capital reported by Bank (Rupees in '000)
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
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)	11,703,978
Gains / (Losses) on derivatives held as Cash Flow Hedge		-
Unappropriated/unremitted profits / (losses)	(w)	13,043,606
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)	51,368
<b>CET 1 before Regulatory Adjustments</b>		<b>35,913,206</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
Goodwill (net of related deferred tax liability)	(k)-(o)	-
All other intangibles (net of any associated deferred tax liability)	(h)-(p)	(129,128)
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)	(595,339)
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		-
<b>Total regulatory adjustments applied to CET1</b>		<b>(724,467)</b>
<b>Common Equity Tier 1</b>		<b>35,188,739</b>



Source based on  
reference number  
from Note 43.4.2

2016  
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)	—
<b>AT1 before regulatory adjustments</b>		
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
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		(16,758)
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		—
Total of Regulatory Adjustment applied to AT1 capital		(16,758)
Additional Tier 1 capital		—
<b>Additional Tier 1 capital recognised for capital adequacy</b>		<b>(16,758)</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		<b>35,171,981</b>

### Tier 2 Capital

Qualifying Tier 2 capital instruments under Basel III plus any related share premium		<b>3,994,400</b>
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)	<b>2,944,839</b>
Revaluation Reserves eligible for Tier 2		<b>5,196,908</b>
of which: portion pertaining to Property	portion of (aa) {	<b>2,058,682</b>
of which: portion pertaining to AFS securities		<b>3,138,226</b>
Foreign Exchange Translation Reserves	(v)	<b>244,933</b>
Undisclosed/Other Reserves (if any)		—
<b>T2 before regulatory adjustments</b>		<b>12,381,080</b>



	Source based on reference number from Note 43.4.2	2016 Component of regulatory capital reported by Bank (Rupees in '000)
<b>Tier 2 Capital: regulatory adjustments</b>		
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		(16,758)
Reciprocal cross holdings in Tier 2 instruments		(493,479)
Investment in own Tier 2 capital instrument		(3,149)
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)	-
<b>Amount of Regulatory Adjustment applied to T2 capital</b>		<b>(513,386)</b>
<b>Tier 2 capital (T2)</b>		<b>11,867,694</b>
Tier 2 capital recognised for capital adequacy		11,867,694
Excess Additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		<b>11,867,694</b>
<b>TOTAL CAPITAL (T1 + admissible T2)</b>		<b>47,039,675</b>



#### 43.5 Main Features of Regulatory Capital Instruments

	Main Features	Common Shares	Tier 2 Sub-Ordinated Debt
1	Issuer	Bank AL Habib Limited	Bank AL Habib Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	BAHL	BAHL TFC5
3	Governing law(s) of the instrument (Regulatory Authorities)	Laws of Pakistan (SBP & SECP)	Laws of Pakistan (SBP & SECP)
	Regulatory treatment		
4	Transitional Basel III rules	CET-1	Tier 2
5	Post-transitional Basel III rules	CET-1	Tier 2
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	3,994,400
9	Par value of instrument	Rs. 10	Rs. 5,000
10	Accounting classification	Shareholders' Equity	Liability-Sub-ordinated Loans
11	Original date of issuance	January, 1992	17-Mar-2016
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	N/A	17-Mar-2026
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	17-Mar-2021
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	Floating
18	Coupon rate and any related index / benchmark	N/A	6 months Kibor + 0.75%
19	Existence of a dividend / coupon 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	No
22	Noncumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	N/A	Convertible
24	If convertible, conversion trigger (s)	N/A	Upon occurrence of a Point of Non Viability (PONV) event, as defined in SBP's Basel III Instructions
25	If convertible, fully or partially	N/A	Full or Partially: To be determined as per SBP's Basel III Instructions
26	If convertible, conversion rate	N/A	To be determined in the case of trigger event
27	If convertible, mandatory or optional conversion	N/A	To be determined as per SBP's Basel III Instructions
28	If convertible, specify instrument type convertible into	N/A	Common Equity Tier I
29	If convertible, specify issuer of instrument it converts into	N/A	BAHL
30	Write-down feature	N/A	Yes
31	If write-down, write-down trigger (s)	N/A	Upon occurrence of a Point of Non Viability (PONV) event, as defined in SBP's Basel III Instructions
32	If write-down, full or partial	N/A	Full or Partial: To be determined as per SBP's Basel III Instructions
33	If write-down, permanent or temporary	N/A	Permanent or Temporary: To be determined as per SBP's Basel III Instructions
34	If temporary write-down, description of write-up mechanism	N/A	Subject to regulatory instructions / approval
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Sub-ordinated Loans	Sub-ordinate to all other debts, including deposits
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A



	<b>Capital Requirements</b>		<b>Risk Weighted Assets</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>(Rupees in '000)</b>				
<b>43.6 Credit Risk</b>				
<b>On-Balance sheet</b>				
<b>Portfolios subject to standardised approach (Comprehensive)</b>				
Sovereign	809,214	1,123,858	8,092,144	11,238,577
Public sector enterprises	31,297	62,506	312,967	625,063
Banks	466,089	466,437	4,660,893	4,664,369
Corporate	16,009,968	13,125,214	160,099,677	131,252,141
Retail	1,216,251	1,109,769	12,162,513	11,097,689
Residential mortgages	114,816	90,100	1,148,156	901,000
Past due loans	47,917	29,037	479,167	290,365
Equity portfolio	678,706	702,873	6,787,062	7,028,732
Operating fixed assets	1,878,538	1,571,348	18,785,377	15,713,480
Other assets	262,883	238,373	2,628,827	2,383,732
	<b>21,515,679</b>	<b>18,519,515</b>	<b>215,156,783</b>	<b>185,195,148</b>
<b>Off-Balance sheet</b>				
<b>Non-market related</b>				
Direct Credit Substitutes / Acceptances / Standby LCs	1,997,728	1,552,869	19,977,276	15,528,687
Transaction Related Contingent Liabilities	1,457,030	1,213,682	14,570,300	12,136,819
Trade Related Contingent Liabilities	1,519,261	1,107,282	15,192,615	11,072,825
Other Commitments	520,095	770,244	5,200,951	7,702,444
	<b>5,494,114</b>	<b>4,644,077</b>	<b>54,941,142</b>	<b>46,440,775</b>
<b>Market related</b>				
Outstanding Foreign Exchange Contracts	48,609	467,678	486,092	4,676,779
	<b>5,542,723</b>	<b>5,111,755</b>	<b>55,427,234</b>	<b>51,117,554</b>
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to Standardised Approach</u>				
Interest rate risk				
General market risk	199,765	449,441	2,497,057	5,618,014
Specific market risk	68,288	1,991	853,602	24,893
Foreign exchange risk	373,034	238,369	4,662,929	2,979,612
	<b>641,087</b>	<b>689,801</b>	<b>8,013,588</b>	<b>8,622,519</b>
<b>Operational Risk</b>				
<u>Capital Requirement for operational risks</u>	<b>4,065,869</b>	<b>3,496,963</b>	<b>50,823,367</b>	<b>43,712,043</b>
	<b>31,765,358</b>	<b>27,818,034</b>	<b>329,420,972</b>	<b>288,647,264</b>
<b>Capital Adequacy Ratios</b>	<b>Required</b>		<b>Actual</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
CET1 to total RWA	6.00%	6.00%	10.68%	10.70%
Tier-1 capital to total RWA	7.50%	7.50%	10.68%	10.69%
Total capital to total RWA	10.65%	10.25%	14.28%	13.87%
Leverage ratio	3.00%	3.00%	3.62%	3.78%



## 44. 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.

### 44.1 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 and SEs portfolios 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 12.5.



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.

#### 44.1.1 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%	481,669,208	30,247,764	451,421,444
20%	41,539,548	8,312,117	33,227,431
35%	3,280,445	–	3,280,445
50%	46,983,823	29,739,703	17,244,120
75%	22,494,488	3,608,062	18,886,426
100%	182,871,478	12,920,506	169,950,972
125%	58,458,082	2,667,933	55,790,149
150%	126,968	866	126,102
250%	50,273	–	50,273
	<u>837,474,313</u>	<u>87,496,951</u>	<u>749,977,362</u>

#### 44.1.2 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.





#### 44.1.3 Segment by class of business

2016

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	5,086,576	1.89	1,402,916	0.24	2,065,719	1.16
Automobiles and transportation equipment	1,256,170	0.47	9,532,136	1.63	7,536,562	4.22
Cement	1,686,085	0.63	119,843	0.02	486,976	0.27
Chemicals / pharmaceuticals	3,308,758	1.23	2,357,184	0.40	4,210,186	2.35
Commerce and trade	47,486,812	17.63	37,551,130	6.43	25,020,916	14.00
Electronics and electrical appliances	2,412,595	0.89	1,231,736	0.21	2,552,661	1.43
Fertilizers	7,705,861	2.86	2,409,241	0.41	2,393,912	1.34
Financial	4,525,081	1.68	17,211,363	2.95	21,670,587	12.12
Food and allied	37,757,576	14.02	6,202,194	1.06	6,202,103	3.47
Ghee and edible oil	5,890,320	2.19	1,399,947	0.24	8,969,779	5.02
Individuals	12,114,236	4.50	381,397,061	65.29	9,572	0.01
Iron and steel	11,873,068	4.41	879,626	0.15	8,936,209	5.00
Oil refinery / marketing	4,699,340	1.74	22,524,992	3.86	11,244,174	6.29
Paper and board	998,978	0.37	177,899	0.03	930,815	0.52
Plastic products	1,930,003	0.72	748,006	0.13	6,220,534	3.48
Production and transmission of energy	14,293,068	5.31	6,029,997	1.03	8,408,643	4.71
Real estate / construction	4,031,937	1.50	7,901,885	1.35	5,127,079	2.87
Services (other than financial)	5,541,096	2.06	19,996,891	3.42	2,184,879	1.22
Shoes and leather garments	2,315,799	0.86	769,920	0.13	625,821	0.35
Sugar	7,246,005	2.69	1,581,358	0.27	653,005	0.36
Surgical equipments and metal products	1,584,586	0.59	1,444,071	0.25	1,513,207	0.84
Textile						
Spinning	25,246,667	9.37	4,165,021	0.72	10,701,652	5.99
Weaving	10,257,901	3.81	1,138,756	0.19	4,468,533	2.50
Composite	20,784,484	7.72	3,480,410	0.60	9,378,632	5.25
Ready made garments	9,285,050	3.45	3,472,286	0.59	5,087,089	2.85
	65,574,102	24.35	12,256,473	2.10	29,635,906	16.59
Others	19,949,640	7.41	49,040,109	8.40	22,116,713	12.38
	<u>269,267,692</u>	<u>100.00</u>	<u>584,165,978</u>	<u>100.00</u>	<u>178,715,958</u>	<u>100.00</u>



2015

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	3,720,033	1.72	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	2,237,120	1.04	2,195,481	0.43	2,443,822	1.82
Commerce and trade	18,612,434	8.63	31,863,010	6.17	17,348,609	12.93
Electronics and electrical appliances	2,408,006	1.12	584,838	0.11	2,394,325	1.78
Fertilizers	5,000,493	2.32	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	47,466,241	22.01	3,460,041	0.67	3,745,562	2.79
Ghee and edible oil	6,967,057	3.23	1,508,255	0.29	5,563,230	4.15
Individuals	8,423,565	3.90	336,807,253	65.25	7,438	0.01
Iron and steel	11,356,648	5.27	978,783	0.19	8,421,043	6.28
Oil refinery / marketing	2,613,459	1.21	22,133,217	4.29	10,421,054	7.77
Paper and board	1,021,588	0.47	266,392	0.05	1,088,974	0.81
Plastic products	2,458,725	1.14	674,936	0.13	4,819,509	3.59
Production and transmission of energy	11,895,904	5.51	5,284,886	1.02	5,331,743	3.97
Real estate / construction	3,816,348	1.77	6,629,213	1.28	4,316,043	3.22
Services (other than financial)	4,523,004	2.10	15,168,330	2.94	2,669,807	1.99
Shoes and leather garments	2,734,954	1.27	1,684,597	0.33	428,181	0.32
Sugar	6,068,215	2.81	2,598,472	0.50	198,230	0.15
Surgical equipments and metal products	873,359	0.40	1,521,858	0.29	1,339,472	1.00
Textile						
Spinning	21,950,379	10.18	2,229,303	0.43	5,781,415	4.31
Weaving	9,681,318	4.49	1,139,869	0.22	2,910,680	2.16
Composite	17,643,339	8.18	3,607,165	0.70	6,541,323	4.88
Ready made garments	8,097,173	3.75	1,641,323	0.32	4,084,618	3.04
	57,372,209	26.60	8,617,660	1.67	19,318,036	14.39
Others	12,045,563	5.58	44,649,495	8.65	12,814,178	9.55
	<u>215,702,457</u>	<u>100.00</u>	<u>516,197,547</u>	<u>100.00</u>	<u>134,155,415</u>	<u>100.00</u>



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

	2016		2015	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Agriculture / agri business	106,369	90,666	98,192	93,493
Automobiles and transportation equipment	20,000	20,000	27,073	17,073
Commerce and trade	679,281	633,559	929,384	737,694
Electronics and electrical appliances	4,000	400	4,058	4,058
Financial	101,949	85,364	101,949	91,160
Food and allied	7,999	2,000	—	—
Ghee and edible oil	48,371	13,996	3,138	3,138
Individuals	51,467	44,156	49,474	43,734
Iron and steel	583,861	583,861	585,110	554,407
Oil refinery / marketing	—	—	3,983	3,983
Paper and board	5,500	1,375	—	—
Plastic products	61,003	61,003	68,990	62,999
Real estate / construction	147,210	147,210	253,704	253,704
Services (other than financial)	14,930	7,625	16,485	4,122
Shoes and leather garments	5,293	5,293	5,293	3,421
Textile				
Spinning	981,178	976,018	1,361,253	1,307,097
Weaving	150,911	148,796	985,875	977,610
Composite	947,644	947,481	940,811	940,433
Ready made garments	423,574	421,876	431,021	430,664
	2,503,307	2,494,171	3,718,960	3,655,804
Others	1,374,926	691,624	8,581	8,581
	<b>5,715,466</b>	<b>4,882,330</b>	<b>5,874,374</b>	<b>5,537,371</b>

#### 44.1.5 Segment by sector

	2016					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	59,132,429	21.96	47,019,752	8.05	28,750,124	16.09
Private	210,135,263	78.04	537,146,226	91.95	149,965,834	83.91
	<b>269,267,692</b>	<b>100.00</b>	<b>584,165,978</b>	<b>100.00</b>	<b>178,715,958</b>	<b>100.00</b>
	2015					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	50,785,144	23.54	43,839,613	8.49	18,374,421	13.70
Private	164,917,313	76.46	472,357,934	91.51	115,780,994	86.30
	<b>215,702,457</b>	<b>100.00</b>	<b>516,197,547</b>	<b>100.00</b>	<b>134,155,415</b>	<b>100.00</b>



#### 44.1.6 Details of non-performing advances and specific provisions by sector

	2016		2015	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Public / Government	–	–	–	–
Private	5,715,466	4,882,330	5,874,374	5,537,371
	<b>5,715,466</b>	<b>4,882,330</b>	<b>5,874,374</b>	<b>5,537,371</b>

#### 44.1.7 Geographical segment analysis

	2016			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	12,465,392	718,880,541	39,419,219	173,566,014
Middle East	586,405	23,115,542	2,413,684	2,624,763
Asia Pacific	133,140	8,511,368	651,292	2,516,332
Africa	10,697	1,312,083	411,108	8,849
	<b>13,195,634</b>	<b>751,819,534</b>	<b>42,895,303</b>	<b>178,715,958</b>
	2015			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	11,806,999	613,148,371	35,502,638	129,238,609
Middle East	440,422	20,064,708	1,931,407	1,804,106
Asia Pacific	18,687	5,578,785	470,303	3,060,329
Africa	(459)	1,492,696	287,186	52,371
	<b>12,265,649</b>	<b>640,284,560</b>	<b>39,191,534</b>	<b>134,155,415</b>

#### 44.2 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 43.6.

#### **44.2.1 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.



#### 44.2.2 Mismatch of interest rate sensitive assets and liabilities

2016

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)												
<b>On - balance sheet financial instruments</b>												
Assets												
Cash and balances with treasury banks	-	50,600,061	6,144,444	-	-	-	-	-	-	-	-	44,455,617
Balances with other banks	1.20%	2,910,200	1,844,130	-	-	-	-	-	-	-	-	1,066,070
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments - net	7.94%	405,343,017	296,118	112,641,652	8,633,187	142,466,425	38,072,720	19,179,750	45,388,389	30,681,505	-	7,983,271
Advances - net	6.07%	261,440,523	183,929,853	27,013,880	22,905,243	7,016,935	6,091,717	2,961,081	2,565,257	6,110,715	2,845,842	-
Other assets - net	-	10,454,636	-	-	-	-	-	-	-	-	-	10,454,636
		730,748,437	192,214,545	139,655,532	31,538,430	149,483,360	44,164,437	22,140,831	47,953,646	36,792,220	2,845,842	63,959,594
Liabilities												
Bills payable	-	13,872,057	-	-	-	-	-	-	-	-	-	13,872,057
Borrowings	4.63%	93,717,345	81,528,916	5,173,296	1,467,226	149,764	404,928	447,076	784,293	3,761,846	-	-
Deposits and other accounts	4.69%	584,165,978	289,290,824	28,672,784	21,801,979	20,248,381	5,146,706	3,250,501	3,364,233	-	-	212,390,570
Sub-ordinated loans	6.80%	3,999,200	-	3,999,200	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	7,684,940	-	-	-	-	-	-	-	-	-	7,684,940
		703,439,520	370,819,740	37,845,280	23,269,205	20,398,145	5,551,634	3,697,577	4,148,526	3,761,846	-	233,947,567
On - balance sheet gap		27,308,917	(178,605,195)	101,810,252	8,269,225	129,085,215	38,612,803	18,443,254	43,805,120	33,030,374	2,845,842	(169,987,973)
<b>Off - balance sheet financial instruments</b>												
Forward purchase of foreign exchange contracts		49,396,754	8,580,064	20,379,988	13,546,514	6,847,411	42,777	-	-	-	-	-
Forward sale of foreign exchange contracts		(28,383,678)	(8,795,172)	(13,783,101)	(5,591,570)	(213,835)	-	-	-	-	-	-
Forward commitments to extend credit		10,967,104	213,237	1,067,694	4,174,850	3,423,418	2,087,905	-	-	-	-	-
Off - balance sheet gap		31,980,180	(1,871)	7,664,581	12,129,794	10,056,994	2,130,682	-	-	-	-	-
Total interest / yield risk sensitivity gap		59,289,097	(178,607,066)	109,474,833	20,399,019	139,142,209	40,743,485	18,443,254	43,805,120	33,030,374	2,845,842	-
Cumulative interest / yield risk sensitivity gap			(178,607,066)	(69,132,233)	(48,733,214)	90,408,995	131,152,480	149,595,734	193,400,854	226,431,228	229,277,070	-



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												
Cash and balances with treasury banks	-	38,577,760	5,805,938	-	-	-	-	-	-	-	-	32,771,822
Balances with other banks	2.02%	3,204,284	1,837,908	-	-	-	-	-	-	-	-	1,366,376
Lendings to financial institutions	6.26%	3,992,794	3,992,794	-	-	-	-	-	-	-	-	-
Investments - net	9.60%	356,906,766	1,314,122	41,862,859	33,835,205	141,641,535	20,307,649	37,567,377	41,846,206	31,456,967	-	7,074,846
Advances - net	6.66%	207,288,807	148,537,225	26,822,032	15,773,726	5,315,189	2,048,926	1,469,176	1,529,761	3,728,866	2,063,906	-
Other assets - net	-	13,392,385	-	-	-	-	-	-	-	-	-	13,392,385
		623,362,796	161,487,987	68,684,891	49,608,931	146,956,724	22,356,575	39,036,553	43,375,967	35,185,833	2,063,906	54,605,429
Liabilities												
Bills payable	-	8,665,462	-	-	-	-	-	-	-	-	-	8,665,462
Borrowings	5.05%	62,592,299	58,615,271	53,921	83,039	210,767	395,866	374,521	781,832	2,077,082	-	-
Deposits and other accounts	5.21%	516,197,547	254,198,926	18,409,716	26,107,275	28,328,468	5,057,975	3,659,979	3,480,245	-	-	176,954,963
Sub-ordinated loans	15%	2,994,600	-	-	2,994,600	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	5,975,219	-	-	-	-	-	-	-	-	-	5,975,219
		596,425,127	312,814,197	18,463,637	29,184,914	28,539,235	5,453,841	4,034,500	4,262,077	2,077,082	-	191,595,644
On - balance sheet gap		26,937,669	(151,326,210)	50,221,254	20,424,017	118,417,489	16,902,734	35,002,053	39,113,890	33,108,751	2,063,906	(136,990,215)
Off - balance sheet financial instruments												
Forward purchase of foreign exchange contracts		46,760,182	13,172,132	20,220,719	6,826,216	6,541,115	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(28,769,804)	(15,323,278)	(10,026,799)	(3,188,863)	(230,864)	-	-	-	-	-	-
Forward commitments to extend credit		10,748,236	260,156	1,827,220	3,042,180	4,055,680	1,563,000	-	-	-	-	-
Off - balance sheet gap		28,738,614	(1,890,990)	12,021,140	6,679,533	10,365,931	1,563,000	-	-	-	-	-
Total interest / yield risk sensitivity gap		55,676,283	(153,217,200)	62,242,394	27,103,550	128,783,420	18,465,734	35,002,053	39,113,890	33,108,751	2,063,906	
Cumulative interest / yield risk sensitivity gap			(153,217,200)	(90,974,806)	(63,871,256)	64,912,164	83,377,898	118,379,951	157,493,841	190,602,592	192,666,498	



### 44.2.3 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.

	2016			Net
	Assets	Liabilities	Off-balance	currency
			sheet items	exposure
			(Rupees in '000)	
Pakistan Rupee	694,116,611	634,838,775	(21,014,624)	38,263,212
United States Dollar	54,419,874	61,441,043	11,144,416	4,123,247
Great Britain Pound	1,541,266	8,425,365	7,057,384	173,285
Japanese Yen	26,436	41,477	9,110	(5,931)
Euro	1,539,434	3,436,635	2,208,683	311,482
Other currencies	175,913	740,936	595,031	30,008
	<b>751,819,534</b>	<b>708,924,231</b>	<b>–</b>	<b>42,895,303</b>
	2015			Net
	Assets	Liabilities	Off-balance	currency
			sheet items	exposure
			(Rupees in '000)	
Pakistan Rupee	592,411,311	539,207,316	(17,990,377)	35,213,618
United States Dollar	45,409,833	49,507,299	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
	<b>640,284,560</b>	<b>602,093,026</b>	<b>–</b>	<b>38,191,534</b>





### 44.3 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.



#### 44.3.1 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.

	2016									
	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)									
<i>Assets</i>										
Cash and balances with treasury banks	50,600,061	50,600,061	-	-	-	-	-	-	-	-
Balances with other banks	2,910,200	2,910,200	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	405,343,017	(578,293)	108,695,958	2,580,750	150,072,923	40,990,816	20,303,405	47,979,436	34,715,827	582,195
Advances - net	261,440,523	82,864,035	59,558,165	40,664,692	19,351,477	13,077,998	14,965,482	16,008,837	11,980,991	2,968,846
Operating fixed assets	18,914,506	277,140	569,475	4,042,323	925,051	1,590,888	1,357,894	1,333,550	1,008,333	7,809,852
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets - net	12,611,227	10,186,074	1,413,161	297,428	405,370	101,654	47,753	50,996	28,259	80,532
	751,819,534	146,259,217	170,236,759	47,585,193	170,754,821	55,761,356	36,674,534	65,372,819	47,733,410	11,441,425
<i>Liabilities</i>										
Bills payable	13,872,057	13,872,057	-	-	-	-	-	-	-	-
Borrowings	93,717,345	64,271,632	16,977,679	6,920,127	149,764	404,928	447,076	784,294	3,761,845	-
Deposits and other accounts	584,165,978	80,996,481	75,415,552	68,544,747	66,991,149	89,283,688	87,387,483	92,175,492	23,371,386	-
Sub-ordinated loans	3,999,200	-	800	-	800	1,600	1,600	3,200	3,991,200	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	4,127,981	132,168	62,527	839,963	694,172	359,316	528,885	429,099	492,086	589,765
Other liabilities	9,041,670	5,855,251	88,758	18,172	3,303	66,350	90,786	2,040,905	-	878,145
	708,924,231	165,127,589	92,545,316	76,323,009	67,839,188	90,115,882	88,455,830	95,432,990	31,616,517	1,467,910
<i>Net assets</i>	42,895,303	(18,868,372)	77,691,443	(28,737,816)	102,915,633	(34,354,526)	(51,781,296)	(30,060,171)	16,116,893	9,973,515
Share capital	11,114,254									
Reserves	11,948,911									
Unappropriated profit	13,043,606									
Non Controlling interest	114,215									
Surplus on revaluation of assets - net of tax	6,674,317									
	42,895,303									



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)									
<i>Assets</i>										
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	3,992,794	3,992,794	-	-	-	-	-	-	-	-
Investments - net	356,906,766	(696,342)	39,835,878	28,903,150	148,804,048	22,476,912	40,235,635	43,310,918	33,490,598	545,969
Advances - net	207,288,807	40,386,796	43,427,645	60,527,841	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 - net	14,531,755	12,611,408	1,135,201	246,006	218,345	111,767	50,823	40,253	38,139	79,813
	640,284,560	98,343,028	84,934,092	90,326,181	168,546,845	39,023,914	51,822,160	55,841,040	42,394,699	9,052,601
<i>Liabilities</i>										
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	1,092,435	317,290	434,771	571,529	475,503
Other liabilities	8,015,506	5,563,988	7,098	4,347	629,398	28,465	73,596	940,758	-	767,856
	602,093,026	130,055,096	69,829,979	72,851,206	69,241,462	77,553,594	75,404,239	82,054,863	23,859,228	1,243,359
<i>Net assets</i>	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									



#### 44.3.2 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.

	2016									
	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)									
<i>Assets</i>										
Cash and balances with treasury banks	50,600,061	50,600,061	-	-	-	-	-	-	-	-
Balances with other banks	2,910,200	2,910,200	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	405,343,017	11,718,669	108,656,263	2,559,351	142,822,248	40,662,696	19,433,747	46,938,370	32,551,673	-
Advances - net	261,440,523	82,864,035	59,558,165	40,664,692	19,351,477	13,077,998	14,965,482	16,008,837	11,980,991	2,968,846
Operating fixed assets	18,914,506	8,418,620	302,079	445,655	853,684	1,590,888	1,357,895	1,333,550	1,008,333	3,603,802
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets - net	12,611,227	10,397,524	1,389,358	261,723	333,960	101,654	47,753	50,996	28,259	-
	751,819,534	166,909,109	169,905,865	43,931,421	163,361,369	55,433,236	35,804,877	64,331,753	45,569,256	6,572,648
<i>Liabilities</i>										
Bills payable	13,872,057	13,872,057	-	-	-	-	-	-	-	-
Borrowings	93,717,345	64,271,632	16,977,679	6,920,127	149,764	404,928	447,076	784,294	3,761,845	-
Deposits and other accounts	584,165,978	501,681,394	28,672,784	21,801,979	20,248,381	5,146,706	3,250,501	3,364,233	-	-
Sub-ordinated loans	3,999,200	-	800	-	800	1,600	1,600	3,200	3,991,200	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	4,127,981	3,024,716	45,574	68,095	130,924	244,473	224,504	64,725	(265,368)	590,338
Other liabilities	9,041,670	8,677,560	88,758	18,172	3,303	66,350	90,786	96,741	-	-
	708,924,231	591,527,359	45,785,595	28,808,373	20,533,172	5,864,057	4,014,467	4,313,193	7,487,677	590,338
<i>Net assets</i>	42,895,303	(424,618,250)	124,120,270	15,123,048	142,828,197	49,569,179	31,790,410	60,018,560	38,081,579	5,982,310
Share capital	11,114,254									
Reserves	11,948,911									
Unappropriated profit	13,043,606									
Non Controlling interest	114,215									
Surplus on revaluation of assets - net of tax	6,674,317									
	42,895,303									



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)									
<i>Assets</i>										
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	3,992,794	3,992,794	-	-	-	-	-	-	-	-
Investments - net	356,906,766	10,908,662	39,732,567	28,791,085	141,721,759	22,166,308	39,849,310	41,837,033	31,900,042	-
Advances - net	207,288,807	40,386,796	43,427,645	60,527,841	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 - net	14,531,755	12,822,489	1,111,334	210,207	146,746	111,767	50,823	40,253	38,136	-
	640,284,560	117,383,714	84,524,681	89,897,707	161,318,379	35,317,749	51,446,396	54,388,278	40,856,947	5,150,709
<i>Liabilities</i>										
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	8,015,506	7,537,628	7,098	4,347	300,573	28,465	73,596	63,799	-	-
	602,093,026	489,625,210	30,358,673	33,375,303	28,952,316	5,688,197	4,291,372	5,739,362	3,586,520	476,073
<i>Net assets</i>	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									



#### **44.4 Equity position risk in the banking book – Basel Specific**

Except for very limited trading position in equities as mentioned above (note 44.2), 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.

#### **44.5 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.



## 45. ISLAMIC BANKING BUSINESS

45.1 The Bank is operating 41 (2015: 29) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2016 and for the year are as follows:

### 45.1.1 STATEMENT OF FINANCIAL POSITION

	Note	2016 (Rupees in '000)	2015
<b>ASSETS</b>			
Cash and balances with treasury banks		1,552,162	882,606
Balances with and due from financial institutions		302,037	744,861
Investments	45.1.1.1	9,132,670	5,594,911
Islamic financing and related assets	45.1.1.2	18,128,914	11,980,951
Operating fixed assets		182,487	134,795
Other assets		252,443	244,172
		<b>29,550,713</b>	<b>19,582,296</b>
<b>LIABILITIES</b>			
Bills payable		22,514	8,452
Due to financial institutions		2,641,655	2,734,239
Deposits and other accounts		22,607,349	14,718,557
– Current accounts		8,044,145	4,797,701
– Saving accounts		6,533,321	3,675,740
– Term deposits		5,049,667	5,152,092
– Others		81,580	71,726
– Deposits from financial institutions - remunerative		2,897,919	1,019,316
– Deposits from financial institutions - non-remunerative		717	1,982
Due to Head Office		513,406	1,490
Other liabilities		1,125,648	427,968
		<b>(26,910,572)</b>	<b>(17,890,706)</b>
<b>NET ASSETS</b>		<b>2,640,141</b>	<b>1,691,590</b>
<b>REPRESENTED BY:</b>			
Islamic banking fund		2,500,000	1,500,000
Unremitted profit		108,178	180,290
		<b>2,608,178</b>	<b>1,680,290</b>
Surplus on revaluation of assets		31,963	11,300
		<b>2,640,141</b>	<b>1,691,590</b>



	2016	2015
	(Rupees in '000)	
<b>45.1.1.1 Investments</b>		
Sukuk bonds	9,009,327	3,769,633
Bai Muajjal	–	1,825,278
Fully paid-up ordinary shares - Listed	123,343	–
	<u>9,132,670</u>	<u>5,594,911</u>
<b>45.1.1.2 Islamic financing and related assets</b>		
Murabaha	3,153,222	2,850,625
Net book value of assets / investment in ijarah under IFAS 2	1,338,279	695,688
Diminishing musharaka	5,264,472	3,639,528
Musawama	960,059	274,033
Export refinance murabaha	408,789	32,351
Export refinance istisna	2,052,048	2,491,638
Istisna	1,771,968	568,922
Gross financings	14,948,837	10,552,785
Advance against murabaha	668,142	1,176,821
Advance against ijarah	864,728	253,129
Advance against diminishing musharaka	1,563,383	–
Advance against istisna	89,168	–
Islamic financing and related assets - gross	18,134,258	11,982,735
Less: general provisioning against consumer financing	(5,344)	(1,784)
Islamic financing and related assets - net off provision	<u>18,128,914</u>	<u>11,980,951</u>
<b>45.1.1.3 Islamic mode of financing</b>		
Financings / inventory / receivables	14,948,837	10,552,785
Advances	3,185,421	1,429,950
Less: general provision against consumer financing	(5,344)	(1,784)
	<u>18,128,914</u>	<u>11,980,951</u>
<b>45.2 PROFIT AND LOSS ACCOUNT</b>		
Profit / return on financing and placements earned	1,320,354	1,155,163
Profit / return on deposits and other dues expensed	(654,881)	(626,271)
	<u>665,473</u>	<u>528,892</u>
Provision against non-performing loans and advances	(3,560)	(1,096)
Net spread earned	661,913	527,796
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	72,021	45,068
Dividend income	5,615	–
Income from dealing in foreign currencies	20,038	11,241
Gain on sale of securities	8,235	–
Other income	22,033	15,366
	<u>127,942</u>	<u>71,675</u>
	789,855	599,471
<b>OTHER EXPENSES</b>		
Administrative expenses	(681,677)	(419,181)
<b>PROFIT BEFORE TAXATION</b>	<u>108,178</u>	<u>180,290</u>





	2016 (Rupees in '000)	2015
<b>45.3</b> Remuneration to Shariah Board / Advisor	<u>5,334</u>	<u>3,354</u>
<b>45.4 CHARITY FUND</b>		
Opening balance	2,686	2,621
Additions during the year	2,738	2,686
Payments / utilisation during the year		
Health	(630)	(1,021)
Social welfare	(2,056)	(1,600)
	<u>(2,686)</u>	<u>(2,621)</u>
Closing balance	<u>2,738</u>	<u>2,686</u>

The non - shariah compliant income identified during the year is transferred to the charity account.

#### **45.5 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT**

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

##### **General Pool PKR (Mudaraba)**

Generally the deposits parked in general pool are based on normal weightages. The risk of loss is minimal due to the less risky assets parked in General Pool.

##### **Special Pool(s) PKR (Mudaraba)**

Separate pool(s) are created where the customers desire to invest in a special class of assets. These pool(s) rates are higher than the general pool depending on the special class of assets. In case of loss in special pool the loss will be borne by the Special pool members.

##### **General Pool FCY (Mudaraba)**

In FCY pool, all FCY deposits and Investments are parked to share the return among the FCY deposit holders. The weightages are also declared separately.

##### **Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)**

IERS pool is required by SBP to facilitate the exporters under IERS.

##### **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.



#### **45.5.2 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.)

#### **45.5.3 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 - ul - 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, Musawama 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% (2015: 50%) of net income and the depositors' profit sharing ratio was 50% (2015: 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 - ul - 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.



#### 45.5.4 Mudarib share & HIBA distributed to depositor's pool and specific pool

	2016				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	963,914	460,681	48%	82,024	18%
FCY Pool	3,828	3,554	93%	192	5%
2015					
LCY Pool	765,492	382,746	50%	114,730	30%
FCY Pool	2,793	2,514	90%	42	2%

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

	2016 (Percentage)	2015
Profit Rate Earned	6.03%	7.80%
Profit Rate Distributed	3.36%	4.11%

#### 46. SUBSEQUENT EVENT

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 3.5 (2015: Rs. 3.5) per share.

#### 47. GENERAL

47.1 SBP has issued BPRD Circular Letter No. 5 dated February 29, 2016 regarding the classification of Islamic financing and related assets. Accordingly, prior year numbers have been reclassified as follows:

Reclassification from Statement of Financial Position	Reclassification to Statement of Financial Position	2015 (Rupees in '000)	2014
Lendings to Financial Institutions	Investments - net	1,825,278	—
Other assets - net	Advances - net	1,429,950	380,266

No other major reclassifications were made during the year.

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

#### 48. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on January 26, 2017.

ABBAS D. HABIB  
Chairman

MANSOOR ALI KHAN  
Chief Executive

SYED MAZHAR ABBAS  
Director

ANWAR HAJI KARIM  
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 2016**

(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.	Amin Textile Mills 97-B, Gulberg II, Lahore	Mr. Mohamad Rafi (CNIC: 35202-3244650-5) Mr. Tariq Rafi (CNIC: 42301-0838522-7) Mr. Arif Rafi (CNIC: 35202-1504108-3) Mr. Anjum Rafi (CNIC: 35202-2434949-9) Mr. Abdullah Rafi (CNIC: 35200-1416576-7)	Mr. Haji Mohamed Ismail  Mr. Muhammad Rafi  Mr. Muhammad Rafi  Mr. Muhammad Rafi	429,793	52,552	-	482,345	-	53,503	-	53,503
2.	Nova Medicines (Pvt.) Ltd 406, Panorama Center, Raja Ghazanfer Ali Road, Saddar, Karachi	Mr. Khuzema (CNIC: 42301-8563204-1) Ms. Fatema (CNIC: 42301-0780523-2)	Mr. Nauman Bhai  W/o. Mr. Khuzema	-	849	-	849	-	849	-	849
3.	Hassan Cotton Ginners Rajanpur Road, Muhamad Pur, District Rajanpur	Syed Muhammad Saleer Raza Rizvi (CNIC: 32102-3048111-9) Syed John Raza Rizvi (CNIC: 32102-3037661-9)	Syed Mumtaz Hussain Rizvi  Syed Zahid Hussain Rizvi	-	618	172	790	-	618	172	790
4.	Green City CNG F/S & Kit Conversion Center Near NBP Bosan Road Branch, Neel Kot Bosan Road, Multan	Mr. Abdul Waheed Khan (CNIC: 36302-2825475-3)	Mr. Abdul Razzaq Khan	120	623	65	808	-	623	65	688
5.	Union Exports (Pvt.) Limited D-248 Metroville, SITE, Karachi	Mr. Muhammad Ibrahim (CNIC: 42301-8831772-7) Mr. Suleman Ibrahim Bhura (CNIC: 42301-3388707-9)	Mr. Abdul Sattar  Mr. Ibrahim Abdul Sattar	834,460	-	-	834,460	144,017	-	-	144,017
6.	S. J. Industries 7.5-KM, Luddan Road, Burewala	Mr. Muhammad Javed Rafi (CNIC: 35202-9057849-9) Ms. Shehnaz Javed (CNIC: 35202-5172769-2)	Mr. Sheikh Abdul Haq  W/o. Mr. Muhammad Javed Rafi	20,170	8,828	1,009	30,007	-	8,828	1,009	9,837
7.	United Lubricants (Pvt.) Ltd 55-D, Haji Park, Bund Road, Lahore	Mr. Gohar Ejaz (CNIC: 35202-2255457-3) Ms. Aroona Gohar (CNIC: 35202-2183211-8)	Mr. Muhammad Ayub  W/o. Mr. Gohar Ayub	3,983	1,551	228	5,762	-	534	228	762
8.	Mr. Rafiq Ahmed House No. 819, Street No. 45, Sector G-10/4, Islamabad	Mr. Rafiq Ahmed (CNIC: 61101-1886789-7)	Mr. Sheikh Atta Ullah	2,155	570	-	2,725	-	570	-	570
9.	S. Nazim Hussain Shah House No. IB/216, Muhalla Gharibabad Near Khawaja Chowk, Nawabshah	Syed Nazim Hussain Shah (CNIC: 42000-6577545-5)	Syed Kazim Hussain Shah	4,539	4,690	-	9,229	-	3,788	-	3,788
			<b>Total</b>	<b>1,295,220</b>	<b>70,281</b>	<b>1,474</b>	<b>1,366,975</b>	<b>144,017</b>	<b>69,313</b>	<b>1,474</b>	<b>214,804</b>

Note 1: The amount of principal written off was against the specific provision held by the Bank.

Note 2: Interest / mark - up written off was against suspended mark - up.



## **Disclosure on Complaint Handling**

Customer Services and Customer Satisfaction are key indicators of performance, and achievement of efficient customer service and high customer satisfaction assures growth and profitability of the Bank.

The Bank has developed a comprehensive Customer Grievances Handling Policy, in line with regulatory requirements, which is based on the principles of fairness, promptness, and customer's right to approach alternate remedial avenues in case of dissatisfaction. A number of channels are available and advised to customers, through which they may register their complaints to Customer Services Division / CEO's Office. All complaints, including submissions through Website, emails, drop-boxes as well as direct submissions to Customer Services Division / CEO's Office, are logged in the Complaint Management System and acknowledged. The logged complaints are tracked for end-to-end resolution within regulatory timelines and escalated to senior management, as required. In case a complainant is not satisfied with the resolution provided by the Bank, he may escalate his complaint to Banking Mohtasib Pakistan. This process is informed to customers through Branches and the Website.

During 2016, the Complaint Management System has been enhanced to make the process more effective for the Bank to assure compliance with regulatory guidelines, Extensive training has been arranged for Branches and all key customer centric staff to improve service levels and handling of complaints.

During 2016, the Bank received 47,921 complaints through different channels, out of which almost 99% were investigated and closed within defined standards and regulatory requirements.



## Report of Shariah Board as at 31 December 2016

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 Department carried out Shariah Reviews on test check basis, of each class of transactions, the relevant documentation and process flows. Further, during the last year, Shariah Board have also reviewed Internal Shariah Audit Reports that were provided. 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 has developed the basic mechanism for Shariah compliance in its overall operations and should ensure that Shariah Compliance Department and Shariah Board may carry out their responsibilities in an effective manner.
- (iv) The Shariah Board feels that there is a need to further strengthen the system to make it sound enough to ensure that any impure earnings 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. Proper training schedule/calendar needs to be developed and organized for each level. However, trainings have been conducted for the new staff along with 3 refreshers for the old staff. The BOD appreciates the importance of Shariah compliance in the products, processes and operations of the BAHL-IBD. The Management also needs to improve their understanding on the importance of Shariah compliance in these areas.
- (vii) It is required from the management 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 26, 2017



## شریعی بورڈ رپورٹ بمطابق ۳۱ دسمبر ۲۰۱۶ء

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

بورڈ آف ڈائریکٹرز اور انتظامیہ کی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائے کہ بینک الحیب اسلامک بینکنگ ڈویژن کی سرگرمیاں ہمیشہ شریعت کے اصولوں اور شریعی بورڈ کی ہدایات کے مطابق ہوں۔ اسٹیٹ بینک کی جانب سے جاری کردہ شریعی گورننس فریم ورک کے تحت بینک الحیب اسلامک بینکنگ ڈویژن کا شریعی بورڈ اس بات کا پابند ہے کہ وہ اسلامک بینکنگ ڈویژن کے مجموعی شریعی کمپلائنس ماحول پر ایک رپورٹ جمع کرائے۔

ایک رائے تشکیل دینے کیلئے جیسا کہ اس رپورٹ میں ظاہر کیا گیا ہے، شریعی کمپلائنس ڈپارٹمنٹ ہر کلاس کی ٹرانزیکشن، متعلقہ دستاویزات کا اسٹیٹ چیک بنیاد پر شرعی جائزہ لیتا ہے۔ شریعی بورڈ نے اپنی رپورٹ مرتب کرنے کیلئے شریعی کمپلائنس اور آڈٹ ڈپارٹمنٹ کی فراہم کردہ رپورٹس کا بغور جائزہ لیا اور ان حقائق اور معلومات سے ہم نے درج ذیل نتائج اخذ کیئے۔

- ۱۔ اسلامک بینکاری کی خدمات فراہم کرتے ہوئے بینک الحیب اسلامک بینکنگ ڈویژن نے شریعی بورڈ کے فتاویٰ اور ہدایات کو ملحوظ رکھا۔
- ۲۔ اسلامک بینکاری کی خدمات فراہم کرتے ہوئے بینک الحیب اسلامک بینکنگ ڈویژن نے اسٹیٹ بینک آف پاکستان اور اسکے شریعی بورڈ کی جاری کردہ ہدایات اور احکامات کی پاسداری کی۔
- ۳۔ شرعی اصولوں کی پاسداری کے حوالے سے بینک الحیب لمیٹڈ میں اسلامک بینکاری کی خدمات کا ایک بنیادی نظام رائج ہے۔ اسلامک بینکنگ ڈویژن اس بات کو یقینی بنائے کہ شریعی بورڈ اور شریعی کمپلائنس ڈپارٹمنٹ اپنی ذمہ داریوں کی انجام دہی احسن طریقے سے کر سکیں۔
- ۴۔ شریعی بورڈ محسوس کرتا ہے کہ اس نظام کو مزید بہتر بنانے کی ضرورت ہے جس کے تحت غیر حلال آمدنی کو خیراتی فنڈ میں جمع کیا جاسکے اور اس کا مناسب استعمال ہو۔
- ۵۔ اس سارے عرصے میں بینک الحیب اسلامک بینکنگ ڈویژن نے نفع و نقصان کی تقسیم اور پول منیجمنٹ سے متعلق اسٹیٹ بینک آف پاکستان کی ہدایات پر عمل کیا۔
- ۶۔ انتظامیہ اور اسٹاف ممبران کی اسلامک بینکنگ سے متعلق آگاہی میں مزید بہتری کی ضرورت ہے۔ اس بات کی ضرورت محسوس کی جاتی ہے کہ تربیتی پروگرام ہر سطح کیلئے مرتب کئے جائیں۔ تاہم گزشتہ سال نئے عملے کیلئے تربیتی پروگرام کا انعقاد کیا گیا اور موجودہ عملے کیلئے تین دو ہر ایاز تربیتی کورس منعقد کئے گئے۔ بورڈ آف ڈائریکٹرز اس بات کی اہمیت سے بخوبی آگاہ ہے کہ اسلامک بینکنگ کی پروڈکٹ اور طریقہ کار مکمل طور پر شرعی اصولوں کے مطابق ہوں۔ انتظامیہ کو بھی ان شعبہ جات میں شریعی کمپلائنس کی اہمیت کو مزید سمجھنے کی ضرورت ہے۔
- ۷۔ اس چیز کی ضرورت ہے کہ انتظامیہ شریعی بورڈ کو مناسب وسائل مہیا کرے تاکہ وہ اپنی ذمہ داریاں بطریقہ احسن ادا کر سکیں۔

کراچی: ۲۶ جنوری ۲۰۱۷ء

مفتی عصمت اللہ محمد اللہ  
چئیرمین شریعی بورڈ

مفتی حُب الحق  
ممبر شریعی بورڈ

مفتی محمد سرفراز نہال  
ریزیڈنٹ شریعی بورڈ ممبر



## بینک الحیب اور اس کی ذیلی کمپنیاں آڈٹ شدہ مجموعی مالیاتی حسابات پر ڈائریکٹرز کی رپورٹ

بینک الحیب کے ڈائریکٹرز کیلئے اس کی ذیلی کمپنیوں الحیب کھجول مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب کریڈٹ اینڈ فنانس (ہانگ کانگ) لمیٹڈ کے آڈٹ شدہ مجموعی مالیاتی حسابات برائے ۳۱ دسمبر ۲۰۱۶ء کو ختم ہونے والے سال کیلئے پیش کرنا باعہد مسرت ہے:

(000 روپے میں)

13,195,634

(5,051,055)

8,144,579

(1,236)

8,143,343

10,414,605

53,229

(53,736)

18,557,441

سالانہ منافع قبل از ٹیکس

ٹیکسیشن

سالانہ منافع بعد از ٹیکس

غیر اختیاری مفاد سے منسوب شدہ منافع

شیر ہولڈرز سے منسوب شدہ منافع

گزشتہ غیر مختص شدہ منافع

گنڈا اثاثہ جات کی ریویلیوشن کے اضافہ میں سے منتقلی۔ بعد از ٹیکس

دیگر جامع آمدنی

تخصیص کیلئے دستیاب منافع

تخصیص:

اسٹیپنڈی ریزرو میں منتقلی

نقد منافع مختصر۔ ۲۰۱۵ء

(1,623,846)

(3,889,989)

(5,513,835)

13,043,606

7.33 روپے

غیر مختص شدہ منافع

فی شیر آمدنی (بعد از ٹیکس)۔ ہولڈنگ کمپنی

### شیر ہولڈنگ کی ساخت

شیر ہولڈنگ کی ساخت بمطابق ۳۱ دسمبر ۲۰۱۶ء بینک الحیب لمیٹڈ کے مالیاتی حسابات کے ساتھ منسلک ہے۔

مناوب بورڈ آف ڈائریکٹرز  
عباس ڈی۔ حبیب  
چیئرمین

کراچی: ۲۶ جنوری ۲۰۱۷ء





۸۔ پروڈیٹ فنڈ اور گریجویٹ فنڈ کے آڈٹ شدہ مالیاتی حسابات کی بنیاد پر ان اسکیموں کی سرمایہ کاریوں کی مالیت برطانیہ ۳۱ دسمبر ۲۰۱۵ء درج ذیل ہیں:

(000 روپے میں)

3,236,974	پروڈیٹ فنڈ
1,203,984	گریجویٹ فنڈ

۹۔ شیئر ہولڈنگ کی ساخت اور اس سے متعلق اضافی معلومات صفحات 113, 112 اور 114 پر درج ہیں۔

۱۰۔ بورڈ نے اپنی کارکردگی کی جانچ کیلئے ایک باقاعدہ طریقہ کار منظور کیا ہے۔ بینک نے بورڈ کی جانچ کیلئے اندرون خانہ طریقہ کار اور اعدادی تکنیک مع اسکور شدہ سوال نامے کا انتخاب کیا ہے۔ بورڈ کی جانچ کے دائرہ کار میں مکمل بورڈ، انفرادی ڈائریکٹرز، بورڈ کی کمیٹیاں، چیئرمین اور چیف ایگزیکٹو شامل ہیں۔ مجموعی نتائج / حاصل شدہ معلومات سے متعلقہ پارٹیوں کو آگاہ کیا جائے گا۔ جانچ کے دوران اگر کسی شبہ میں بہتری کی گنجائش نظر آئی تو اس کیلئے مناسب اقدامات کئے جائیں گے۔ ہر تقویمی سال کے لئے جانچ کا عمل آئندہ سال ۳۰ اپریل تک مکمل کیا جائے گا۔

۱۱۔ ڈائریکٹرز، ای ای او، ای ای او، انٹرنل آڈٹ کے سربراہ، کینی سیکریٹری اور ایگزیکٹوز اور ان کے شریک حیات اور تابالغ بچوں کی جانب سے بینک کے شیئرز میں کوئی تجارت نہیں کی گئی، سوائے درج ذیل کے:

• ایک ڈائریکٹر نے 6,000,000 شیئرز اپنے رشتہ داروں کو منتقل کئے۔

• ایک ڈائریکٹر کے صاحبزادے نے، جو آزادانہ کام کرتے ہیں، سی ڈی سی اکاؤنٹ کے ذریعے 75,000 شیئرز خریدے جس میں ڈائریکٹر کی شریک حیات صاحبزادے کے ساتھ جو اسٹاک اکاؤنٹ ہولڈر ہیں۔

اس ضمن میں "ایگزیکٹو" کی تعریف میں پاکستان اسٹاک ایکسچینج کی رول بک میں درج شدہ افسران کے علاوہ بینک کے اسٹنٹ جنرل منیجرز اور اس سے بالا عہدیداران کو بھی شامل کیا گیا ہے۔

### عمومی

ہم اپنے صارفین کا ان کی مستقل تائید اور اعتماد کیلئے، اسٹیٹ بینک آف پاکستان کا ان کی رہنمائی کیلئے، اور مقامی اور غیر ملکی مالیاتی اداروں کا ان کے تعاون پر شکر یہ ادا کرتے ہیں۔ ہم اپنے اسٹاف ممبران کے بھی منگور ہیں جن کی مخلصانہ اور انتھک خدمات کی بدولت بینک یہ اطمینان بخش نتائج حاصل کرنے میں کامیاب ہوا۔

منجانب بورڈ آف ڈائریکٹرز  
عباس ڈی۔ حبیب  
چیئرمین

کراچی: ۲۶ جنوری ۲۰۱۷ء



- اسٹاف کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کا اعتراف، دوران ملازمت اور باقاعدہ تربیتی پروگراموں کے ذریعے اسٹاف کیلئے سیکھے اور ترقی کے مواقع۔
- مذہب، ذات پات اور لسانی امتیاز کے بغیر ایک شفاف طریقہ کار کے ذریعے روزگاری فراہمی، بشمول برائے خصوصی افراد۔
- دیہی علاقوں کیلئے بینک کے براؤنج نیٹ ورک میں توسیع جس سے دیہی ترقی میں مدد ملے۔
- بینک کی جانب سے براہ راست میکسز کے ذریعے سال کے دوران قومی خزانے میں 5.25 بلین روپے جمع کرائے گئے۔ مزید برآں 10 بلین روپے سے زیادہ کی اضافی رقم وہ ہولڈنگ میکسز، فیڈرل ایکسائز ڈیویڈنڈ اور سروسز پریسٹنٹس کی مدد میں بینک کے ذریعے منہا / وصول کی گئی اور حکومت پاکستان / صوبائی حکومتوں کو ادا کی گئی۔

### کارپوریٹ اور فنانشل رپورٹنگ پرائیویٹ

- 1- بینک کی جانب سے تیار کئے گئے مالیاتی حسابات، اس کے تمام کاروباری امور، اس کے آپریٹرز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کے معاملات کو شفاف انداز میں واضح کرتے ہیں۔
- 2- بینک کی جانب سے باقاعدہ حساب کتاب رکھا گیا ہے۔
- 3- مالیاتی حسابات کی تیاری میں موزوں اور درست اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئی ہیں۔ اگر اس میں کوئی تبدیلی کی گئی تو اس کو واضح انداز میں بیان کیا گیا اور اکاؤنٹنگ کے تخمینہ جات موزوں ترین اور قنطنہ فیصلوں پر مبنی ہیں۔
- 3- مالیاتی حسابات کی تیاری میں انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرڈز، جو کہ پاکستان میں رائج ہیں، ان پر عمل کیا گیا اور ان سے اگر کسی حد تک روگردانی کی گئی تو اس کو واضح انداز میں بیان کیا گیا ہے۔
- 5- انٹرنل کنٹرولز کا جامع نظام تیار کیا گیا ہے اور یہ موثر طور پر نافذ العمل ہے اور اس کی نگرانی بھی کی جاتی ہے۔ بورڈ کی جانب سے فنانشل رپورٹنگ پر انٹرنل کنٹرولز سے متعلق انتظامیہ کی جانچ بشمول مجموعی انٹرنل کنٹرولز کی توثیق صفحہ 13
- 6- بینک کے لئے ”چلتے ہوئے کاروباری ادارے“ کا تصور مناسب ہے۔ اس ضمن میں بے یقینی کا کوئی امکان موجود نہیں ہے جو بینک کے ”چلتے ہوئے کاروباری ادارے“ کے تصور پر شکوک پیدا کرے۔
- 6- گزشتہ 6 سالوں کے اہم آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ درج ذیل ہے:

(ملین روپے میں)

2011	2012	2013	2014	2015	2016	
302,099	340,393	386,161	446,409	516,213	584,172	صارفین کے مجموعی ڈپازٹس
114,872	147,869	167,579	181,737	207,289	261,440	مجموعی ایڈوانسز
7,155	8,878	7,513	9,917	12,332	13,164	منافع قبل از ٹیکس
4,533	5,455	5,155	6,349	7,405	8,119	منافع بعد از ٹیکس
17,723	21,058	23,227	27,555	31,698	35,922	شیئر ہولڈرز کی ایکویٹی
4.08	4.91	4.64	5.71	6.66	7.31	ٹی شیئر آمدنی* (روپے)
25	30	20	30	35	35	نقد منافع حصصہ (x)
15	-	10	-	-	-	اسٹاک منافع حصصہ (x)

\* 2011 سے 2013 تک ٹی شیئر آمدنی کا حساب موجودہ ادا شدہ سرمائے کی بنیاد پر دوبارہ لگایا گیا ہے۔



## رسک مینجمنٹ فریم ورک

بینک ہمیشہ اپنے حجم اور اس کے کاروبار کی نوعیت کے مطابق رسک مینجمنٹ فریم ورک کا حامل رہا ہے۔ یہ فریم ورک کئی سالوں میں تشکیل دیا گیا اور اس میں مزید بہتری لانے کا سلسلہ جاری ہے۔ اس کی نمایاں خصوصیات مختصراً درج ذیل ہیں:

• کریڈٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ کریڈٹ پالیسی، بہتر کریڈٹ منظوری کا طریقہ کار، انٹرنل رسک ریٹنگز کا استعمال، مقرر کردہ دستاویزی ضروریات، پوسٹ ڈسبرسمنٹ اینڈ سٹریٹجی، کریڈٹ سہولتوں کا جائزہ و نگرانی، اور سٹریٹجی کی کریڈٹ اہلیت کی مستقل جانچ پر مشتمل ہے۔ بینک نے بڑے کریڈٹ رسک کے پیش نظر خود بخود پوسٹ ڈسبرسمنٹ جائزے کے لئے بھی طریقہ کار تشکیل دیا ہے۔ کریڈٹ پورٹ فولیو سے متعلق فیصلے بنیادی طور پر سٹریٹجی کریڈٹ کمیٹی کرتی ہے۔ بورڈ کی کریڈٹ رسک مینجمنٹ کمیٹی مجموعی طور پر بینک کے کریڈٹ رسک کے انتظام کی رہنمائی کرتی ہے۔

• مارکیٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ مارکیٹ رسک پالیسی، سٹریٹجی اور ڈیلریز کی لمٹس کی منظوری، سرمایہ کاریوں کیلئے سینئر انتظامیہ کی منظوری اور بینک کی اریسیٹ لائیکٹیٹی مینجمنٹ کمیٹی (ALCO) کی جانب سے سرمایہ کاری کے پورٹ فولیو کے باقاعدہ جائزے اور نگرانی کے ذریعے کیا جاتا ہے۔ علاوہ انہیں لیکویڈٹی رسک پالیسی بینک کی لیکویڈٹی پوزیشن کے انتظام میں رہنمائی فراہم کرتی ہے جس کی نگرانی ٹریڈری اور ٹرل آفس کے ذریعے روزانہ کی بنیاد پر کی جاتی ہے۔ بورڈ کی رسک مینجمنٹ کمیٹی بینک کے مارکیٹ اور لیکویڈٹی رسک، کچھ لائیکویڈٹی اور سرمایہ کاری کے پورٹ فولیو (جسے انٹرنل رسک مینجمنٹ) کے لئے انٹرنل رسک مینجمنٹ بھی کہا جاتا ہے) کے انتظام کی رہنمائی کرتی ہے۔

• آپریٹنگ رسک کا انتظام آڈٹ پالیسی اور بورڈ کی جانب سے منظور کردہ آپریٹنگ رسک پالیسی بشمول فراڈ سے تحفظ کی پالیسی، آپریٹنگ مینٹننس اور وقتاً فوقتاً جاری کردہ طریقہ کار، انٹرنل کنٹرولز، اور ایم ٹرانزیکشن اور حفاظت داری کے لئے دوہرے اختیارات کا نظام، کاروبار جاری رکھنے کا پلان بشمول آئی ٹی کیلئے ڈیزاسٹر ریکوری پلان، اور برانچوں کے آڈٹ کے ذریعے کیا جاتا ہے۔ بورڈ کی آڈٹ کمیٹی بینک کے آپریٹنگ رسک کے انتظام کے سلسلے میں رہنمائی فراہم کرتی ہے۔

رسک مینجمنٹ پرائیمری بینک آف پاکستان کی رہنمائیات پر عمل درآمد کرنے کی غرض سے بینک نے ایک طیغہ سے رسک مینجمنٹ ڈویژن بشمول ایک ٹرل آفس قائم کیا ہے جو کہ آزادانہ طور پر ٹریڈری آپریٹنگ میں موجود خدشات کی نگرانی اور جائزے کی ذمہ داری سنبھالتا ہے۔ ڈویژن کی جانب سے کئے جانے والے اقدامات میں گورنمنٹ سیکورٹیز کے پورٹ فولیو کی حسابیت کی جانچ، پورٹ فولیو کی مدت اور ترمیم شدہ دورانیے کا حساب رکھنا، فارورڈ فارن ایکسچینج ریٹس کا تجزیہ، ٹی ایف بی ایز اور شیئرز پورٹ فولیو کی مزید مفصل رپورٹنگ، ایکویٹیز میں ڈیلنگ اور سٹریٹجی کو بہتر بنانے کے طریقہ کار کی تشکیل، آف مارکیٹ فارن ایکسچینج ریٹس اور غیر ملکی زرمبادلہ کی آمدنی کی نگرانی اور بڑے کریڈٹ رسک کے پوسٹ ڈسبرسمنٹ جائزے کیلئے خود بخود طریقہ کار کا قیام شامل ہیں۔ بینک کے انٹرنل پرائز و اینڈ مریٹو رسک پروفائل کی جانچ، ہازل فریم ورک، انٹرنل کچھ لائیکویڈٹی اسسٹنٹ پروس اور سٹریٹجی سٹینڈنگ استعمال کرتے ہوئے انجام دی جاتی ہے۔

## ادارتی سماجی ذمہ داری

آپ کا بینک مکمل طور پر ادارتی سماجی ذمہ داری کے تصور پر کاربند ہے اور اس ضمن میں وسیع تر سرگرمیوں کے ذریعے اپنی اس ذمہ داری کو پورا کر رہا ہے جس میں درج ذیل شامل ہیں:

- سال کے دوران سماجی و تعلیمی ترقی اور عوام کی فلاح و بہبود کے لئے عطیات کی صورت میں 184.9 ملین روپے کی فراہمی۔
- توانائی کا بہتر استعمال اور ماحول کو محفوظ اور صحت مند بنانے کیلئے انسداد آلودگی کو فروغ دینے کے قانون پر عملدرآمد اور "نوسوکنگ زون" کا قیام۔
- کاروباری ضابطہ اخلاق اور انسداد بدعنوانی کے اقدامات کے تحت تمام اسٹاف ممبران کے لئے بینک کے ضابطہ اخلاق "کوڈ آف کنڈکٹ" پر لازمی عمل درآمد۔
- صارفین کے تحفظ کے اقدامات اور اس ضمن میں بینک کی پروڈکٹس اور خدمات پر لاگو شیڈول آف چارجز اور شرائط و ضوابط کی تشہیر۔



## کمیٹی کے اجلاس

کوڈ آف کارپوریٹ گورننس کے تحت بورڈ کی دو کمیٹیوں یعنی آڈٹ کمیٹی اور ہیومن ریسورس اینڈ ری میونریشن کمیٹی کی تشکیل ضروری ہے۔ سال کے دوران آڈٹ کمیٹی کے 9 اجلاس اور ہیومن ریسورس اینڈ ری میونریشن کمیٹی (ایچ آراینڈ آری) کے 5 اجلاس منعقد ہوئے اور اس میں ممبران کی حاضری درج ذیل رہی:

ہیومن ریسورس اینڈ ری میونریشن کمیٹی			آڈٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
5	5	جناب ایس۔ مظہر عباس (چیئر مین)	9	9	جناب ایس۔ مظہر عباس (چیئر مین)
3	5	جناب عباس ڈی۔ صوبی**	8	9	جناب انور حاجی کریم
4	5	جناب انور حاجی کریم	8	9	جناب ایس۔ حسن علی بخاری
5	5	جناب مرتضیٰ ایچ۔ صوبی	9	9	جناب سطر علی لاکھانی
4	5	جناب ایس۔ حسن علی بخاری	6	9	جناب ارشد ناصر*
2	5	جناب ارشد ناصر*			

\* جناب ارشد ناصر نے اپنی ناخردگی کے بعد آڈٹ کمیٹی اور ایچ آراینڈ آری کے تمام اجلاسوں میں شرکت کی۔

\*\* جناب عباس ڈی۔ صوبی دوران سال ایچ آراینڈ آری کے رکن کی حیثیت سے سبکدوش ہو گئے۔ انہوں نے اپنی رکنیت کے دوران ایچ آراینڈ آری کے تمام اجلاسوں میں شرکت کی۔

## ڈائریکٹر زکا تریتی پروگرام

سال کے دوران ایک اور ڈائریکٹر نے ڈائریکٹر زکا تریتی پروگرام مکمل کیا۔

## کریڈٹ ریٹنگ

الحمد للہ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے لمبی مدت کیلئے بینک کی AA+ (ڈبل اے پلس) اور مختصر مدت کے لئے A1+ (اے ون پلس) ریٹنگ برقرار رکھی ہیں۔ ہمارے اے کیو ریٹنگ ایجنسی نے ایچ سی ایچ ۲۰۱۶ کی ریٹنگ بھی AA (ڈبل اے) برقرار رکھی گئی ہے۔ یہ ریٹنگ کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ براہ ہونے کی بہت مضبوط صلاحیت ہے۔

## مستقبل پر ایک نظر

پاکستان کی معیشت اپنی ترقی کی رفتار کو برقرار رکھتے ہوئے بہتری کی جانب گامزن ہے۔ جی ڈی پی میں اضافہ ہو رہا ہے، توانائی کی صورتحال اور امن و امان میں بہتری آئی ہے، افراط زر کنٹرول میں ہے، شرح مبادلہ مستحکم رہی ہے اور شیئر مارکیٹ کی کارکردگی بھی قابل تعریف ہے۔ امید ہے کہ سی پیک سے متعلق پریذیکشن میں سرمایہ کاریوں سے توانائی اور انفراسٹرکچر کے شعبوں میں مزید ترقی ہوگی۔ تاہم بیرونی کرنٹ اکاؤنٹ، تجارتی توازن، اندرون ملک ترسیلی زراور خطے کی سیاسی صورتحال باعث تشویش ہے۔ مزید برآں کم شرح سود کے تسلسل کے نتیجے میں بینکوں کی آمدنی میں مزید کمی ہو سکتی ہے۔ اس کے باوجود ہم پُر اعتماد ہیں کہ انشاء اللہ بینک ماضی کی طرح مزید کامیابی اور ترقی کا سفر جاری رکھے گا۔

## آڈیٹرز

موجودہ آڈیٹرز کے پی ایم جی ٹاشر ہادی اینڈ کمیٹی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقرر کیلئے پیش کیا ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے ۳۱ دسمبر ۲۰۱۷ء کو ختم ہونے والے سال کے لئے باہمی طور پر طے کئے جانے والے معاوضے پر ان کی بحیثیت بینک کے آڈیٹرز دوبارہ تقرر کیلئے شیئر ہولڈرز کو سفارش کی ہے۔



## ٹاپ کمپنیز ایوارڈ برائے سال ۲۰۱۵ء

ہم بسرت آگاہ کرتے ہیں کہ بینک کو سال ۲۰۱۵ء کیلئے پاکستان اسٹاک ایکسچینج کی جانب سے ”ٹاپ 25 کمپنیز ایوارڈ“ کیلئے منتخب کیا گیا۔ ایوارڈ کیلئے اہلیت کا معیار منافع منقسمہ کی شرح، سرمائے کا بہتر استعمال، منافع جات، آزاد دستیاب شیئرز، شفافیت اور سرمایہ کار سے تعلق، اور لسٹنگ اور سکیورٹیز ضوابط پر عمل درآمد تھا۔ بینک نے یہ ایوارڈ پانچویں مرتبہ حاصل کیا ہے۔

## بورڈ آف ڈائریکٹرز میں تبدیلیاں

سال کے دوران بورڈ آف ڈائریکٹرز میں درج ذیل تبدیلیاں ہوئیں:

- ۵ فروری ۲۰۱۶ء کو بینک کے ڈائریکٹر جناب شمیم احمد انتقال کر گئے اور ان کی جگہ جناب ارشد ناصر کو بینک کا ڈائریکٹر مقرر کیا گیا۔ بورڈ جناب شمیم احمد کو سال ۲۰۰۶ء سے بینک کے لئے ان کی شاندار خدمات پر خراج تحسین پیش کرتا ہے۔
- جناب عباس ڈی۔ حبیب ۳۱ اکتوبر ۲۰۱۶ء کو بینک کے نیجنگ ڈائریکٹر اور چیف ایگزیکٹو کی حیثیت سے ریٹائر ہو گئے اور جناب منصور علی خان کو یکم نومبر ۲۰۱۶ء سے چیف ایگزیکٹو مقرر کیا گیا۔
- جناب علی رضا ڈی۔ حبیب ۳۱ اکتوبر ۲۰۱۶ء کو بورڈ کے چیئرمین کی حیثیت سے ریٹائر ہو گئے اور جناب عباس ڈی۔ حبیب کو یکم نومبر ۲۰۱۶ء سے بورڈ کا چیئرمین منتخب کیا گیا۔

بورڈ جناب علی رضا ڈی۔ حبیب اور جناب عباس ڈی۔ حبیب کی جانب سے بینک کے ساتھ ان کی طویل رفاقت کے دوران انجام دی جانے والی قابل قدر خدمات کو خراج تحسین پیش کرتا ہے اور اس امر پر خوشی کا اظہار کرتا ہے کہ وہ بینک کے بورڈ پر بطور ڈائریکٹرز مدداریاں انجام دیتے رہیں گے۔

## بورڈ کے اجلاس

اس سال کے دوران بورڈ کے ۱7 اجلاس منعقد ہوئے اور ان میں ڈائریکٹرز کی شرکت درج ذیل رہی:

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب علی رضا ڈی۔ حبیب	7	5
جناب عباس ڈی۔ حبیب	7	7
جناب انور حاجی کریم	7	6
جناب مرتضیٰ ایچ۔ حبیب	7	6
جناب کبیر آر۔ حبیب	7	6
جناب ایس۔ مظہر عباس	7	7
جناب ارشد ناصر*	7	5
جناب سرفراز لاکھانی	7	6
جناب ایس۔ حسن علی بخاری	7	6
جناب شاہد غفار	7	7
جناب منصور علی خان، چیف ایگزیکٹو*	7	1

\* جناب ارشد ناصر اور جناب منصور علی خان نے اپنے متعلقہ عہدے سنبھالنے کے بعد بورڈ کے تمام اجلاسوں میں شرکت کی۔



## ڈائریکٹرز کی رپورٹ

الحمد للہ بینک الحیب نے اپنے آپریشن کے 25 سال مکمل کرنے ہیں اور ڈائریکٹرز کیلئے 26 ویں سالانہ رپورٹ بشمول ۳۱ دسمبر ۲۰۱۶ء کو ختم ہونے والے سال کیلئے بینک کے آڈٹ شدہ مالیاتی حسابات پیش کرنا باعث مسرت ہے۔

آپریٹنگ نتائج اور ان کی تفصیلات کے لئے بورڈ کی سفارشات درج ذیل ہیں:

(000 روپے میں)	
13,163,987	سالانہ منافع قبل از ٹیکس
(5,044,758)	ٹیکس
8,119,229	سالانہ منافع بعد از ٹیکس
10,253,920	گزشتہ غیر مختص شدہ منافع
53,229	لکھڑا شدہ جات کی ری ویلیویشن کے اضافے میں سے منتقلی۔ بعد از ٹیکس
(53,736)	دیگر جامع آمدنی
10,253,413	
18,372,642	تفصیلات کیلئے دستیاب منافع
	تفصیلات:
(1,623,846)	اشپورٹری ریوز میں منتقلی
(3,889,989)	نقد منافع منقسمہ۔ ۲۰۱۵ء
(5,513,835)	
12,858,807	غیر مختص شدہ منافع
7.31 روپے	بنیادی/معتدل فی شیئر آمدنی۔ بعد از ٹیکس

۳۱ دسمبر ۲۰۱۶ء کو ختم ہونے والے سال کے لئے ڈائریکٹرز نے %35 نقد منافع منقسمہ یعنی 3.50 روپے فی شیئر تجویز کیا ہے۔

### کارکردگی کا جائزہ

الحمد للہ آپ کے بینک کی کارکردگی سال کے دوران اطمینان بخش رہی۔ ڈپازٹس ایک سال قبل کے 516,213 ملین روپے کے مقابلے میں بڑھ کر 584,172 ملین روپے ہو گئے جبکہ ایڈوائسز 207,289 ملین روپے سے بڑھ کر 261,440 ملین روپے ہو گئے۔ سال کے دوران بینک کا غیر ملکی تجارتی کاروباری حجم 825,826 ملین روپے رہا۔ سالانہ منافع قبل از ٹیکس 13,164 ملین روپے رہا جبکہ گزشتہ سال یہ منافع 12,332 ملین روپے تھا۔ جبکہ سالانہ منافع بعد از ٹیکس گزشتہ سال کے 7,405 ملین روپے کے مقابلے میں 8,119 ملین روپے رہا۔

سال کے دوران بینک نے 77 نئی برانچیں قائم کیں اور 18 ذیلی برانچوں کو مکمل برانچوں میں تبدیل کیا۔ بینک کا موجودہ نیٹ ورک 608 دفاتر پر مشتمل ہے جس میں 518 برانچیں (بشمول 41 اسلاک بینکنگ برانچیں اور 3 اورینٹل برانچیں، بحرین، ملائیشیا اور سیشلز) 387 ذیلی برانچیں اور 3 نمائندہ دفاتر، دبی، استنبول اور بیکنگ شامل ہیں۔ بینک کی جانب سے پاکستان اور بیرون ملک نیٹ ورک میں توسیع کا سلسلہ جاری رہے گا۔



## Branch Network

The Bank has a network of 605 branches including 87 sub-branches, 03 overseas branches and 41 Islamic Banking branches. The Bank also has 03 representative offices. The Bank has branches / sub-branches / representative offices in the following cities:

- |                           |                         |                        |                            |
|---------------------------|-------------------------|------------------------|----------------------------|
| • Abbotabad               | • Golarchi              | • Layyah               | • Sambrial                 |
| • AhmedPur East           | • Gujar Khan            | • Liaquatabad Thal     | • Sanghar                  |
| • Alipur                  | • Gujranwala            | • Lodhran              | • Sarai Alamgir            |
| • Arifwala                | • Gujrat                | • Loralai              | • Sargodha                 |
| • Attock                  | • Gulyana               | • Mandi Bahauddin      | • Sawabi                   |
| • Badin                   | • Hafizabad             | • Manshera             | • Shahdadkot               |
| • Bagh (A.K.)             | • Hala                  | • Mardan               | • Shahdadpur               |
| • Bahawalnagar            | • Haripur               | • Mathanichangan Swabi | • Shahkas                  |
| • Bahawalpur              | • Haroonabad            | • Matli                | • Shahpur Chakar           |
| • Bannu                   | • Hasan Abdal           | • Mehar                | • Sheikhupura              |
| • Basti Malook            | • Hasilpur              | • Mehrabpur            | • Shikarpur                |
| • Bhakkar                 | • Hattar                | • Mian Channu          | • Sialkot                  |
| • Bhalwal                 | • Havellian             | • Mianwali             | • Skardu                   |
| • Bhan Saeedabad          | • Hazro                 | • Mingora              | • Sowari                   |
| • Bhiria Road             | • Head Rajkan           | • Mirpur (A.K.)        | • Sukkur                   |
| • Burewala                | • Hingorja              | • Mirpurkhas           | • Talagang                 |
| • Chaksawari (A.K.)       | • Hub                   | • Miithi               | • Tando Adam               |
| • Chakwal                 | • Hyderabad             | • Moro                 | • Tando Allahyar           |
| • Chenab Nagar            | • Islamabad             | • Multan               | • Tando Bagho              |
| • Chichawatni             | • Jacobabad             | • Muridke              | • Tando Jam                |
| • Chiniot                 | • Jalalpur Jattan       | • Muzaffarabad (A.K.)  | • Tando Muhammad Khan      |
| • Chishtian               | • Jaranwala             | • Muzaffargarh         | • Tank                     |
| • Dadu                    | • Jehlum                | • Nankana Sahib        | • Taranada Muhammad Pannah |
| • Dadyal (A.K.)           | • Jhang                 | • Narowal              | • Tarnol                   |
| • Daharki                 | • Joharabad             | • Nassarpur            | • Taxila                   |
| • Dargai, Malakand Agency | • Kahror Pacca          | • Nathan Shah          | • Thari Mirwah             |
| • Darya Khan Mari         | • Kallar Syedan         | • Naukot               | • Tharu Shah               |
| • Daska                   | • Kamalia               | • Naushero Feroze      | • Thatta                   |
| • Deh 75 Nusrat           | • Kamoke                | • Nawabshah            | • Tibba Sultanpur          |
| • Deh Gad                 | • Kandhkot              | • Nooriabad            | • Timergara                |
| • Deh Noonari             | • Kandiaro              | • Nowshera             | • Toba Tek Singh           |
| • Deh Taib                | • Karachi               | • Okara                | • Tootkay                  |
| • Depalpur                | • Karkhana Bazar Vehari | • Pabbi                | • Turbat                   |
| • Dera Ghazi Khan         | • Kasur                 | • Pakpattan            | • Ubauro                   |
| • Dera Ismail Khan        | • Khairpur              | • Panu Aqil            | • Uch Sharif               |
| • Digri                   | • Khanbela              | • Parachinar           | • Ugoki                    |
| • Dina                    | • Khanewal              | • Peshawar             | • Umerkot                  |
| • Dinga                   | • Khanpur               | • Pir Mahal            | • Usman Shah Huri          |
| • Ellahabad               | • Khar, Bajaur Agency   | • Pishin               | • Usta Mohammad            |
| • Faisalabad              | • Kharian               | • Pull Kharan          | • Wah Cantt                |
| • Faqirwali               | • Khichiwala            | • Pull Manda (A.K.)    | • Wazirabad                |
| • Fateh Jang              | • Khipro                | • Qambar Ali Khan      | • Zahir Pir                |
| • Fatehpur                | • Khurrianwala          | • Qasba Gujrat         |                            |
| • Fazil Pur               | • Khushab               | • Qazi Ahmed           |                            |
| • Feroza                  | • Khuzdar               | • Quetta               |                            |
| • Ferozewatoan            | • Kohat                 | • Rahim Yar Khan       |                            |
| • Gaggo Mandi             | • Kot Addu              | • Rajanpur             |                            |
| • Gambat                  | • Kot Ghulam Muhammad   | • Rajoya Sadat         |                            |
| • Garha Mor               | • Kot Samaba            | • Rawalakot (A.K.)     |                            |
| • Gawadar                 | • Kotla Arab Ali Khan   | • Rawalpindi           |                            |
| • Ghakhar                 | • Kotli                 | • Rohailan Wali        |                            |
| • Gharo                   | • Kunri                 | • Sadiqabad            |                            |
| • Ghotki                  | • Lahore                | • Sahiwal              |                            |
| • Gilgit                  | • Lala Musa             | • Sakrand              |                            |
| • Gojra                   | • Larkana               | • Saleh Khana          |                            |

### 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

SWIFT CODE : BAHLPKKA

#### Registered Office

126-C, Old Bahawalpur Road, Multan.

Phones: (92-61) 4580314-16, & 111-786-110

Fax: (92-61) 4582471

website : [www.bankalhabib.com](http://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 Sixth Annual General Meeting of the Bank to be held on Wednesday, March 1, 2017 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

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 \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC/Passport No. \_\_\_\_\_

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
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.





















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