

هَذَا مِنْ فَضْلِ رَبِّي



VISION STATEMENT

TO BE OUR CUSTOMERS' MOST CONVENIENT
AND TRUSTED BANK

MISSION STATEMENT

TO MAKE BANKING SAFE, SIMPLE, AND PLEASANT



CORPORATE INFORMATION

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



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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.

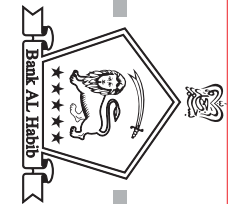
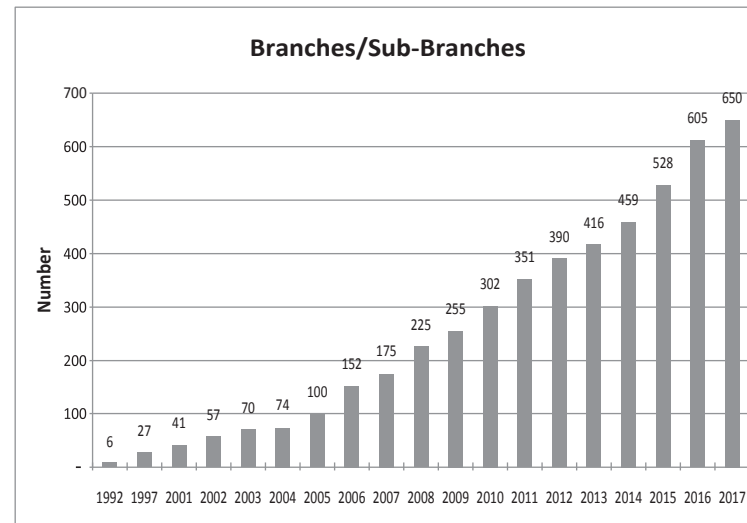
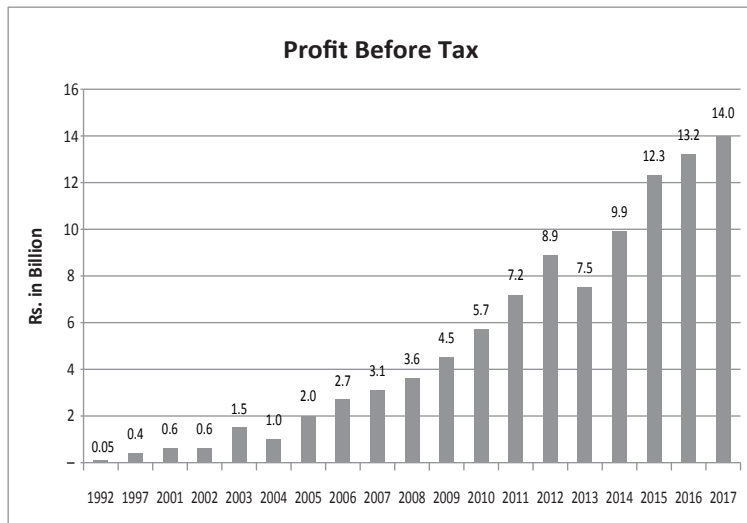
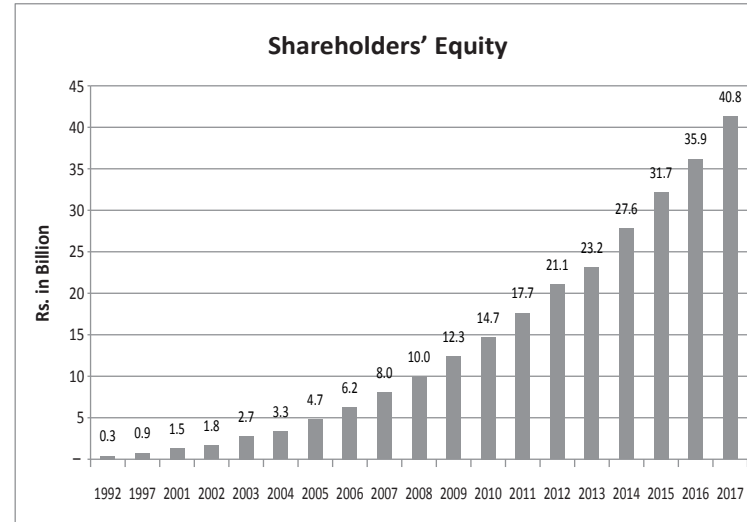
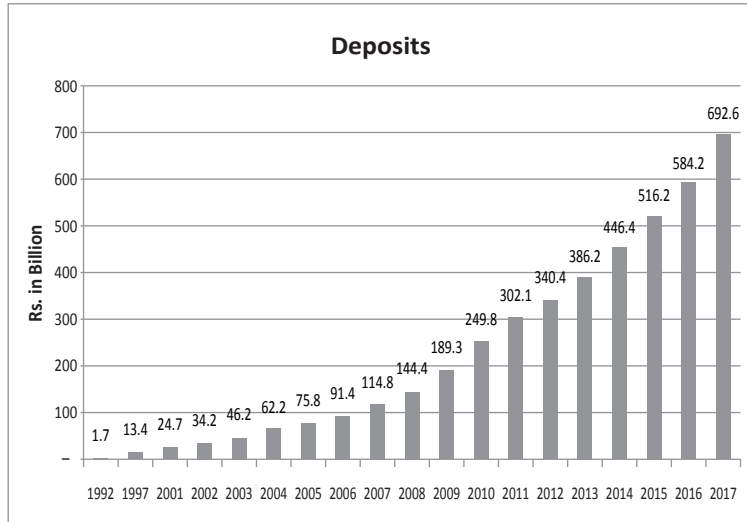
Performance 1992-2017 : Financials

(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%	–
2017	919,052	692,576	339,833	476,125	40,807	14,040	8,650	30.0%	–



Performance 1992-2017 : Charts





REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF THE BOARD

I am pleased to present a report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Bank's objective.

Powers for management and control of affairs of the Bank rest with the Board of Directors, except for powers expressly required to be exercised by shareholders in general meeting. The Directors delegate day-to-day operations of the Bank to the Management, but such delegation remains subject to the control and direction of the Board. The Directors are required to carry out their fiduciary duties and exercise their independent judgment in the best interests of the Bank.

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.

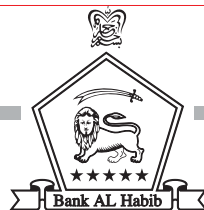
Overall objective of performance evaluation of the Board is to ensure sustainable growth and development of the Bank, with focus on the following areas:

- (a) Board Composition and Functioning
- (b) Corporate Strategy and Business Plan
- (c) Monitoring of Bank Performance
- (d) Internal Audit and Internal Control
- (e) Risk Management and Compliance
- (f) Disclosure of Material Information
- (g) Ideas for Improvement

Accordingly, performance evaluation of the Board was conducted in 2017 as per mechanism approved by the Board. It was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Bank's objectives, was found to be generally satisfactory.

Karachi: February 14, 2018

Abbas D. Habib
Chairman
Board of Directors



DIRECTORS' REPORT

Alhamdulillah, Bank AL Habib Limited has completed 26 years of its operation, and the Directors are pleased to present the Twenty - seventh Annual Report together with the audited financial statements of the Bank for the year ended December 31, 2017.

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

	(Rupees in '000)
Profit for the year before tax	14,040,322
Taxation	(5,390,752)
Profit for the year after tax	8,649,570
Unappropriated profit brought forward	12,858,807
Transfer from surplus on revaluation of fixed assets – net of tax	64,160
Other comprehensive income	(108,080)
	12,814,887
Profit available for appropriations	21,464,457
Appropriations:	
Transfer to Statutory Reserve	(903,346)
Cash dividend – 2016	(3,889,989)
	(4,793,335)
Unappropriated profit carried forward	16,671,122
Basic / Diluted earnings per share – after tax	Rs. 7.78

For the year ended December 31, 2017, the Directors propose a cash dividend of 30%, i.e., Rs. 3.0 per share.

Performance Review

Alhamdulillah, the performance of your Bank continued to be satisfactory during the year. Deposits rose to Rs. 692,576 million against Rs. 584,172 million a year earlier, while advances increased to Rs. 339,833 million from Rs. 261,440 million. Foreign Trade Business handled by the Bank during the year was Rs. 1,073,506 million. Profit before tax for the year was Rs. 14,040 million as compared to Rs. 13,164 million last year, while profit after tax was Rs. 8,650 million against Rs. 8,119 million last year.

We are pleased to advise that, by the Grace of Allah, your Bank successfully completed private placement of our perpetual Term Finance Certificates (TFCs) amounting to Rs. 7,000 million, inclusive of a Green Shoe option of Rs. 2,000 million, in December 2017. This was Pakistan's first perpetual, unsecured, and subordinated TFC issued by any bank.

During the year, the Bank opened 45 new branches and converted 42 sub - branches into full-fledged branches, bringing our network to 653, which comprise 605 branches (including 53 Islamic Banking Branches and 3 Overseas Branches, one each in Bahrain, Malaysia, and Seychelles), 45 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.

AWARDS AND RECOGNITION

Trade Finance Program (TFP) Award 2017

The Bank has received "Trade Finance Program (TFP) Award 2017" from Asian Development Bank (ADB) as being Leading Partner Bank in Pakistan. The TFP award recognized the Bank's role in supporting trade in Asia and the Pacific region.



Top Companies Award for the Year 2016

By the Grace of Allah, we are pleased to advise that your Bank has been selected for “Top 25 Companies Award” for the Year 2016 by the Pakistan Stock Exchange Limited (PSX). Criteria for the award include dividend payout, capital efficiency, profitability, free - float of shares, transparency, corporate governance & investor relation and compliance with listing of companies and securities regulations. Alhamdulillah, this is the sixth time that the Bank has been selected for this award.

Best Bank of the Year 2016 (Mid Sized Banks)

The Bank has received “Best Bank of the Year 2016 (Mid Sized Banks)” award by Chartered Financial Analyst (CFA) Society Pakistan. This award recognized the outstanding performance of any financial institution. This is the fifth time that your Bank has received this award from CFA Society Pakistan.

CHANGES IN BOARD OF DIRECTORS

During the year, Mr. Shahid Ghaffar, Nominee Director, National Investment Trust Limited (NIT), resigned from the Board on September 25, 2017, and in his place, Mr. Manzoor Ahmed assumed charge as Nominee Director-NIT with effect from October 20, 2017.

The Board places on record its appreciation of the invaluable contribution made by Mr. Shahid Ghaffar during his association with the Bank, and welcomes Mr. Manzoor Ahmed as a Director of the Bank and looks forward to benefitting from his experience and advice.

Board Meetings

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

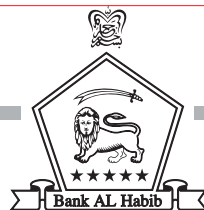
Name of Director	Meetings Held	Meetings Attended
Mr. Abbas D. Habib	5	5
Mr. Ali Raza D. Habib	5	3
Mr. Anwar Haji Karim	5	5
Mr. Murtaza H. Habib	5	5
Mr. Qumail R. Habib	5	5
Mr. S. Mazhar Abbas	5	5
Mr. Arshad Nasar	5	5
Mr. Safar Ali Lakhani	5	4
Mr. S. Hasan Ali Bukhari	5	5
Mr. Shahid Ghaffar*	5	2
Mr. Manzoor Ahmed**	5	2
Mr. Mansoor Ali Khan, Chief Executive	5	5

*Mr. Shahid Ghaffar resigned as a Director (Nominee of NIT) during the year. He had attended two out of three meetings of the Board held before his resignation.

**Mr. Manzoor Ahmed attended all meetings of the Board after assuming office as a Director.

Committee Meetings

Code of Corporate Governance, 2012 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 four 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	4	4
Mr. Anwar Haji Karim	9	9	Mr. Anwar Haji Karim	4	3
Mr. S. Hasan Ali Bukhari	9	8	Mr. Murtaza H. Habib	4	3
Mr. Safar Ali Lakhani	9	7	Mr. S. Hasan Ali Bukhari	4	4
Mr. Arshad Nasar	9	9	Mr. Arshad Nasar	4	4

Directors Training Programme

Out of 10 Directors of the Bank, 7 have already attended the directors' training programme. During the year, no Directors were nominated to 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. The ratings of our unsecured, subordinated TFCs have also been maintained at **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 maintained its growth momentum in 2017. The real growth in GDP was the highest during the last 10 years, led by a rebound in agriculture and healthy growth in large-scale manufacturing and services. Overall energy situation and security environment have continued to improve. Economic activity has benefitted from an accommodative monetary policy, increase in development spending, and continuing work on CPEC - related projects. Recently, interest rates have begun to rise, but these will still be below the rates experienced in the past. Nevertheless, it will have a positive effect on the profitability of banks. At the same time, there are challenges that need to be addressed in areas like current account, fiscal consolidation, and increasing liabilities related to infrastructure projects. By the Grace of Allah, we are confident that the Bank will Inshallah continue to grow and progress.

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 as auditors of the Bank for the year ending December 31, 2018, 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. A key guiding principle of the Bank is to treat the depositors' money as a trust which must be protected. Therefore, the Bank aims to take business risks in a prudent manner, guided by a conservative outlook. Salient features of the Bank's risk management framework 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, the operational risk policy, the compliance policy & programme, and IT security 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; developing Key Risk Indicators; identifying Top Ten Risks of the Bank; conducting risk evaluation of all products and processes; 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. 124.2 million by way of donations during the year for health, 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. 6.05 billion paid to the Government of Pakistan during the year; furthermore, an additional amount of over Rs. 10.75 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 14.
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)					
	2017	2016	2015	2014	2013	2012
Total customer deposits	692,576	584,172	516,213	446,409	386,161	340,393
Total advances	339,833	261,440	207,289	181,737	167,579	147,869
Profit before tax	14,040	13,164	12,332	9,917	7,513	8,878
Profit after tax	8,650	8,119	7,405	6,349	5,155	5,455
Shareholders' Equity	40,807	35,922	31,698	27,555	23,227	21,058
Earnings per share * (Rs)	7.78	7.31	6.66	5.71	4.64	4.91
Cash Dividend (%)	30	35	35	30	20	30
Stock Dividend (%)	–	–	–	–	10	–

*Earnings per share from 2012 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, 2016 was as follows:



	(Rupees in '000)
Provident Fund	3,740,366
Gratuity Fund	1,446,468

9. The pattern of shareholding and additional information regarding pattern of shareholding is given on pages 122, 123 & 124.
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:
- 1,543,640 shares transferred to a Director;
 - 92,000 shares purchased by one of our Executive.

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 sincerity, dedication and hard work, which enabled the Bank to achieve these satisfactory results.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 14, 2018



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2017

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. Manzoor Ahmed

Mr. Mansoor Ali Khan is the Chief Executive of the Bank. He is not a member of the Board.

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

2. The directors (excluding Nominee Director of National Investment Trust Limited, for whom relaxation has been allowed) 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 occurring on the Board on September 25, 2017 was filled up by the directors within 25 days.
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 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 Board arranged no training programs for its directors during the year. However, out of 10 Directors of the Bank, 7 have already attended the directors’ training programme.



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 / signed 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, of whom all are non - executive directors and the 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 and the Chairman of the Committee is an independent director.
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.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 14, 2018



AUDITORS' 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 2017 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 2017.

Karachi: February 14, 2018

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 2017 as per SBP Guidelines on Internal Controls has been successfully completed. In accordance with SBP directives, the annual assessment report for the year 2017 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 2018.

ASHAR HUSAIN
Chief Financial Officer

ARIF SAEED KHAN
Head of Internal Audit

Karachi: February 14, 2018

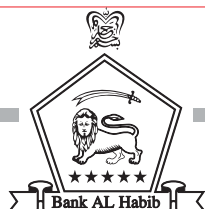
BOARD OF DIRECTORS' REMARKS ON THE MANAGEMENT'S EVALUATION OF INTERNAL CONTROLS

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: February 14, 2018

ABBAS D. HABIB
Chairman
Board of Directors



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 2017 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 twenty one 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 repealed 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 repealed 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 repealed 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;
 - 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 repealed 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 2017 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: February 14, 2018

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

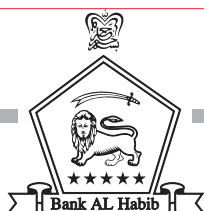


**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	2017 (Rupees in '000)	2016
ASSETS			
Cash and balances with treasury banks	8	60,096,155	50,600,041
Balances with other banks	9	4,691,917	2,866,455
Lendings to financial institutions		–	–
Investments - net	10	476,125,054	405,027,569
Advances - net	11	339,832,911	261,440,098
Operating fixed assets	12	22,553,302	18,894,031
Deferred tax assets - net		–	–
Other assets - net	13	15,752,256	12,567,622
		919,051,595	751,395,816
LIABILITIES			
Bills payable	14	19,663,349	13,872,057
Borrowings	15	133,499,876	93,717,345
Deposits and other accounts	16	692,576,176	584,171,954
Sub - ordinated loans	17	10,997,600	3,999,200
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities - net	18	2,528,998	4,131,830
Other liabilities	19	13,909,714	8,989,686
		873,175,713	708,882,072
NET ASSETS		45,875,882	42,513,744
REPRESENTED BY:			
Share capital	20	11,114,254	11,114,254
Reserves		13,021,176	11,949,311
Unappropriated profit		16,671,122	12,858,807
		40,806,552	35,922,372
Surplus on revaluation of assets - net of tax	21	5,069,330	6,591,372
		45,875,882	42,513,744
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 46 and annexure I and II form an integral part of these unconsolidated financial statements.

ASHAR HUSAIN MANSOOR ALI KHAN ANWAR HAJI KARIM SYED MAZHAR ABBAS ABBAS D. HABIB
Chief Financial Officer *Chief Executive* *Director* *Director* *Chairman*



**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 (Rupees in '000)	2016
Mark - up / return / interest earned	24	50,304,905	47,804,368
Mark - up / return / interest expensed	25	(24,386,577)	(23,132,808)
Net mark - up / return / interest income		25,918,328	24,671,560
Reversal against non - performing loans and advances - net (Provision) / reversal for diminution in the value of investments	11.5 10.4	246,449 (131,127)	441,057 196,992
Bad debts written - off directly		-	-
		115,322	638,049
Net mark - up / return / interest income after provisions		26,033,650	25,309,609
NON MARK - UP / INTEREST INCOME			
Fees, commission and brokerage income		3,192,234	2,521,496
Dividend income		448,177	591,500
Income from dealing in foreign currencies		913,950	491,038
Gain on sale / redemption of securities - net	26	2,734,369	715,470
Unrealised gain on revaluation of investments classified as held for trading		5,004	3,385
Other income	27	907,426	729,359
Total non mark - up / interest income		8,201,160	5,052,248
		34,234,810	30,361,857
NON MARK - UP / INTEREST EXPENSES			
Administrative expenses	28	(19,860,573)	(17,728,349)
Other (provisions) / reversals / write - offs	29	(10,904)	38,033
Other (charges) / reversals	30	(323,011)	492,446
Total non mark - up / interest expenses		(20,194,488)	(17,197,870)
Extra - ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		14,040,322	13,163,987
Taxation – Current		(5,150,968)	(4,299,752)
– Prior years		(503,224)	(502,993)
– Deferred		263,440	(242,013)
	31	(5,390,752)	(5,044,758)
PROFIT AFTER TAXATION		8,649,570	8,119,229
		(Rupees)	
Basic and diluted earnings per share	32	7.78	7.31

The annexed notes 1 to 46 and annexure I and II form an integral part of these unconsolidated financial statements.

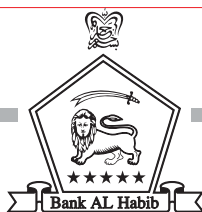
ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 (Rupees in '000)	2016
Profit after taxation for the year		8,649,570	8,119,229
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss account</i>			
Exchange differences on translation of net investment in foreign branches		168,519	(4,194)
<i>Items that will not be reclassified to profit and loss account subsequently</i>			
Remeasurement of defined benefit plan	35.5	(166,277)	(82,670)
Related tax charge		58,197	28,934
		(108,080)	(53,736)
Comprehensive income transferred to equity		8,710,009	8,061,299
<i>Components of comprehensive income not reflected in equity</i>			
Surplus on revaluation of available for sale securities		(4,759,399)	729,170
Related tax charge		1,665,790	(255,210)
		(3,093,609)	473,960
Surplus on revaluation of fixed assets / non - banking assets		1,977,035	—
Related tax charge		(326,447)	—
		1,650,588	—
Total comprehensive income		7,266,988	8,535,259

The annexed notes 1 to 46 and annexure I and II form an integral part of these unconsolidated financial statements.

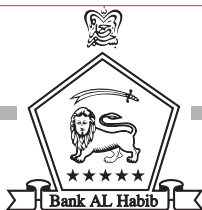
ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 (Rupees in '000)	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		14,040,322	13,163,987
Less: Dividend income		(448,177)	(591,500)
		13,592,145	12,572,487
Adjustments for:			
Depreciation		1,902,078	1,598,840
Amortisation		102,866	82,351
Reversal against non - performing loans and advances - net		(246,449)	(441,057)
Provision / (reversal) for diminution in the value of investments		131,127	(196,992)
Gain on sale of operating fixed assets		(99,903)	(101,024)
Gain on sale / redemption of securities - net		(2,734,369)	(715,470)
Unrealised gain on held for trading securities		(5,004)	(3,385)
Charge for compensated absences		71,438	54,174
Provision / (reversal) against off - balance sheet items		10,979	(41,785)
		(867,237)	235,652
		12,724,908	12,808,139
(Increase) / decrease in operating assets			
Lendings to financial institutions		—	3,992,794
Advances - net		(78,146,364)	(53,710,433)
Other assets - (excluding advance taxation)		(2,715,915)	2,123,126
		(80,862,279)	(47,594,513)
Increase in operating liabilities			
Bills payable		5,791,292	5,206,595
Borrowings		40,743,770	29,985,638
Deposits and other accounts		108,404,222	67,958,776
Other liabilities		4,624,062	1,132,150
		159,563,346	104,283,159
		91,425,975	69,496,785
Income tax paid		(6,047,792)	(5,244,641)
Net cash generated from operating activities		85,378,183	64,252,144
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(73,123,982)	(46,733,549)
Net investments in associates		(124,656)	—
Dividend received		443,320	570,456
Investments in operating fixed assets		(3,751,252)	(4,827,994)
Sale proceeds from disposal of operating fixed assets		136,997	131,413
Net cash used in investing activities		(76,419,573)	(50,859,674)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from sub - ordinated loans		6,998,400	1,004,600
Dividends paid		(3,842,714)	(3,829,195)
Net cash generated from / (used in) financing activities		3,155,686	(2,824,595)
Exchange differences on translation of net investment in foreign branches		168,519	(4,194)
Increase in cash and cash equivalents		12,282,815	10,563,681
Cash and cash equivalents at beginning of the year		52,321,784	41,758,103
Cash and cash equivalents at end of the year	33	64,604,599	52,321,784

The annexed notes 1 to 46 and annexure I and II form an integral part of these unconsolidated financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Unappropriated Profit	Total
				Special Reserve	General Reserve		
	(Rupees in '000)						
Balance as at 01 January 2016	11,114,254	9,413,632	249,527	126,500	540,000	10,253,920	31,697,833
Total comprehensive income for the year ended 31 December 2016:							
Profit after tax	-	-	-	-	-	8,119,229	8,119,229
Other comprehensive income	-	-	(4,194)	-	-	(53,736)	(57,930)
	-	-	(4,194)	-	-	8,065,493	8,061,299
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	53,229	53,229
Transfer to statutory reserve	-	1,623,846	-	-	-	(1,623,846)	-
Transactions with owners, recorded directly in equity:							
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)
Balance as at 31 December 2016	11,114,254	11,037,478	245,333	126,500	540,000	12,858,807	35,922,372
Total comprehensive income for the year ended 31 December 2017:							
Profit after tax	-	-	-	-	-	8,649,570	8,649,570
Other comprehensive income	-	-	168,519	-	-	(108,080)	60,439
	-	-	168,519	-	-	8,541,490	8,710,009
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	64,160	64,160
Transfer to statutory reserve	-	903,346	-	-	-	(903,346)	-
Transaction with owners, recorded directly in equity:							
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)
Balance as at 31 December 2017	11,114,254	11,940,824	413,852	126,500	540,000	16,671,122	40,806,552

The annexed notes 1 to 46 and annexure I and II form an integral part of these unconsolidated financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 repealed 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 605 branches (2016: 518 branches), 45 sub - branches (2016: 87 sub - branches) and 03 representative offices (2016: 03 representative offices). The branch network of the Bank includes 03 overseas branches (2016: 03 overseas branches) and 53 Islamic Banking branches (2016: 41 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. Furthermore, SBP vide BPRD Circular No. 02 dated 25 January 2018 has notified a new format of financial statements effective from the accounting year ending 31 December 2018. The new format would result in additional disclosures and certain changes in the financial statements presentation.

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), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of repealed Companies Ordinance, 1984.

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 43.

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 of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and IFAS issued by ICAP as are notified under repealed Companies Ordinance, 1984, the requirements of repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations / directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. In case where requirements differ, the provisions of repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirements of the said regulations / directives have been followed.

The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular No. 23 of 2017 has clarified that all those companies whose financial year closes on or before 31 December 2017 shall prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.



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 certain investments, land and buildings, certain non - banking assets acquired in satisfaction of claims, and derivative financial instruments which are revalued as referred to in notes 5.4, 5.6, 5.7, 5.16 and 5.17.

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.

5.2 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

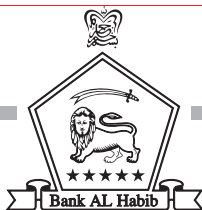
Investments in subsidiaries and associates are stated at cost less provision for impairment, if any. Other investments are classified as follows:

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

Assets leased out under ijarah arrangements are stated at cost less accumulated depreciation and impairment, if any. Such assets are depreciated over the terms of ijarah contracts.

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 12.2. 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 repealed 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 12.3. 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 Non - banking assets acquired in satisfaction of claims

Non - banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent 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 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 of property is charged to profit and loss account and not capitalised.

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.

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 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.

5.10 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.

5.11 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 / return / interest 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 / return / interest 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 its 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 financial statements are presented in Pak Rupees which is the Bank's functional 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 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.

5.17 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 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.

5.19 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 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.

5.20.1 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.

5.20.2 Geographical segments

The Bank operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa



5.21 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 2017.

5.22 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
Classification of investments and provision for diminution in the value of investments	5.4 & 10
Provision against non - performing advances	5.5 & 11
Useful lives of assets and methods of depreciation, amortisation and revaluation	5.6 & 12
Non - banking assets acquired in satisfaction of claims	5.7 & 13
Employees' benefits	5.8, 19 & 35
Provisions against off - balance sheet obligations	5.10 & 19.2
Current and deferred taxation	5.13 & 18

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

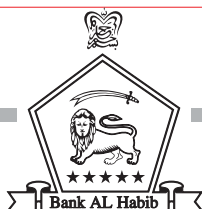
The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2018:

- Classification and Measurement of Share - based Payment Transactions - amendments to IFRS 2 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.
- Annual Improvements to IFRSs 2014 - 2016 Cycle [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 application of interpretation is not likely to have an impact on Bank's unconsolidated financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2018) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Bank's unconsolidated financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of analysing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions (as explained in note 3.2).
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.
- Annual improvements to IFRS Standards 2015 - 2017 Cycle - the improvements address amendments to following approved accounting standards:



- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2018 and are not likely to have an impact on Bank's unconsolidated financial statements for the year ended 31 December 2017.

- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and according to the circular referred to in note 3.1, for financial statements purposes would be applicable to financial statements for period after 1 January 2018. The Companies Act, 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017.

	Note	2017 (Rupees in '000)	2016
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		14,444,792	11,012,289
Foreign currencies		1,552,703	1,119,703
		15,997,495	12,131,992
In transit:			
Local currency		292,100	36,800
Foreign currencies		127,482	3,138
		419,582	39,938
With SBP in:			
Local currency current accounts	8.1	26,222,529	22,782,491
Local currency current account - Islamic Banking	8.1	1,720,508	965,549
Foreign currency deposit accounts			
Cash reserve account	8.1	2,329,803	2,013,521
Cash reserve / special cash reserve account - Islamic Banking		93,523	62,132
Special cash reserve account	8.1	6,989,409	6,040,564
Local US Dollar collection account	8.2	47,692	69,991
		37,403,464	31,934,248
With National Bank of Pakistan (NBP) in:			
Local currency current accounts		6,194,313	6,460,582
National prize bonds		81,301	33,281
		60,096,155	50,600,041

8.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements. The special cash reserve account carries interest rate ranging from 0.06% to 0.37% (2016: Nil).

8.2 This represents US Dollar collection account maintained with SBP.



	Note	2017 (Rupees in '000)	2016
9. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		359,946	510,004
Savings accounts	9.1	1,000,912	345,686
		1,360,858	855,690
Outside Pakistan			
Current accounts	9.2	1,720,902	1,005,543
Deposit accounts	9.3	1,610,157	1,005,222
		3,331,059	2,010,765
		4,691,917	2,866,455

9.1 These carry expected profit rates ranging from 2.67% to 5.90% (2016: 2.50% to 5%) per annum.

9.2 These carry interest rates ranging from 0% to 0.30% (2016: 0% to 0.30%) per annum.

9.3 These carry interest rates ranging from 1% to 1.50% (2016: 0.25% to 0.75%) per annum.



10. INVESTMENTS

10.1 Investments by type	Note	2017			2016		
		Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
		(Rupees in '000)					
Available for Sale Securities	10.6						
Market Treasury Bills		243,832,688	85,665,691	329,498,379	166,762,623	62,559,668	229,322,291
Pakistan Investment Bonds		37,599,811	—	37,599,811	50,282,495	—	50,282,495
Foreign Currency Bonds		3,232,531	—	3,232,531	5,254,192	—	5,254,192
Sukuk Bonds		13,284,768	—	13,284,768	10,794,106	—	10,794,106
Fully paid - up ordinary shares - Listed		4,670,838	—	4,670,838	3,162,708	—	3,162,708
Fully paid - up ordinary shares - Unlisted		46,759	—	46,759	45,529	—	45,529
Term finance certificates - Listed		302,729	—	302,729	702,771	—	702,771
Term finance certificates - Unlisted		1,242,857	—	1,242,857	2,227,524	—	2,227,524
Units of mutual funds		2,175,000	—	2,175,000	2,100,000	—	2,100,000
		306,387,981	85,665,691	392,053,672	241,331,948	62,559,668	303,891,616
Held to Maturity Securities	10.2						
Pakistan Investment Bonds		77,674,619	—	77,674,619	91,101,157	—	91,101,157
Foreign Currency Bonds		2,235,930	—	2,235,930	2,386,321	—	2,386,321
Sukuk Bonds		1,829,830	—	1,829,830	671,785	—	671,785
		81,740,379	—	81,740,379	94,159,263	—	94,159,263
Held for Trading Securities							
Full paid - up ordinary shares - Listed	10.7	269,179	—	269,179	154,000	—	154,000
Associates	10.14						
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 Stock Fund (Formerly First Habib Islamic Balanced Fund)		10,000	—	10,000	10,000	—	10,000
First Habib Islamic Income Fund		24,656	—	24,656	—	—	—
First Habib Asset Allocation Fund		100,000	—	100,000	—	—	—
		687,346	—	687,346	562,690	—	562,690
Subsidiaries	10.15						
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
		200,127	—	200,127	200,127	—	200,127
Investments at cost		389,285,012	85,665,691	474,950,703	336,408,028	62,559,668	398,967,696
Less: Provision for diminution in the value of investments	10.4	(136,827)	—	(136,827)	(5,700)	—	(5,700)
Investments (net of provisions)		389,148,185	85,665,691	474,813,876	336,402,328	62,559,668	398,961,996
Surplus on revaluation of held for trading securities - net	10.5	8,389	—	8,389	3,385	—	3,385
Surplus / (deficit) on revaluation of available for sale securities - net	21.2	1,307,676	(4,887)	1,302,789	6,042,721	19,467	6,062,188
Total Investments		390,464,250	85,660,804	476,125,054	342,448,434	62,579,135	405,027,569

10.2 The aggregate market value of held to maturity securities as at 31 December 2017 amounted to Rs. 87,714 million (2016: Rs. 103,979 million).



	Note	2017 (Rupees in '000)	2016
10.3 Investments by segment			
<i>Federal Government Securities</i>			
Market Treasury Bills	10.8	329,498,379	229,322,291
Pakistan Investment Bonds	10.9	115,274,430	141,383,652
Foreign Currency Bonds	10.12	3,725,501	5,427,359
Sukuk Bonds	10.10	12,437,913	8,479,526
Term Finance Certificates - Unlisted	10.11	1,142,857	1,428,571
		462,079,080	386,041,399
<i>Fully paid - up ordinary shares</i>			
Listed companies	10.6.5 & 10.7	4,940,017	3,316,708
Unlisted companies	10.13	46,759	45,529
		4,986,776	3,362,237
<i>Term finance certificates, sukuks and bonds</i>			
Term Finance Certificates			
Term finance certificates - Listed		302,729	702,771
Term finance certificates - Unlisted		100,000	798,953
	10.11	402,729	1,501,724
Sukuk Bonds	10.10	2,676,685	2,986,365
Foreign Currency Bonds	10.12	1,742,960	2,213,154
		4,822,374	6,701,243
<i>Others</i>			
Units of mutual funds	10.6.9	2,175,000	2,100,000
Associates	10.14	687,346	562,690
Subsidiaries	10.15	200,127	200,127
		3,062,473	2,862,817
Investments at cost		474,950,703	398,967,696
Less: Provision for diminution in the value of investments	10.4	(136,827)	(5,700)
Investments (net of provisions)		474,813,876	398,961,996
Surplus on revaluation of held for trading securities - net	10.5	8,389	3,385
Surplus on revaluation of available for sale securities - net	21.2	1,302,789	6,062,188
Total Investments		476,125,054	405,027,569



		Note	2017 (Rupees in '000)	2016				
10.4	Particulars of provision for diminution in the value of investments							
	Available for sale investments:							
	Opening balance		5,700	202,692				
	Charge / (reversal) for the year		131,127	(196,992)				
	Closing balance	10.4.1	<u>136,827</u>	<u>5,700</u>				
10.4.1	Particulars of provision in respect of type and segment							
	Available for sale investments:							
	Listed companies:							
	D.G. Khan Cement Company Limited		18,341	—				
	Fauji Cement Company Limited		70,433	—				
	Fauji Fertilizer Bin Qasim Limited		13,815	—				
	Kot Addu Power Company Limited		13,216	—				
	Packages Limited		15,322	—				
			<u>131,127</u>	<u>—</u>				
	Unlisted company:							
	Pakistan Export Finance Guarantee Agency Limited		5,700	5,700				
			<u>136,827</u>	<u>5,700</u>				
10.5	Unrealised gain on revaluation of held for trading securities							
	Fully paid - up ordinary shares - Listed shares		<u>8,389</u>	<u>3,385</u>				
10.6	Quality of available for sale securities							
	Name of security	Face value	2017 Long term rating*	2016 Long term rating*	2017 Cost	2016 Cost	2017 Carrying value	2016 Carrying value
							(Rupees in '000)	
10.6.1	Market Treasury Bills	—	Unrated	Unrated	329,498,379	229,322,291	329,504,230	229,255,610
10.6.2	Pakistan Investment Bonds	—	Unrated	Unrated	37,599,811	50,282,495	39,549,743	54,617,188
10.6.3	Foreign Currency Bonds							
	Government of Pakistan Bonds	USD 100	—	B	—	2,115,256	—	2,135,920
	Government of Pakistan Bonds	USD 100	B	B	614,573	588,306	629,412	607,543
	Government of Pakistan Bonds	USD 100	B	B	557,031	527,715	614,102	571,736
	Government of Pakistan Bonds	USD 100	B	B	593,256	330,757	611,021	339,191
	Government of Sri Lanka Bonds	USD 100	B+	B+	559,340	536,086	564,745	536,136
	Kingdom of Bahrain	USD 100	BB+	BB+	220,835	209,197	227,731	217,209
	Bank of Ceylon	USD 100	—	B+	—	737,850	—	737,864
	Bank of Ceylon	USD 100	B+	B+	220,744	209,025	221,627	209,413
	Bank of Ceylon	USD 100	B+	—	466,752	—	467,286	—
					<u>3,232,531</u>	<u>5,254,192</u>	<u>3,335,924</u>	<u>5,355,012</u>



10.6.4 Sukuk Bonds		Face	2017	2016	2017	2016	2017	2016	
2017	2016	value	Long term rating*		Cost		Carrying value		
Name of security					(Rupees in '000)				
No. of certificates									
-	170,000	Engro Foods Limited	Rs.5,000	-	A+	-	361,250	-	361,250
23,000	20,000	Government of Pakistan Ijarah Sukuk XVI	Rs. 100,000	Unrated	Unrated	2,302,039	2,000,000	2,316,330	2,049,000
-	12,000	Government of Pakistan Ijarah Sukuk XV	Rs. 100,000	-	Unrated	-	1,200,000	-	1,200,720
100,000	100,000	Government of Pakistan Sukuk	USD 100	B	B	1,111,118	1,056,307	1,144,970	1,104,037
539,198	1,124,278	Liberty Power Tech Limited	Rs.1,000	A+	A+	539,198	668,119	539,198	668,119
163,517	181,686	K - Electric Limited Sukuk IV	Rs.5,000	AA+	AA+	817,587	908,430	835,983	908,430
-	150,000	WAPDA Second Sukuk Company Limited	Rs.5,000	-	Unrated	-	125,000	-	125,000
35,750	35,750	Neelam Jhelum Hydropower Company (Private) Limited	Rs.100,000	AAA	AAA	3,575,000	3,575,000	3,575,000	3,575,000
900	900	Meezan Bank Limited Tier II	Rs.1,000,000	AA-	AA-	900,000	900,000	900,000	900,000
50,000	-	Government of Pakistan Sukuk	USD 100	B	-	570,329	-	558,380	-
6,500	-	Government of Pakistan Ijarah Sukuk (GISF 1)	Rs.100,000	Unrated	-	664,757	-	658,775	-
5,000	-	Government of Pakistan Ijarah Sukuk (GISF 2)	Rs.100,000	Unrated	-	504,740	-	503,700	-
20,000	-	Government of Pakistan Ijarah Sukuk (GISF 3)	Rs.100,000	Unrated	-	2,000,000	-	1,998,800	-
300	-	Dubai Islamic Bank Pakistan Limited							
		Modaraba Sukuk	Rs.1,000,000	A+	-	300,000	-	300,000	-
						13,284,768	10,794,106	13,331,136	10,891,556
10.6.5 Fully paid - up ordinary shares - Listed									
2017	2016	Name of security							
No. of shares									
472,500	337,500	Adamjee Insurance Company Limited	Rs.10	AA+	AA+	29,975	19,973	24,556	25,022
330,500	-	Al-Ghazi Tractors Limited	Rs.5	Unrated	-	199,842	-	203,109	-
1,102,500	377,800	Allied Bank Limited	Rs.10	AA+	AA+	100,033	22,585	93,690	45,038
427,600	-	Attock Petroleum Limited	Rs.10	Unrated	-	282,755	-	223,669	-
-	300,000	Cherat Cement Company Limited	Rs.10	-	A	-	38,784	-	52,212
300,000	300,000	D. G. Khan Cement Company Limited	Rs.10	Unrated	Unrated	58,457	58,457	21,775	66,519
1,147,900	230,000	Engro Corporation Limited	Rs.10	AA	AA	374,842	74,779	315,386	72,701
5,373,000	410,000	Engro Fertilizer Limited	Rs.10	AA-	AA-	321,334	28,004	363,860	27,872
250,000	250,000	Fatima Fertilizer Company Limited	Rs.10	AA-	AA-	8,443	8,443	7,720	9,223
5,868,000	2,960,000	Fauji Cement Company Limited	Rs.10	Unrated	Unrated	217,191	112,603	76,326	133,437
701,500	700,000	Fauji Fertilizer Bin Qasim Limited	Rs.10	Unrated	Unrated	38,747	38,692	11,116	35,847
5,093,500	4,650,000	Fauji Fertilizer Company Limited	Rs.10	AA	Unrated	554,855	524,833	402,947	485,321
-	294,000	First Habib Modaraba	Rs.5	-	AA+	-	2,607	-	3,087
100,000	100,000	Glaxo Smith Kline Pakistan Limited	Rs.10	Unrated	Unrated	21,775	21,775	16,788	23,330
-	600,043	Habib Bank Limited	Rs.10	-	AAA	-	113,622	-	163,962
-	7,513,915	Habib Metropolitan Bank Limited	Rs.10	-	AA+	-	170,303	-	278,015
-	175,000	Honda Atlas Cars (Pakistan) Limited	Rs.10	-	Unrated	-	74,654	-	117,012
4,282,000	5,722,500	Hub Power Company Limited	Rs.10	AA+	AA+	396,075	349,700	389,662	706,614
-	25,000	ICI Pakistan Limited	Rs.10	-	Unrated	-	12,337	-	24,843
-	52,862	International Industries Limited	Rs.10	-	Unrated	-	357	-	10,770
-	2,812,056	International Steels Limited	Rs.10	-	Unrated	-	44,618	-	274,822
3,500,000	2,500,000	K - Electric Limited	Rs.3.5	AA	AA	27,432	20,715	22,085	23,425
7,873,000	6,824,000	Kot Addu Power Company Limited	Rs.10	AA+	AA+	555,143	476,445	411,139	537,731
3,918,000	2,749,500	Lalpir Power Limited	Rs.10	AA	AA	91,867	66,855	88,272	66,538
25,000	25,000	Lucky Cement Limited	Rs.10	Unrated	Unrated	17,273	17,273	12,935	21,657
700,000	500,010	MCB Bank Limited	Rs.10	AAA	AAA	150,025	108,602	148,624	118,912
6,862,000	4,780,500	Nishat Chunian Power Limited	Rs.10	Unrated	Unrated	285,622	195,514	225,828	265,222
252,500	-	Nishat Mills Limited	Rs.10	AA	-	40,644	-	37,749	-
45,000	17,500	Packages Limited	Rs.10	AA	AA	38,265	1,429	7,620	14,876
-	50,000	Pak Suzuki Motor Company Limited	Rs.10	-	Unrated	-	30,178	-	30,641
5,065,000	5,065,000	Pakgen Power Limited	Rs.10	AA	AA	125,531	125,531	112,088	135,590
1,325,400	-	Pakistan State Oil Company Limited	Rs.10	AA	-	505,786	-	388,488	-
3,303,887	-	Pakistan Stock Exchange Limited	Rs.10	Unrated	-	92,509	-	74,007	-
838,000	6,871,500	Pakistan Telecommunication Company Limited	Rs.10	Unrated	Unrated	13,140	112,981	10,936	118,052



		Face	2017	2016	2017	2016	2017	2016		
2017	2016	value	Long term rating*		Cost		Carrying value			
No. of shares		(Rupees in '000)								
3,000	3,000	Rafhan Maize Products Company Limited	Rs.10	Unrated	Unrated	23,211	23,211	20,400	26,293	
3,248,000	-	Saif Power Limited	Rs.10	A+	-	100,066	-	93,965	-	
-	13,232,450	Soneri Bank Limited	Rs.10	-	AA-	-	150,607	-	233,551	
-	1,591,500	Standard Chartered Bank (Pakistan) Limited	Rs.10	-	AAA	-	30,851	-	40,185	
-	50,000	Thal Limited	Rs.5	-	Unrated	-	21,760	-	25,427	
-	527,500	United Bank Limited	Rs.10	-	AAA	-	63,630	-	126,020	
						4,670,838	3,162,708	3,804,740	4,339,767	
10.6.6 Fully paid - up ordinary shares - Unlisted										
2017	2016	Name of security								
No. of shares / certificates										
3,000,000	3,000,000	Khushhali Bank Limited	Rs.10	A+	A+	30,000	30,000	30,000	30,000	
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited	Rs.10	Unrated	Unrated	5,700	5,700	-	-	
123,000	-	Pakistan Mortgage Refinance Company Limited	Rs.10	Unrated	-	1,230	-	1,230	-	
39	39	Society for Worldwide Interbank Financial Telecommunication	-	Unrated	Unrated	9,829	9,829	9,829	9,829	
						46,759	45,529	41,059	39,829	
10.6.7 Term finance certificates - Listed										
2017	2016	Name of security								
No. of certificates										
30,625	30,625	Bank Alfalah Limited - V	Rs.5,000	AA	AA-	152,849	152,911	155,569	157,040	
30,000	30,000	Soneri Bank Limited	Rs.5,000	A+	A+	149,880	149,940	150,030	152,639	
-	4,000	Habib Bank Limited	Rs.100,000	-	AAA	-	399,920	-	394,921	
						302,729	702,771	305,599	704,600	
10.6.8 Term finance certificates - Unlisted										
2017	2016	Name of security								
No. of certificates										
-	150	Askari Bank Limited - IV	Rs.1,000,000	-	AA-	-	149,700	-	149,700	
-	60,000	Askari Bank Limited - V	Rs.5,000	-	AA-	-	299,760	-	299,760	
-	20,000	Bank Alfalah Limited - IV	Rs.5,000	-	AA-	-	66,493	-	66,493	
-	56,600	Standard Chartered Bank (Pakistan) Limited	Rs.5,000	-	AAA	-	283,000	-	283,000	
20,000	-	Silk Bank Limited	Rs.5,000	A-	-	100,000	-	100,000	-	
400,000	400,000	Water and Power Development Authority	Rs.5,000	AAA	AAA	1,142,857	1,428,571	1,142,857	1,428,571	
						1,242,857	2,227,524	1,242,857	2,227,524	
10.6.9 Units of mutual funds										
2017	2016	Name of security								
No. of units										
1,453,473	-	Askari High Yield Scheme	Rs.10	A	-	150,000	-	150,704	-	
-	4,820,132	HBL Money Market Fund	Rs.10	-	AA	-	500,000	-	501,173	
1,604,623	-	HBL Stock Fund	Rs.10	AM2+	-	200,000	-	163,677	-	
2,505,386	-	Meezan Islamic Fund	Rs.10	AM1	-	200,000	-	157,940	-	
11,751,170	-	NAFA Stock Fund	Rs.10	5 Star	-	200,000	-	165,156	-	
48,615,258	48,615,258	NIT Government Bond Fund	Rs.10	AA	AA-	550,000	550,000	496,435	493,980	
4,990,817	4,990,817	NIT Government Treasury Fund	Rs.10	AA+	AA+	50,000	50,000	51,407	51,259	
17,422,393	17,422,393	NIT Income Fund	Rs.10	A+	A+	200,000	200,000	183,984	183,447	
25,047,082	25,047,082	NIT Islamic Equity Fund	Rs.10	AM2++	AM2+	250,000	250,000	250,220	321,354	
6,870,095	11,032,727	NIT Unit Trust	Rs.10	AM2++	AM2+	375,000	550,000	484,823	965,805	
						2,175,000	2,100,000	2,104,346	2,517,018	
						392,053,672	303,891,616	393,219,634	309,948,104	

*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.



10.7 Investment in listed companies - Held for trading

2017	2016	Name of security	Face value	2017	2016	2017	2016	2017	2016
No. of shares				Short term rating		Cost		Carrying value	
(Rupees in '000)									
45,000	-	Attock Refinery Limited	Rs.10	A1+	-	10,744	-	10,535	-
80,000	-	Cherat Cement Company Limited	Rs.10	A1	-	7,509	-	8,872	-
38,600	-	Cherat Packaging Limited	Rs.10	Unrated	-	7,665	-	7,681	-
175,000	-	D.G. Khan Cement Company Limited	Rs.10	Unrated	-	20,045	-	23,401	-
400,000	-	Dost Steels Limited	Rs.10	Unrated	-	4,226	-	4,024	-
145,000	75,000	Engro Corporation Limited	Rs.10	A1+	A1+	39,325	23,786	39,839	23,707
-	125,000	Engro Fertilizer Limited	Rs.10	-	A1+	-	8,498	-	8,498
215,000	-	Engro Foods Limited	Rs.10	Unrated	-	15,052	-	17,266	-
-	750,000	Fauji Fertilizer Bin Qasim Limited	Rs.10	-	Unrated	-	34,807	-	38,408
325,000	-	Fauji Cement Company Limited	Rs.10	Unrated	-	7,746	-	8,128	-
95,000	-	Fauji Foods Limited	Rs.10	Unrated	-	1,595	-	1,564	-
25,000	-	General Tyre and Rubber Company of Pakistan Limited	Rs.10	Unrated	-	4,608	-	4,708	-
110,000	-	Hub Power Company Limited	Rs.10	A1+	-	10,407	-	10,010	-
2,696,000	300,000	K - Electric Limited	Rs.3.5	A1+	A1+	15,958	2,747	17,012	2,811
-	400,000	Kot Addu Power Company Limited	Rs.10	-	A1+	-	31,507	-	31,520
65,000	-	Lucky Cement Limited	Rs.10	Unrated	-	31,798	-	33,631	-
1,000	-	National Refinery Limited	Rs.10	A1+	-	419	-	431	-
50,000	-	Nishat Chunian Limited	Rs.10	Unrated	-	2,449	-	2,289	-
25,000	-	Oil & Gas Development Company Limited	Rs.10	A1+	-	4,030	-	4,070	-
54,600	-	Packages Limited	Rs.10	A1+	-	28,389	-	27,836	-
-	25,000	Pak Elektron Limited	Rs.10	-	Unrated	-	1,765	-	1,782
-	9,200	Pak Suzuki Motor Company Limited	Rs.10	-	Unrated	-	5,666	-	5,638
530,000	-	Pakistan International Bulk Terminal Limited	Rs.10	Unrated	-	8,677	-	7,924	-
-	41,000	Pakistan Oilfields Limited	Rs.10	-	Unrated	-	22,101	-	21,919
120,000	-	Pakistan State Oil Company Limited	Rs.10	A1+	-	35,488	-	35,174	-
600,000	250,000	Pakistan Telecommunication Company Limited	Rs.10	Unrated	Unrated	7,636	4,318	7,830	4,295
-	150,000	Saif Power Limited	Rs.10	-	A1	-	5,025	-	5,334
400	300	The Searle Company Limited	Rs.10	Unrated	Unrated	126	191	126	195
1,000	-	Treet Corporation Limited	Rs.10	A1	-	37	-	37	-
175,000	300,000	TRG Pakistan Limited	Rs.10	Unrated	Unrated	5,250	13,589	5,180	13,278
						269,179	154,000	277,568	157,385

10.8 Market Treasury Bills

These securities have a maturity period upto one year (2016: one year), with yield ranging between 5.93% to 6.01% (2016: 5.84% to 6.24%) per annum.

10.9 Pakistan Investment Bonds

These securities have a maturity period of 5 and 10 years (2016: 3, 5 and 10 years) with interest rates ranging between 7.40% to 14.09% (2016: 9.25% to 12%) per annum. These include securities costing Rs. 5 million (2016: 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.

10.10 Sukuk Bonds

		Face value per certificate	Redeemable value per certificate (Rupees)	Maturity date	Name of security	Rate	2017 (Rupees in '000)	2016 (Rupees in '000)
2017	2016							
No. of certificates								
Federal Government Securities								
Available for sale								
23,000	20,000	Rs.100,000	100,089	Dec-18	Government of Pakistan Ijarah Sukuk XVI	Weighted average 6 months T - Bills rate less 50 bps	2,302,039	2,000,000
-	12,000	Rs.100,000	-	Jun-17	Government of Pakistan Ijarah Sukuk XV	Weighted average 6 months T - Bills rate less 200 bps	-	1,200,000
100,000	100,000	USD 100	11,111	Dec-19	Government of Pakistan Sukuk	6.750% per annum	1,111,118	1,056,307
-	150,000	Rs. 5,000	-	Jul-17	WAPDA Second Sukuk Company Limited	6 months' KIBOR less 25 bps	-	125,000
35,750	35,750	Rs.100,000	100,000	Jun-26	Neelam Jhelum Hydropower Company (Private) Limited	6 months' KIBOR plus 113 bps	3,575,000	3,575,000
50,000	-	USD 100	11,407	Oct-21	Government of Pakistan Sukuk	5.50% per annum	570,329	-
6,500	-	Rs. 100,000	102,270	Feb-19	Government of Pakistan Ijarah Sukuk (GISF 1)	6.10% per annum	664,757	-
5,000	-	Rs.100,000	100,948	Mar-19	Government of Pakistan Ijarah Sukuk (GISF 2)	5.59% per annum	504,740	-
20,000	-	Rs.100,000	100,000	Jun-20	Government of Pakistan Ijarah Sukuk (GISF 3)	5.24% per annum	2,000,000	-
							10,727,983	7,956,307
Held to maturity								
150,000	50,000	USD 100	11,400	Dec-19	Government of Pakistan Sukuk	6.750% per annum	1,709,930	523,219
							12,437,913	8,479,526
Other								
Available for sale								
-	170,000	Rs. 5,000	-	Jan-17	Engro Foods Limited	6 months' KIBOR plus 69 bps	-	361,250
539,198	1,124,278	Rs.1,000	1,000	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	539,198	668,119
163,517	181,686	Rs. 5,000	5,000	Sep-22	K - Electric Limited Sukuk IV	3 months' KIBOR plus 100 bps	817,587	908,430
900	900	Rs.1,000,000	1,000,000	Sep-26	Meezan Bank Limited Tier II	6 months' KIBOR plus 50 bps	900,000	900,000
300	-	Rs.1,000,000	1,000,000	Jul-27	Dubai Islamic Bank Pakistan Limited Modarba Sukuk	6 months' KIBOR plus 50 bps	300,000	-
							2,556,785	2,837,799
Held to maturity								
119,899	250,000	Rs.1,000	1,000	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	119,900	148,566
							2,676,685	2,986,365
							15,114,598	11,465,891



10.11 Term Finance Certificates

<u>2017</u>	<u>2016</u>	<u>Face value per certificate</u>	<u>Redeemable value per certificate (Rupees)</u>	<u>Maturity date</u>	<u>Name of security</u>	<u>Rate</u>	<u>2017</u>	<u>2016</u>	
<u>No. of certificates</u>								<u>(Rupees in '000)</u>	
Federal Government Securities									
Unlisted - Available for sale									
400,000	400,000	Rs.5,000	2,857	Sep-21	Water and Power Development Authority	6 months' KIBOR plus 100 bps	1,142,857	1,428,571	
Other									
Listed - Available for sale									
30,625	30,625	Rs.5,000	4,991	Feb-21	Bank Alfalah Limited - V*	6 months' KIBOR plus 125 bps	152,849	152,911	
30,000	30,000	Rs.5,000	4,996	Jul-23	Soneri Bank Limited*	6 months' KIBOR plus 135 bps	149,880	149,940	
-	4,000	Rs.100,000	-	Dec-25	Habib Bank Limited*	6 months' KIBOR plus 50 bps	-	399,920	
							302,729	702,771	
Unlisted - Available for sale									
-	150	Rs.1,000,000	-	Dec-21	Askari Bank Limited - IV*	6 months' KIBOR plus 175 bps	-	149,700	
-	60,000	Rs.5,000	-	Sep-24	Askari Bank Limited - V*	6 months' KIBOR plus 120 bps	-	299,760	
-	20,000	Rs.5,000	-	Dec-17	Bank Alfalah Limited - IV*	15% per annum	-	66,493	
-	56,600	Rs.5,000	-	Jun-22	Standard Chartered Bank (Pakistan) Limited*	6 months' KIBOR plus 75 bps	-	283,000	
20,000	-	Rs.5,000	5,000	Aug-25	Silk Bank Limited*	6 months' KIBOR plus 185 bps	100,000	-	
							100,000	798,953	
							1,545,586	2,930,295	

*These Term Finance Certificates are sub - ordinated.



10.12 Foreign Currency Bonds

<u>2017</u>	<u>2016</u>	<u>Face value per certificate</u>	<u>Redeemable value per certificate (Rupees)</u>	<u>Maturity date</u>	<u>Name of security</u>	<u>Rate</u>	<u>2017</u>	<u>2016</u>
<u>No. of certificates</u>							<u>(Rupees in '000)</u>	
Federal Government Securities Available for sale								
-	202,000	USD 100	-	Jun-17	Government of Pakistan Bonds	6.875% per annum	-	2,115,256
55,000	55,000	USD 100	11,174	Apr-19	Government of Pakistan Bonds	7.250% per annum	614,573	588,306
50,000	30,000	USD 100	11,865	Apr-24	Government of Pakistan Bonds	8.250% per annum	593,256	330,757
50,000	50,000	USD 100	11,141	Sep-25	Government of Pakistan Bonds	8.250% per annum	557,031	527,715
							1,764,860	3,562,034
Held to maturity								
145,000	145,000	USD 100	11,119	Apr-19	Government of Pakistan Bonds	7.250% per annum	1,612,238	1,534,906
30,000	30,000	USD 100	11,613	Apr-24	Government of Pakistan Bonds	8.250% per annum	348,403	330,419
							1,960,641	1,865,325
							3,725,501	5,427,359
Other Available for sale								
50,000	50,000	USD 100	11,187	Jan-19	Government of Sri Lanka Bonds	6% per annum	559,340	536,086
-	70,000	USD 100	-	May-17	Bank of Ceylon	6.875% per annum	-	737,850
20,000	20,000	USD 100	11,037	Apr-18	Bank of Ceylon	5.325% per annum	220,744	209,025
20,000	20,000	USD 100	11,042	Jan-21	Kingdom of Bahrain	5.875% per annum	220,835	209,197
40,000	-	USD 100	11,669	Oct-20	Bank of Ceylon	6.250% per annum	466,752	-
							1,467,671	1,692,158
Held to maturity								
-	25,000	USD 100	-	May-17	Bank of Ceylon	6.875% per annum	-	262,184
25,000	25,000	USD 100	11,012	Apr-18	Bank of Ceylon	5.325% per annum	275,289	258,812
							275,289	520,996
							1,742,960	2,213,154
							5,468,461	7,640,513





10.13 Ordinary shares of unlisted companies

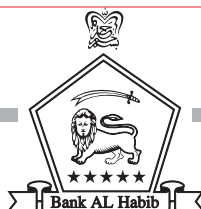
2017	2016	<u>Name of companies</u>	Note	2017 (Rupees in '000)	2016
No. of ordinary shares / units					
3,000,000	3,000,000	Khushhali Bank Limited Par value per share: Rs. 10 Break - up value per share: Rs. 28.96 (2016: Rs. 23.08) based on audited financial statements for the year ended 31 December 2016 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 (2016: 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
123,000	–	Pakistan Mortgage Refinance Company Limited Par value per share: Rs. 10 Break - up value per share: Rs. 10.04 based on audited financial statements for the year ended 31 December 2017 Chief Executive: Mr. N. Kokularupan Narayanasamy		1,230	–
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>46,759</u>	<u>45,529</u>

10.14 Associates

9,415,312	9,415,312	Habib Sugar Mills Limited % of holding: 6.28% (2016: 6.28%) Par value per share: Rs. 5 Market value: Rs. 334.903 million (2016: Rs. 452.877 million) Chief Executive: Mr. Raeesul Hasan	10.14.2	182,690	182,690
6,900,000	6,900,000	Habib Asset Management Limited % of holding: 30% (2016: 30%) Par value per share: Rs. 10 Break - up value per share: Rs. 10.18 (2016: Rs. 11.12) based on audited financial statements for the year ended 30 June 2017 Chief Executive: Mr. Imran Azim	10.14.3	60,000	60,000
1,363,808	1,363,808	First Habib Income Fund Average cost per unit: Rs. 109.99 (2016: Rs. 109.99) Net asset value: Rs. 104.33 (2016: Rs. 102.78) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		150,000	150,000
100,000	100,000	First Habib Stock Fund Average cost per unit: Rs. 100 (2016: Rs. 100) Net Asset Value: Rs. 85.49 (2016: Rs. 124.28) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		10,000	10,000
1,392,189	1,392,189	First Habib Cash Fund Average cost per unit: Rs. 107.74 (2016: Rs. 107.74) Net Asset Value: Rs. 103.10 (2016: Rs. 103.01) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		150,000	150,000



2017	2016	Name of companies	2017	2016				
No. of ordinary shares / units			(Rupees in '000)					
100,929	100,929	First Habib Islamic Stock Fund (Formerly: First Habib Islamic Balanced Fund) Average cost per unit: Rs. 99.08 (2016: Rs. 99.08) Net Asset Value: Rs. 83.55 (2016: Rs. 117.31) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	10,000	10,000				
250,421	–	First Habib Islamic Income Fund Average cost per unit: Rs. 98.46 Net Asset Value: Rs. 101.31 Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	24,656	–				
1,000,746	–	First Habib Asset Allocation Fund Average cost per unit: Rs. 99.93 Net Asset Value: Rs. 100.10 Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	100,000	–				
			<u>687,346</u>	<u>562,690</u>				
10.14.1 The above associates are incorporated in Pakistan.								
Associates - Key Information								
(Based on latest audited financial statements)		Habib Sugar Mills Limited	Habib Asset Management Limited	First Habib Income Fund	First Habib Stock Fund	First Habib Cash Fund	First Habib Islamic Stock Fund (Formerly First Habib Islamic Balanced Fund)	First Habib Islamic Income Fund
(Rupees in '000)								
Assets		9,142,609	241,396	1,110,412	215,171	1,069,669	159,097	106,911
Liabilities		2,159,274	7,339	23,221	7,665	28,684	5,423	4,963
Total income		7,407,465	38,976	71,470	42,253	56,726	23,925	3,147
Profit / (loss) before taxation		497,417	(23,708)	53,331	37,017	59,212	20,225	1,445
Profit / (loss) after taxation		557,417	(21,669)	53,331	37,017	59,212	20,225	1,445
10.14.1.1 First Habib Asset Allocation Fund was incorporated in the month of November 2017 and therefore, audited financial statements are not available.								
10.14.2 Due to common directorship in Habib Sugar Mills Limited, the Bank considers the investee company as an associate.								
10.14.3 It includes Rs. 24.750 million (2016: 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.								
10.15 Subsidiaries								
20,000,000	20,000,000	AL Habib Capital Markets (Private) Limited % of holding: 66.67% (2016: 66.67%) Par value per share: Rs. 10 Break up value per share: Rs. 11.79 (2016: Rs. 11.29) based on audited financial statements for the year ended 30 June 2017 Chief Executive: Mr. Aftab Q. Munshi	200,000	200,000				
10,000	10,000	AL Habib Credit & Finance (Hong Kong) Limited % of holding: 100% (2016: 100%) Par value per share: HK \$ 1	127	127				
			<u>200,127</u>	<u>200,127</u>				



	Note	2017 (Rupees in '000)	2016
11. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		253,710,670	209,997,397
– Outside Pakistan		22,497,572	18,611,520
		276,208,242	228,608,917
Islamic financing and related assets - gross	11.2	34,859,059	18,134,258
Net investment in finance lease			
– In Pakistan	11.3	15,352,023	8,305,218
– Outside Pakistan		–	–
		15,352,023	8,305,218
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		3,165,203	1,635,915
– Payable outside Pakistan		17,881,044	12,582,959
		21,046,247	14,218,874
Advances - gross		347,465,571	269,267,267
Provision against non - performing loans and advances			
– Specific provision	11.4	(4,399,564)	(4,882,330)
– General provision against small enterprises and consumer advances (as per SBP regulations)	11.5.1	(233,096)	(194,839)
– General provision	11.5.2	(3,000,000)	(2,750,000)
		(7,632,660)	(7,827,169)
Advances - net of provisions		339,832,911	261,440,098
11.1 Particulars of advances - gross			
11.1.1 In local currency		300,654,190	231,104,199
In foreign currencies		46,811,381	38,163,068
		347,465,571	269,267,267
11.1.2 Short term (for upto one year)		259,955,149	210,265,222
Long term (for over one year)		87,510,422	59,002,045
		347,465,571	269,267,267



		2017	2016
		(Rupees in '000)	
11.2	These represent financing and related assets placed under Shariah permissible modes which includes following:	Note	
	Murabaha		6,034,031
	Export refinance murabaha		881,335
		11.2.1	<u>6,915,366</u>
	Net book value of assets / investments in ijarah under IFAS 2	11.2.2	3,562,011
	Running musharaka		2,132,197
	Diminishing musharaka		2,223,124
	Musawama		10,082,423
	Export refinance istisna		3,245,401
	Istisna		3,634,300
			<u>1,644,298</u>
	Gross financing		29,877,109
	Advance against murabaha		14,948,837
	Advance against ijarah		1,559,959
	Advance against diminishing musharaka		500,808
	Advance against istisna		2,064,649
			<u>856,534</u>
	Islamic financing and related assets - gross		<u>34,859,059</u>
11.2.1	Murabaha - gross		7,058,608
	Less: Deferred murabaha income		(76,760)
	Profit receivable shown in other assets		(66,482)
			<u>6,915,366</u>
	Murabaha		<u>3,562,011</u>
11.2.2	Ijarah financing under IFAS 2		
		2017	
		Cost	Accumulated Depreciation
		As at 01 January	As at 01 January
		Additions / (deletions)	Charge / (deletions)
		As at 31 December	As at 31 December
			Book Value
			As at 31 December
			Rate of depreciation %
			(Rupees in '000)
	Equipment	1,077,041	550,067
		1,356,836	423,289
		(270,272)	321,718
	Vehicles	898,085	988,909
		1,764,193	213,558
		(122,801)	303,406
		<u>1,975,126</u>	<u>1,538,976</u>
		3,121,029	636,847
		(393,073)	625,124
		<u><u>636,847</u></u>	<u><u>988,832</u></u>
		<u><u>2,132,197</u></u>	33.33
			2016
	Equipment	605,815	519,191
		1,077,041	243,205
		(47,965)	223,669
	Vehicles	420,318	515,181
		898,085	87,240
		(37,414)	142,023
		<u>1,026,133</u>	<u>1,034,372</u>
		1,975,126	330,445
		(85,379)	365,692
		<u><u>636,847</u></u>	<u><u>636,847</u></u>
		<u><u>1,338,279</u></u>	33.33



11.2.2.1 Future ijarah payments receivable

2017
2016
(Rupees in '000)

Not later than one year	796,578	516,871
Later than one year and not later than five years	1,253,490	758,045
	2,050,068	1,274,916

11.3 Net investment in finance lease

	2017				2016			
	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	5,300,697	7,826,360	-	13,127,057	2,945,964	4,204,933	-	7,150,897
Residual value	456,654	3,347,055	-	3,803,709	313,626	1,663,587	-	1,977,213
Minimum lease payments	5,757,351	11,173,415	-	16,930,766	3,259,590	5,868,520	-	9,128,110
Financial charges for future periods	(765,289)	(813,454)	-	(1,578,743)	(396,369)	(426,523)	-	(822,892)
Present value of minimum lease payments	4,992,062	10,359,961	-	15,352,023	2,863,221	5,441,997	-	8,305,218

11.4 Advances include Rs. 5,288.599 million (2016: Rs 5,715.466 million) which have been placed under non - performing status as detailed below:

	2017								
	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	25,472	-	25,472	356	-	356	356	-	356
Substandard	151,761	-	151,761	37,171	-	37,171	37,171	-	37,171
Doubtful	1,406,425	-	1,406,425	689,214	-	689,214	689,214	-	689,214
Loss	2,720,279	984,662	3,704,941	2,688,161	984,662	3,672,823	2,688,161	984,662	3,672,823
	4,303,937	984,662	5,288,599	3,414,902	984,662	4,399,564	3,414,902	984,662	4,399,564
	2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
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
	4,774,862	940,604	5,715,466	3,941,722	940,604	4,882,326	3,941,726	940,604	4,882,330

11.4.1 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.



11.5 Particulars of provision against non - performing loans and advances

Note	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	4,882,230	2,944,839	7,827,169	5,537,371	2,876,279	8,413,650
Charge for the year						
– Specific provision	433,987	–	433,987	947,403	–	947,403
– General provision for small enterprises and consumer portfolio	–	38,257	38,257	–	68,560	68,560
– General provision for loans and advances	–	250,000	250,000	–	–	–
Reversals	(968,693)	–	(968,693)	(1,457,020)	–	(1,457,020)
	(534,706)	288,257	(246,449)	(509,617)	68,560	(441,057)
Exchange adjustment	51,940	–	51,940	(1,281)	–	(1,281)
Amount written - off	–	–	–	(144,143)	–	(144,143)
Closing balance	4,399,564	3,233,096	7,632,660	4,882,330	2,944,839	7,827,169

11.5.1 General provision represents provision amounting to Rs. 156.435 million (2016: Rs. 134.178 million) against consumer finance portfolio and Rs. 76.661 million (2016: 60.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP.

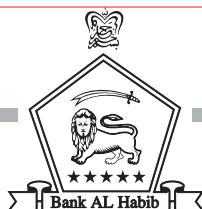
11.5.2 In line with its prudent policies, the Bank also makes general provision of Rs. 250 million during the year, bringing the total of such provision to Rs. 3,000 million (2016: Rs. 2,750 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

11.5.3 Particulars of provision against non - performing loans and advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	3,414,902	3,233,096	6,647,998	3,941,726	2,944,839	6,886,565
In foreign currencies	984,662	–	984,662	940,604	–	940,604
	4,399,564	3,233,096	7,632,660	4,882,330	2,944,839	7,827,169

11.6 Particulars of write - offs

	2017	2016
	(Rupees in '000)	
11.6.1 Against provision	–	144,143
Directly charged to profit and loss account	–	–
	–	144,143
11.6.2 Write - offs of Rs. 500,000 and above	–	144,017
Write - offs of below Rs. 500,000	–	126
	–	144,143



11.6.3 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 2017 is given in Annexure I.

11.7 Particulars of loans and advances to directors, associated companies, subsidiaries etc.	Note	2017 (Rupees in '000)	2016
(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		3,391,110	2,675,144
Loans granted during the year		1,809,272	1,447,200
Repayments		(776,582)	(731,234)
Balance at end of the year		4,423,800	3,391,110
(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		1,391,233	978,041
Loans granted during the year		36,708,154	27,478,082
Repayments		(36,324,245)	(27,064,890)
Balance at end of the year		1,775,142	1,391,233
(iii) Debts due by subsidiary companies, controlled firms and other related parties			
Balance at beginning of the year		-	-
Loans granted during the year		8,646,598	5,650,821
Repayments		(8,646,598)	(5,650,821)
Balance at end of the year		-	-
12. OPERATING FIXED ASSETS			
Capital work - in - progress	12.1	1,046,851	650,415
Property and equipment	12.2	21,436,095	18,125,803
Intangible assets	12.3	70,356	117,813
		22,553,302	18,894,031
12.1 Capital work - in - progress			
Civil works		443,461	227,401
Advance payment towards suppliers, contractors and property		592,442	407,743
Consultants' fee and other charges		10,948	15,271
		1,046,851	650,415

12.2 Property and equipment

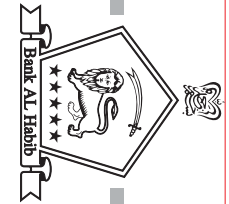
2017

	Cost / Revalued amount				Accumulated depreciation				Book value		Rate of depreciation %
	As at 01 January 2017	Revaluation surplus	Additions / (deletions) / transfers	Reversal of accumulated depreciation	As at 31 December 2017	As at 01 January 2017	Charge / (deletions) / transfers	Reversal of accumulated depreciation	As at 31 December 2017	As at 31 December 2017	
(Rupees in '000)											
Owned											
Leasehold land	5,413,193	1,033,387	571,181 (20,160) 482,453	-	7,480,054	-	-	-	-	7,480,054	-
Buildings on leasehold land	8,003,127	918,079	519,123 (3,007) (487,732)	(624,502)	8,325,088	532,375	259,698 (539) (8,478)	(624,502)	158,554	8,166,534	2.22 - 12.5
Improvements to leasehold buildings	1,790,018	-	403,488 (26,826) 5,279	-	2,171,959	563,999	345,662 (14,459) 208	-	895,410	1,276,549	20
Furniture and fixtures	843,636	-	206,221 (28,832) -	-	1,021,025	378,174	76,053 (26,309) -	-	427,918	593,107	10
Electrical, office and computer equipments	5,998,058	-	1,161,127 (157,134) -	-	7,002,051	3,629,793	803,378 (152,268) -	-	4,280,903	2,721,148	20
Vehicles	2,223,690	-	435,348 (158,965) -	-	2,500,073	1,041,578	411,392 (151,600) -	-	1,301,370	1,198,703	20
	24,271,722	1,951,466	3,296,488 (394,924) -	(624,502)	28,500,250	6,145,919	1,896,183 (345,175) (8,270)	(624,502)	7,064,155	21,436,095	



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	





12.2.1 Details of disposal of fixed assets during the year:

Particulars	Cost	Book value (Rupees in '000)	Sale price	Mode of disposal	Particulars of purchaser
Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000					
Leasehold land	7,944	7,944	18,000	Sale	Mr. Sohail Iqbal, Karachi.
Buildings on leasehold land	2,451	2,029	3,000	Sale	Mr. Sohail Iqbal, Karachi.
Improvements to leasehold buildings	26,826	12,367	-	Write off	-
Furniture and fixtures	2,802	197	227	Quotation	M/s. Dastagir Engineering Works, Karachi.
Furniture and fixtures	4,245	166	663	Quotation	M/s. H. H Traders, Karachi.
Furniture and fixtures	12,099	932	1,705	Auction	M/s. Karachi Auction Mart, Karachi.
Furniture and fixtures	2,264	90	323	Quotation	M/s. Shafiq Glass Works, Karachi.
Electrical, office and computer equipments	1,460	3	119	Quotation	M/s. Advance Electro Med & AC, Faisalabad.
Electrical, office and computer equipments	1,147	2	70	Quotation	M/s. Ahmed Ali Qureshi, Sukkur.
Electrical, office and computer equipments	36,559	273	4,975	Quotation	M/s. Dastagir Engineering Works, Karachi.
Electrical, office and computer equipments	8,202	364	203	Quotation	M/s. Ghulam Mustafa, Karachi.
Electrical, office and computer equipments	29,920	277	7,900	Quotation	M/s. Gold Life Old All Scrap, Karachi.
Electrical, office and computer equipments	10,923	812	737	Quotation	M/s. H.H Traders, Karachi.
Electrical, office and computer equipments	1,534	7	100	Quotation	M/s. Jahanzaib Khan & Brothers, Khairpur.
Electrical, office and computer equipments	40,779	1,446	2,717	Auction	M/s. Karachi Auction Mart, Karachi.
Electrical, office and computer equipments	1,334	13	110	Quotation	M/s. Mughal Traders, Gujrat.
Electrical, office and computer equipments	1,219	-	250	Quotation	M/s. Nadeem Metal Works, Karachi.
Electrical, office and computer equipments	1,590	10	48	Quotation	M/s. New Mudassir Itfikharmet, Sheikhupura.
Electrical, office and computer equipments	1,909	274	187	Quotation	M/s. Shafiq Disposal, Karachi.
Electrical, office and computer equipments	455	355	290	Insurance claim	Habib Insurance Company Limited (a related party), Karachi.
Electrical, office and computer equipments	6,610	908	-	Write off	-
Vehicles	3,769	314	1,656	Sale	M/s. Al Futtaim Motors, Dubai.
Vehicles	9,486	45	4,766	Auction	Mr. Abdul Samad Khan, Karachi.
Vehicles	1,202	-	640	Auction	Mr. Jawed Muhammad Khan, Karachi.
Vehicles	16,992	1	8,826	Auction	Mr. Khalid Anwar, Karachi.
Vehicles	4,617	1	2,416	Auction	Mr. Muhammad Jawed, Karachi.
Vehicles	13,955	90	7,068	Auction	Mr. Muhammad Nadeem Chaudhry, Karachi.
Vehicles	4,259	45	2,247	Auction	Mr. Nadeem, Karachi.
Vehicles	7,408	24	3,735	Auction	Mr. Nadeem Ahmed, Karachi.
Vehicles	4,983	45	2,658	Auction	Mr. Numeri Abrar, Karachi.
Vehicles	8,180	1	4,922	Auction	Mr. Rana Abdus Samad, Karachi.
Vehicles	11,380	1	8,775	Auction	Mr. Waseem Mirza, Karachi.
Vehicles	1,185	-	588	Auction	Mr. Zahid Qadri, Karachi.
Vehicles	1,426	-	1,116	Auction	Syed Mohammad Askari Rizvi, Karachi.
Vehicles	1,787	9	1,070	Auction	Syed Mohammad Sadiq, Karachi.
Vehicles	1,809	-	1,166	Auction	Syed Riaz Ahmed, Karachi.
Vehicles	2,191	-	1,477	Auction	Mr. Abdul Hafeez, Karachi.
Vehicles	3,895	36	2,989	Auction	Mr. Adam Khan Afridi, Karachi.
Vehicles	2,342	37	1,370	Auction	Mr. Babar Zia Qureshi, Karachi.
Vehicles	1,170	-	663	Auction	Mr. Khalid Ahmed, Karachi.
Vehicles	1,790	-	1,286	Auction	Mr. Muhammad Asif, Karachi.
Vehicles	1,529	-	1,201	Auction	Mr. Mubarak Hussain, Karachi.
Vehicles	1,170	-	665	Auction	Mr. Muhammad Ali Warsi, Karachi.
Vehicles	2,224	-	1,321	Auction	Mr. Muhammad Aurangzaib, Karachi.
Vehicles	1,232	-	653	Auction	Mr. Muhammad Khalid, Karachi.



Particulars	Cost	Book value (Rupees in '000)	Sale price	Mode of disposal	Particulars of purchaser
Vehicles	3,601	-	1,918	Auction	Mr. Muhammad Qasimuddin Khan, Karachi.
Vehicles	2,340	-	1,148	Auction	Mr. Muhammad Umer, Karachi.
Vehicles	1,332	-	705	Auction	Mr. Muhammad Ishaq, Karachi.
Vehicles	1,529	-	1,233	Auction	Mr. Nouman Ahmed, Karachi.
Vehicles	1,825	-	1,205	Auction	Mr. Roshan Ali Arat, Karachi.
Vehicles	1,514	-	1,186	Auction	Mr. Shah Daraz Khan, Karachi.
Vehicles	1,149	-	600	Auction	Mrs. Qudsia Abdul Samad Khan, Karachi.
Vehicles	1,725	-	988	Auction	Mr. Shaikh Aamir, Karachi.
Vehicles	8,860	3,750	7,455	Insurance claim	Habib Insurance Company Limited (a related party), Karachi.
Vehicles	11,864	2,808	3,647	As per Bank's policy	Various ex - employees
Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000					
Furniture and fixtures	7,422	1,138	1,165		
Electrical, office and computer equipments	13,493	122	1,589		
Vehicles	13,245	158	9,260		
	<u>382,152</u>	<u>37,094</u>	<u>136,997</u>		

12.2.2 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 1 June 2017. The revaluation was carried out by an independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in net surplus of Rs. 1,951.466 million over the book value of the respective properties. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 31 December 2017 would have been as follows:

	2017 (Rupees in '000)	2016
Leasehold land	<u>4,788,144</u>	<u>4,196,584</u>
Buildings on leasehold land	<u>4,991,562</u>	<u>5,281,238</u>

12.2.3 As at 31 December 2017, the gross carrying amount of fully depreciated assets still in use amounted to Rs. 2,993.264 million (2016: Rs. 2,646.630 million).



12.3 Intangible assets

	2017							Rate of amortisation %
	Cost		Accumulated amortisation			Book value		
	As at 01 January 2017	Additions	As at 31 December 2017	As at 01 January 2017	Charge	As at 31 December 2017	As at 31 December 2017	
	(Rupees in '000)							
Computer software	<u>584,394</u>	<u>47,800</u>	<u>632,194</u>	<u>466,581</u>	<u>95,257</u>	<u>561,838</u>	<u>70,356</u>	50
	2016							
	Cost		Accumulated amortisation			Book value		
	As at 01 January 2016	Additions	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	<u>451,271</u>	<u>133,123</u>	<u>584,394</u>	<u>391,839</u>	<u>74,742</u>	<u>466,581</u>	<u>177,813</u>	50

12.3.1 As at 31 December 2017, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs. 451.997 million (2016: Rs. 412.589 million).

	Note	2017 (Rupees in '000)	2016
13. OTHER ASSETS			
Mark-up / return / interest accrued in local currency		8,867,043	9,524,442
Mark-up / return / interest accrued in foreign currencies		291,588	238,631
Advances, deposits and prepayments		871,174	830,202
Advance taxation (payments less provisions)		605,891	154,094
Branch adjustment account		-	413,345
Unrealised gain on forward foreign exchange contracts		1,856,764	240,264
Stationery and stamps on hand		149,672	142,298
Receivable from SBP on encashment of Government Securities		276,847	200,213
Non - refundable deposits	13.1	51,064	58,673
Non - banking assets acquired in satisfaction of claims	13.2	826,331	189,437
ATM settlement account		1,141,959	347,026
Receivable against securities		331,940	40,844
Others		488,469	191,905
		<u>15,758,742</u>	<u>12,571,374</u>
Provision held against other assets		(6,486)	(3,752)
Other assets - net		<u>15,752,256</u>	<u>12,567,622</u>

13.1 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).

13.2 During the year, the Bank acquired non - banking assets in satisfaction of claims in accordance with the requirements of SBP. This resulted in reduction of Rs. 610 million (2016: Nil) in non - performing loans and reversal of provision for non - performing loans.



	Note	2017 (Rupees in '000)	2016
14. BILLS PAYABLE			
In Pakistan		<u>19,663,349</u>	<u>13,872,057</u>
15. BORROWINGS			
In Pakistan		<u>132,573,406</u>	92,572,633
Outside Pakistan		<u>926,470</u>	1,144,712
		<u>133,499,876</u>	<u>93,717,345</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		<u>128,156,718</u>	88,388,693
In foreign currencies		<u>5,343,158</u>	5,328,652
		<u>133,499,876</u>	<u>93,717,345</u>
15.2 Details of borrowings			
Secured			
Borrowings from SBP			
Export refinance scheme	15.2.1	<u>27,980,020</u>	20,143,239
Renewable energy	15.2.2	<u>3,884,507</u>	–
Long term financing for imported and locally manufactured plant and machinery	15.2.3	<u>10,616,620</u>	5,632,293
Financing facility for storage of agricultural produce	15.2.4	<u>55,917</u>	56,875
		<u>42,537,064</u>	25,832,407
Repurchase agreement borrowings	15.2.5	<u>85,619,654</u>	62,556,286
		<u>128,156,718</u>	88,388,693
Unsecured			
Borrowings from financial institutions	15.2.6	<u>5,159,685</u>	4,183,940
Overdrawn nostros		<u>183,473</u>	1,144,712
		<u>5,343,158</u>	5,328,652
		<u>133,499,876</u>	<u>93,717,345</u>
15.2.1	These carry mark - up rates ranging from 1% to 2% (2016: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.		
15.2.2	These carry mark - up rate of 2% (2016: Nil) per annum having maturity periods over ten years.		
15.2.3	These carry mark - up rates ranging from 2% to 6.5% (2016: 2% to 8.8%) per annum having maturity periods upto ten years.		
15.2.4	These carry mark - up rates ranging from 2% to 3.50% (2016: 3.50%) per annum having maturity periods upto 3 years.		
15.2.5	These repurchase agreement borrowings are secured against market treasury bills, which carry mark - up rates ranging from 5.82% to 6% (2016: 5.85% to 5.88%) per annum, having maturity periods upto one month.		
15.2.6	These carry mark - up rates ranging from 1.85% to 2.05% (2016: 1.75%) per annum having maturity periods upto two months.		



	Note	2017 (Rupees in '000)	2016
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		133,509,284	114,762,820
Savings deposits		195,983,912	170,130,029
Current accounts - Remunerative		76,678,384	72,737,910
Current accounts - Non - remunerative		260,827,453	210,377,190
		666,999,033	568,007,949
Financial institutions			
Remunerative deposits		22,272,674	14,150,564
Non - remunerative deposits		3,304,469	2,013,441
		25,577,143	16,164,005
		692,576,176	584,171,954
16.1 Particulars of deposits			
In local currency		610,902,736	515,728,530
In foreign currencies		81,673,440	68,443,424
		692,576,176	584,171,954
17. SUB - ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	17.1	3,997,600	3,999,200
Term Finance Certificates (TFCs) - VI - (Unquoted)	17.2	7,000,000	-
		10,997,600	3,999,200
17.1 Term Finance Certificates - V (Unquoted)			
Total issue		Rupees 4,000 million	
Rating		AA	
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	
17.2 Term Finance Certificates - VI (Unquoted)			
Total issue		Rupees 7,000 million	
Rating		AA	
Rate		Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap	
Redemption		No fixed or final redemption date	
Tenor		Perpetual	
Maturity		Perpetual	



	Note	2017 (Rupees in '000)	2016		
18. DEFERRED TAX LIABILITIES					
Taxable temporary differences arising in respect of:					
Accelerated depreciation		965,402	1,126,519		
Surplus on revaluation of fixed assets / non - banking assets	21.1	1,062,827	770,977		
Surplus on revaluation of held for trading investments		2,937	1,186		
Surplus on revaluation of available for sale investments	21.2	455,976	2,121,766		
		<u>2,487,142</u>	<u>4,020,448</u>		
Deductible temporary differences arising in respect of:					
Provision against non - performing loans and advances		(113,900)	(32,071)		
Remeasurement of defined benefit plan		202,220	144,023		
Provision against diminution in the value of investments		(46,464)	(570)		
		<u>41,856</u>	<u>111,382</u>		
		<u>2,528,998</u>	<u>4,131,830</u>		
18.1 Reconciliation of deferred tax					
		Balance as at 01 January 2017	Recognised in profit and loss account	Recognised in surplus on revaluation of assets	Balance as at 31 December 2017
			(Rupees in '000)		
Taxable temporary differences arising in respect of:					
Accelerated depreciation		1,126,519	(161,117)	–	965,402
Surplus on revaluation of fixed assets / non - banking assets		770,977	(34,548)	326,398	1,062,827
Surplus on revaluation of held for trading investments		1,186	1,751	–	2,937
Surplus on revaluation of available for sale investments		2,121,766	–	(1,665,790)	455,976
		<u>4,020,448</u>	<u>(193,914)</u>	<u>(1,339,392)</u>	<u>2,487,142</u>
Deductible temporary differences arising in respect of:					
Provision against non - performing loans and advances		(32,071)	(81,829)	–	(113,900)
Remeasurement of defined benefit plan		144,023	58,197	–	202,220
Provision against diminution in the value of investments		(570)	(45,894)	–	(46,464)
		<u>111,382</u>	<u>(69,526)</u>	<u>–</u>	<u>41,856</u>
		<u>4,131,830</u>	<u>(263,440)</u>	<u>(1,339,392)</u>	<u>2,528,998</u>



	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
Taxable temporary differences arising in respect of:				
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
	<u>3,693,438</u>	<u>69,791</u>	<u>257,219</u>	<u>4,020,448</u>
Deductible temporary differences arising in respect of:				
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)
	<u>(60,840)</u>	<u>172,222</u>	<u>–</u>	<u>111,382</u>
	<u>3,632,598</u>	<u>242,013</u>	<u>257,219</u>	<u>4,131,830</u>

2017
(Rupees in '000)

19. OTHER LIABILITIES

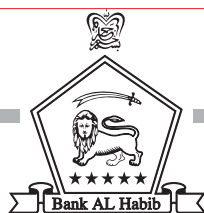
	Note	2017 (Rupees in '000)	2016
Mark - up / return / interest payable in local currency		2,180,766	1,834,073
Mark - up / return / interest payable in foreign currencies		136,876	148,230
Provision for compensated absences	19.1	489,346	417,084
Unclaimed dividends		337,665	290,390
Branch adjustment account		176,040	–
Special exporters' accounts in foreign currencies		70,926	73,644
Unearned commission income		160,471	115,154
Unrealised loss on forward foreign exchange contracts		765,265	745,531
Security deposits against leases / ijarah		4,116,258	2,232,355
Other security deposits		469,782	417,763
Workers' welfare fund		1,008,628	722,091
Accrued expenses		872,244	668,599
Payable to defined benefit plan	35.3	577,771	411,494
Provision against off - balance sheet items	19.2	113,236	102,257
Payable to SBP / NBP		728,561	81,759
Payable to supplier against murabaha		258,944	158,459
Payable against purchase of securities		50,961	22,422
Charity payable		6,464	2,738
Insurance payable		363,581	232,448
Others		1,025,929	313,195
		<u>13,909,714</u>	<u>8,989,686</u>

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

	2017 (% per annum)	2016
Discount rate	8.75%	9.25%
Expected rate of increase in salary in future years	7.75%	8.25%



		2017	2016
		(Rupees in '000)	
19.2	Provision against off - balance sheet items		
	Opening balance	102,257	144,042
	Charge for the year	39,515	4,549
	Reversal during the year	(28,536)	(46,334)
		10,979	(41,785)
	Closing balance	113,236	102,257
20.	SHARE CAPITAL		
	2017	2016	
	(Number of shares)		
	Authorised Capital		
	1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each
			15,000,000
	Issued, subscribed and paid - up capital		
	30,000,000	30,000,000	Issued for cash
	1,081,425,416	1,081,425,416	Issued as bonus shares
			300,000
			10,814,254
			11,114,254
			11,114,254
20.1	As of statement of financial position date 198,796,105 (2016: 197,857,620) ordinary shares of Rs. 10/- each were held by the related parties.		
		2017	2016
		(Rupees in '000)	
21.	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
	Fixed assets / non - banking assets	21.1	4,222,517
	Available for sale investments	21.2	846,813
			5,069,330
21.1	Fixed assets / non - banking assets		
	Balance at beginning of the year		3,421,927
	Net surplus on revaluation of the Bank's fixed assets / non - banking assets during the year		1,977,035
	Disposal / adjustments		(14,910)
	Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(98,708)
			5,285,344
	Related deferred tax liability on:		
	Balance at beginning of the year		770,977
	Revaluation of Bank's fixed assets / non - banking assets during the year		326,447
	Disposal / adjustments		(49)
	Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(34,548)
			(1,062,827)
			4,222,517
			2,650,950



	2017 (Rupees in '000)	2016
21.2 Available for sale investments		
Federal Government Securities	2,073,431	4,457,817
Fully paid - up ordinary shares	(734,971)	1,177,059
Term finance certificates, sukuk bonds and foreign currency bonds	34,984	10,294
Units of mutual funds	(70,655)	417,018
	<u>1,302,789</u>	<u>6,062,188</u>
Related deferred tax liability	(455,976)	(2,121,766)
	<u>846,813</u>	<u>3,940,422</u>
22. CONTINGENCIES AND COMMITMENTS		
22.1 Direct credit substitutes		
Financial guarantees issued favouring:		
- Financial institutions	1,344,595	930,792
- Others	5,272,122	4,538,313
	<u>6,616,717</u>	<u>5,469,105</u>
22.2 Transaction - related contingent liabilities		
Guarantees issued favouring:		
- Government	37,130,448	34,649,327
- Financial institutions	541,247	594,401
- Others	16,370,016	11,682,502
	<u>54,041,711</u>	<u>46,926,230</u>
22.3 Trade - related contingent liabilities		
Letters of credit	107,446,195	103,691,663
Acceptances	25,082,185	16,622,601
Bankers liability rediscount	-	1,898,680
	<u>132,528,380</u>	<u>122,212,944</u>
22.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>9,565,312</u>	<u>10,967,104</u>
22.5 Commitments in respect of forward exchange contracts		
Purchase	<u>46,725,785</u>	<u>49,396,754</u>
Sale	<u>24,439,627</u>	<u>28,383,678</u>
The maturities of above contracts are spread over the periods upto one year.		
22.6 Commitments for the acquisition of operating fixed assets	<u>1,110,065</u>	<u>328,351</u>
22.7 Claims against the Bank not acknowledged as debts	<u>4,718,920</u>	<u>4,459,758</u>



22.8 Other contingencies

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2016. 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 an impact of Rs. 797.233 million. After filing of appeal to Commissioner Inland Revenue (Appeals) by the Bank, appellate orders has passed by CIR (Appeals) by allowing Rs. 134.616 million. Therefore, an aggregate net tax impact is Rs. 662.616 million. The Bank has filed an appeal before ITAT 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 favorable outcome of the above matters.

23. 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.

	2017 (Rupees in '000)	2016
24. MARK - UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	17,998,209	14,337,345
Financial institutions	230,898	152,828
	<u>18,229,107</u>	<u>14,490,173</u>
On investments:		
Available for sale securities	21,630,237	19,422,961
Held to maturity securities	10,194,403	13,533,230
	<u>31,824,640</u>	<u>32,956,191</u>
On deposits with financial institutions	175,195	200,852
On securities purchased under resale agreements	75,521	60,084
On Bai Muajjal	-	95,468
On call money lendings	442	1,600
	<u>50,304,905</u>	<u>47,804,368</u>
25. MARK - UP / RETURN / INTEREST EXPENSED		
Deposits	19,465,636	17,440,877
Sub - ordinated loans	292,520	444,277
Repurchase agreement borrowings	3,207,554	3,904,952
Borrowings from SBP	697,527	603,166
Other borrowings	723,340	739,536
	<u>24,386,577</u>	<u>23,132,808</u>



	Note	2017 (Rupees in '000)	2016
26. GAIN ON SALE / REDEMPTION OF SECURITIES - NET			
Mutual funds		251,446	–
Government securities		1,525,966	–
Listed shares		960,530	715,470
Term finance certificates		(3,573)	–
		<u>2,734,369</u>	<u>715,470</u>
27. OTHER INCOME			
Gain on sale of operating fixed assets		99,903	101,024
Recovery of expenses from customers	27.1	248,063	209,117
Lockers rent		387	327
Rent on property		2,100	2,100
Cheque book issuance / cheque return charges		249,352	243,819
Banking charges		125,464	82,274
Others		182,157	90,698
		<u>907,426</u>	<u>729,359</u>
27.1	Includes courier, SWIFT, postage and other charges recovered from customers.		
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		9,070,317	7,899,631
Charge for defined benefit plan	35.5	255,159	217,568
Charge for defined contribution plan		376,861	319,518
Charge for employees compensated absences		71,438	54,174
Non - executive directors' fee, allowances and other expenses		38,242	9,975
Rent, taxes, insurance, electricity, etc.		2,577,411	2,375,023
Legal and professional charges		177,064	210,739
Communications		354,588	291,159
Repairs and maintenance		1,533,371	1,375,636
Security charges		946,018	814,656
Stationery and printing		422,755	443,359
Advertisement and publicity		238,200	325,968
Donations	28.1	124,229	184,900
Auditors' remuneration	28.2	4,551	5,521
Depreciation		1,902,078	1,598,840
Amortisation		102,866	82,351
Travelling and conveyance		160,088	158,582
Vehicle running expenses		424,847	360,455
Commission and brokerage		127,777	140,826
Subscriptions and publications		84,734	80,821
Clearing and transaction charges		139,267	103,691
Staff training		34,455	26,712
Entertainment and staff refreshment		251,413	288,911
Cleaning charges		135,972	109,488
Charitable expenses		65,686	51,341
CNIC verification charges		44,446	27,308
Others		196,740	171,196
		<u>19,860,573</u>	<u>17,728,349</u>



	2017	2016
	(Rupees in '000)	
28.1	The detail of donations is given below:	
Al-Sayyeda Benevolent Trust	1,500	1,500
Alif Noon Parents Foundation	1,000	–
Bank AL Habib Staff Benefit Trust	50,000	99,900
Childlife Foundation	5,000	5,000
Developments in Literacy	–	500
Friends of Punjab Institute of Cardiology	–	10,000
GCU Endowment Fund Trust	–	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	–
Panah Trust	500	–
Patients' Aid Foundation	50,829	30,000
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
The Citizens Foundation	4,400	4,000
The Health Foundation	–	500
The Society for Rehabilitation of Special Children	2,500	–
	<u>124,229</u>	<u>184,900</u>
28.2	Auditors' remuneration	
Audit fee	2,375	2,375
Half yearly review	750	750
Special certifications	475	1,681
Gratuity fund	83	83
Out of pocket expenses	868	632
	<u>4,551</u>	<u>5,521</u>
29.	OTHER PROVISIONS / (REVERSALS) / WRITE - OFFS	
Provision / (reversal) against off - balance sheet items	10,979	(41,785)
(Reversal) / provision against other assets	(75)	3,752
	<u>10,904</u>	<u>(38,033)</u>
30.	OTHER CHARGES / (REVERSALS)	
Workers' welfare fund	286,537	(504,507)
Penalties imposed by SBP	36,474	12,061
	<u>323,011</u>	<u>(492,446)</u>



	Note	2017 (Rupees in '000)	2016
31. TAXATION			
For the year			
Current		5,150,968	4,299,752
Prior years		503,224	502,993
Deferred		(263,440)	242,013
		<u>5,390,752</u>	<u>5,044,758</u>
31.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>14,040,322</u>	<u>13,163,987</u>
Tax at the applicable rate of 35% (2016: 35%)		4,914,113	4,607,395
Tax effects of:			
Expenses that are not deductible in determining taxable income		31,612	3,316
Tax effect of prior year provisions	31.1.1	503,224	502,993
Others		(58,197)	(68,946)
		<u>5,390,752</u>	<u>5,044,758</u>
31.1.1	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 2016 (Tax Year 2017).		
		2017 (Rupees in '000)	2016
32. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation		<u>8,649,570</u>	<u>8,119,229</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>7.78</u>	<u>7.31</u>
		2017 (Rupees in '000)	2016
33. CASH AND CASH EQUIVALENTS	Note		
Cash and balances with treasury banks	8	60,096,155	50,600,041
Balances with other banks	9	4,691,917	2,866,455
Overdrawn nostros	15	(183,473)	(1,144,712)
		<u>64,604,599</u>	<u>52,321,784</u>

33.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities					Equity			Total
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt (Rupees in '000)	Other liabilities	Share capital	Reserves	Unappropriated profit	
Balance as at 01 January 2017	13,872,057	93,717,345	584,171,954	3,999,200	8,989,686	11,114,254	11,949,311	12,858,807	740,672,614
Changes from financing cash flows									
Receipts from sub - ordinated loans - net	-	-	-	6,998,400	-	-	-	-	6,998,400
Dividend paid	-	-	-	-	(8,890)	-	-	(3,833,824)	(3,842,714)
Total changes from financing cash flows	-	-	-	6,998,400	(8,890)	-	-	(3,833,824)	3,155,686
Other changes									
Liability - related									
Changes in bills payable	5,791,292	-	-	-	-	-	-	-	5,791,292
Changes in borrowings	-	39,782,531	-	-	-	-	-	-	39,782,531
Changes in deposits and other accounts	-	-	108,404,222	-	-	-	-	-	108,404,222
Changes in other liabilities									
- Cash based	-	-	-	-	5,095,195	-	-	-	5,095,195
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	(166,277)	-	-	-	(166,277)
Transfer of profit to reserve	-	-	-	-	-	-	903,346	(903,346)	-
Profit for the year	-	-	-	-	-	-	-	8,649,570	8,649,570
Other adjustments	-	-	-	-	-	-	-	(100,085)	(100,085)
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	168,519	-	168,519
	5,791,292	39,782,531	108,404,222	-	4,928,918	-	1,071,865	7,646,139	167,624,967
Balance as at 31 December 2017	19,663,349	133,499,876	692,576,176	10,997,600	13,909,714	11,114,254	13,021,176	16,671,122	911,453,267





	2017	2016
	(Numbers)	
34. STAFF STRENGTH		
Permanent	9,354	8,286
Temporary / on contractual basis	223	305
Bank's own staff at end of the year	<u>9,577</u>	<u>8,591</u>
Outsourced	<u>2,339</u>	<u>2,180</u>
Total staff strength	<u><u>11,916</u></u>	<u><u>10,771</u></u>
35. DEFINED BENEFIT PLAN		
35.1 General description		
<p>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:</p>		
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	
35.2 Principal actuarial assumptions		
<p>The latest actuarial valuation of the scheme was carried out on 31 December 2017 and the significant assumptions used for actuarial valuation were as follows:</p>		
	2017	2016
35.2.1 Significant Actuarial Assumptions		
Financial Assumptions		
Discount Rate	8.75%	9.25%
Salary Increase Rate : Year 1	10%	8.25%
Year 2	7.75%	8.25%
35.2.2 Demographic Assumptions		
Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Moderate
	2017	2016
	(Rupees in '000)	
35.3 Statement of Financial Position		
Present value of defined benefit obligation	2,435,705	1,938,013
Fair value of plan assets	<u>(1,857,934)</u>	<u>(1,526,519)</u>
Deficit	<u><u>577,771</u></u>	<u><u>411,494</u></u>



	2017	2016
	(Rupees in '000)	
35.4 Movement in net defined benefit liability		
Balance accrued as at beginning of the year	411,494	328,824
Net periodic benefit cost for the year ended	255,159	217,568
Employer's contribution during the year	(255,159)	(217,568)
Amount of remeasurements losses recognised in Other Comprehensive Income during the year	166,277	82,670
Balance accrued as at end of the year	577,771	411,494
35.5 Defined Benefit Cost for the Year		
Cost recognised in Profit and Loss Account for the year		
<i>Service cost</i>		
Current service cost	218,742	186,216
<i>Net interest cost</i>		
Interest cost on defined benefit obligation	184,787	166,978
Interest income on plan assets	(148,370)	(135,626)
Net interest cost	36,417	31,352
Cost recognised in profit and loss for the year	255,159	217,568
Remeasurements recognised in Other Comprehensive Income during the year		
Actuarial loss on obligation	150,203	65,784
Actuarial loss on plan assets	16,074	16,886
Remeasurement loss recognised in Other Comprehensive Income	166,277	82,670
Total defined benefit cost recognised in Profit and Loss Account and Other Comprehensive Income	421,436	300,238
35.6 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at beginning of year	1,938,013	1,622,662
Service cost	218,742	186,216
Interest cost on defined benefit obligation	184,787	166,978
Actual benefits paid during the year	(56,040)	(103,627)
Actuarial loss on obligation	150,203	65,784
Present value of defined benefit obligation at end of year	2,435,705	1,938,013



	2017	2016
	(Rupees in '000)	
35.7 Movement in the fair value of plan assets		
Fair value of plan assets at beginning of year	1,526,519	1,293,838
Interest income on plan assets	148,370	135,626
Actual contribution by employer	255,159	217,568
Actual benefits paid during the year	(56,040)	(103,627)
Actuarial loss on plan assets	(16,074)	(16,886)
Fair value of plan assets at end of year	<u>1,857,934</u>	<u>1,526,519</u>
35.8 Actual return on plan assets	<u>160,556</u>	<u>153,787</u>
	2018	
	(Rupees in '000)	
35.9 Charge and contribution for the year ending 31 December 2018		
<i>Service cost</i>		
Current service cost		264,747
<i>Net interest cost</i>		
Interest cost on defined benefit obligation	219,159	
Interest income on plan assets	(170,681)	
Net interest cost		<u>48,478</u>
Cost to be recognised in Profit and loss account for the year 2018		<u>313,225</u>
		2017
		(Rupees in '000)
35.10 Analysis of Present value of defined benefit obligation		
<i>Vested / Non - Vested</i>		
Vested Benefits		2,236,501
Non - Vested benefits		199,204
Total		<u>2,435,705</u>
<i>Type of Benefits</i>		
Accumulated Benefit Obligation		1,125,150
Amounts attributed to future salary increases		1,310,555
Total		<u>2,435,705</u>
35.11 Remeasurements recognised in Other Comprehensive Income during the year		
<i>Actuarial loss on obligation</i>		
Loss due to change in financial assumptions	43,110	
Loss due to change in experience adjustments	107,093	
Total actuarial loss on obligation		150,203
Actuarial loss on plan assets		16,074
Remeasurements loss recognised in Other Comprehensive Income during the year		<u>166,277</u>



2017
(Rupees in '000)

35.12 Disaggregation of fair value of plan assets

Cash and Cash equivalents (after adjusting current liabilities)	265,180
<i>Unquoted investments</i>	
Pakistan Investment Bonds	837,295
SBP - Treasury Bills	680,000
Term Deposit	75,459
	1,592,754
Total fair value of plan assets	1,857,934

35.13 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments	
Within the next 12 months (next annual reporting period)	123,842
Between 2 and 5 years	769,665
Between 5 and 10 years	1,843,223
	2,736,730

35.14 Sensitivity analysis on significant actuarial assumptions:

Actuarial Liability

The weighted average duration of the PBO is 10.69 years.

Discount Rate + 1%	2,195,336
Discount Rate - 1%	2,719,399
Long Term Salary Increases + 1%	2,731,475
Long Term Salary Increases - 1%	2,181,419



36. DEFINED CONTRIBUTION PLAN

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

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Fee	–	–	34,075	14,142	–	–
Managerial remuneration	16,667	20,467	16,000	15,227	2,619,639	2,250,456
Charge for defined benefit plan	27,462	9,655	1,333	12,611	416,253	324,772
Contribution to defined contribution plan	1,667	2,047	1,600	1,523	209,868	170,468
Rent and house maintenance	6,667	8,187	6,400	6,091	931,054	795,191
Utilities	2,251	3,986	1,610	1,542	232,830	198,798
Medical	–	–	163	100	81,519	68,980
Bonus	4,733	5,000	4,000	3,920	585,862	478,952
Others	5	–	–	–	54,149	53,043
	59,452	49,342	65,181	55,156	5,131,174	4,340,660
Number of person(s)	1	2	11*	10	2,362	2,061

Executives, including the Chief Executive and Executive Director, are entitled to Bank's maintained cars, where eligible as per 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 one director who resigned during the year and one director who was appointed in his place.

38. 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.

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:

		2017						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)					
On - balance sheet financial instruments												
Financial assets measured at fair value												
- Investments												
	Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	378,089,463	-	-	-	-	-	378,089,463	-	378,089,463	-	378,089,463
	Foreign Currency Bonds - Others	1,481,389	-	-	-	-	-	1,481,389	-	1,481,389	-	1,481,389
	Sukuk Bonds - Others	835,983	-	-	-	-	-	835,983	-	835,983	-	835,983
	Fully paid - up ordinary shares - Listed	3,804,740	277,568	-	-	-	-	4,082,308	4,082,308	-	-	4,082,308
	Units of mutual funds	2,104,346	-	-	-	-	-	2,104,346	2,104,346	-	-	2,104,346
	Term Finance Certificates - Listed	305,599	-	-	-	-	-	305,599	305,599	-	-	305,599
Financial assets not measured at fair value												
	- Cash and bank balances with treasury banks	-	-	-	-	60,096,155	-	60,096,155	-	-	-	-
	- Balances with other banks	-	-	-	-	4,691,917	-	4,691,917	-	-	-	-
	- Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Investments												
	Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC + Others)	4,717,857	-	81,345,190	-	-	-	86,063,047	-	87,316,724	-	87,316,724
38.1	Foreign Currency Bonds - Others	-	-	275,289	-	-	-	275,289	-	-	-	-
38.1	Sukuk Bonds - Others	1,739,198	-	119,900	-	-	-	1,859,098	-	-	-	-
38.1	Fully paid - up ordinary shares - Unlisted	41,059	-	-	-	-	-	41,059	-	-	-	-
38.1	Term Finance Certificates - Unlisted	100,000	-	-	-	-	-	100,000	-	-	-	-
Associates												
	Listed shares	-	-	-	-	182,690	-	182,690	334,903	-	-	334,903
	Mutual funds	-	-	-	-	444,656	-	444,656	428,347	-	-	428,347
38.1	Unlisted shares	-	-	-	-	60,000	-	60,000	-	-	-	-
38.1	Subsidiaries - Unlisted Shares	-	-	-	-	200,127	-	200,127	-	-	-	-
38.1	- Advances	-	-	-	339,832,911	-	-	339,832,911	-	-	-	-
38.1	- Other assets	-	-	-	-	13,248,124	-	13,248,124	-	-	-	-
		393,219,634	277,568	81,740,379	339,832,911	78,923,669	-	893,994,161	7,255,503	467,723,559	-	474,979,062
Financial liabilities not measured at fair value												
38.1	- Bills payable	-	-	-	-	-	(19,663,349)	(19,663,349)	-	-	-	-
38.1	- Borrowings	-	-	-	-	-	(133,499,876)	(133,499,876)	-	-	-	-
38.1	- Deposits and other accounts	-	-	-	-	-	(692,576,176)	(692,576,176)	-	-	-	-
38.1	- Sub-ordinated loans	-	-	-	-	-	(10,997,600)	(10,997,600)	-	-	-	-
38.1	- Other liabilities	-	-	-	-	-	(11,961,992)	(11,961,992)	-	-	-	-
		-	-	-	-	-	(868,698,993)	(868,698,993)	-	-	-	-
		393,219,634	277,568	81,740,379	339,832,911	78,923,669	(868,698,993)	25,295,168	7,255,503	467,723,559	-	474,979,062
Off-balance sheet financial instruments measured at fair value												
Forward purchase of foreign exchange contracts												
		-	-	-	-	-	46,725,785	46,725,785	-	48,579,198	-	48,579,198
Forward sale of foreign exchange contracts												
		-	-	-	-	-	(24,439,627)	(24,439,627)	-	(23,677,714)	-	(23,677,714)
Off-balance sheet financial instruments not measured at fair value												
38.1	Commitment to extend credit	-	-	-	-	-	9,565,312	9,565,312	-	-	-	-



		2016						Fair value			
		Carrying amount									
Note	Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Other Financial Assets	Other Financial Liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3	Total
On - balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
	Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	291,880,945	-	-	-	-	291,880,945	-	291,880,945	-	291,880,945
	Foreign Currency Bonds - Others	1,700,622	-	-	-	-	1,700,622	-	1,700,622	-	1,700,622
	Sukuk Bonds - Others	-	-	-	-	-	-	-	-	-	-
	Fully paid - up ordinary shares - Listed	4,339,767	157,385	-	-	-	4,497,152	4,497,152	-	-	4,497,152
	Units of mutual funds	2,517,018	-	-	-	-	2,517,018	2,517,018	-	-	2,517,018
	Term Finance Certificates - Listed	704,600	-	-	-	-	704,600	704,600	-	-	704,600
Financial assets not measured at fair value											
	- Cash and bank balances with treasury bank	-	-	-	-	50,600,041	50,600,041	-	-	-	-
	- Balances with other banks	-	-	-	-	2,866,455	2,866,455	-	-	-	-
	- Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
- Investments											
	Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC + Others)	5,128,571	-	93,489,701	-	-	98,618,272	-	103,305,566	-	103,305,566
38.1	Foreign Currency Bonds - Others	-	-	520,996	-	-	520,996	-	-	-	-
38.1	Sukuk Bonds - Others	2,837,799	-	148,566	-	-	2,986,365	-	-	-	-
38.1	Fully paid - up ordinary shares - Unlisted	39,829	-	-	-	-	39,829	-	-	-	-
38.1	Term Finance Certificates - Unlisted	798,953	-	-	-	-	798,953	-	-	-	-
Associates											
	Listed shares	-	-	-	-	182,690	182,690	452,877	-	-	452,877
	Mutual funds	-	-	-	-	320,000	320,000	307,849	-	-	307,849
38.1	Unlisted shares	-	-	-	-	60,000	60,000	-	-	-	-
38.1	Subsidiaries - Unlisted Shares	-	-	-	-	200,127	200,127	-	-	-	-
38.1	- Advances	-	-	-	261,440,098	-	261,440,098	-	-	-	-
38.1	- Other assets	-	-	-	-	10,432,547	10,432,547	-	-	-	-
		309,948,104	157,385	94,159,263	261,440,098	64,661,860	730,366,710	8,479,496	396,887,133	-	405,366,629
Financial liabilities not measured at fair value											
38.1	- Bills payable	-	-	-	-	-	(13,872,057)	(13,872,057)	-	-	-
38.1	- Borrowings	-	-	-	-	-	(93,717,345)	(93,717,345)	-	-	-
38.1	- Deposits and other accounts	-	-	-	-	-	(584,171,954)	(584,171,954)	-	-	-
38.1	- Sub -ordinated loans	-	-	-	-	-	(3,999,200)	(3,999,200)	-	-	-
38.1	- Other liabilities	-	-	-	-	-	(7,633,100)	(7,633,100)	-	-	-
		-	-	-	-	-	(703,393,656)	(703,393,656)	-	-	-
		309,948,104	157,385	94,159,263	261,440,098	64,661,860	(703,393,656)	26,973,054	8,479,496	396,887,133	405,366,629
Off-balance sheet financial instruments measured at fair value											
Forward purchase of foreign exchange contracts											
		-	-	-	-	-	49,396,754	49,396,754	-	48,711,786	48,711,786
Forward sale of foreign exchange contracts											
		-	-	-	-	-	(28,383,678)	(28,383,678)	-	(28,563,379)	(28,563,379)
Off-balance sheet financial instruments not measured at fair value											
38.1	Commitment to extend credit	-	-	-	-	-	10,967,104	10,967,104	-	-	-

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).

38.1 The Bank 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.

38.2 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 12.





39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2017			
	Retail banking	Commercial banking	Inter segment elimination	Total
	(Rupees in '000)			
Total income	25,354,596	52,354,774	(19,203,305)	58,506,065
Total expenses	(21,205,160)	(42,463,888)	19,203,305	(44,465,743)
Net income	4,149,436	9,890,886	–	14,040,322
Segment assets (net of provisions)	718,366,120	851,234,858	(650,549,383)	919,051,595
Segment non - performing loans	52,627	5,235,972	–	5,288,599
Segment provision required	44,976	4,354,588	–	4,399,564
Segment liabilities	712,515,382	811,209,714	(650,549,383)	873,175,713
Segment return on assets (ROA) (%)*	3.53%	6.15%		
Segment cost of funds (%)*	2.98%	5.23%		
	2016			
	Retail banking	Commercial banking	Inter segment elimination	Total
	(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%		

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

40. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates (including entities having directors in common with the Bank), retirement benefit funds, major shareholders, 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 12.2.1, 20.1 and 37 are summarised as follows:

	2017					Total
	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	
Deposits						
At beginning of the year	14,314	2,777,378	556,559	451,090	842,775	4,642,116
Placements during the year	1,354,102	80,970,167	3,448,955	1,991,843	13,064,423	100,829,490
Withdrawals during the year	(1,326,483)	(79,725,634)	(3,183,988)	(1,861,947)	(12,494,758)	(98,592,810)
At end of the year	41,933	4,021,911	821,526	580,986	1,412,440	6,878,796
Advances						
At beginning of the year	–	1,391,233	210	49,060	–	1,440,503
Given during the year	8,646,598	36,708,154	24,105	88,844	–	45,467,701
Repaid during the year	(8,646,598)	(36,324,245)	(23,338)	(85,975)	–	(45,080,156)
At end of the year	–	1,775,142	977	51,929	–	1,828,048
Investments						
At beginning of the year	200,127	562,690	–	–	–	762,817
Investments made during the year	–	126,230	–	–	–	126,230
Investments redeemed during the year	–	(344)	–	–	–	(344)
At end of the year	200,127	688,576	–	–	–	888,703
Contingencies and commitments	–	1,358,895	–	–	–	1,358,895
Forward purchase contracts	–	–	–	–	–	–
Other assets	20,751	–	–	–	–	20,751
Other liabilities	272	–	–	–	–	272
Unrealised loss on forward contracts	–	–	–	–	–	–
Sale / redemption of securities	–	83,494	–	–	3,695,131	3,778,625
Redemption of units of mutual funds	–	344	–	–	–	344
Purchase of securities	–	1,230	–	–	–	1,230
Purchase of units of mutual funds	–	125,000	–	–	–	125,000
Mark - up earned	241	72,830	26	3,814	–	76,911
Mark - up expensed	1,863	168,698	35,191	22,293	74,987	303,032
Bank charges and commission	2	7,484	24	27	–	7,537
Gain on sale of securities and units of mutual funds	–	7	–	–	–	7
Salaries and allowances	–	–	–	355,517	–	355,517
Bonus	–	–	–	51,865	–	51,865
Contribution to defined contribution plan	–	–	–	13,645	–	13,645
Contribution to defined benefit plan	–	–	–	44,563	–	44,563
Staff provident fund	–	–	–	–	376,862	376,862
Staff gratuity fund	–	–	–	–	255,158	255,158
Directors' fee	–	–	33,550	–	–	33,550
Insurance claim received	–	15,165	–	–	–	15,165
Insurance premium paid	–	185,951	–	–	–	185,951
Dividend income	–	44,471	–	–	–	44,471
Rental paid	–	7,258	–	–	–	7,258
Rental income	2,100	–	–	–	–	2,100
Commission expensed	3,558	–	–	–	–	3,558
Donation	–	50,000	–	–	–	50,000
Other expensed	–	3,443	–	–	–	3,443
Other income	885	188	–	–	110	1,183



	2016					Total
	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	
Deposits						
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
Advances						
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
Investments						
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 units of mutual funds	–	–	–	–	–	–
Purchase of securities	–	–	–	–	–	–
Purchase of units 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 units of 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



41. CAPITAL ASSESSMENT AND ADEQUACY

41.1 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:

	2017
Required CAR	<u>11.275%</u>
CAR on stand - alone basis	<u>13.808%</u>
CAR on consolidated basis	<u>13.879%</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 4.260% which is above the current minimum requirement of 3% set by SBP.



41.2 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 31 December 2017:

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.

41.3 Capital structure

The Bank's Tier 1 capital comprises paid - up capital, statutory reserve, special reserve, general reserve, unappropriated profit, and perpetual non - cumulative term finance certificates 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, investment in mutual funds exceeding the prescribed limit, and is adjusted for reciprocal cross holdings in Tier 1 instruments and other regulatory deductions.

The Bank's Tier 2 capital includes sub -ordinated loans, general provisions, revaluation reserves, and exchange translation reserve and is adjusted for reciprocal cross holdings in Tier 2 instruments, CAP 2 deductions, and direct or indirect investments in own TFCs.

2017 2016
(Rupees in '000)

41.3.1 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	12,607,324	11,703,978
Gains / (losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated / unremitted profits / (losses)	16,671,122	12,858,807
Minority interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	40,392,700	35,677,039
Total regulatory adjustments applied to CET1 (Note 41.3.2)	(373,281)	(713,152)
Common Equity Tier 1	(a) 40,019,419	34,963,887
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier 1 capital instruments plus any related share premium		
of which: Classified as equity	-	-
of which: Classified as liabilities	7,000,000	-
Additional Tier 1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	7,000,000	-
Total regulatory adjustments applied to AT1 capital (Note 41.3.3)	(67,911)	(52,025)
Additional Tier 1 capital after regulatory adjustments	(67,911)	(52,025)
Additional Tier 1 capital recognised for capital adequacy	(b) 6,932,089	(52,025)
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b) 46,951,508	34,911,862



	2017	2016
	(Rupees in '000)	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	3,992,800	3,994,400
Tier 2 capital instruments subject to phaseout arrangement issued under pre - Basel III rules	-	-
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	3,233,096	2,944,839
Revaluation Reserves (net of taxes)	4,483,368	5,132,211
of which: Revaluation reserves on fixed assets	3,729,705	2,058,682
of which: Unrealised gains / (losses) on AFS	753,663	3,073,529
Foreign Exchange Translation Reserves	413,852	245,333
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	12,123,116	12,316,783
Total regulatory adjustment applied to T2 capital (Note 41.3.4)	(255,606)	(548,653)
Tier 2 capital (T2) after regulatory adjustments	11,867,510	11,768,130
Tier 2 capital recognised for capital adequacy	11,867,510	11,768,130
Portion of Additional Tier 1 capital recognised in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	(d) 11,867,510	11,768,130
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d) 58,819,018	46,679,992
Total Risk Weighted Assets (RWA) (Note 41.6)	(f) 425,987,090	329,086,630
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	(a/f) 9.395%	10.625%
Tier 1 capital to total RWA	(c/f) 11.022%	10.609%
Total capital to total RWA	(e/f) 13.808%	14.185%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.275%	6.650%
of which: capital conservation buffer requirement	1.275%	0.650%
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)	3.390%	4.620%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.000%	6.000%
Tier 1 minimum ratio	7.500%	7.500%
Total capital minimum ratio	11.275%	10.650%



2017 2016
(Rupees in '000)

41.3.2 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	–	–
All other intangibles (net of any associated deferred tax liability)	(70,356)	(117,813)
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	(272,314)	(595,339)
Cash flow hedge reserve	–	–
Investment in own shares / CET1 instruments	(30,611)	–
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	(373,281)	(713,152)

41.3.3 Additional Tier 1 & Tier 1 Capital: Regulatory adjustments

Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	(41,898)	–
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	(26,013)	(52,025)
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
Total regulatory adjustment applied to AT1 capital	(67,911)	(52,025)



2017
2016
(Rupees in '000)

41.3.4 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	(26,013)	(52,025)
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	(223,651)	(493,479)
Investment in own Tier 2 capital instrument	(5,942)	(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	(255,606)	(548,653)

41.3.5 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)	3,233,096	2,944,839
Cap on inclusion of provisions in Tier 2 under standardised approach	3,233,096	2,944,839
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	—	—



2017 As per published financial statements	2017 Under regulatory scope for capital adequacy
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(Rupees in '000)

41.4 Capital Structure Reconciliation

41.4.1 Reconciliation of accounting and regulatory scope of consolidation

Assets

Cash and balances with treasury banks	60,096,155	60,096,155
Balances with other banks	4,691,917	4,691,917
Lendings to financial institutions	-	-
Investments	476,125,054	476,125,054
Advances	339,832,911	339,832,911
Operating fixed assets	22,553,302	22,553,302
Deferred tax assets	-	-
Other assets	15,752,256	15,752,256
Total assets	919,051,595	919,051,595

Liabilities & Equity

Bills payable	19,663,349	19,663,349
Borrowings	133,499,876	133,499,876
Deposits and other accounts	692,576,176	692,576,176
Sub - ordinated loans	10,997,600	10,997,600
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	2,528,998	2,528,998
Other liabilities	13,909,714	13,909,714
Total liabilities	873,175,713	873,175,713

Share capital / Head office capital account	11,114,254	11,114,254
Reserves	13,021,176	13,021,176
Unappropriated / Unremitted profits / (losses)	16,671,122	16,671,122
Minority interest	-	-
Surplus on revaluation of assets	5,069,330	5,069,330
Total equity	45,875,882	45,875,882

Total liabilities & equity	919,051,595	919,051,595
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Reference	2017	2017
	As per published financial statements	Under regulatory scope for capital adequacy

(Rupees in '000)

41.4.2 Reconciliation for balance sheet items that require capital adjustments

Assets

Cash and balances with treasury banks	60,096,155	60,096,155
Balances with other banks	4,691,917	4,691,917
Lendings to financial institutions	—	—
Investments	476,125,054	476,125,054
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) 41,898	41,898
of which: Reciprocal crossholding of capital instrument of CET1	(d) 272,314	272,314
of which: Reciprocal crossholding of capital instrument of T2	(e) 223,651	223,651
Advances	339,832,911	339,832,911
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	(f) —	—
General provisions reflected in Tier 2 capital	(g) 3,233,096	3,233,096
Fixed Assets	22,553,302	22,553,302
of which: Intangibles	(h) 70,356	70,356
Deferred Tax Assets		
of which: DTAs that rely on future profitability excluding those arising from temporary differences	(i) —	—
of which: DTAs arising from temporary differences exceeding regulatory threshold	(j) —	—
Other assets	15,752,256	15,752,256
of which: Goodwill	(k) —	—
of which: Defined-benefit pension fund net assets	(l) —	—
Total assets	919,051,595	919,051,595

Liabilities & Equity

Bills payable	19,663,349	19,663,349
Borrowings	133,499,876	133,499,876
Deposits and other accounts	692,576,176	692,576,176
Sub -ordinated loans	10,997,600	10,997,600
of which: eligible for inclusion in AT1	(m) 7,000,000	7,000,000
of which: eligible for inclusion in Tier 2	(n) 3,992,800	3,992,800
Liabilities against assets subject to finance lease	—	—
Deferred tax liabilities	2,528,998	2,528,998
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	13,909,714	13,909,714
Total liabilities	873,175,713	873,175,713



Reference	2017	2017
	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	13,021,176	13,021,176
of which: portion eligible for inclusion in CET1	(u) 12,607,324	12,607,324
of which: portion eligible for inclusion in Tier 2	(v) 413,852	413,852
Unappropriated profits / (losses)	(w) 16,671,122	16,671,122
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	5,069,330	5,069,330
of which: Revaluation reserves on Properties	(aa) { 4,222,517	4,222,517
of which: Unrealised Gains / (Losses) on AFS	846,813	846,813
In case of deficit on revaluation (deduction from CET1)	(ab) –	–
Total equity	45,875,882	45,875,882
Total liabilities & equity	919,051,595	919,051,595



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

	Source based on reference number from Note 41.4.2	2017 Component of regulatory capital reported by Bank (Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid - up Capital / Capital deposited with SBP		11,114,254
Balance in Share Premium Account	(s)	-
Reserve for issue of Bonus Shares		-
General / Statutory Reserves	(u)	12,607,324
Gains / (losses) on derivatives held as Cash Flow Hedge		-
Unappropriated/unremitted profits / (losses)	(w)	16,671,122
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)	-
CET 1 before Regulatory Adjustments		40,392,700
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(k)-(o)	-
All other intangibles (net of any associated deferred tax liability)	(h)-(p)	(70,356)
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)	(272,314)
Cash flow hedge reserve		-
Investment in own shares/ CET1 instruments		(30,611)
Securitisation gain on sale		-
Capital shortfall of regulated subsidiaries		-
Deficit on account of revaluation from bank's holdings of properties/ AFS	(ab)	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
Amount exceeding 15% threshold of which: Significant investments in the common stocks of financial entities		-
of which: Deferred tax assets arising from temporary differences		-
National specific regulatory adjustments applied to CET1 capital of which: Investment in TFCs of other banks exceeding the prescribed limit		-
of which: Any other deduction specified by SBP		-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
Total regulatory adjustments applied to CET1		(373,281)
Common Equity Tier 1		40,019,419



	Source based on reference number from Note 41.4.2	2017 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)	7,000,000
Additional Tier 1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		-
of which: Instrument issued by subsidiaries subject to phase out	(y)	-
AT1 before regulatory adjustments		7,000,000
Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		(41,898)
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		(26,013)
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
Total of Regulatory Adjustment applied to AT1 capital		(67,911)
Additional Tier 1 capital		6,932,089
Additional Tier 1 capital recognised for capital adequacy		6,932,089
Tier 1 Capital (CET1 + admissible AT1)		46,951,508
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		3,992,800
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)	3,233,096
Revaluation Reserves eligible for Tier 2		4,483,368
of which: portion pertaining to property	portion of (aa) }	3,729,705
of which: portion pertaining to AFS securities		753,663
Foreign Exchange Translation Reserves	(v)	413,852
Undisclosed / Other Reserves (if any)		-
T2 before regulatory adjustments		12,123,116



	Source based on reference number from Note 41.4.2	2017 Component of regulatory capital reported by Bank (Rupees in '000)
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre - Basel III treatment which, during transitional period, remain subject to deduction		(26,013)
Reciprocal cross holdings in Tier 2 instruments		(223,651)
Investment in own Tier 2 capital instrument		(5,942)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
Amount of Regulatory Adjustment applied to T2 capital		(255,606)
Tier 2 capital (T2)		11,867,510
Tier 2 capital recognised for capital adequacy		11,867,510
Excess Additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		11,867,510
TOTAL CAPITAL (T1 + admissible T2)		58,819,018



41.5 Main Features of Regulatory Capital Instruments

	Main Features	Common Shares	Additional Tier 1 Sub - Ordinated Debt	Tier 2 Sub - Ordinated Debt
1.	Issuer	Bank AL Habib Limited	Bank AL Habib Limited	Bank AL Habib Limited
2.	Unique identifier (e.g. PSX Symbol or Bloomberg identifier etc.)	BAHL	BAHLAT1TFC	BAHLTFC5
3.	Governing law(s) of the instrument (Regulatory Authorities)	Laws of Pakistan (SBP & SECP)	Laws of Pakistan (SBP & SECP)	Laws of Pakistan (SBP & SECP)
	Regulatory treatment			
4.	Transitional Basel III rules	CET - 1	Additional Tier 1	Tier 2
5.	Post - transitional Basel III rules	CET - 1	Additional Tier 1	Tier 2
6.	Eligible at solo / group / group & solo	Group & Standalone	Group & Standalone	Group & Standalone
7.	Instrument types	Ordinary Shares	Sub - ordinated Debt	Sub - ordinated Debt
8.	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	11,114,254	7,000,000	3,992,800
9.	Par value of instrument	Rs 10	Rs 5,000	Rs 5,000
10.	Accounting classification	Shareholders' Equity	Liability - Sub - ordinated Loans	Liability - Sub - ordinated Loans
11.	Original date of issuance	January, 1992	20 December 2017	17 March 2016
12.	Perpetual or dated	Perpetual	Perpetual	Dated
13.	Original maturity date	N/A	N/A	17 March 2026
14.	Issuer call subject to prior supervisory approval	No	Yes	Yes
15.	Optional call date, contingent call dates and redemption amount	N/A	20 December 2022	17 March 2021
16.	Subsequent call dates, if applicable	N/A	On any coupon payment date after 60 months from the date of issue.	On any coupon payment date after 60 months from the date of issue.
	Coupons / dividends			
17.	Fixed or floating dividend / coupon	N/A	Floating	Floating
18.	Coupon rate and any related index/ benchmark	N/A	6 months Kibor + 1.50% p.a.	6 months Kibor + 0.75% p.a.
19.	Existence of a dividend stopper	No	No	No
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory
21.	Existence of step up or other incentive to redeem	N/A	No	No
22.	Noncumulative or cumulative	N/A	Noncumulative	N/A
23.	Convertible or non - convertible	N/A	Convertible	Convertible
24.	If convertible, conversion trigger (s)	N/A	Upon occurrence of a Point of Non Viability (PONV) or Pre Specified Trigger (PST) event or non - compliance with lock - in clause or non - cumulative feature, as stipulated in SBP's Basel III Instructions	Upon occurrence of a Point of Non Viability (PONV) event, as stipulated in SBP's Basel III Instructions
25.	If convertible, fully or partially	N/A	Fully or Partially: To be determined as per SBP's Basel III Instructions	Fully 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	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	To be determined as per SBP's Basel III Instructions
28.	If convertible, specify instrument type convertible into	N/A	Common Equity Tier 1	Common Equity Tier 1
29.	If convertible, specify issuer of instrument it converts into	N/A	BAHL	BAHL
30.	Write-down feature	N/A	Yes	Yes
31.	If write - down, write - down trigger(s)	N/A	Upon occurrence of a Point of Non Viability (PONV) or Pre Specified Trigger (PST) event or non - compliance with lock - in clause or non - cumulative feature, as stipulated in SBP's Basel III Instructions	Upon occurrence of a Point of Non Viability (PONV) event, as stipulated 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	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	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	Subject to Regulatory Instructions/Approval
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Sub - ordinated Loans	Subordinate to all other debts, including deposits & Tier 2 TFCs	Subordinate to all other debts, including deposits, but excluding Tier 1 TFCs
36.	Non - compliant transitioned features	No	No	No
37.	If yes, specify non - compliant features	N/A	N/A	N/A



	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
(Rupees in '000)				
41.6 Credit Risk				
On - Balance sheet				
Portfolios subject to standardised approach (Comprehensive)				
Sovereign	903,858	809,214	9,038,577	8,092,144
Public sector enterprises	334,370	31,297	3,343,698	312,967
Banks	605,955	465,214	6,059,549	4,652,138
Corporate	22,028,631	16,009,968	220,286,306	160,099,677
Retail	2,320,788	1,216,219	23,207,878	12,162,195
Residential mortgages	159,437	114,816	1,594,372	1,148,156
Past due loans	87,642	47,917	876,418	479,167
Equity portfolio	691,720	668,428	6,917,196	6,684,285
Operating fixed assets	2,248,295	1,877,622	22,482,946	18,776,218
Other assets	505,516	259,340	5,055,163	2,593,402
	29,886,212	21,500,035	298,862,103	215,000,349
Off - Balance sheet				
Non - market related				
Direct Credit Substitutes / Acceptances / Standby LCs	2,260,799	1,997,728	22,607,988	19,977,276
Transaction Related Contingent Liabilities	1,903,387	1,457,030	19,033,866	14,570,300
Trade Related Contingent Liabilities	1,625,131	1,519,261	16,251,307	15,192,615
Other Commitments	586,519	519,954	5,865,188	5,199,536
	6,375,836	5,493,973	63,758,349	54,939,727
Market related				
Outstanding Foreign Exchange Contracts	110,813	48,609	1,108,134	486,092
	6,486,649	5,542,582	64,866,483	55,425,819
Market Risk				
Capital requirement for portfolios subject to Standardised Approach				
Interest rate risk				
General market risk	96,365	199,765	1,204,561	2,497,057
Specific market risk	69,035	68,288	862,936	853,602
Foreign exchange risk	340,820	373,034	4,260,261	4,662,929
	506,220	641,087	6,327,758	8,013,588
Operational Risk				
Capital requirement for operational risks	4,474,460	4,051,750	55,930,746	50,646,874
	41,353,541	31,735,454	425,987,090	329,086,630
Capital Adequacy Ratios				
	Required		Actual	
	2017	2016	2017	2016
CET1 to total RWA	6.000%	6.000%	9.395%	10.625%
Tier 1 capital to total RWA	7.500%	7.500%	11.022%	10.609%
Total capital to total RWA	11.275%	10.650%	13.808%	14.185%
Leverage ratio	3.000%	3.000%	4.260%	3.600%



42. 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.

42.1 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 11.5.



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.

42.1.1 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. ECAs 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%	551,117,011	29,758,969	521,358,042
20%	43,078,918	323,490	42,755,428
35%	4,555,348	–	4,555,348
50%	67,252,276	20,120,462	47,131,814
75%	40,881,897	4,004,540	36,877,357
100%	229,600,010	16,926,399	212,673,611
125%	70,648,447	359,613	70,288,834
150%	158,772	27,997	130,775
250%	208,102	–	208,102
	<u>1,007,500,781</u>	<u>71,521,470</u>	<u>935,979,311</u>

42.1.2 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.



42.1.3 Segment by class of business

2017

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	6,195,386	1.78	1,953,282	0.28	407,202	0.21
Automobiles and transportation equipment	3,762,529	1.08	11,368,355	1.64	9,858,174	5.10
Cement	2,763,567	0.79	1,542,030	0.22	2,655,715	1.38
Chemicals / pharmaceuticals	4,747,012	1.37	3,740,151	0.54	4,041,088	2.09
Commerce and trade	52,385,101	15.08	49,613,241	7.16	35,136,488	18.19
Electronics and electrical appliances	2,145,856	0.62	772,042	0.11	3,758,504	1.95
Fertilizers	5,223,328	1.50	1,035,253	0.15	1,004,559	0.52
Financial	5,095,054	1.47	25,577,143	3.69	13,158,613	6.81
Food and allied	46,223,692	13.30	7,669,145	1.11	5,060,702	2.62
Ghee and edible oil	11,125,726	3.20	2,161,336	0.31	10,135,952	5.25
Individuals	16,634,666	4.79	438,133,277	63.26	46,266	0.02
Iron and steel	17,275,925	4.97	1,112,463	0.16	12,658,914	6.55
Oil refinery / marketing	5,868,464	1.69	17,572,269	2.54	2,712,593	1.40
Paper and board	2,594,455	0.75	200,222	0.03	1,485,229	0.77
Plastic products	2,605,156	0.75	691,383	0.10	7,431,250	3.85
Production and transmission of energy	21,436,303	6.17	9,205,353	1.33	3,945,842	2.04
Real estate / construction	5,292,801	1.52	11,981,753	1.73	9,957,092	5.15
Services (other than financial)	4,966,583	1.43	27,555,513	3.98	3,331,913	1.73
Shoes and leather garments	2,039,466	0.59	758,804	0.11	919,530	0.48
Sugar	6,993,438	2.01	3,032,453	0.44	1,119,807	0.58
Surgical equipments and metal products	3,953,203	1.14	1,505,323	0.22	2,898,970	1.50
Textile						
Spinning	32,169,682	9.26	3,559,524	0.51	11,372,341	5.89
Weaving	14,868,419	4.28	645,101	0.09	5,241,822	2.71
Composite	28,837,635	8.30	6,749,873	0.98	10,815,363	5.60
Ready - made garments	14,423,411	4.15	3,391,066	0.49	6,534,675	3.38
	90,299,147	25.99	14,345,564	2.07	33,964,201	17.58
Others	27,838,713	8.01	61,049,821	8.82	27,498,204	14.23
	<u>347,465,571</u>	<u>100.00</u>	<u>692,576,176</u>	<u>100.00</u>	<u>193,186,808</u>	<u>100.00</u>



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	1.18
Automobiles and transportation equipment	1,256,170	0.47	9,532,136	1.63	7,536,562	4.32
Cement	1,686,085	0.63	119,843	0.02	486,976	0.28
Chemicals / pharmaceuticals	3,308,758	1.23	2,357,184	0.40	4,210,186	2.41
Commerce and trade	47,486,812	17.63	37,551,130	6.43	25,020,916	14.32
Electronics and electrical appliances	2,412,595	0.89	1,231,736	0.21	2,552,661	1.46
Fertilizers	7,705,861	2.86	2,409,241	0.41	2,393,912	1.37
Financial	4,525,081	1.68	17,217,339	2.95	21,670,587	12.41
Food and allied	37,757,576	14.02	6,202,194	1.06	6,202,103	3.55
Ghee and edible oil	5,890,320	2.19	1,399,947	0.24	8,969,779	5.14
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	5.12
Oil refinery / marketing	4,699,340	1.74	22,524,992	3.86	9,159,174	5.25
Paper and board	998,978	0.37	177,899	0.03	930,815	0.53
Plastic products	1,930,003	0.72	748,006	0.13	6,220,534	3.56
Production and transmission of energy	14,293,068	5.31	6,029,997	1.03	6,385,964	3.66
Real estate / construction	4,031,937	1.50	7,901,885	1.35	5,127,079	2.94
Services (other than financial)	5,541,096	2.06	19,996,891	3.42	2,184,879	1.25
Shoes and leather garments	2,315,799	0.86	769,920	0.13	625,821	0.36
Sugar	7,246,005	2.69	1,581,358	0.27	653,005	0.37
Surgical equipments and metal products	1,584,586	0.59	1,444,071	0.25	1,513,207	0.87
Textile						
Spinning	25,246,667	9.37	4,165,021	0.72	10,701,652	6.13
Weaving	10,257,901	3.81	1,138,756	0.19	4,468,533	2.56
Composite	20,784,484	7.72	3,480,410	0.60	9,378,632	5.37
Ready - made garments	9,285,050	3.45	3,472,286	0.59	5,087,089	2.91
	65,574,102	24.35	12,256,473	2.10	29,635,906	16.97
Others	19,949,640	7.41	49,040,109	8.40	22,116,713	12.67
	<u>269,267,267</u>	<u>100.00</u>	<u>584,171,954</u>	<u>100.00</u>	<u>174,608,279</u>	<u>100.00</u>



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

	2017		2016	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Agriculture / agri business	131,119	99,139	106,369	90,666
Automobiles and transportation equipment	20,000	20,000	20,000	20,000
Chemicals / pharmaceuticals	1,960	196	—	—
Commerce and trade	610,815	577,637	679,281	633,559
Electronics and electrical appliances	—	—	4,000	400
Financial	101,949	86,437	101,949	85,364
Food and allied	83,992	67,387	7,999	2,000
Ghee and edible oil	31,705	9,830	48,371	13,996
Individuals	57,576	47,647	51,467	44,156
Iron and steel	671,114	627,494	583,861	583,861
Paper and board	4,774	4,774	5,500	1,375
Plastic products	61,003	61,003	61,003	61,003
Real estate / construction	109,942	109,942	147,210	147,210
Services (other than financial)	12,202	6,288	14,930	7,652
Surgical equipments and metal products	5,293	5,293	5,293	5,293
Textile				
Spinning	1,008,786	952,976	981,178	976,018
Weaving	86,680	86,680	150,911	148,796
Composite	380,760	380,758	947,644	947,481
Ready - made garments	536,118	484,546	423,574	421,876
	2,012,344	1,904,960	2,503,307	2,494,171
Others	1,372,811	771,537	1,374,926	691,624
	5,288,599	4,399,564	5,715,466	4,882,330

42.1.5 Segment by sector

	2017					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	53,281,877	15.33	59,153,029	8.54	22,583,388	11.69
Private	294,183,694	84.67	633,423,147	91.46	170,603,420	88.31
	347,465,571	100.00	692,576,176	100.00	193,186,808	100.00
	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	16.47
Private	210,134,838	78.04	537,152,202	91.95	145,858,155	83.53
	269,267,267	100.00	584,171,954	100.00	174,608,279	100.00



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

	2017		2016	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Public / Government	—	—	—	—
Private	5,288,599	4,399,564	5,715,466	4,882,330
	5,288,599	4,399,564	5,715,466	4,882,330

42.1.7 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	13,125,674	877,929,894	41,619,237	183,431,245
Middle East	655,553	27,401,694	2,983,634	3,564,196
Asia Pacific	249,732	11,831,287	849,997	6,191,367
Africa	9,363	1,888,720	423,014	—
	14,040,322	919,051,595	45,875,882	193,186,808
	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	169,458,335
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
	13,163,987	751,395,816	42,513,744	174,608,279

42.2 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 41.6.

42.2.1 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.

42.2.2 Mismatch of interest rate sensitive assets and liabilities

2017

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	0.37%	60,096,155	7,088,113	-	-	-	-	-	-	-	-	53,008,042
Balances with other banks	2.33%	4,691,917	3,476,132	-	-	-	-	-	-	-	-	1,215,785
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments - net	7.22%	476,125,054	119,851,135	213,936,209	6,376,145	37,467,121	21,397,998	46,166,478	18,702,967	5,111,816	-	7,115,185
Advances - net	6.14%	339,832,911	206,773,265	47,603,608	38,734,881	14,257,731	7,679,187	6,959,889	6,444,930	7,490,697	3,888,723	-
Other assets - net	-	13,248,124	-	-	-	-	-	-	-	-	-	13,248,124
		893,994,161	337,188,645	261,539,817	45,111,026	51,724,852	29,077,185	53,126,367	25,147,897	12,602,513	3,888,723	74,587,136
Liabilities												
Bills payable	-	19,663,349	-	-	-	-	-	-	-	-	-	19,663,349
Borrowings	4.49%	133,499,876	118,241,757	917,711	178,081	600,401	1,628,183	1,828,824	3,544,831	6,060,481	499,607	-
Deposits and other accounts	4.69%	692,576,176	328,684,014	45,265,390	18,263,999	25,597,299	3,803,738	3,411,955	3,401,465	9,139	7,254	264,131,923
Sub -ordinated loans	7.42%	10,997,600	-	3,997,600	7,000,000	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	11,961,992	-	-	-	-	-	-	-	-	-	11,961,992
		868,698,993	446,925,771	50,180,701	25,442,080	26,197,700	5,431,921	5,240,779	6,946,296	6,069,620	506,861	295,757,264
On - balance sheet gap		25,295,168	(109,737,126)	211,359,116	19,668,946	25,527,152	23,645,264	47,885,588	18,201,601	6,532,893	3,381,862	(221,170,128)
Off - balance sheet financial instruments												
Forward purchase of foreign exchange contracts		46,725,785	22,668,669	13,470,293	7,479,818	3,107,005	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(24,439,627)	(10,292,458)	(8,944,651)	(4,361,903)	(840,615)	-	-	-	-	-	-
Forward commitments to extend credit		9,565,312	437,460	2,583,191	1,321,790	2,050,000	2,747,101	425,770	-	-	-	-
Off - balance sheet gap		31,851,470	12,813,671	7,108,833	4,439,705	4,316,390	2,747,101	425,770	-	-	-	-
Total interest / yield risk sensitivity gap		57,146,638	(96,923,455)	218,467,949	24,108,651	29,843,542	26,392,365	48,311,358	18,201,601	6,532,893	3,381,862	-
Cumulative interest / yield risk sensitivity gap		(96,923,455)	121,544,494	145,653,145	175,496,687	201,889,052	250,200,410	268,402,011	274,934,904	278,316,766	-	-



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)												
On - balance sheet financial instruments												
Assets												
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
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%	584,171,954	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)
Off - balance sheet financial instruments												
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	-





42.2.3 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.

2017				
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	849,412,618	784,997,676	(22,286,485)	42,128,457
United States Dollar	65,562,866	73,864,736	12,504,917	4,203,047
Great Britain Pound	1,368,520	9,761,198	8,062,925	(329,753)
Japanese Yen	13,520	17,489	4,716	747
Euro	2,446,139	3,807,684	1,178,462	(183,083)
Other currencies	247,932	726,930	535,465	56,467
	919,051,595	873,175,713	-	45,875,882
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
	751,395,816	708,882,072	-	42,513,744



42.3 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 cost or losses.

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 behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating (as borrowing cost 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.

42.3.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 8 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Bank's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.

The Bank calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short - term resilience of the liquidity risk profile which requires the Bank to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2017, the Bank's LCR stood at 400% against the SBP's minimum requirement of 90% as per transition phase.

42.3.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the liquidity risk policy approved by the Board. The Bank has "zero tolerance" for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division & Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Bank's liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Bank's liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.



42.3.3 Funding Strategy

The Bank's prime source of liquidity is the customers' deposit base. Within deposits, the Bank strives to maintain core deposit base in form of current and saving deposits and avoids concentration in particular products, tenors and dependence on large fund providers. As a general rule, the Bank will not depend on borrowings in the inter - bank market, including repos, to be a part of its permanent pool of funds for financing of loans, but will use these as a source for obtaining moderate amounts of additional funds to meet temporary liquidity needs in the normal course of business or for money market operations.

42.3.4 Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like core deposits to total deposits, advances to deposits, liquid assets to total deposits, Interbank borrowing to total deposits, which are monitored on regular basis against limits. Further, the Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. For maturity analysis, behavioral study is carried out to determine the behavior of non - contractual assets and liabilities. The Bank also ensures that statutory cash and liquidity requirements are maintained at all times.

In addition, LCR, NSFR & Monitoring Tools of Basel III framework further strengthen liquidity risk management of the Bank.

42.3.5 Liquidity Stress Testing

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits, withdrawals of wholesale / large deposits & interbank borrowing, withdrawal of top deposits, etc. Results of stress testing are presented to ALCO and Risk Management Committee. 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 as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.

42.3.6 Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Bank which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that needs to be taken to deal with the contingency. Responsibilities and response levels are also incorporated in order to tackle the contingency. Moreover, CFP highlights possible funding sources, in case of a liquidity contingency.

42.3.7 Main Components of LCR

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD circular no. 08 dated 23 June 2016.

42.3.8 Composition of HQLAs

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash & Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks & Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.



42.3.9 Concentration of Funding Sources

The Bank relies on customers' deposits as its key source of funding, specially current and saving deposits and time deposits of small / medium denominations, and avoids concentration of large deposits. Share of core deposits in total deposits and of large deposits in total deposits are regularly monitored. In particular the Bank does not depend on large depositors or borrowings from SBP and financial institutions to meet its funding requirements.

42.3.10 Currency Mismatch in the LCR

About 90% of the Bank's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

42.3.11 Centralisation of Liquidity Management

Overall liquidity management of the Bank is centralised in Treasury Division at Principal Office. The Bank mobilises deposits through its branch network. It also uses the branch network to grant loans to customers. Branches that have more deposits than loans, transfer ("lend") their excess deposits to the Principal Office. Branches that do not have enough deposits to fund their loans, acquire ("borrow") additional funds from the Principal Office.

42.3.12 Other Inflows & Outflows

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

42.3.13 Net Stable Funding Ratio (NSFR)

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a bank must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank is expected to meet the NSFR requirement of at least 100% from 31 December 2017 and thereafter on quarterly basis. The Bank's NSFR stood at 188% as on 31 December 2017.



2017	
Total unweighted value (average)	Total weighted value (average)
A	B

(Rupees in '000)

42.3.14 Liquidity Coverage Ratio (LCR)

High quality liquid assets

Total high quality liquid assets (HQLA)	333,948,742
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Cash outflows

Retail deposits and deposits from small business customers of which:

Stable deposit	–	–
Less stable deposit	494,833,315	49,483,331
	494,833,315	49,483,331

Unsecured wholesale funding of which:

Operational deposits (all counterparties)	–	–
Non - operational deposits (all counterparties)	166,098,464	70,576,264
Unsecured debt	3,129,012	3,129,012
	169,227,476	73,705,276

Secured wholesale funding

Additional requirements of which:

Outflows related to derivative exposures and other collateral requirements	666,238	666,238
Outflows related to loss of funding on debt products	–	–
Credit and liquidity facilities	302,792,413	1,065,370
	303,458,651	1,731,608

Other contractual funding obligations

1,457,794	1,457,794
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Other contingent funding obligations

224,605,105	11,230,255
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Total cash outflows

138,457,638

Cash inflows

Secured lending	–	–
Inflows from fully performing exposures	84,382,576	47,526,446
Other cash inflows	3,436,839	1,587,775

Total cash inflows

49,114,221

Total High Quality Liquid Assets (HQLA)

333,948,742

Total Net Cash Outflows

89,343,417

Liquidity Coverage Ratio

374%



42.3.15 Net Stable Funding Ratio (NSFR)

ASF Item	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	(Rupees in '000)				
Capital					
Regulatory capital	39,960,723	–	–	–	39,960,723
Other capital instruments	6,932,068	–	–	3,996,000	10,928,068
Retail deposits and deposit from small business customers:					
Stable deposits	–	–	–	–	–
Less stable deposits	–	497,713,054	18,088,877	–	464,221,737
Wholesale funding					
Operational deposits	–	–	–	–	–
Other wholesale funding	–	150,433,040	7,511,917	–	78,972,479
Other liabilities:					
NSFR derivative liabilities	–	–	–	24,439,627	–
All other liabilities and equity not included in other categories	–	1,717,042	835,779	25,155,521	25,573,411
Total ASF					619,656,418
RSF item					
Total NSFR high - quality liquid assets (HQLA)					49,568,804
Deposits held at other financial institutions for operational purposes	2,124,336	–	–	–	1,062,168
Performing loans and securities:					
Performing loans to financial institutions secured by Level 1 HQLA	–	20,662,417	–	–	3,099,363
Performing loans to financial institutions secured by non - Level 1 HQLA and unsecured performing loans to financial institutions	–	–	–	–	–
Performing loans to non - financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	244,616,645	–	64,239,087	176,911,547
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	10,314,762	6,704,595
Securities that are not in default and do not qualify as HQLA including exchange - traded equities	–	–	–	12,569,315	10,683,918
Other assets:					
NSFR derivative assets	–	–	–	46,725,785	22,286,159
NSFR derivative liabilities before deduction of variation margin posted	–	–	–	24,439,627	4,887,925
All other assets not included in the above categories	7,933,846	2,552,041	1,098,086	17,891,159	29,225,802
Off - balance sheet items	–	–	–	–	25,715,079
Total RSF					330,145,360
Net Stable Funding Ratio (%)					188%

*The Liquidity coverage ratio and Net stable funding ratio are applicable from 2017 onwards, therefore, comparative information is not applicable.

42.3.16 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.

	2017									
	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	60,096,155	60,096,155	-	-	-	-	-	-	-	-
Balances with other banks	4,691,917	4,691,917	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	476,125,054	119,019,606	210,990,120	576,151	46,684,724	22,521,332	47,326,257	20,397,479	8,125,509	483,876
Advances - net	339,832,911	67,956,030	73,202,423	85,933,374	25,230,662	20,246,993	21,186,138	26,407,807	15,090,710	4,578,774
Operating fixed assets	22,553,302	469,535	716,323	867,522	1,098,086	1,832,514	6,499,236	1,299,027	1,050,136	8,720,923
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets - net	15,752,256	12,031,498	1,403,309	326,495	862,316	215,518	186,617	205,254	432,077	89,172
	919,051,595	264,264,741	286,312,175	87,703,542	73,875,788	44,816,357	75,198,248	48,309,567	24,698,432	13,872,745
<i>Liabilities</i>										
Bills payable	19,663,349	19,663,349	-	-	-	-	-	-	-	-
Borrowings	133,499,876	90,966,380	18,682,848	9,638,320	650,401	1,628,183	1,828,824	3,544,831	6,060,482	499,607
Deposits and other accounts	692,576,176	95,348,891	100,539,507	73,538,115	80,871,415	103,297,147	102,905,364	108,422,286	27,646,197	7,254
Sub - ordinated loans	10,997,600	-	800	-	800	1,600	1,600	7,003,200	3,989,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	2,528,998	125,840	56,107	85,690	(123,033)	491,244	1,497,391	(105,808)	(381,816)	883,383
Other liabilities	13,909,714	8,676,925	95,659	33,894	38,729	89,950	109,935	3,853,102	-	1,011,520
	873,175,713	214,781,385	119,374,921	83,296,019	81,438,312	105,508,124	106,343,114	122,717,611	37,314,463	2,401,764
<i>Net assets</i>	45,875,882	49,483,356	166,937,254	4,407,523	(7,562,524)	(60,691,767)	(31,144,866)	(74,408,044)	(12,616,031)	11,470,981
Share capital	11,114,254									
Reserves	13,021,176									
Unappropriated profit	16,671,122									
Surplus on revaluation of assets - net of tax	5,069,330									
	45,875,882									



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)									
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 - 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
Liabilities										
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
Net assets	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									
	<u>42,513,744</u>									



42.3.17 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.

	2017									
	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	60,096,155	60,096,155	-	-	-	-	-	-	-	-
Balances with other banks	4,691,917	4,691,917	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	476,125,054	127,954,654	210,995,254	575,268	40,197,393	21,952,573	46,604,847	20,379,827	7,465,238	-
Advances - net	339,832,911	67,956,030	73,202,423	85,933,374	25,230,662	20,246,993	21,186,138	26,407,807	15,090,710	4,578,774
Operating fixed assets	22,553,302	11,717,998	350,349	510,041	953,460	1,721,528	1,472,114	1,299,027	1,050,136	3,478,649
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets - net	15,752,256	13,679,772	1,364,592	268,127	140,272	132,885	103,984	39,988	18,912	3,724
	919,051,595	286,096,526	285,912,618	87,286,810	66,521,787	44,053,979	69,367,083	48,126,649	23,624,996	8,061,147
<i>Liabilities</i>										
Bills payable	19,663,349	19,663,349	-	-	-	-	-	-	-	-
Borrowings	133,499,876	90,966,380	18,682,848	9,638,320	650,401	1,628,183	1,828,824	3,544,831	6,060,482	499,607
Deposits and other accounts	692,576,176	592,815,937	45,265,390	18,263,999	25,597,299	3,803,738	3,411,955	3,401,465	9,139	7,254
Sub - ordinated loans	10,997,600	7,000,000	800	-	800	1,600	1,600	3,200	3,989,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	2,528,998	1,592,428	54,096	79,669	146,649	269,330	232,759	(113,411)	(616,475)	883,953
Other liabilities	13,909,714	13,437,531	95,659	33,895	38,729	89,950	109,935	104,015	-	-
	873,175,713	725,475,625	64,098,793	28,015,883	26,433,878	5,792,801	5,585,073	6,940,100	9,442,746	1,390,814
<i>Net assets</i>	45,875,882	(439,379,099)	221,813,825	59,270,927	40,087,909	38,261,178	63,782,010	41,186,549	14,182,250	6,670,333
Share capital	11,114,254									
Reserves	13,021,176									
Unappropriated profit	16,671,122									
Surplus on revaluation of assets - net of tax	5,069,330									
	45,875,882									



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									





42.4 Equity position risk in the banking book – Basel Specific

Except for very limited trading position in equities as mentioned above (note 42.2), 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.

42.5 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.



43. ISLAMIC BANKING BUSINESS

43.1 The Bank is operating 53 (2016: 41) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2017 and for the year are as follows:

43.1.1 STATEMENT OF FINANCIAL POSITION

	Note	2017 (Rupees in '000)	2016
ASSETS			
Cash and balances with treasury banks		2,554,000	1,552,162
Balances with and due from financial institutions		957,424	302,037
Investments	43.1.1.1	11,333,912	9,132,670
Islamic financing and related assets	43.1.1.2	34,843,979	18,128,914
Operating fixed assets		248,825	182,487
Other assets		538,108	252,443
		50,476,248	29,550,713
LIABILITIES			
Bills payable		30,694	22,514
Due to financial institutions		4,301,041	2,641,655
Deposits and other accounts		37,867,252	22,607,349
Current accounts		12,981,414	8,044,145
Saving accounts		11,145,642	6,533,321
Term deposits		7,123,780	5,049,667
Others		973,928	81,580
Deposits from financial institutions - remunerative		5,635,540	2,897,919
Deposits from financial institutions - non - remunerative		6,948	717
Due to Head Office		1,319,226	513,406
Other liabilities		1,570,087	1,125,648
		(45,088,300)	(26,910,572)
NET ASSETS		5,387,948	2,640,141
REPRESENTED BY:			
Islamic banking fund		5,000,000	2,500,000
Unremitted profit		422,821	108,178
		5,422,821	2,608,178
(Deficit) / surplus on revaluation of assets		(34,873)	31,963
		5,387,948	2,640,141
43.1.1.1 Investments			
Sukuk bonds		11,205,550	9,009,327
Fully paid - up ordinary shares - Listed		73,497	123,343
Mutual funds		73,965	-
Investments		11,353,012	9,132,670
Less: Provision for diminution in the value of investments		(19,100)	-
Investments (net of provision)		11,333,912	9,132,670



	2017	2016
	(Rupees in '000)	
43.1.1.2 Islamic financing and related assets		
Murabaha	6,034,031	3,153,222
Net book value of assets / investment in ijarah under IFAS 2	2,132,197	1,338,279
Running musharaka	2,223,124	-
Diminishing musharaka	10,082,423	5,264,472
Musawama	3,245,401	960,059
Export refinance murabaha	881,335	408,789
Export refinance istisna	3,634,300	2,052,048
Istisna	1,644,298	1,771,968
Gross financing	29,877,109	14,948,837
Advance against murabaha	1,559,959	668,142
Advance against ijarah	500,808	864,728
Advance against diminishing musharaka	2,064,649	1,563,383
Advance against istisna	856,534	89,168
Islamic financing and related assets - gross	34,859,059	18,134,258
Less: provisions		
Specific provision	(478)	-
General provision against consumer financing	(14,602)	(5,344)
	15,080	(5,344)
Islamic financing and related assets - net of provision	34,843,979	18,128,914
43.1.1.3 Islamic mode of financing		
Financing / inventory / receivables	29,877,109	14,948,837
Advances	4,981,950	3,185,421
Less: provisions	(15,080)	(5,344)
	34,843,979	18,128,914
43.2 PROFIT AND LOSS ACCOUNT		
Profit / return on financing and placements earned	2,186,013	1,320,354
Profit / return on deposits and other dues expensed	(949,413)	(654,881)
	1,236,600	665,473
Provision against non - performing loans and advances - net	(9,736)	(3,560)
Provision for diminution in the value of investments	(19,100)	-
	(28,836)	(3,560)
Net spread earned	1,207,764	661,913
OTHER INCOME		
Fee, commission and brokerage income	109,456	72,021
Dividend income	13,028	5,615
Income from dealing in foreign currencies	30,469	20,038
Gain on sale of securities	-	8,235
Other income	27,703	22,033
	180,656	127,942
	1,388,420	789,855
OTHER EXPENSES		
Administrative expenses	(965,599)	(681,677)
PROFIT BEFORE TAXATION	422,821	108,178



	2017 (Rupees in '000)	2016
43.3 Remuneration to Shariah Board	<u>6,465</u>	<u>5,334</u>
43.4 CHARITY FUND		
Opening balance	2,738	2,686
Additions during the year	6,464	2,738
Payments / utilisation during the year		
Health	(948)	(630)
Social welfare	(1,790)	(2,056)
	<u>(2,738)</u>	<u>(2,686)</u>
Closing balance	<u>6,464</u>	<u>2,738</u>

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

43.5 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

43.5.1 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)

The deposits parked in general pool are based on normal weightages. The risk of loss is minimal due to a long range of diversified assets parked in the 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.



43.5.2 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, shares and mutual funds
- Production and transmission of energy
- Food and allied except sugar
- Wheat
- Individuals
- Others (Domestic whole sale, engineering goods, plastic product etc.)

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

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

The funds so generated are invested by the Bank in Shariah compliant modes of financing and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharaka, Running Musharaka, Musawama, Shares, Mutual funds and Sukuks etc.

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 direct costs such as cost of murabaha, cost of takaful, depreciation on ijarah assets, amortisation of premium on sukuk, 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% (2016: 50%) of net income and the depositors' profit sharing ratio was 50% (2016: 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.



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

	2017				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,468,300	686,435	47%	101,035	14.7%
FCY Pool	5,588	5,309	95%	345	6.5%
	2016				
LCY Pool	963,914	460,681	48%	82,024	18%
FCY Pool	3,828	3,554	93%	192	5%

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

	2017 (Percentage)	2016
Profit rate earned	6.08%	6.03%
Profit rate distributed	3.12%	3.36%

44. SUBSEQUENT EVENT

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 3.0 (2016: Rs. 3.5) per share.

45. GENERAL

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

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

46. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue in the Board of Directors' meeting held on 14 February 2018.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



Annexure I

**Statement showing written - off loans or any other financial relief
of five hundred thousand rupees or above provided
during the year ended 31 December 2017**

(Rupees in '000)

S. No.	Name and address of the borrower	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.	Salloos Industries Limited Head Office: Hafeez Chamber 85, Shahrah-e-Quaid-e-Azam Lahore. Factory: 45-KM, Multan Road, Chunia Industrial Estate District Kasur.	Mr. Imran Hafeez (CNIC: 35202-9231828-9) Mr. Sheikh Nauman Hafeez (CNIC: 35202-6191931-1) Mr. Sheikh Abdul Hafeez (CNIC: 35202-9146423-9) Mr. Salman Hafeez (CNIC: 35202-6190981-1) Mrs. Hina Sami (CNIC: 35202-7190458-2)	Mr. Sheikh Abdul Hafeez Mr. Sheikh Abdul Hafeez Mr. Sheikh Abdul Ghafoor Mr. Sheikh Abdul Hafeez Mr. Sami Ullah Khan	4,884	1,172	-	6,056	-	1,333	-	1,333
2.	Acme Global 1st Floor, Mandiwala Building, Shahrah-e-Liaquat, Karachi.	Mr. Osman Danish Diwan (CNIC: 61101-8246751-5)	Mr. Mushtaq Ahmed Diwan	28,993	7,078	-	36,071	-	5,071	-	5,071
			TOTAL	33,877	8,250	-	42,127	-	6,404	-	6,404

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



Annexure II

Statement showing material outsourcing arrangements during the year ended 31 December 2017

S. No.	Name of outsourced activity	Name of Service Provider	Nature of Service
1	2	3	4
1.	Merchant On - Boarding and Terminal Management Services	M/s. Wemsol Private Limited	Point of Sale (POS) acquiring
2.	Credit Card system	M/s. Arab Financial Services (AFS)	Credit card
3.	Non - Clerical Outsourced Human Resource (H.R.) Staff	M/s. Salam Enterprises M/s. Razzaq Corporation	H.R. service provider (Driver, peon, cleaner, rider, electrician, helper) H.R. service provider (Driver, peon, cleaner, rider, electrician, helper)
4.	Guarding Services	M/s. Phoenix Security Services (Private) Limited M/s. Security 2000 (Private) Limited M/s. Parwest Pacific Security (Private) Limited M/s. Kardesler Security Company (Private) Limited M/s. Shezada Security Services (Private) Limited M/s. Fauji Security Services (Private) Limited M/s. Oil Links Security and Services (Private) Limited M/s. Security Organising System Pakistan (Private) Limited M/s. Access Security Services (Private) Limited M/s. Indus Security Services (Private) Limited	Security guards
5.	Cash - in - Transit Services (CIT)	M/s. Phoenix Armour (Private) Limited M/s. Security 2000 (Private) Limited M/s. Wackenhut Pakistan (Private) Limited M/s. Askari Guards (Private) Limited M/s. Fauji Security Services (Private) Limited	Armoured vehicles for cash and cashable items

The cost of material outsourcing arrangements for the year ended 31 December 2017 was around Rs. 2.1 billion.



Disclosure on Complaint Handling

Better Services leading to higher Customer Satisfaction assures continued growth in business and profitability of the Bank.

The Bank has a comprehensive Customer Grievances Handling Policy, which is based on the principles of fairness, promptness, and customer's right to approach alternate remedial avenues in case of need. Customers may register their complaints through Call Center, Bank's website, direct emails and letters through drop-boxes or directly to Customer Services Division/CEO's Office, which are promptly logged and acknowledged. The 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 communicated to customers through notices in Branches and the Website.

During 2017, a comprehensive training on Complaints Handling was developed for branches and Departments through online Learning Management System. The purpose was to make the staff more aware of the requirements of Consumer Grievance Handling Mechanism and provide speedy and fair resolution of the complaints.

In 2017, the Bank received 46,370 complaints, about 3% lower than the previous year. While the average turnaround time for resolution was a reasonably satisfactory 4 working days, the Bank established a customer focus group to review and improve processes on an ongoing basis to investigate systemic issues, reduce complaints resolution timelines and achieve higher customer satisfaction.



Report of Shariah Board for the year ended December 31, 2017

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, requires from 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 reviewed Internal Shariah Audit and External Shariah Audit Reports. Based on above, Shariah Board is 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 i.e. related to Shariah Compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
- (iii) BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management.
- (iv) BAHL-IBD has developed the basic mechanism to ensure Shariah Compliance in its overall operations.
- (v) The Shariah Board observed that there are issues with the manner the IT system is capturing different facilities, which may lead to wrong profit realization in deposit Pools. The Shariah Board recommends that IT System should be robust so that these issues are rectified on urgent basis.
- (vi) Improvement is required in level of awareness of Islamic Banking Staff, as well Executive Management in order to improve their understanding on the importance of Shariah Compliance in their respective areas. Proper training schedule/calendar needs to be developed for each level. The BOD appreciates the importance of Shariah Compliance in the products, processes and operations of the BAHL-IBD.
- (vii) The Management has provided adequate resources to Shariah Compliance Department and also committed to provide further staff enabling them to discharge their duties effectively and ensuring the Shariah Compliance environment in BAHL-IBD.
- (viii) Although there is some improvement in transfer of exposure from Insurance to Takaful, However Shariah Board has observed that the progress is slow and needs to be speeded up.
- (ix) The Bank has a well-defined mechanism in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. This year charity amount of Rs. 6.464 Million has been realized, out of which Rs.610,124 was due to Shariah Non-compliance.

Karachi: February 14, 2018

Mufti Muhammad Sarfaraz Nihal
Resident Shariah Board Member

Mufti Muhammad Ismatullah Hamdullah
Chairman Shariah Board

Mufti Mohib Ul Haq Siddiqui
Shariah Board Member



Notice of Annual General Meeting

Notice is hereby given that the Twenty-seventh 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 Tuesday, March 27, 2018 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, 2017 together with the Reports of Chairman, Directors and Auditors.
2. To consider and approve payment of cash dividend @ 30%, i.e., Rs. 3.0 per share of Rs. 10/- each for the year ended December 31, 2017 as recommended by the Board of Directors.
3. To appoint auditors for the year 2018 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.

Special Business

5. To consider and approve the remuneration payable to Directors for attending Board Meeting and Sub-Committee Meeting of the Board.
6. To consider and approve the remuneration payable to the Executive Director of the Bank.
7. To consider and approve the conversion terms of Term Finance Certificates of the Bank into Ordinary Shares of the Bank upon occurrence of a conversion event.

For Item Nos. 5, 6 & 7, a statement under Section 134(3) of the Companies Act, 2017 is annexed.

By order of the Board

MOHAMMAD TAQI LAKHANI
Company Secretary

Karachi: March 6, 2018

Notes:

1. The share transfer book of the Bank will remain closed from March 14, 2018 to March 27, 2018 (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 March 13, 2018 will be treated in time for payment of cash dividend (subject to approval of the members). Members are requested to promptly communicate any change in their addresses 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, speak 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 time of 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. **Payment of Cash Dividend through Electronic Mode:**

Under the provision of Section 242 of Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrants.



In order to receive cash dividend directly into the designated bank account, members are requested to fill and sign the “E-Dividend Bank Mandate Form” available on the Bank’s website link, <https://www.bankalhabib.com/downloads/E-Dividend-Bank-Mandate-Form.pdf>, and send to the relevant Broker/Participants/Investor Account Services of the CDC/Share Registrar of the Bank (as the case may be) before March 14, 2018 along with a copy of their valid CNICs. The aforesaid form is also available in the Annual Report of the Bank.

In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of CNICs, the Bank will withhold cash dividend of such members.

5. The Government of Pakistan through Finance Act, 2017 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 cash dividend paid by the companies/banks. These tax rates are as follows:

- | | | |
|-----|--------------------------------------|-----|
| (a) | For filers of income tax returns | 15% |
| (b) | For non-filers of income tax returns | 20% |

To enable the Bank to make tax deduction on the amount of cash dividend @ 15% instead of 20% 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 cash dividend i.e., March 27, 2018; otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

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 March 13, 2018, 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 March 13, 2018.

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. Soft copies of Annual Report 2017 including Audited Financial Statements and Notice of Annual General Meeting are being e-mailed to the members who have provided their e-mail addresses for the said purpose. Other 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. Audited Financial Statements and reports are being placed on the aforesaid website.

Members are also requested to intimate change (if any) in their registered e-mail addresses to our Share Registrar for the above-mentioned purpose.



7. Consent for video-link facility:

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

If the Bank receives consent from members holding at least 10% shareholding residing at a geographical location, to participate in the meeting through video-link facility at least 7 days prior to the date of meeting, the Bank will arrange video-link facility in that city. The Bank shall arrange the aforesaid facility for such members prior to the date of the meeting to participate through video-link facility, and will intimate them regarding venue before the date of general meeting.

In this regard, members who wish to participate through video-link facility at Karachi should send a duly signed request as per the following format to the registered address of the Bank at least 7 days before the date of general meeting.

<p>I/We, _____ of _____ being a member of</p> <p>Bank AL Habib Limited, holder of _____ ordinary share(s) as per register Folio</p> <p>No./ CDC Sub-Account No.: _____ hereby opt for video-link facility at Karachi.</p> <p style="text-align: right;">_____ Signature of Member</p>



Statement under Section 134 (3) of the Companies Act, 2017

The statement is annexed to the Notice of the 27th Annual General Meeting of Bank AL Habib Limited at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

Item No. 5 of the Agenda

It is proposed that the remuneration payable to Directors for attending Board Meeting and Sub-Committee Meeting of the Board be increased from Rs.75,000/- to Rs.150,000/- per meeting and to pass the following resolution as a Special Resolution:

“RESOLVED that the remuneration payable to Directors for attending Board Meeting and Sub-Committee Meeting of the Board be and is hereby increased from Rs.75,000/- (Rupees Seventy Five Thousand) to Rs.150,000/- (Rupees One Hundred Fifty Thousand).

“FURTHER RESOLVED that the figure “Rs.75,000” (Rupees Seventy Five Thousand) appearing in Article 106 of Articles of Association be and is hereby substituted by the figure “Rs.150,000/-” (Rupees One Hundred Fifty Thousand).”

Item No. 6 of the Agenda

As recommended by the Board of Directors in their meeting held on February 14, 2018, it is intended to propose the following resolution to be passed as an Ordinary Resolution:

“RESOLVED that the remuneration of Mr. Qumail R. Habib, Executive Director shall not exceed Rs. 2,500,000/- per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment.”

Item No. 7 of the Agenda

In order to contribute towards its Additional Tier 1 Capital, Bank AL Habib Limited has issued perpetual, rated, unsecured, non-cumulative and subordinated Term Finance Certificates (“TFCs”) amounting to Rs. 7,000,000,000/= (Rupees Seven Billion), in accordance with the Basel III Capital Instructions issued by SBP vide BPRD Circular No. 6 dated August 15, 2013.

The aforesaid TFCs may be converted into ordinary shares of the Bank in accordance with the applicable rules and regulations of SBP, subject to a maximum of 140,000,000 additional ordinary shares being issued upon such conversion, (i) if so directed by SBP on the occurrence of a point of non-viability as determined by SBP or (ii) at the option of the Bank upon the occurrence of a pre-specified trigger point pursuant to Basel III Capital Instructions of SBP, or (iii) due to any inability to exercise the Lock-in Clause or Non-Cumulative features of the TFCs, subject to such terms and conditions as may be determined by SBP. All such ordinary shares shall be issued other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017.

Additional information required as per applicable laws and regulations is as follows.



Name of the person to whom shares will be issued	The shares will be issued to the TFC holders (at that time).
Prices at which the proposed shares will be issued	(i) Point of non-viability: at a price equivalent to market value of the shares of the Bank (ii) Pre-specified trigger point: at a price equivalent to market value of the shares of the Bank (iii) Inability to exercise the Lock-in Clause or Non-Cumulative features: at the discretion of SBP
Purpose of the issue, utilization of the proceeds of the issue and benefits to the Company and its shareholders with necessary details	To convert the outstanding TFC amount (in whole or part) into shares of the Bank.
Existing shareholding of the persons to whom the proposed shares will be issued	Not Applicable
Total shareholding of the persons after the proposed issue of shares	Not Applicable
Whether the person have provided written consent for purchase of such shares	The terms of the Trust Deed for the TFC issue contain the details regarding such conversion.
Justification as to why proposed shares are to be issued otherwise than rights and not as rights shares	This is in accordance with the requirements of SBP vide its Circular No. 6 of Banking Policy & Regulations Department (“BPRD”) dated August 15, 2013.
Justification, with details of the latest available market price and break-up value per share, if such price differs from par value	Not Applicable

Therefore, for the purpose of the above, the Board of Directors has recommended that members may pass the following resolution as a Special Resolution:

“**RESOLVED** that the perpetual Term Finance Certificates (“TFCs”) of Bank AL Habib Limited in the amount of Rs. 7,000,000,000/= (Rupees Seven Billion) for the purpose of Additional Tier 1 Capital under Basel III Capital Instructions of the State Bank of Pakistan (“SBP”), may be converted into ordinary shares of the Bank subject to a maximum of 140,000,000 (One Hundred Forty Million) additional ordinary shares being issued upon such conversion, (i) if so directed by SBP on the occurrence of a point of non-viability as determined by SBP, at a price equivalent to the market value of the shares of the Bank on the date of trigger of the point of non-viability as declared by SBP or (ii) at the option of the Bank upon the occurrence of a pre-specified trigger point pursuant to Basel III Capital Instructions of SBP, at a price equivalent to the market value of the shares of the Bank on the date of occurrence of the pre-specified trigger point, or (iii) due to any inability to exercise the Lock-in Clause or Non-Cumulative features of TFCs, subject to such terms and conditions as may be determined by SBP, in accordance with the applicable rules and regulations of SBP, and all such ordinary shares shall be issued other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017 and shall further be subject to the approval of Securities and Exchange Commission of Pakistan in accordance with Section 83(1)(b) of the Companies Act, 2017.

“**FURTHER RESOLVED** that the Board of Directors of the Bank (“the Board”) or such officer or officers of the Bank as may be authorized by the Board, be and are hereby authorized to take all steps necessary, ancillary, and incidental to the above-mentioned conversion, as and when required, and are further authorized to sign, execute, and deliver all necessary documents, agreements, and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes above-mentioned.”

The ordinary shares issued will rank pari passu in all respects with the existing shares of the Bank.

The Directors of the Bank have no direct or indirect interest in the above-mentioned resolutions except in their capacity as shareholders of the Bank to the extent of their respective shareholding.



Pattern of Shareholding as at December 31, 2017

Number of Shareholders	Size of Shareholding				Total Shares Held
411	From	1	To	100	12,907
636	From	101	To	500	190,369
463	From	501	To	1,000	362,096
1,896	From	1,001	To	5,000	5,203,128
560	From	5,001	To	10,000	4,209,087
332	From	10,001	To	15,000	4,139,342
1,254	From	15,001	To	20,000	22,997,615
92	From	20,001	To	25,000	2,081,917
63	From	25,001	To	30,000	1,739,230
69	From	30,001	To	35,000	2,261,131
94	From	35,001	To	40,000	3,504,007
85	From	40,001	To	50,000	3,890,314
58	From	50,001	To	60,000	3,177,872
81	From	60,001	To	80,000	5,762,165
73	From	80,001	To	100,000	6,583,483
78	From	100,001	To	150,000	9,194,020
70	From	150,001	To	200,000	12,451,721
46	From	200,001	To	250,000	10,377,275
35	From	250,001	To	300,000	9,626,062
25	From	300,001	To	350,000	8,099,195
91	From	350,001	To	600,000	42,615,327
53	From	600,001	To	1,000,000	41,817,940
148	From	1,000,001	To	100,000,000	911,129,213
6,713					1,111,425,416

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,419	611,330,411	55.00
Investment & Insurance Companies	14	108,020,946	9.72
Joint Stock Companies	100	146,396,230	13.17
Financial Institutions	10	11,514,824	1.04
Modaraba & Mutual Funds	30	85,552,017	7.70
Foreign Companies	24	49,611,895	4.46
Pension Funds	24	14,724,655	1.33
Others	92	84,274,438	7.58
TOTAL	6,713	1,111,425,416	100.00



Pattern of Shareholding as at December 31, 2017 Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies		
Habib Insurance Co., Ltd.	1	2,750,000
Habib Sugar Mills Limited	1	24,136,691
Mutual Funds		
TRI. STAR MUTUAL FUND LTD.	1	1,904
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	5,000
SAFEWAY FUND (PVT) LTD.	1	5,001
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	60,000
CDC - TRUSTEE ASKARI EQUITY FUND	1	60,000
CDC - TRUSTEE PICIC STOCK FUND	1	81,500
CDC - TRUSTEE PICIC INVESTMENT FUND	1	127,000
CDC - TRUSTEE APF-EQUITY SUB FUND	1	147,000
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	157,332
CDC - TRUSTEE NAFA ASSET ALLOCATION FUND	1	212,150
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	222,900
CDC - TRUSTEE LAKSON TACTICAL FUND	1	318,633
CDC - TRUSTEE PICIC GROWTH FUND	1	451,000
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	505,000
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	566,989
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	582,000
CDC - TRUSTEE JS LARGE CAP. FUND	1	626,000
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	626,000
MCBFSL - TRUSTEE JS VALUE FUND	1	718,500
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	755,500
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	922,000
MC FSL - TRUSTEE JS GROWTH FUND	1	991,500
CDC - TRUSTEE HBL - STOCK FUND	1	1,487,500
CDC - TRUSTEE LAKSON EQUITY FUND	1	1,522,617
CDC - TRUSTEE ABL STOCK FUND	1	1,689,500
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	1,702,500
CDC - TRUSTEE NAFA STOCK FUND	1	1,868,150
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	4,079,500
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	65,059,329
National Bank of Pakistan, Trustee Dept.		
Directors		
Abbas D. Habib	1	42,450,257
Ali Raza D. Habib	1	10,406,595
Qumail R. Habib	1	17,522,296
Anwar Haji Karim	1	6,349,159
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
Chief Executive Officer Mansoor Ali Khan	–	NIL
Directors' Spouses 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
Executives	48	3,735,701
Joint Stock Companies and Corporations	99	122,259,539
Banks, Development Financial Institutions, Non - Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	47	58,075,283
Shareholders holding five percent or more voting rights State life Insurance Corporation of Pakistan National Investment (Unit) Trust (included in the list above under Mutual Funds)	1	73,435,154
Individuals	6,359	507,490,650
Others (including foreign companies)	116	133,886,333
TOTAL	6,713	1,111,425,416



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, 2017.

	(Rupees in '000)
Profit for the year before tax	14,052,127
Taxation	(5,398,333)
Profit for the year after tax	8,653,794
Share of Loss attributable to Non - controlling interest	318
Profit attributable to shareholders	8,654,112
Un - appropriated profit brought forward	13,043,606
Transfer from surplus on revaluation of fixed assets - net of tax	64,160
Other comprehensive income	(108,080)
Profit available for appropriation	21,653,798
Appropriations:	
Transfer to Statutory Reserve	(903,346)
Cash dividend – 2016	(3,889,989)
	(4,793,335)
Un - appropriated profit carried forward	16,860,463
Earnings per share (after tax) – Holding company	Rs. 7.79

Pattern of Shareholding

The pattern of shareholding as at December 31, 2017 is annexed with the financial statements of Bank AL Habib Limited.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 14, 2018



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **Bank AL Habib Limited** ("the Holding Company") and its subsidiary companies (the Group) as at 31 December 2017 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 AL Habib Capital Markets (Private) Limited. The financial statements of AL Habib Credit & Finance (Hong Kong) Limited have been consolidated based on un-audited financial information of the subsidiary. 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 2017 and the results of their operations for the year then ended.

Karachi: February 14, 2018

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	2017 (Rupees in '000)	2016
ASSETS			
Cash and balances with treasury banks	8	60,096,169	50,600,061
Balances with other banks	9	4,732,856	2,910,200
Lendings to financial institutions		—	—
Investments - net	10	476,472,185	405,343,017
Advances - net	11	339,832,995	261,440,523
Operating fixed assets	12	22,565,133	18,914,506
Deferred tax assets - net		—	—
Other assets - net	13	15,848,222	12,611,227
		919,547,560	751,819,534
LIABILITIES			
Bills payable	14	19,663,349	13,872,057
Borrowings	15	133,499,876	93,717,345
Deposits and other accounts	16	692,534,323	584,165,978
Sub - ordinated loans	17	10,997,600	3,999,200
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net	18	2,521,855	4,127,981
Other liabilities	19	14,052,177	9,041,670
		873,269,180	708,924,231
NET ASSETS		46,278,380	42,895,303
REPRESENTED BY:			
Share capital	20	11,114,254	11,114,254
Reserves		13,019,734	11,948,911
Unappropriated profit		16,860,463	13,043,606
Equity attributable to the shareholders of the Holding company		40,994,451	36,106,771
Non - controlling interest		113,897	114,215
Total equity		41,108,348	36,220,986
Surplus on revaluation of assets - net of tax	21	5,170,032	6,674,317
		46,278,380	42,895,303
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 46 and annexure I and II form an integral part of these consolidated financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 (Rupees in '000)	2016
Mark - up / return / interest earned	24	50,316,283	47,820,451
Mark - up / return / interest expensed	25	(24,384,711)	(23,132,351)
Net mark - up / return / interest income		25,931,572	24,688,100
Reversal against non - performing loans and advances - net (Provision) / reversal for diminution in the value of investments	11.5	246,449 (135,541)	441,057 196,992
Bad debts written - off directly		—	—
Net mark - up / return / interest income after provisions		110,908	638,049
		26,042,480	25,326,149
NON MARK - UP / INTEREST INCOME			
Fees, commission and brokerage income		3,221,927	2,551,324
Dividend income		410,105	554,973
Income from dealing in foreign currencies		913,950	491,038
Gain on sale / redemption of securities - net	26	2,790,732	722,579
Unrealised gain on revaluation of investments classified as held for trading		5,004	3,385
Share of profit from associates		33,171	71,267
Other income	27	905,765	727,264
Total non mark - up / interest income		8,280,654	5,121,830
		34,323,134	30,447,979
NON MARK - UP / INTEREST EXPENSES			
Administrative expenses	28	(19,921,814)	(17,782,622)
Other (provisions) / reversals / write - offs	29	(25,781)	38,033
Other (charges) / reversals	30	(323,412)	492,244
Total non mark - up / interest expenses		(20,271,007)	(17,252,345)
Extra - ordinary / unusual items		—	—
PROFIT BEFORE TAXATION		14,052,127	13,195,634
Taxation – Current		(5,157,253)	(4,304,844)
– Prior years		(503,224)	(502,993)
– Deferred		262,144	(243,218)
	31	(5,398,333)	(5,051,055)
PROFIT AFTER TAXATION		8,653,794	8,144,579
Attributable to:			
Shareholders of the Holding company		8,654,112	8,143,343
Non - controlling interest		(318)	1,236
		8,653,794	8,144,579
(Rupees)			
Basic and diluted earnings per share attributable to equity holders of the Holding company	32	7.79	7.33

The annexed notes 1 to 46 and annexure I and II form an integral part of these consolidated financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 (Rupees in '000)	2016
Profit after taxation for the year		8,653,794	8,144,579
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss account</i>			
Exchange differences on translation of net investment in foreign operations		167,477	(4,168)
<i>Items that will not be reclassified to profit and loss account subsequently</i>			
Remeasurement of defined benefit plan	35.5	(166,277)	(82,670)
Related tax charge		58,197	28,934
		(108,080)	(53,736)
Comprehensive income transferred to equity		8,713,191	8,086,675
<i>Components of comprehensive income not reflected in equity</i>			
Surplus on revaluation of available for sale securities		(4,746,232)	750,409
Related tax charge		1,670,380	(255,142)
		(3,075,852)	495,267
Surplus on revaluation of fixed assets / non - banking assets		1,977,035	—
Related tax charge		(326,447)	—
		1,650,588	—
Total comprehensive income		7,287,927	8,581,942
Attributable to:			
Shareholders of the Holding company		7,288,755	8,578,237
Non - controlling interest		(828)	3,705
		7,287,927	8,581,942

The annexed notes 1 to 46 and annexure I and II form an integral part of these consolidated financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 (Rupees in '000)	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		14,052,127	13,195,634
Less: Dividend income		(410,105)	(554,973)
		13,642,022	12,640,661
Adjustments for:			
Depreciation		1,903,603	1,600,197
Amortisation		103,987	82,759
Reversal against non - performing loans and advances - net		(246,449)	(441,057)
Provision / (reversal) for diminution in the value of investments		135,541	(196,992)
Gain on sale of operating fixed assets		(99,903)	(101,392)
Share of profit from associates		(33,171)	(71,267)
Gain on sale / redemption of securities - net		(2,790,732)	(722,579)
Unrealised gain on held for trading securities		(5,004)	(3,385)
Charge for compensated absences		71,438	54,174
Provision / (reversal) against off - balance sheet items		10,979	(41,785)
		(949,711)	158,673
		12,692,311	12,799,334
(Increase) / decrease in operating assets			
Lendings to financial institutions		—	3,992,794
Advances - net		(78,146,023)	(53,710,659)
Other assets - (excluding advance taxation)		(2,757,660)	2,116,280
		(80,903,683)	(47,601,585)
Increase in operating liabilities			
Bills payable		5,791,292	5,206,595
Borrowings		40,743,770	29,985,638
Deposits and other accounts		108,368,345	67,968,431
Other liabilities		4,714,539	1,168,201
		159,617,946	104,328,865
		91,406,574	69,526,614
Income tax paid		(6,056,522)	(5,251,007)
Net cash generated from operating activities		85,350,052	64,275,607
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(73,096,399)	(46,733,414)
Net investments in associates		(80,172)	41,792
Dividend received		404,989	533,929
Investments in operating fixed assets		(3,758,627)	(4,832,228)
Sale proceeds from disposal of operating fixed assets		136,997	131,886
Net cash used in investing activities		(76,393,212)	(50,858,035)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from sub -ordinated loans		6,998,400	1,004,600
Dividends paid		(3,842,714)	(3,829,195)
Net cash generated from / (used in) financing activities		3,155,686	(2,824,595)
Exchange differences on translation of net investment in foreign operations		167,477	(4,168)
Increase in cash and cash equivalents		12,280,003	10,588,809
Cash and cash equivalents at beginning of the year		52,365,549	41,776,740
Cash and cash equivalents at end of the year	33	64,645,552	52,365,549

The annexed notes 1 to 46 and annexure I and II form an integral part of these consolidated financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to shareholders of the Holding Company						Sub Total	Non-controlling Interest	Total
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves Special Reserve	General Reserve	Unappropriated Profit			
	(Rupees in '000)								
Balance as at 01 January 2016	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)	-	-	-
Transactions 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
Total comprehensive income for the year ended 31 December 2017:									
Profit after tax	-	-	-	-	-	8,654,112	8,654,112	(318)	8,653,794
Other comprehensive income	-	-	167,477	-	-	(108,080)	59,397	-	59,397
	-	-	167,477	-	-	8,546,032	8,713,509	(318)	8,713,191
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	64,160	64,160	-	64,160
Transfer to statutory reserve	-	903,346	-	-	-	(903,346)	-	-	-
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 2017	11,114,254	11,940,824	412,410	126,500	540,000	16,860,463	40,994,451	113,897	41,108,348

The annexed notes 1 to 46 and annexure I and II form an integral part of these consolidated financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 repealed 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 605 branches (2016: 518 branches), 45 sub - branches (2016: 87 sub - branches) and 03 representative offices (2016: 03 representative offices). The branch network of the Bank includes 03 overseas branches (2016: 03 overseas branches) and 53 Islamic Banking branches (2016: 41 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 repealed 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.

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. Furthermore, SBP vide BPRD Circular No. 02 dated 25 January 2018 has notified a new format of financial statements effective from the accounting year ending 31 December 2018. The new format would result in additional disclosures and certain changes in the financial statements presentation.

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), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of repealed Companies Ordinance, 1984.

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 43.

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 of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and IFAS issued by ICAP as are notified under repealed Companies Ordinance, 1984, the requirements of repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations / directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. In case where requirements differ, the provisions of repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirements of the said regulations / directives have been followed.



The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular No. 23 of 2017 has clarified that all those companies whose financial year closes on or before 31 December 2017 shall prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.

- 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 certain investments, land and buildings, certain non - banking assets acquired in satisfaction of claims, and derivative financial instruments which are revalued as referred to in notes 5.5, 5.7, 5.8, 5.17 and 5.18.

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 don't have material effect on these consolidated financial statements of the Group.

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

Assets leased out under ijarah arrangements are stated at cost less accumulated depreciation and impairment, if any. Such assets are depreciated over the terms of ijarah contracts.

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 then 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 12.2. 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 repealed 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 12.3. 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.

5.8 Non - banking assets acquired in satisfaction of claims

Non - banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent 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 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 of property is charged to profit and loss account and not capitalised.

5.9 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 in accordance 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.

5.10 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.

5.11 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.

5.12 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.

5.13 Revenue recognition

- (a) Mark - up / return / interest 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 / return / interest 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.

5.14 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.

5.15 Statutory reserve

Every Bank incorporated in Pakistan is required to transfer 20% of its 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.

5.16 Currency translation

Functional and presentation currency

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

5.17 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.



5.18 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.

5.19 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.

5.20 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.

5.21 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.

5.21.1 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.

5.21.2 Geographical segments

The Group operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

5.22 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 2017.



5.23 Clients' assets

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

6. ACCOUNTING JUDGMENTS AND ESTIMATES

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

	Note
Classification of investments and provision for diminution in the value of investments	5.5 & 10
Provision against non - performing advances	5.6 & 11
Useful lives of assets and methods of depreciation, amortisation and revaluation	5.7 & 12
Non - banking assets acquired in satisfaction of claims	5.8 & 13
Employees' benefits	5.9, 19 & 35
Provisions against off - balance sheet obligations	5.11 & 19.2
Current and deferred taxation	5.14 & 18

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 beginning on or after 1 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 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 Group's consolidated financial statements.
- Annual Improvements to IFRSs 2014 - 2016 Cycle [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 application of interpretation is not likely to have an impact on Group's consolidated financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2018) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group's consolidated financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently in the process of analysing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions (as explained in note 3.2).
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's consolidated financial statements.
- Annual improvements to IFRS Standards 2015 - 2017 Cycle - the improvements address amendments to following approved accounting standards:



- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2018 and are not likely to have an impact on Group's consolidated financial statements for the year ended 31 December 2017.

- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and according to the circular referred to in note 3.1, for financial statements purposes would be applicable to financial statements for period after 1 January 2018. The Companies Act, 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017.

	Note	2017 (Rupees in '000)	2016
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		14,444,806	11,012,309
Foreign currencies		1,552,703	1,119,703
		15,997,509	12,132,012
In transit:			
Local currency		292,100	36,800
Foreign currencies		127,482	3,138
		419,582	39,938
With SBP in:			
Local currency current accounts	8.1	26,222,529	22,782,491
Local currency current account - Islamic Banking	8.1	1,720,508	965,549
Foreign currency deposit accounts			
Cash reserve account	8.1	2,329,803	2,013,521
Cash reserve / special cash reserve account - Islamic Banking		93,523	62,132
Special cash reserve account	8.1	6,989,409	6,040,564
Local US Dollar collection account	8.2	47,692	69,991
		37,403,464	31,934,248
With National Bank of Pakistan (NBP) in:			
Local currency current accounts		6,194,313	6,460,582
National prize bonds		81,301	33,281
		60,096,169	50,600,061



8.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements. The special cash reserve account carries interest rate ranging from 0.06% to 0.37% (2016: Nil).

8.2 This represents US Dollar collection account maintained with SBP.

	Note	2017 (Rupees in '000)	2016
9. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		398,721	540,820
Savings accounts	9.1	1,003,076	358,615
		1,401,797	899,435
Outside Pakistan			
Current accounts	9.2	1,720,902	1,005,543
Deposit accounts	9.3	1,610,157	1,005,222
		3,331,059	2,010,765
		4,732,856	2,910,200

9.1 These carry expected profit rates ranging from 2.67% to 5.90% (2016: 2.50% to 5.30%) per annum.

9.2 These carry interest rates ranging from 0% to 0.30% (2016: 0% to 0.30%) per annum.

9.3 These carry interest rates ranging from 1% to 1.50% (2016: 0.25% to 0.75%) per annum.



10. INVESTMENTS

10.1 Investments by type	Note	2017			2016		
		Held by Group	Given as Collateral	Total	Held by Group	Given as Collateral	Total
		(Rupees in '000)					
Available for Sale Securities	10.6						
Market Treasury Bills		243,832,688	85,665,691	329,498,379	166,762,623	62,559,668	229,322,291
Pakistan Investment Bonds		37,599,811	—	37,599,811	50,428,524	—	50,428,524
Foreign Currency Bonds		3,232,531	—	3,232,531	5,254,192	—	5,254,192
Sukuk Bonds		13,284,768	—	13,284,768	10,794,106	—	10,794,106
Fully paid - up ordinary shares - Listed		4,798,712	—	4,798,712	3,244,829	—	3,244,829
Fully paid - up ordinary shares - Unlisted		46,759	—	46,759	45,529	—	45,529
Term finance certificates - Listed		302,729	—	302,729	702,771	—	702,771
Term finance certificates - Unlisted		1,242,857	—	1,242,857	2,227,524	—	2,227,524
Units of mutual funds		2,175,000	—	2,175,000	2,100,000	—	2,100,000
		306,515,855	85,665,691	392,181,546	241,560,098	62,559,668	304,119,766
Held to Maturity Securities	10.2						
Market Treasury Bills		129,049	—	129,049	—	—	—
Pakistan Investment Bonds		77,674,619	—	77,674,619	91,101,157	—	91,101,157
Foreign Currency Bonds		2,235,930	—	2,235,930	2,386,321	—	2,386,321
Sukuk Bonds		1,829,830	—	1,829,830	671,785	—	671,785
		81,869,428	—	81,869,428	94,159,263	—	94,159,263
Held for Trading Securities							
Full paid - up ordinary shares - Listed	10.7	269,179	—	269,179	154,000	—	154,000
Associates	10.14						
Habib Sugar Mills Limited		467,138	—	467,138	438,756	—	438,756
Habib Asset Management Limited		67,543	—	67,543	83,788	—	83,788
First Habib Income Fund		142,286	—	142,286	140,172	—	140,172
First Habib Stock Fund		8,549	—	8,549	12,428	—	12,428
First Habib Cash Fund		143,535	—	143,535	143,409	—	143,409
First Habib Islamic Stock Fund (Formerly First Habib Islamic Balanced Fund)		8,433	—	8,433	11,840	—	11,840
First Habib Islamic Income Fund		25,370	—	25,370	—	—	—
First Habib Asset Allocation Fund		100,175	—	100,175	—	—	—
		963,029	—	963,029	830,393	—	830,393
Investments at cost		389,617,491	85,665,691	475,283,182	336,703,754	62,559,668	399,263,422
Less: Provision for diminution in the value of investments	10.4	(141,241)	—	(141,241)	(16,193)	—	(16,193)
Investments (net of provisions)		389,476,250	85,665,691	475,141,941	336,687,561	62,559,668	399,247,229
Surplus on revaluation of held for trading securities - net	10.5	8,389	—	8,389	3,385	—	3,385
Surplus / (deficit) on revaluation of available for sale securities - net		1,326,742	(4,887)	1,321,855	6,072,936	19,467	6,092,403
Total Investments		390,811,381	85,660,804	476,472,185	342,763,882	62,579,135	405,343,017

10.2 The aggregate market value of held to maturity securities as at 31 December 2017 amounted to Rs. 87,843 million (2016: Rs. 103,979 million).



	Note	2017 (Rupees in '000)	2016
10.3 Investments by segment			
<i>Federal Government Securities</i>			
Market Treasury Bills	10.8	329,627,428	229,322,291
Pakistan Investment Bonds	10.9	115,274,430	141,529,681
Foreign Currency Bonds	10.12	3,725,501	5,427,359
Sukuk Bonds	10.10	12,437,913	8,479,526
Term Finance Certificates - Unlisted	10.11	1,142,857	1,428,571
		462,208,129	386,187,428
<i>Fully paid - up ordinary shares</i>			
Listed companies	10.6.5 & 10.7	5,067,891	3,398,829
Unlisted companies	10.13	46,759	45,529
		5,114,650	3,444,358
<i>Term finance certificates, sukuks and bonds</i>			
Term Finance Certificates			
Term finance certificates - Listed		302,729	702,771
Term finance certificates - Unlisted		100,000	798,953
	10.11	402,729	1,501,724
Sukuk Bonds	10.10	2,676,685	2,986,365
Foreign Currency Bonds	10.12	1,742,960	2,213,154
		4,822,374	6,701,243
<i>Others</i>			
Units of mutual funds	10.6.9	2,175,000	2,100,000
Associates	10.14	963,029	830,393
		3,138,029	2,930,393
Investments at cost		475,283,182	399,263,422
Less: Provision for diminution in the value of investments	10.4	(141,241)	(16,193)
Investments (net of provisions)		475,141,941	399,247,229
Surplus on revaluation of held for trading securities - net	10.5	8,389	3,385
Surplus on revaluation of available for sale securities - net		1,321,855	6,092,403
Total Investments		476,472,185	405,343,017



10.4 Particulars of provision for diminution in the value of investments	Note	2017 (Rupees in '000)	2016
Available for sale investments:			
Opening balance		16,193	213,185
Charge / (reversal) for the year		125,048	(196,992)
Closing balance	10.4.1	141,241	16,193
10.4.1 Particulars of provision in respect of type and segment			
Available for sale investments:			
Listed companies:			
D.G. Khan Cement Company Limited		18,341	—
Fauji Cement Company Limited		70,433	—
Fauji Fertilizer Bin Qasim Limited		13,815	—
Kot Addu Power Company Limited		13,216	—
Packages Limited		15,322	—
Pioner Cement Limited		4,414	—
Pakistan Petroleum Limited		—	5,030
Pakistan Stock Exchange Limited		—	5,463
		135,541	10,493
Unlisted company:			
Pakistan Export Finance Guarantee Agency Limited		5,700	5,700
		141,241	16,193
10.5 Unrealised gain on revaluation of held for trading securities			
Fully paid - up ordinary shares - Listed shares		8,389	3,385

10.6 Quality of available for sale securities

Name of security	Face value	2017 Long term rating*	2016	2017		2016	
				Cost	Carrying value	Cost	Carrying value
(Rupees in '000)							
10.6.1 Market Treasury Bills	—	Unrated	Unrated	329,498,379	229,322,291	329,504,230	229,255,610
10.6.2 Pakistan Investment Bonds	—	Unrated	Unrated	37,599,811	50,428,524	39,549,743	54,766,180
10.6.3 Foreign Currency Bonds							
Government of Pakistan Bonds	USD 100	—	B	—	2,115,256	—	2,135,920
Government of Pakistan Bonds	USD 100	B	B	614,573	588,306	629,412	607,543
Government of Pakistan Bonds	USD 100	B	B	557,031	527,715	614,102	571,736
Government of Pakistan Bonds	USD 100	B	B	593,256	330,757	611,021	339,191
Government of Sri Lanka Bonds	USD 100	B+	B+	559,340	536,086	564,745	536,136
Kingdom of Bahrain	USD 100	BB+	BB+	220,835	209,197	227,731	217,209
Bank of Ceylon	USD 100	—	B+	—	737,850	—	737,864
Bank of Ceylon	USD 100	B+	B+	220,744	209,025	221,627	209,413
Bank of Ceylon	USD 100	B+	—	466,752	—	467,286	—
				3,232,531	5,254,192	3,335,924	5,355,012



10.6.4 Sukuk Bonds		Face	2017	2016	2017	2016	2017	2016
2017	2016	value	Long term rating*		Cost		Carrying value	
No. of certificates		(Rupees in '000)						
-	170,000	Enagro Foods Limited	Rs.5,000	-	A+	-	361,250	361,250
23,000	20,000	Government of Pakistan Ijarah Sukuk XVI	Rs. 100,000	Unrated	Unrated	2,302,039	2,000,000	2,316,330
-	12,000	Government of Pakistan Ijarah Sukuk XV	Rs. 100,000	-	Unrated	-	1,200,000	1,200,720
100,000	100,000	Government of Pakistan Sukuk	USD 100	B	B	1,111,118	1,056,307	1,144,970
539,198	1,124,278	Liberty Power Tech Limited	Rs.1,000	A+	A+	539,198	668,119	539,198
163,517	181,686	K - Electric Limited Sukuk IV	Rs.5,000	AA+	AA+	817,587	908,430	835,983
-	150,000	WAPDA Second Sukuk Company Limited	Rs.5,000	-	Unrated	-	125,000	125,000
35,750	35,750	Neelam Jhelum Hydropower Company (Private) Limited	Rs.100,000	AAA	AAA	3,575,000	3,575,000	3,575,000
900	900	Meezan Bank Limited Tier II	Rs.1,000,000	AA-	AA-	900,000	900,000	900,000
50,000	-	Government of Pakistan Sukuk	USD 100	B	-	570,329	-	558,380
6,500	-	Government of Pakistan Ijarah Sukuk (GISF 1)	Rs.100,000	Unrated	-	664,757	-	658,775
5,000	-	Government of Pakistan Ijarah Sukuk (GISF 2)	Rs.100,000	Unrated	-	504,740	-	503,700
20,000	-	Government of Pakistan Ijarah Sukuk (GISF 3)	Rs.100,000	Unrated	-	2,000,000	-	1,998,800
300	-	Dubai Islamic Bank Pakistan Limited	Rs.1,000,000	A+	-	300,000	-	300,000
		Modaraba Sukuk						
						13,284,768	10,794,106	13,331,136
								10,891,556

10.6.5 Fully paid - up ordinary shares - Listed

2017	2016	Name of security						
No. of shares								
472,500	337,500	Adamjee Insurance Company Limited	Rs.10	AA+	AA+	29,975	19,973	24,556
330,500	-	AI - Ghazi Tractors Limited	Rs.5	Unrated	-	199,842	-	203,109
1,102,500	377,800	Allied Bank Limited	Rs.10	AA+	AA+	100,033	22,585	93,690
433,200	-	Attock Petroleum Limited	Rs.10	Unrated	-	286,316	-	226,598
-	300,000	Cherat Cement Company Limited	Rs.10	-	A	-	38,784	52,212
300,000	300,000	D. G. Khan Cement Company Limited	Rs.10	Unrated	Unrated	58,457	58,457	21,775
1,179,900	230,000	Engro Corporation Limited	Rs.10	AA	AA	384,917	74,779	324,178
5,459,000	410,000	Engro Fertilizer Limited	Rs.10	AA-	AA-	326,174	28,004	369,684
250,000	250,000	Fatima Fertilizer Company Limited	Rs.10	AA-	AA-	8,443	8,443	7,720
5,868,000	2,960,000	Fauji Cement Company Limited	Rs.10	Unrated	Unrated	217,191	112,603	76,326
701,500	700,000	Fauji Fertilizer Bin Qasim Limited	Rs.10	Unrated	Unrated	38,747	38,692	11,116
5,093,500	4,650,000	Fauji Fertilizer Company Limited	Rs.10	AA	Unrated	554,855	524,833	402,947
-	294,000	First Habib Modaraba	Rs.5	-	AA+	-	2,607	3,087
100,000	100,000	Glaxo Smith Kline Pakistan Limited	Rs.10	Unrated	Unrated	21,775	21,775	16,788
87,000	687,043	Habib Bank Limited	Rs.10	-	AAA	16,845	129,787	14,537
-	7,513,915	Habib Metropolitan Bank Limited	Rs.10	-	AA+	-	170,303	278,015
-	175,000	Honda Atlas Cars (Pakistan) Limited	Rs.10	-	Unrated	-	74,654	117,012
4,534,500	5,975,000	Hub Power Company Limited	Rs.10	AA+	AA+	418,965	372,571	412,640
-	25,000	ICI Pakistan Limited	Rs.10	-	Unrated	-	12,337	24,843
-	52,862	International Industries Limited	Rs.10	-	Unrated	-	357	10,770
-	2,812,056	International Steels Limited	Rs.10	-	Unrated	-	44,618	274,822
3,500,000	2,500,000	K - Electric Limited	Rs.3.5	AA	AA	27,432	20,715	22,085
7,873,000	6,824,000	Kot Addu Power Company Limited	Rs.10	AA+	AA+	555,143	476,445	411,139
3,918,000	2,749,500	Lalpur Power Limited	Rs.10	AA	AA	91,867	66,855	88,272
25,000	25,000	Lucky Cement Limited	Rs.10	Unrated	Unrated	17,273	17,273	12,935
700,000	500,010	MCB Bank Limited	Rs.10	AAA	AAA	150,025	108,602	148,624
6,862,000	4,780,500	Nishat Chunian Power Limited	Rs.10	Unrated	Unrated	285,622	195,514	225,828
252,500	-	Nishat Mills Limited	Rs.10	AA	-	40,644	-	37,749
45,000	17,500	Packages Limited	Rs.10	AA	AA	38,265	1,429	7,620
-	50,000	Pak Suzuki Motor Company Limited	Rs.10	-	Unrated	-	30,178	30,641
5,065,000	5,065,000	Pakgen Power Limited	Rs.10	AA	AA	125,531	125,531	112,088
128,100	128,100	Pakistan Petroleum Limited	Rs.10	Unrated	Unrated	17,805	17,800	26,377
1,325,400	-	Pakistan State Oil Company Limited	Rs.10	AA	-	505,786	-	388,488
3,603,887	-	Pakistan Stock Exchange Limited	Rs.10	Unrated	-	108,918	25,285	108,410
838,000	6,871,500	Pakistan Telecommunication Company Limited	Rs.10	Unrated	Unrated	13,140	112,981	10,936
88,000	-	Pioneer Cement Limited	Rs.10	A	-	9,969	-	1,141



2017	2016	Name of security	Face value	2017		2016		2017		2016	
				Long term rating*	Cost	Carrying value	Long term rating*	Cost	Carrying value		
(Rupees in '000)											
No. of shares											
3,000	3,000	Rafhan Maize Products Company Limited	Rs.10	Unrated	Unrated	23,211	23,211	20,400	26,293		
3,248,000	-	Saif Power Limited	Rs.10	A+	-	100,066	-	93,965	-		
-	13,232,450	Soneri Bank Limited	Rs.10	-	AA-	-	150,607	-	233,551		
-	1,591,500	Standard Chartered Bank (Pakistan) Limited	Rs.10	-	AAA	-	30,851	-	40,185		
50,000	50,000	Thal Limited	Rs.5	-	Unrated	25,480	21,760	25,545	25,427		
-	527,500	United Bank Limited	Rs.10	-	AAA	-	63,630	-	126,020		
						4,798,712	3,244,829	3,947,266	4,438,647		
10.6.6 Fully paid - up ordinary shares - Unlisted											
2017	2016	Name of security									
No. of shares / certificates											
3,000,000	3,000,000	Khushhali Bank Limited	Rs.10	A+	A+	30,000	30,000	30,000	30,000		
		Pakistan Export Finance Guarantee Agency Limited	Rs.10	Unrated	Unrated	5,700	5,700	-	-		
123,000	-	Pakistan Mortgage Refinance Company Limited	Rs.10	Unrated	-	1,230	-	1,230	-		
39	39	Society for Worldwide Interbank Financial Telecommunication	-	Unrated	Unrated	9,829	9,829	9,829	9,829		
						46,759	45,529	41,059	39,829		
10.6.7 Term finance certificates - Listed											
2017	2016	Name of security									
No. of certificates											
30,625	30,625	Bank Alfalah Limited - V	Rs.5,000	AA	AA-	152,849	152,911	155,569	157,040		
30,000	30,000	Soneri Bank Limited	Rs.5,000	A+	A+	149,880	149,940	150,030	152,639		
-	4,000	Habib Bank Limited	Rs.100,000	-	AAA	-	399,920	-	394,921		
						302,729	702,771	305,599	704,600		
10.6.8 Term finance certificates - Unlisted											
2017	2016	Name of security									
No. of certificates											
-	150	Askari Bank Limited - IV	Rs.1,000,000	-	AA-	-	149,700	-	149,700		
-	60,000	Askari Bank Limited - V	Rs.5,000	-	AA-	-	299,760	-	299,760		
-	20,000	Bank Alfalah Limited - IV	Rs.5,000	-	AA-	-	66,493	-	66,493		
-	56,600	Standard Chartered Bank (Pakistan) Limited	Rs.5,000	-	AAA	-	283,000	-	283,000		
20,000	-	Silk Bank Limited	Rs.5,000	A-	-	100,000	-	100,000	-		
400,000	400,000	Water and Power Development Authority	Rs.5,000	AAA	AAA	1,142,857	1,428,571	1,142,857	1,428,571		
						1,242,857	2,227,524	1,242,857	2,227,524		
10.6.9 Units of mutual funds											
2017	2016	Name of security									
No. of units											
1,453,473	-	Askari High Yield Scheme	Rs.10	A	-	150,000	-	150,704	-		
-	4,820,132	HBL Money Market Fund	Rs.10	-	AA	-	500,000	-	501,173		
1,604,623	-	HBL Stock Fund	Rs.10	AM2+	-	200,000	-	163,677	-		
2,505,386	-	Meezan Islamic Fund	Rs.10	AM1	-	200,000	-	157,940	-		
11,751,170	-	NAFA Stock Fund	Rs.10	5 Star	-	200,000	-	165,156	-		
48,615,258	48,615,258	NIT Government Bond Fund	Rs.10	AA	AA-	550,000	550,000	496,435	493,980		
4,990,817	4,990,817	NIT Government Treasury Fund	Rs.10	AA+	AA+	50,000	50,000	51,407	51,259		
17,422,393	17,422,393	NIT Income Fund	Rs.10	A+	A+	200,000	200,000	183,984	183,447		
25,047,082	25,047,082	NIT Islamic Equity Fund	Rs.10	AM2++	AM2+	250,000	250,000	250,220	321,354		
6,870,095	11,032,727	NIT Unit Trust	Rs.10	AM2++	AM2+	375,000	550,000	484,823	965,805		
						2,175,000	2,100,000	2,104,346	2,517,018		
						392,181,546	304,119,766	393,362,160	310,195,976		

*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.



10.7 Investment in listed companies - Held for trading

2017	2016	Name of security	Face value	2017	2016	2017	2016	2017	2016
No. of shares	Short term rating			Cost	Carrying value				
								(Rupees in '000)	
45,000	-	Attock Refinery Limited	Rs.10	A1+	-	10,744	-	10,535	-
80,000	-	Cherat Cement Company Limited	Rs.10	A1	-	7,509	-	8,872	-
38,600	-	Cherat Packaging Limited	Rs.10	Unrated	-	7,665	-	7,681	-
175,000	-	D.G. Khan Cement Company Limited	Rs.10	Unrated	-	20,045	-	23,401	-
400,000	-	Dost Steels Limited	Rs.10	Unrated	-	4,226	-	4,024	-
145,000	75,000	Engro Corporation Limited	Rs.10	A1+	A1+	39,325	23,786	39,839	23,707
-	125,000	Engro Fertilizer Limited	Rs.10	-	A1+	-	8,498	-	8,498
215,000	-	Engro Foods Limited	Rs.10	Unrated	-	15,052	-	17,266	-
-	750,000	Fauji Fertilizer Bin Qasim Limited	Rs.10	-	Unrated	-	34,807	-	38,408
325,000	-	Fauji Cement Company Limited	Rs.10	Unrated	-	7,746	-	8,128	-
95,000	-	Fauji Foods Limited	Rs.10	Unrated	-	1,595	-	1,564	-
		General Tyre and Rubber Company of Pakistan Limited	Rs.10	Unrated	-	4,608	-	4,708	-
110,000	-	Hub Power Company Limited	Rs.10	A1+	-	10,407	-	10,010	-
2,696,000	300,000	K-Electric Limited	Rs.3.5	A1+	A1+	15,958	2,747	17,012	2,811
-	400,000	Kot Addu Power Company Limited	Rs.10	-	A1+	-	31,507	-	31,520
65,000	-	Lucky Cement Limited	Rs.10	Unrated	-	31,798	-	33,631	-
1,000	-	National Refinery Limited	Rs.10	A1+	-	419	-	431	-
50,000	-	Nishat Chunian Limited	Rs.10	Unrated	-	2,449	-	2,289	-
25,000	-	Oil & Gas Development Company Limited	Rs.10	A1+	-	4,030	-	4,070	-
54,600	-	Packages Limited	Rs.10	A1+	-	28,389	-	27,836	-
-	25,000	Pak Elektron Limited	Rs.10	-	Unrated	-	1,765	-	1,782
-	9,200	Pak Suzuki Motor Company Limited	Rs.10	-	Unrated	-	5,666	-	5,638
530,000	-	Pakistan International Bulk Terminal Limited	Rs.10	Unrated	-	8,677	-	7,924	-
-	41,000	Pakistan Oilfields Limited	Rs.10	-	Unrated	-	22,101	-	21,919
120,000	-	Pakistan State Oil Company Limited	Rs.10	A1+	-	35,488	-	35,174	-
		Pakistan Telecommunication Company Limited	Rs.10	Unrated	Unrated	7,636	4,318	7,830	4,295
-	150,000	Saif Power Limited	Rs.10	-	A1	-	5,025	-	5,334
400	300	The Searle Company Limited	Rs.10	Unrated	Unrated	126	191	126	195
1,000	-	Treet Corporation Limited	Rs.10	A1	-	37	-	37	-
175,000	300,000	TRG Pakistan Limited	Rs.10	Unrated	Unrated	5,250	13,589	5,180	13,278
						269,179	154,000	277,568	157,385

10.8 Market Treasury Bills

These securities have a maturity period upto one year (2016: one year), with yield ranging between 5.93% to 6.01% (2016: 5.84% to 6.24%) per annum.

10.9 Pakistan Investment Bonds

These securities have a maturity period of 5 and 10 years (2016: 3, 5 and 10 years) with interest rates ranging between 7.40% to 14.09% (2016: 9.25% to 12%) per annum. These include securities costing Rs. 5 million (2016: 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.

10.10 Sukuk Bonds

<u>2017</u>		<u>2016</u>	<u>Face value per certificate</u>	<u>Redeemable value per certificate (Rupees)</u>	<u>Maturity date</u>	<u>Name of security</u>	<u>Rate</u>	<u>2017</u>		<u>2016</u>	
<u>No. of certificates</u>								<u>(Rupees in '000)</u>			
Federal Government Securities											
Available for sale											
23,000	20,000		Rs.100,000	100,089	Dec-18	Government of Pakistan Ijarah Sukuk XVI	Weighted average 6 months T - Bills rate less 50 bps	2,302,039		2,000,000	
-	12,000		Rs.100,000	-	Jun-17	Government of Pakistan Ijarah Sukuk XV	Weighted average 6 months T - Bills rate less 200 bps	-		1,200,000	
100,000	100,000		USD 100	11,111	Dec-19	Government of Pakistan Sukuk	6.750% per annum	1,111,118		1,056,307	
-	150,000		Rs. 5,000	-	Jul-17	WAPDA Second Sukuk Company Limited	6 months' KIBOR less 25 bps	-		125,000	
35,750	35,750		Rs.100,000	100,000	Jun-26	Neelum Jhelum Hydropower Company (Private) Limited	6 months' KIBOR plus 113 bps	3,575,000		3,575,000	
50,000	-		USD 100	11,407	Oct-21	Government of Pakistan Sukuk	5.50% per annum	570,329		-	
6,500	-		Rs. 100,000	102,270	Feb-19	Government of Pakistan Ijarah Sukuk (GISF 1)	6.10% per annum	664,757		-	
5,000	-		Rs.100,000	100,948	Mar-19	Government of Pakistan Ijarah Sukuk (GISF 2)	5.59% per annum	504,740		-	
20,000	-		Rs.100,000	100,000	Jun-20	Government of Pakistan Ijarah Sukuk (GISF 3)	5.24% per annum	2,000,000		-	
								10,727,983		7,956,307	
Held to maturity											
150,000	50,000		USD 100	11,400	Dec-19	Government of Pakistan Sukuk	6.750% per annum	1,709,930		523,219	
								12,437,913		8,479,526	
Other											
Available for sale											
-	170,000		Rs. 5,000	-	Jan-17	Engro Foods Limited	6 months' KIBOR plus 69 bps	-		361,250	
539,198	1,124,278		Rs.1,000	1,000	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	539,198		668,119	
163,517	181,686		Rs. 5,000	5,000	Sep-22	K-Electric Limited Sukuk IV	3 months' KIBOR plus 100 bps	817,587		908,430	
900	900		Rs.1,000,000	1,000,000	Sep-26	Meezan Bank Limited Tier II	6 months' KIBOR plus 50 bps	900,000		900,000	
300	-		Rs.1,000,000	1,000,000	Jul-27	Dubai Islamic Bank Pakistan Limited Modaraba Sukuk	6 months' KIBOR plus 50 bps	300,000		-	
								2,556,785		2,837,799	
Held to maturity											
119,899	250,000		Rs.1,000	1,000	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	119,900		148,566	
								2,676,685		2,986,365	
								15,114,598		11,465,891	



10.11 Term Finance Certificates

<u>2017</u>	<u>2016</u>	<u>Face value per certificate</u>	<u>Redeemable value per certificate (Rupees)</u>	<u>Maturity date</u>	<u>Name of security</u>	<u>Rate</u>	<u>2017</u>	<u>2016</u>
<u>No. of certificates</u>		<u>(Rupees in '000)</u>						
Federal Government Securities								
Unlisted - Available for sale								
400,000	400,000	Rs.5,000	2,857	Sep-21	Water and Power Development Authority	6 months' KIBOR plus 100 bps	1,142,857	1,428,571
Other								
Listed - Available for sale								
30,625	30,625	Rs.5,000	4,991	Feb-21	Bank Alfalah Limited - V*	6 months' KIBOR plus 125 bps	152,849	152,911
30,000	30,000	Rs.5,000	4,996	Jul-23	Soneri Bank Limited*	6 months' KIBOR plus 135 bps	149,880	149,940
-	4,000	Rs.100,000	-	Dec-25	Habib Bank Limited*	6 months' KIBOR plus 50 bps	-	399,920
							302,729	702,771
Unlisted - Available for sale								
-	150	Rs.1,000,000	-	Dec-21	Askari Bank Limited - IV*	6 months' KIBOR plus 175 bps	-	149,700
-	60,000	Rs.5,000	-	Sep-24	Askari Bank Limited - V*	6 months' KIBOR plus 120 bps	-	299,760
-	20,000	Rs.5,000	-	Dec-17	Bank Alfalah Limited - IV*	15% per annum	-	66,493
-	56,600	Rs.5,000	-	Jun-22	Standard Chartered Bank (Pakistan) Limited*	6 months' KIBOR plus 75 bps	-	283,000
20,000	-	Rs.5,000	5,000	Aug-25	Silk Bank Limited*	6 months' KIBOR plus 185 bps	100,000	-
							100,000	798,953
							1,545,586	2,930,295

*These Term Finance Certificates are sub - ordinated.



10.12 Foreign Currency Bonds

<u>2017</u>		<u>2016</u>	<u>Face value per certificate</u>	<u>Redeemable value per certificate (Rupees)</u>	<u>Maturity date</u>	<u>Name of security</u>	<u>Rate</u>	<u>2017</u>	<u>2016</u>
<u>No. of certificates</u>								<u>(Rupees in '000)</u>	
Federal Government Securities Available for sale									
-	202,000		USD 100	-	Jun-17	Government of Pakistan Bonds	6.875% per annum	-	2,115,256
55,000	55,000		USD 100	11,174	Apr-19	Government of Pakistan Bonds	7.250% per annum	614,573	588,306
50,000	30,000		USD 100	11,865	Apr-24	Government of Pakistan Bonds	8.250% per annum	593,256	330,757
50,000	50,000		USD 100	11,141	Sep-25	Government of Pakistan Bonds	8.250% per annum	557,031	527,715
								1,764,860	3,562,034
Held to maturity									
145,000	145,000		USD 100	11,119	Apr-19	Government of Pakistan Bonds	7.250% per annum	1,612,238	1,534,906
30,000	30,000		USD 100	11,613	Apr-24	Government of Pakistan Bonds	8.250% per annum	348,403	330,419
								1,960,641	1,865,325
								3,725,501	5,427,359
Other Available for sale									
50,000	50,000		USD 100	11,187	Jan-19	Government of Sri Lanka Bonds	6% per annum	559,340	536,086
-	70,000		USD 100	-	May-17	Bank of Ceylon	6.875% per annum	-	737,850
20,000	20,000		USD 100	11,037	Apr-18	Bank of Ceylon	5.325% per annum	220,744	209,025
20,000	20,000		USD 100	11,042	Jan-21	Kingdom of Bahrain	5.875% per annum	220,835	209,197
40,000	-		USD 100	11,669	Oct-20	Bank of Ceylon	6.250% per annum	466,752	-
								1,467,671	1,692,158
Held to maturity									
-	25,000		USD 100	-	May-17	Bank of Ceylon	6.875% per annum	-	262,184
25,000	25,000		USD 100	11,012	Apr-18	Bank of Ceylon	5.325% per annum	275,289	258,812
								275,289	520,996
								1,742,960	2,213,154
								5,468,461	7,640,513





10.13 Ordinary shares of unlisted companies

<u>2017</u>	<u>2016</u>	<u>Name of companies</u>	<u>2017</u>	<u>2016</u>
No. of ordinary shares / units		Note	(Rupees in '000)	
3,000,000	3,000,000	Khushhali Bank Limited Par value per share: Rs. 10 Break - up value per share: Rs. 28.96 (2016: Rs. 23.08) based on audited financial statements for the year ended 31 December 2016 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 (2016: 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
123,000	-	Pakistan Mortgage Refinance Company Limited Par value per share: Rs. 10 Break - up value per share: Rs. 10.04 based on audited financial statements for the year ended 31 December 2017 Chief Executive: Mr. N. Kokularupan Narayanasamy	1,230	-
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>46,759</u>	<u>45,529</u>

10.14 Associates

9,415,312	9,415,312	Habib Sugar Mills Limited % of holding: 6.28% (2016: 6.28%) Par value per share: Rs. 5 Market value: Rs. 334.903 million (2016: Rs. 452.877 million) Chief Executive: Mr. Raeesul Hasan	10.14.1	467,138	438,756
6,900,000	6,900,000	Habib Asset Management Limited % of holding: 30% (2016: 30%) Par value per share: Rs. 10 Break - up value per share: Rs. 10.18 (2016: Rs. 11.12) based on audited financial statements for the year ended 30 June 2017 Chief Executive: Mr. Imran Azim	10.14.2	67,543	83,788
1,363,808	1,363,808	First Habib Income Fund Average cost per unit: Rs. 109.99 (2016: Rs. 109.99) Net asset value: Rs. 104.33 (2016: Rs. 102.78) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		142,286	140,172
100,000	100,000	First Habib Stock Fund Average cost per unit: Rs. 100 (2016: Rs. 100) Net Asset Value: Rs. 85.49 (2016: Rs. 124.28) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		8,549	12,428
1,392,189	1,392,189	First Habib Cash Fund Average cost per unit: Rs. 107.74 (2016: Rs. 107.74) Net Asset Value: Rs. 103.10 (2016: Rs. 103.01) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		143,535	143,409
100,929	100,929	First Habib Islamic Stock Fund (Formerly: First Habib Islamic Balanced Fund) Average cost per unit: Rs. 99.08 (2016: Rs. 99.08) Net Asset Value: Rs. 83.55 (2016: Rs. 117.31) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		8,433	11,840
250,421	-	First Habib Islamic Income Fund Average cost per unit: Rs. 98.46 Net Asset Value: Rs. 101.31 Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		25,370	-



2017	2016	Name of companies	2017	2016
No. of ordinary shares / units			(Rupees in '000)	
1,000,746	–	First Habib Asset Allocation Fund Average cost per unit: Rs. 99.93 Net Asset Value: Rs. 100.10 Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	100,175	–
			963,029	830,393

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

10.14.2 It includes Rs. 24.750 million (2016: 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.

	2017	2016
	(Rupees in '000)	
10.15 Movement of investments in associates		
Opening balance	830,393	787,022
Share of profit	33,171	71,267
Investment - net	124,657	–
Dividend received	(44,471)	(41,792)
Capital loss	(7)	–
Unrealised gain	19,286	13,896
Closing balance	963,029	830,393

10.16 Summary of audited financial information of associates

Name of associates	Based on the financial information for the year ended	2017				
		Assets	Liabilities	Equity	Revenue	Profit / (loss)
(Rupees in '000)						
First Habib Cash Fund	30 June 2017	1,069,669	28,684	1,040,985	56,726	59,212
First Habib Income Fund	30 June 2017	1,110,412	23,221	1,087,191	71,470	53,331
First Habib Stock Fund	30 June 2017	215,171	7,665	207,506	42,253	37,017
Habib Asset Management Limited	30 June 2017	241,396	7,339	234,057	38,976	(21,669)
Habib Sugar Mills Limited	30 September 2017	9,142,609	2,159,274	6,983,335	7,407,465	557,417
First Habib Islamic Stock Fund (Formerly: First Habib Islamic Balanced Fund)	30 June 2017	159,097	5,423	153,674	23,925	20,225
First Habib Islamic Income Fund	30 June 2017	106,911	4,963	101,948	3,147	1,445
2016						
First Habib Cash Fund	30 June 2016	1,082,904	48,370	1,034,534	59,189	40,415
First Habib Income Fund	30 June 2016	1,373,133	42,750	1,330,383	97,621	46,148
First Habib Stock Fund	30 June 2016	168,004	35,339	132,665	11,650	3,088
Habib Asset Management Limited	30 June 2016	263,510	7,784	255,726	64,456	(2,617)
Habib Sugar Mills Limited	30 September 2016	8,624,071	2,092,634	6,531,437	8,824,643	824,962
First Habib Islamic Stock Fund (Formerly: First Habib Islamic Balanced Fund)	30 June 2016	124,940	11,007	113,933	7,382	2,245
First Habib Islamic Income Fund	–	–	–	–	–	–

10.16.1.1 First Habib Asset Allocation Fund was incorporated in the month of November 2017 and therefore, audited financial statements are not available.



	Note	2017 (Rupees in '000)	2016
11. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		253,710,754	209,997,822
– Outside Pakistan		22,497,572	18,611,520
		276,208,326	228,609,342
Islamic financing and related assets - gross	11.2	34,859,059	18,134,258
Net investment in finance lease			
– In Pakistan	11.3	15,352,023	8,305,218
– Outside Pakistan		–	–
		15,352,023	8,305,218
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		3,165,203	1,635,915
– Payable outside Pakistan		17,881,044	12,582,959
		21,046,247	14,218,874
Advances - gross		347,465,655	269,267,692
Provision against non - performing loans and advances			
– Specific provision	11.4	(4,399,564)	(4,882,330)
– General provision against small enterprises and consumer advances (as per SBP regulations)	11.5.1	(233,096)	(194,839)
– General provision	11.5.2	(3,000,000)	(2,750,000)
		(7,632,660)	(7,827,169)
Advances - net of provisions		339,832,995	261,440,523
11.1 Particulars of advances - gross			
11.1.1 In local currency		300,654,274	231,104,624
In foreign currencies		46,811,381	38,163,068
		347,465,655	269,267,692
11.1.2 Short term (for upto one year)		259,955,233	210,265,538
Long term (for over one year)		87,510,422	59,002,154
		347,465,655	269,267,692



	Note	2017 (Rupees in '000)	2016
11.2	These represent financing and related assets placed under Shariah permissible modes which includes following:		
Murabaha		6,034,031	3,153,222
Export refinance murabaha		881,335	408,789
	11.2.1	6,915,366	3,562,011
Net book value of assets / investments in ijarah under IFAS 2	12.2.2	2,132,197	1,338,279
Running musharaka		2,223,124	-
Diminishing musharaka		10,082,423	5,264,472
Musawama		3,245,401	960,059
Export refinance istisna		3,634,300	2,052,048
Istisna		1,644,298	1,771,968
Gross financing		29,877,109	14,948,837
Advance against murabaha		1,559,959	668,142
Advance against ijarah		500,808	864,728
Advance against diminishing musharaka		2,064,649	1,563,383
Advance against istisna		856,534	89,168
Islamic financing and related assets - gross		34,859,059	18,134,258
11.2.1	Murabaha - gross	7,058,608	3,631,394
	Less: Deferred murabaha income	(76,760)	(35,087)
	Profit receivable shown in other assets	(66,482)	(34,296)
	Murabaha	6,915,366	3,562,011

11.2.2 Ijarah financing under IFAS 2

	2017								
	Cost			Accumulated Depreciation			Book Value		Rate of depreciation %
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge / (deletions)	As at 31 December	As at 31 December		
(Rupees in '000)									
Equipment	1,077,041	550,067 (270,272)	1,356,836	423,289	321,718 (242,461)	502,546	854,290		
Vehicles	898,085	988,909 (122,801)	1,764,193	213,558	303,406 (30,678)	486,286	1,277,907		
	1,975,126	1,538,976 (393,073)	3,121,029	636,847	625,124 (273,139)	988,832	2,132,197	33.33	
2016									
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		
	1,026,133	1,034,372 (85,379)	1,975,126	330,445	365,692 (59,290)	636,847	1,338,279	33.33	



11.2.2.1 Future ijarah payments receivable

	2017	2016
	(Rupees in '000)	
Not later than one year	796,578	516,871
Later than one year and not later than five years	1,253,490	758,045
	<u>2,050,068</u>	<u>1,274,916</u>

11.3 Net investment in finance lease

	2017				2016			
	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	5,300,697	7,826,360	-	13,127,057	2,945,964	4,204,933	-	7,150,897
Residual value	456,654	3,347,055	-	3,803,709	313,626	1,663,587	-	1,977,213
Minimum lease payments	5,757,351	11,173,415	-	16,930,766	3,259,590	5,868,520	-	9,128,110
Financial charges for future periods	(765,289)	(813,454)	-	(1,578,743)	(396,369)	(426,523)	-	(822,892)
Present value of minimum lease payments	<u>4,992,062</u>	<u>10,359,961</u>	<u>-</u>	<u>15,352,023</u>	<u>2,863,221</u>	<u>5,441,997</u>	<u>-</u>	<u>8,305,218</u>

11.4 Advances include Rs. 5,288.599 million (2016: Rs 5,715.466 million) which have been placed under non - performing status as detailed below:

	2017								
	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	25,472	-	25,472	356	-	356	356	-	356
Substandard	151,761	-	151,761	37,171	-	37,171	37,171	-	37,171
Doubtful	1,406,425	-	1,406,425	689,214	-	689,214	689,214	-	689,214
Loss	2,720,279	984,662	3,704,941	2,688,161	984,662	3,672,823	2,688,161	984,662	3,672,823
	<u>4,303,937</u>	<u>984,662</u>	<u>5,288,599</u>	<u>3,414,902</u>	<u>984,662</u>	<u>4,339,564</u>	<u>3,414,902</u>	<u>984,662</u>	<u>4,399,564</u>
	2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
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>

11.4.1 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.



11.5 Particulars of provision against non - performing loans and advances

Note	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	4,882,330	2,944,839	7,827,169	5,537,371	2,876,279	8,413,650
Charge for the year						
– Specific provision	433,987	–	433,987	947,403	–	947,403
– General provision for small enterprises and consumer portfolio	–	38,257	38,257	–	68,560	68,560
– General provision for loans and advances	–	250,000	250,000	–	–	–
Reversals	(968,693)	–	(968,693)	(1,457,020)	–	(1,457,020)
	(534,706)	288,257	(246,449)	(509,617)	68,560	(441,057)
Exchange adjustment	51,940	–	51,940	(1,281)	–	(1,281)
Amount written - off	–	–	–	(144,143)	–	(144,143)
Closing balance	4,399,564	3,233,096	7,632,660	4,882,330	2,944,839	7,827,169

11.5.1 General provision represents provision amounting to Rs. 156.435 million (2016: Rs. 134.178 million) against consumer finance portfolio and Rs. 76.661 million (2016: 60.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP.

11.5.2 In line with its prudent policies, the Bank also makes general provision of Rs. 250 million during the year, bringing the total of such provision to Rs. 3,000 million (2016: Rs. 2,750 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

11.5.3 Particulars of provision against non - performing loans and advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	3,414,902	3,233,096	6,647,998	3,941,726	2,944,839	6,886,565
In foreign currencies	984,662	–	984,662	940,604	–	940,604
	4,399,564	3,233,096	7,632,660	4,882,330	2,944,839	7,827,169

11.6 Particulars of write - offs

	2017	2016
	(Rupees in '000)	
11.6.1 Against provision	–	144,143
Directly charged to profit and loss account	–	–
	–	144,143
11.6.2 Write - offs of Rs. 500,000 and above	–	144,017
Write - offs of below Rs. 500,000	–	126
	–	144,143



11.6.3 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 2017 is given in Annexure I.

11.7 Particulars of loans and advances to directors, associated companies etc.	Note	2017	2016
		(Rupees in '000)	
(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		3,391,534	2,675,584
Loans granted during the year		1,809,272	1,447,728
Repayments		(776,923)	(731,778)
Balance at end of the year		4,423,883	3,391,534
(ii) Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members			
Balance at beginning of the year		1,391,233	978,041
Loans granted during the year		36,708,154	27,478,082
Repayments		(36,324,245)	(27,064,890)
Balance at end of the year		1,775,142	1,391,233
12. OPERATING FIXED ASSETS			
Capital work - in - progress	12.1	1,046,851	650,415
Property and equipment	12.2	21,444,697	18,134,963
Intangible assets	12.3	73,585	129,128
		22,565,133	18,914,506
12.1 Capital work - in - progress			
Civil works		443,461	227,401
Advance payment towards suppliers, contractors and property		592,442	407,743
Consultants' fee and other charges		10,948	15,271
		1,046,851	650,415

12.2 Property and equipment

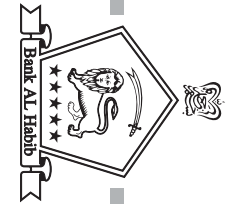
2017

	Cost / Revalued amount				Accumulated depreciation				Book value		Rate of depreciation %
	As at 01 January 2017	Revaluation surplus	Additions / (deletions) / transfers	Reversal of accumulated depreciation	As at 31 December 2017	As at 01 January 2017	Charge / (deletions) / transfers	Reversal of accumulated depreciation	As at 31 December 2017	As at 31 December 2017	
(Rupees in '000)											
Owned											
Leasehold land	5,413,193	1,033,387	571,181 (20,160) 482,453	-	7,480,054	-	- - -	-	-	7,480,054	-
Buildings on leasehold land	8,017,627	918,079	519,123 (3,007) (487,732)	(624,502)	8,339,588	540,351	260,423 (539) (8,478)	(624,502)	167,255	8,172,333	2.22 - 12.5
Improvements to leasehold buildings	1,790,018	-	403,488 (26,826) 5,279	-	2,171,959	563,999	345,662 (14,459) 208	-	895,410	1,276,549	20
Furniture and fixtures	845,637	-	206,570 (28,832) -	-	1,023,375	379,795	76,206 (26,309) -	-	429,692	593,683	10
Electrical, office and computer equipments	6,010,022	-	1,161,745 (157,134) -	-	7,014,633	3,640,619	803,768 (152,268) -	-	4,292,119	2,722,514	20
Vehicles	2,225,000	-	435,348 (158,965) -	-	2,501,383	1,041,770	411,649 (151,600) -	-	1,301,819	1,199,564	20
	24,301,497	1,951,466	3,297,455 (394,924) -	(624,502)	28,530,992	6,166,534	1,897,708 (345,175) (8,270)	(624,502)	7,086,295	21,444,697	



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	6,575,207	1,436,178	8,017,627	311,190	227,336	540,351	7,477,276	2.22 - 10
		-			-			
Improvements to leasehold buildings	1,469,261	6,242 344,253 (17,254) (6,242)	1,790,018	300,291	1,825 272,324 (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	





12.2.1 Details of disposal of fixed assets during the year:

Particulars	Cost	Book value (Rupees in '000)	Sale price	Mode of disposal	Particulars of purchaser
Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000					
Leasehold land	7,944	7,944	18,000	Sale	Mr. Sohail Iqbal, Karachi.
Buildings on leasehold land	2,451	2,029	3,000	Sale	Mr. Sohail Iqbal, Karachi.
Improvements to leasehold buildings	26,826	12,367	-	Write off	-
Furniture and fixtures	2,802	197	227	Quotation	M/s. Dastagir Engineering Works, Karachi.
Furniture and fixtures	4,245	166	663	Quotation	M/s. H. H Traders, Karachi.
Furniture and fixtures	12,099	932	1,705	Auction	M/s. Karachi Auction Mart, Karachi.
Furniture and fixtures	2,264	90	323	Quotation	M/s. Shafiq Glass Works, Karachi.
Electrical, office and computer equipments	1,460	3	119	Quotation	M/s. Advance Electro Med & AC, Faisalabad.
Electrical, office and computer equipments	1,147	2	70	Quotation	M/s. Ahmed Ali Qureshi, Sukkur.
Electrical, office and computer equipments	36,559	273	4,975	Quotation	M/s. Dastagir Engineering Works, Karachi.
Electrical, office and computer equipments	8,202	364	203	Quotation	M/s. Ghulam Mustafa, Karachi.
Electrical, office and computer equipments	29,920	277	7,900	Quotation	M/s. Gold Life Old All Scrap, Karachi.
Electrical, office and computer equipments	10,923	812	737	Quotation	M/s. H.H Traders, Karachi.
Electrical, office and computer equipments	1,534	7	100	Quotation	M/s. Jahanzaib Khan & Brothers, Khairpur.
Electrical, office and computer equipments	40,779	1,446	2,717	Auction	M/s. Karachi Auction Mart, Karachi.
Electrical, office and computer equipments	1,334	13	110	Quotation	M/s. Mughal Traders, Gujrat.
Electrical, office and computer equipments	1,219	-	250	Quotation	M/s. Nadeem Metal Works, Karachi.
Electrical, office and computer equipments	1,590	10	48	Quotation	M/s. New Mudassir Iftikhar Met, Sheikhpura.
Electrical, office and computer equipments	1,909	274	187	Quotation	M/s. Shafiq Disposal, Karachi.
Electrical, office and computer equipments	455	355	290	Insurance claim	Habib Insurance Company Limited (a related party), Karachi.
Electrical, office and computer equipments	6,610	908	-	Write off	-
Vehicles	3,769	314	1,656	Sale	M/s. Al Futtaim Motors, Dubai.
Vehicles	9,486	45	4,766	Auction	Mr. Abdul Samad Khan, Karachi.
Vehicles	1,202	-	640	Auction	Mr. Jawed Muhammad Khan, Karachi.
Vehicles	16,992	1	8,826	Auction	Mr. Khalid Anwar, Karachi.
Vehicles	4,617	1	2,416	Auction	Mr. Muhammad Jawed, Karachi.
Vehicles	13,955	90	7,068	Auction	Mr. Muhammad Nadeem Chaudhry, Karachi.
Vehicles	4,259	45	2,247	Auction	Mr. Nadeem, Karachi.
Vehicles	7,408	24	3,735	Auction	Mr. Nadeem Ahmed, Karachi.
Vehicles	4,983	45	2,658	Auction	Mr. Numeri Abrar, Karachi.
Vehicles	8,180	1	4,922	Auction	Mr. Rana Abdus Samad, Karachi.
Vehicles	11,380	1	8,775	Auction	Mr. Waseem Mirza, Karachi.
Vehicles	1,185	-	588	Auction	Mr. Zahid Qadri, Karachi.
Vehicles	1,426	-	1,116	Auction	Syed Mohammad Askari Rizvi, Karachi.
Vehicles	1,787	9	1,070	Auction	Syed Mohammad Sadiq, Karachi.
Vehicles	1,809	-	1,166	Auction	Syed Riaz Ahmed, Karachi.
Vehicles	2,191	-	1,477	Auction	Mr. Abdul Hafeez, Karachi.
Vehicles	3,895	36	2,989	Auction	Mr. Adam Khan Afridi, Karachi.
Vehicles	2,342	37	1,370	Auction	Mr. Babar Zia Qureshi, Karachi.
Vehicles	1,170	-	663	Auction	Mr. Khalid Ahmed, Karachi.
Vehicles	1,790	-	1,286	Auction	Mr. Muhammad Asif, Karachi.
Vehicles	1,529	-	1,201	Auction	Mr. Mubarak Hussain, Karachi.
Vehicles	1,170	-	665	Auction	Mr. Muhammad Ali Warsi, Karachi.
Vehicles	2,224	-	1,321	Auction	Mr. Muhammad Aurangzaib, Karachi.
Vehicles	1,232	-	653	Auction	Mr. Muhammad Khalid, Karachi.



Particulars	Cost	Book value (Rupees in '000)	Sale price	Mode of disposal	Particulars of purchaser
Vehicles	3,601	-	1,918	Auction	Mr. Muhammad Qasimuddin Khan, Karachi.
Vehicles	2,340	-	1,148	Auction	Mr. Muhammad Umer, Karachi.
Vehicles	1,332	-	705	Auction	Mr. Muhammad Ishaq, Karachi.
Vehicles	1,529	-	1,233	Auction	Mr. Nouman Ahmed, Karachi.
Vehicles	1,825	-	1,205	Auction	Mr. Roshan Ali Arat, Karachi.
Vehicles	1,514	-	1,186	Auction	Mr. Shah Daraz Khan, Karachi.
Vehicles	1,149	-	600	Auction	Mrs. Qudsia Abdul Samad Khan, Karachi.
Vehicles	1,725	-	988	Auction	Mr. Shaikh Aamir, Karachi.
Vehicles	8,860	3,750	7,455	Insurance claim	Habib Insurance Company Limited (a related party), Karachi.
Vehicles	11,864	2,808	3,647	As per Bank's policy	Various ex - employees
Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000					
Furniture and fixtures	7,422	1,138	1,165		
Electrical, office and computer equipments	13,493	122	1,589		
Vehicles	13,245	158	9,260		
	<u>382,152</u>	<u>37,094</u>	<u>136,997</u>		

12.2.2 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 1 June 2017. The revaluation was carried out by an independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in net surplus of Rs. 1,951.466 million over the book value of the respective properties. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 31 December 2017 would have been as follows:

	2017 (Rupees in '000)	2016
Leasehold land	<u>4,788,144</u>	<u>4,196,584</u>
Buildings on leasehold land	<u>4,991,562</u>	<u>5,281,238</u>

12.2.3 As at 31 December 2017, the gross carrying amount of fully depreciated assets still in use amounted to Rs. 2,999.461 million (2016: Rs. 2,657.478 million).

12.3 Intangible assets

	2017							Rate of amortisation %
	Cost			Accumulated amortisation			Book value	
	As at 01 January 2017	Additions / Adjustment	As at 31 December 2017	As at 01 January 2017	Charge / Adjustments	As at 31 December 2017	As at 31 December 2017	
Computer software	590,718	47,800	638,518	471,055	96,378	567,433	71,085	50
Trading Rights Entitlement Certificate	34,750	-	34,750	25,285	6,965	32,250	2,500	
	<u>625,468</u>	<u>47,800</u>	<u>673,268</u>	<u>496,340</u>	<u>103,343</u>	<u>599,683</u>	<u>73,585</u>	



	2016							Rate of amortisation %
	Cost		Accumulated Amortisation			Book Value		
	As at 01 January 2016	Additions	As at 31 December 2016	As at 01 January 2016 (Rupees in '000)	Charge	As at 31 December 2016	As at 31 December 2016	
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>	

12.3.1 As at 31 December 2017, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs. 456.823 million (2016: Rs. 413.673 million).

	Note	2017 (Rupees in '000)	2016
13. OTHER ASSETS			
Mark - up / return / interest accrued in local currency		8,867,043	9,532,498
Mark - up / return / interest accrued in foreign currencies		291,588	238,631
Advances, deposits and prepayments		873,481	831,596
Advance taxation (payments less provisions)		628,458	174,216
Branch adjustment account		-	413,345
Unrealised gain on forward foreign exchange contracts		1,856,764	240,264
Stationery and stamps on hand		149,672	142,298
Receivable from SBP on encashment of Government Securities		276,847	200,213
Non - refundable deposits	13.1	51,064	58,673
Non - banking assets acquired in satisfaction of claims	13.2	826,331	189,437
ATM settlement account		1,141,959	347,026
Receivable against securities		331,940	40,844
Others		559,561	205,938
		<u>15,854,708</u>	<u>12,614,979</u>
Provision held against other assets		(6,486)	(3,752)
Other assets - net		<u>15,848,222</u>	<u>12,611,227</u>

13.1 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).

13.2 During the year, the Bank acquired non - banking assets in satisfaction of claims in accordance with the requirements of SBP. This resulted in reduction of Rs. 610 million (2016: Nil) in non - performing loans and reversal of provision for non - performing loans.



	Note	2017 (Rupees in '000)	2016
14. BILLS PAYABLE			
In Pakistan		<u>19,663,349</u>	<u>13,872,057</u>
15. BORROWINGS			
In Pakistan		132,573,406	92,572,633
Outside Pakistan		926,470	1,144,712
		<u>133,499,876</u>	<u>93,717,345</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		128,156,718	88,388,693
In foreign currencies		5,343,158	5,328,652
		<u>133,499,876</u>	<u>93,717,345</u>
15.2 Details of borrowings			
Secured			
Borrowings from SBP			
Export refinance scheme	15.2.1	27,980,020	20,143,239
Renewable energy	15.2.2	3,884,507	–
Long term financing for imported and locally manufactured plant and machinery	15.2.3	10,616,620	5,632,293
Financing facility for storage of agricultural produce	15.2.4	55,917	56,875
		<u>42,537,064</u>	<u>25,832,407</u>
Repurchase agreement borrowings	15.2.5	85,619,654	62,556,286
		<u>128,156,718</u>	<u>88,388,693</u>
Unsecured			
Borrowings from financial institutions	15.2.6	5,159,685	4,183,940
Overdrawn nostros		183,473	1,144,712
		<u>5,343,158</u>	<u>5,328,652</u>
		<u>133,499,876</u>	<u>93,717,345</u>

15.2.1 These carry mark - up rates ranging from 1% to 2% (2016: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.

15.2.2 These carry mark - up rate of 2% (2016: Nil) per annum having maturity periods over ten years.

15.2.3 These carry mark - up rates ranging from 2% to 6.5% (2016: 2% to 8.8%) per annum having maturity periods upto ten years.

15.2.4 These carry mark - up rates ranging from 2% to 3.50% (2016: 3.50%) per annum having maturity periods upto 3 years.

15.2.5 These repurchase agreement borrowings are secured against market treasury bills, which carry mark - up rates ranging from 5.82% to 6% (2016: 5.85% to 5.88%) per annum, having maturity periods upto one month.

15.2.6 These carry mark - up rates ranging from 1.85% to 2.05% (2016: 1.75%) per annum having maturity periods upto two months.



	Note	2017 (Rupees in '000)	2016
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		133,509,284	114,762,820
Savings deposits		195,983,912	170,130,029
Current accounts - Remunerative		76,678,384	72,737,910
Current accounts - Non - remunerative		260,827,453	210,377,190
		666,999,033	568,007,949
Financial institutions			
Remunerative deposits		22,230,821	14,144,649
Non - remunerative deposits		3,304,469	2,013,380
		25,535,290	16,158,029
		692,534,323	584,165,978
16.1 Particulars of deposits			
In local currency		610,860,883	515,722,554
In foreign currencies		81,673,440	68,443,424
		692,534,323	584,165,978
17. SUB - ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	17.1	3,997,600	3,999,200
Term Finance Certificates (TFCs) - VI - (Unquoted)	17.2	7,000,000	-
		10,997,600	3,999,200
17.1 Term Finance Certificates - V (Unquoted)			
Total issue		Rupees 4,000 million	
Rating		AA	
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	
17.2 Term Finance Certificates - VI (Unquoted)			
Total issue		Rupees 7,000 million	
Rating		AA	
Rate		Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap	
Redemption		No fixed or final redemption date	
Tenor		Perpetual	
Maturity		Perpetual	



	Note	2017 (Rupees in '000)	2016
18. DEFERRED TAX LIABILITIES			
Taxable temporary differences arising in respect of:			
Accelerated depreciation		966,071	1,127,666
Surplus on revaluation of fixed assets / non - banking assets	21.1	1,062,827	770,977
Surplus on revaluation of held for trading investments		2,937	1,186
Surplus on revaluation of available for sale investments	21.2	455,300	2,125,680
		<u>2,487,135</u>	<u>4,025,509</u>
Deductible temporary differences arising in respect of:			
Provision against non - performing loans and advances		(113,900)	(32,071)
Provision for compensated absences		(265)	(252)
Recognised tax losses		(6,451)	(8,446)
Intangible assets		(420)	(212)
Provision against diminution in the value of investments		(46,464)	(570)
Remeasurment of defined benefit plan		202,220	144,023
		<u>34,720</u>	<u>102,472</u>
		<u>2,521,855</u>	<u>4,127,981</u>

18.1 Reconciliation of deferred tax

	Balance as at 01 January 2017	Recognised in profit and loss account (Rupees in '000)	Recognised in surplus on revaluation of assets	Balance as at 31 December 2017
Taxable temporary differences arising in respect of:				
Accelerated depreciation	1,127,666	(161,595)	–	966,071
Surplus on revaluation of fixed assets / non - banking assets	770,977	(34,548)	326,398	1,062,827
Surplus on revaluation of held for trading investments	1,186	1,751	–	2,937
Surplus on revaluation of available for sale investments	2,125,680	–	(1,670,380)	455,300
	<u>4,025,509</u>	<u>(194,392)</u>	<u>(1,343,982)</u>	<u>2,487,135</u>
Deductible temporary differences arising in respect of:				
Provision against non - performing loans and advances	(32,071)	(81,829)	–	(113,900)
Provision for compensated absences	(252)	(13)	–	(265)
Recognised tax losses	(8,446)	1,995	–	(6,451)
Intangible assets	(212)	(208)	–	(420)
Provision against diminution in the value of investments	(570)	(45,894)	–	(46,464)
Remeasurment of defined benefit plan	144,023	58,197	–	202,220
	<u>102,472</u>	<u>(67,752)</u>	<u>–</u>	<u>34,720</u>
	<u>4,127,981</u>	<u>(262,144)</u>	<u>(1,343,982)</u>	<u>2,521,855</u>



	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
Taxable temporary differences arising in respect of:				
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
	<u>3,697,732</u>	<u>70,626</u>	<u>257,151</u>	<u>4,025,509</u>
Deductible temporary differences arising in respect of:				
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
	<u>(70,120)</u>	<u>172,592</u>	<u>–</u>	<u>102,472</u>
	<u>3,627,612</u>	<u>243,218</u>	<u>257,151</u>	<u>4,127,981</u>

	Note	2017 (Rupees in '000)	2016
19. OTHER LIABILITIES			
Mark - up / return / interest payable in local currency		2,180,766	1,834,030
Mark - up / return / interest payable in foreign currencies		136,876	148,230
Provision for compensated absences	19.1	489,346	417,084
Unclaimed dividends		337,665	290,390
Branch adjustment account		176,040	–
Special exporters' accounts in foreign currencies		70,926	73,644
Unearned commission income		160,471	115,154
Unrealised loss on forward foreign exchange contracts		765,265	745,531
Security deposits against leases / ijarah		4,116,258	2,232,355
Other security deposits		469,782	417,763
Workers' welfare fund		1,009,137	722,198
Accrued expenses		875,502	673,667
Payable to defined benefit plan	35.3	577,771	411,494
Provision against off - balance sheet items	19.2	113,236	102,257
Payable to SBP / NBP		728,561	81,759
Payable to supplier against murabaha		258,944	158,459
Payable against purchase of securities		50,961	22,422
Charity payable		6,464	2,738
Insurance payable		363,581	232,448
Payable against sale of marketable securities on behalf of customers		137,904	46,379
Others		1,026,721	313,668
		<u>14,052,177</u>	<u>9,041,670</u>

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



		2017 (% per annum)	2016 (% per annum)
Discount rate		8.75%	9.25%
Expected rate of increase in salary in future years		7.75%	8.25%
		2017 (Rupees in '000)	2016 (Rupees in '000)
19.2 Provision against off - balance sheet items			
Opening balance		102,257	144,042
Charge for the year		39,515	4,549
Reversal during the year		(28,536)	(46,334)
		10,979	(41,785)
Closing balance		113,236	102,257
20. SHARE CAPITAL			
	2017	2016	
	(Number of shares)		
Authorised Capital			
	1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each
	15,000,000	15,000,000	
Issued, subscribed and paid - up capital			
	30,000,000	30,000,000	Issued for cash
	1,081,425,416	1,081,425,416	Issued as bonus shares
	1,111,425,416	1,111,425,416	300,000
		10,814,254	10,814,254
		11,114,254	11,114,254
20.1	As of statement of financial position date 198,796,105 (2016: 197,857,620) ordinary shares of Rs. 10/- each were held by the related parties.		
		2017 (Rupees in '000)	2016 (Rupees in '000)
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note		
Fixed assets / non - banking assets	21.1	4,222,517	2,650,950
Available for sale investments	21.2	947,515	4,023,367
		5,170,032	6,674,317
21.1 Fixed assets / non - banking assets			
Balance at beginning of the year		3,421,927	3,489,993
Net surplus on revaluation of the Bank's fixed assets / non - banking assets during the year		1,977,035	13,825
Disposal / adjustments		(14,910)	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(98,708)	(81,891)
		5,285,344	3,421,927
Related deferred tax liability on:			
Balance at beginning of the year		770,977	797,630
Revaluation of Bank's fixed assets / non - banking assets during the year		326,447	2,009
Disposal / adjustments		(49)	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(34,548)	(28,662)
		(1,062,827)	(770,977)
		4,222,517	2,650,950



	2017 (Rupees in '000)	2016
21.2 Available for sale investments		
Federal Government Securities	2,073,431	4,460,781
Fully paid - up ordinary shares	(715,905)	1,199,280
Term finance certificates, sukuk bonds, foreign currency bonds and others	115,944	71,968
Units of mutual funds	(70,655)	417,018
	<u>1,402,815</u>	<u>6,149,047</u>
Related deferred tax liability	(455,300)	(2,125,680)
	<u>947,515</u>	<u>4,023,367</u>
22. CONTINGENCIES AND COMMITMENTS		
22.1 Direct credit substitutes		
Financial guarantees issued favouring:		
- Financial institutions	1,344,595	930,792
- Others	5,272,122	4,538,313
	<u>6,616,717</u>	<u>5,469,105</u>
22.2 Transaction - related contingent liabilities		
Guarantees issued favouring:		
- Government	37,130,448	34,649,327
- Financial institutions	541,247	594,401
- Others	16,370,016	11,682,502
	<u>54,041,711</u>	<u>46,926,230</u>
22.3 Trade - related contingent liabilities		
Letters of credit	107,446,195	103,691,663
Acceptances	25,082,185	16,622,601
Bankers liability rediscount	-	1,898,680
	<u>132,528,380</u>	<u>122,212,944</u>
22.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	9,565,312	10,967,104
22.5 Commitments in respect of forward exchange contracts		
Purchase	46,725,785	49,396,754
Sale	24,439,627	28,383,678
The maturities of above contracts are spread over the periods upto one year.		
22.6 Commitments for the acquisition of operating fixed assets	<u>1,110,895</u>	<u>329,766</u>
22.7 Claims against the Bank not acknowledged as debts	<u>4,718,920</u>	<u>4,459,758</u>



22.8 Other contingencies

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2016. 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 an impact of Rs. 797.233 million. After filing of appeal to Commissioner Inland Revenue (Appeals) by the Bank, appellate orders has passed by CIR (Appeals) by allowing Rs. 134.616 million. Therefore, an aggregate net tax impact is Rs. 662.616 million. The Bank has filed an appeal before ITAT against the above mentioned orders.

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

The management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters.

23. 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.

	2017	2016
	(Rupees in '000)	
24. MARK - UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	17,998,228	14,337,370
Financial institutions	230,681	152,532
	18,228,909	14,489,902
On investments:		
Available for sale securities	21,638,252	19,438,987
Held to maturity securities	10,197,235	13,533,230
	31,835,487	32,972,217
On deposits with financial institutions	175,924	201,180
On securities purchased under resale agreements	75,521	60,084
On Bai Muajjal	-	95,468
On call money lendings	442	1,600
	50,316,283	47,820,451
25. MARK - UP / RETURN / INTEREST EXPENSED		
Deposits	19,463,770	17,440,420
Sub - ordinated loans	292,520	444,277
Repurchase agreement borrowings	3,207,554	3,904,952
Borrowings from SBP	697,527	603,166
Other borrowings	723,340	739,536
	24,384,711	23,132,351



	Note	2017 (Rupees in '000)	2016
26. GAIN ON SALE / REDEMPTION OF SECURITIES - NET			
Mutual funds		251,446	–
Government securities		1,525,966	–
Listed shares		1,016,893	722,579
Term finance certificates		(3,573)	–
		<u>2,790,732</u>	<u>722,579</u>
27. OTHER INCOME			
Gain on sale of operating fixed assets		99,903	101,392
Recovery of expenses from customers	27.1	248,063	209,117
Lockers rent		387	327
Cheque book issuance / cheque return charges		249,352	243,819
Banking charges		125,464	82,274
Others		182,596	90,335
		<u>905,765</u>	<u>727,264</u>
27.1	Includes courier, SWIFT, postage and other charges recovered from customers.		
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		9,106,288	7,931,020
Charge for defined benefit plan	35.5	255,159	217,568
Charge for defined contribution plan		379,086	319,518
Charge for employees compensated absences		71,438	54,174
Non - executive directors' fee, allowances and other expenses		38,242	9,975
Rent, taxes, insurance, electricity, etc.		2,579,745	2,376,725
Legal and professional charges		178,832	218,921
Communications		355,227	291,765
Repairs and maintenance		1,535,833	1,377,235
Security charges		946,761	815,480
Stationery and printing		423,063	443,690
Advertisement and publicity		238,251	326,010
Donations	28.1	124,229	184,900
Auditors' remuneration	28.2	5,691	6,541
Depreciation		1,903,603	1,600,197
Amortisation		103,987	82,759
Travelling and conveyance		160,088	158,737
Vehicle running expenses		426,736	361,745
Commission and brokerage		127,918	140,944
Subscriptions and publications		87,621	82,319
Clearing and transaction charges		142,827	106,162
Staff training		34,455	26,712
Entertainment and staff refreshment		251,473	289,002
Cleaning charges		135,972	109,488
Charitable expenses		65,686	51,341
CNIC verification charges		44,446	27,308
Others		199,157	172,386
		<u>19,921,814</u>	<u>17,782,622</u>



	2017	2016
	(Rupees in '000)	
28.1	The detail of donations is given below:	
Al-Sayyeda Benevolent Trust	1,500	1,500
Alif Noon Parents Foundation	1,000	–
Bank AL Habib Staff Benefit Trust	50,000	99,900
Childlife Foundation	5,000	5,000
Development in Literacy	–	500
Friends of Punjab Institute of Cardiology	–	10,000
GCU Endowment Fund Trust	–	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	–
Panah Trust	500	–
Patients' Aid Foundation	50,829	30,000
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
The Citizens Foundation	4,400	4,000
The Health Foundation	–	500
The Society for Rehabilitation of Special Children	2,500	–
	124,229	184,900
28.2	Auditors' remuneration	
Audit fee - standalone financial statements	2,770	2,770
Audit fee - consolidated financial statements	550	550
Half yearly review	850	825
Special certifications	475	1,681
Gratuity fund	83	83
Out of pocket expenses	963	632
	5,691	6,541
29.	OTHER PROVISIONS / (REVERSALS) / WRITE - OFFS	
Provision / (reversal) against off - balance sheet items	10,979	(41,785)
Provision against other assets	7,837	3,752
Write - off against intangible assets	6,965	–
	25,781	(38,033)
30.	OTHER CHARGES / (REVERSALS)	
Workers' welfare fund	286,938	(504,305)
Penalties imposed by SBP	36,474	12,061
	323,412	(492,244)



	Note	2017 (Rupees in '000)	2016
31. TAXATION			
For the year			
Current		5,157,253	4,304,844
Prior years		503,224	502,993
Deferred		(262,144)	243,218
		<u>5,398,333</u>	<u>5,051,055</u>
31.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>14,052,127</u>	<u>13,195,634</u>
Tax at the applicable rate of 35% (2016: 35%)		4,918,244	4,618,472
Tax effects of:			
Expenses that are not deductible in determining taxable income		31,612	3,316
Tax effect of prior year provisions	31.1.1	503,224	502,993
Others		(54,747)	(73,726)
		<u>5,398,333</u>	<u>5,051,055</u>
31.1.1	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 2016 (Tax Year 2017).		
		2017 (Rupees in '000)	2016
32. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY			
Profit after taxation - attributable to equity holders of the Holding Company		<u>8,654,112</u>	<u>8,143,343</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>7.79</u>	<u>7.33</u>
		2017 (Rupees in '000)	2016
33. CASH AND CASH EQUIVALENTS	Note		
Cash and balances with treasury banks	8	60,096,169	50,600,061
Balances with other banks	9	4,732,856	2,910,200
Overdrawn nostros	15	(183,473)	(1,144,712)
		<u>64,645,552</u>	<u>52,365,549</u>

33.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities					Equity				Total
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt	Other liabilities (Rupees in '000)	Share capital	Reserves	Unappropriated profit	Non-controlling interest	
Balance as at 01 January 2017	13,872,057	93,717,345	584,165,978	3,999,200	9,041,670	11,114,254	11,948,911	13,043,606	114,215	741,017,236
Changes from financing cash flows										
Receipts from sub - ordinated loans - net	-	-	-	6,998,400	-	-	-	-	-	6,998,400
Dividend paid	-	-	-	-	(8,890)	-	-	(3,833,824)	-	(3,842,714)
Total changes from financing cash flows	-	-	-	6,998,400	(8,890)	-	-	(3,833,824)	-	3,155,686
Other changes										
Liability - related										
Changes in bills payable	5,791,292	-	-	-	-	-	-	-	-	5,791,292
Changes in borrowings	-	39,782,531	-	-	-	-	-	-	-	39,782,531
Changes in deposits and other accounts	-	-	108,368,345	-	-	-	-	-	-	108,368,345
Changes in other liabilities										
- Cash based	-	-	-	-	5,185,674	-	-	-	-	5,185,674
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	(166,277)	-	-	-	-	(166,277)
Transfer of profit to reserve	-	-	-	-	-	903,346	(903,346)	-	-	-
Profit for the year	-	-	-	-	-	-	8,654,112	(318)	-	8,653,794
Other adjustments	-	-	-	-	-	-	(100,085)	-	-	(100,085)
Exchange differences on translation of net investment in foreign operations	-	-	-	-	-	-	167,477	-	-	167,477
	5,791,292	39,782,531	108,368,345	-	5,019,397	-	1,070,823	7,650,681	(318)	167,682,751
Balance as at 31 December 2017	19,663,349	133,499,876	692,534,323	10,997,600	14,052,177	11,114,254	13,019,734	16,860,463	113,897	911,855,673





	2017	2016
	(Numbers)	
34. STAFF STRENGTH		
Permanent	9,380	8,308
Temporary / on contractual basis	223	306
Group's own staff at end of the year	9,603	8,614
Outsourced	2,341	2,180
Total staff strength	11,944	10,794
35. DEFINED BENEFIT PLAN		
35.1 General description		
<p>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:</p>		
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	
35.2 Principal actuarial assumptions		
<p>The latest actuarial valuation of the scheme was carried out on 31 December 2017 and the significant assumptions used for actuarial valuation were as follows:</p>		
	2017	2016
35.2.1 Significant Actuarial Assumptions		
Financial Assumptions		
Discount Rate	8.75%	9.25%
Salary Increase Rate : Year 1	10%	8.25%
Year 2	7.75%	8.25%
35.2.2 Demographic Assumptions		
Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Moderate
	2017	2016
	(Rupees in '000)	
35.3 Statement of Financial Position		
Present value of defined benefit obligation	2,435,705	1,938,013
Fair value of plan assets	(1,857,934)	(1,526,519)
Deficit	577,771	411,494



	2017	2016
	(Rupees in '000)	
35.4 Movement in net defined benefit liability		
Balance accrued as at beginning of the year	411,494	328,824
Net periodic benefit cost for the year ended	255,159	217,568
Employer's contribution during the year	(255,159)	(217,568)
Amount of remeasurements losses recognised in Other Comprehensive Income during the year	166,277	82,670
Balance accrued as at end of the year	577,771	411,494
35.5 Defined Benefit Cost for the Year		
Cost recognised in Profit and Loss Account for the year		
<i>Service cost</i>		
Current service cost	218,742	186,216
<i>Net interest cost</i>		
Interest cost on defined benefit obligation	184,787	166,978
Interest income on plan assets	(148,370)	(135,626)
Net interest cost	36,417	31,352
Cost recognised in profit and loss for the year	255,159	217,568
Remeasurements recognised in Other Comprehensive Income during the year		
Actuarial loss on obligation	150,203	65,784
Actuarial loss on plan assets	16,074	16,886
Remeasurement loss recognised in Other Comprehensive Income	166,277	82,670
Total defined benefit cost recognised in Profit and Loss Account and Other Comprehensive Income	421,436	300,238
35.6 Movements in the present value of defined benefit obligation		
Present value of defined benefit obligation at beginning of year	1,938,013	1,622,662
Service cost	218,742	186,216
Interest cost on defined benefit obligation	184,787	166,978
Actual benefits paid during the year	(56,040)	(103,627)
Actuarial loss on obligation	150,203	65,784
Present value of defined benefit obligation at end of year	2,435,705	1,938,013



	2017 (Rupees in '000)	2016 (Rupees in '000)
35.7 Movements in the fair value of plan assets		
Fair value of plan assets at beginning of year	1,526,519	1,293,838
Interest income on plan assets	148,370	135,626
Actual contribution by employer	255,159	217,568
Actual benefits paid during the year	(56,040)	(103,627)
Actuarial loss on plan assets	(16,074)	(16,886)
Fair value of plan assets at end of year	<u>1,857,934</u>	<u>1,526,519</u>
35.8 Actual return on plan assets	<u>160,556</u>	<u>153,787</u>
	2018 (Rupees in '000)	
35.9 Charge and contribution for the year ending 31 December 2018		
<i>Service cost</i>		
Current service cost		264,747
<i>Net interest cost</i>		
Interest cost on defined benefit obligation	219,159	
Interest income on plan assets	(170,681)	
Net interest cost		48,478
Cost to be recognised in profit and loss account for the year 2018		<u>313,225</u>
	2017 (Rupees in '000)	
35.10 Analysis of Present value of defined benefit obligation		
<i>Vested / Non - Vested</i>		
Vested Benefits		2,236,501
Non - Vested benefits		199,204
Total		<u>2,435,705</u>
<i>Type of Benefits</i>		
Accumulated Benefit Obligation		1,125,150
Amounts attributed to future salary increases		1,310,555
Total		<u>2,435,705</u>
35.11 Remeasurements recognised in Other Comprehensive Income during the year		
<i>Actuarial loss on obligation</i>		
Loss due to change in financial assumptions	43,110	
Loss due to change in experience adjustments	107,093	
Total actuarial loss on obligation		150,203
Actuarial loss on plan assets		16,074
Remeasurements loss recognised in Other Comprehensive Income during the year		<u>166,277</u>



2017
(Rupees in '000)

35.12 Disaggregation of fair value of plan assets

Cash and Cash equivalents (after adjusting current liabilities)	265,180
<i>Unquoted investments</i>	
Pakistan Investment Bonds	837,295
SBP - Treasury Bills	680,000
Term Deposit	75,459
	1,592,754
Total fair value of plan assets	1,857,934

35.13 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments	
Within the next 12 months (next annual reporting period)	123,842
Between 2 and 5 years	769,665
Between 5 and 10 years	1,843,223
	2,736,730

35.14 Sensitivity analysis on significant actuarial assumptions:

Actuarial Liability

The weighted average duration of the PBO is 10.69 years.

Discount Rate + 1%	2,195,336
Discount Rate - 1%	2,719,399
Long Term Salary Increases + 1%	2,731,475
Long Term Salary Increases - 1%	2,181,419



36. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 5.9.

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Fee	–	–	34,075	14,142	–	–
Managerial remuneration	16,667	20,467	16,000	15,227	2,635,527	2,270,838
Charge for defined benefit plan	27,462	9,655	1,333	12,611	416,253	324,772
Contribution to defined contribution plan	1,667	2,047	1,600	1,523	211,457	171,826
Rent and house maintenance	6,667	8,187	6,400	6,091	937,409	795,191
Utilities	2,251	3,986	1,610	1,542	234,419	198,798
Medical	–	–	163	100	81,640	69,105
Bonus	4,733	5,000	4,000	3,920	585,862	479,452
Others	5	–	–	–	54,191	54,051
	59,452	49,342	65,181	55,156	5,156,758	4,364,033
Number of person(s)	1	2	11*	10	2,368	2,066

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 Group. 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 one director who resigned during the year and one director who was appointed in his place.

38. 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:

		2017						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)				
On - balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
		378,089,463	-	-	-	-	378,089,463	-	378,089,463	-	378,089,463
		1,481,389	-	-	-	-	1,481,389	-	1,481,389	-	1,481,389
		835,983	-	-	-	-	835,983	-	835,983	-	835,983
		3,947,266	277,568	-	-	-	4,224,834	4,224,834	-	-	4,224,834
		2,104,346	-	-	-	-	2,104,346	2,104,346	-	-	2,104,346
		305,599	-	-	-	-	305,599	305,599	-	-	305,599
Financial assets not measured at fair value											
		-	-	-	-	60,096,169	60,096,169	-	-	-	-
		-	-	-	-	4,732,856	4,732,856	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
		4,717,857	-	81,474,239	-	-	86,192,096	-	87,316,853	-	87,316,853
38.1		-	-	275,289	-	-	275,289	-	-	-	-
38.1		1,739,198	-	119,900	-	-	1,859,098	-	-	-	-
38.1		41,059	-	-	-	-	41,059	-	-	-	-
38.1		100,000	-	-	-	-	100,000	-	-	-	-
- Associates											
		-	-	-	-	467,138	467,138	467,138	-	-	467,138
		-	-	-	-	428,348	428,348	428,348	-	-	428,348
38.1		-	-	-	-	67,543	67,543	-	-	-	-
38.1		-	-	-	339,832,995	-	339,832,995	-	-	-	-
38.1		-	-	-	-	13,342,993	13,342,993	-	-	-	-
		393,362,160	277,568	81,869,428	339,832,995	79,135,047	894,477,198	7,530,265	467,723,688	-	475,253,953
Financial liabilities not measured at fair value											
38.1		-	-	-	-	(19,663,349)	(19,663,349)	-	-	-	-
38.1		-	-	-	-	(133,499,876)	(133,499,876)	-	-	-	-
38.1		-	-	-	-	(692,534,323)	(692,534,323)	-	-	-	-
38.1		-	-	-	-	(10,997,600)	(10,997,600)	-	-	-	-
38.1		-	-	-	-	(12,103,913)	(12,103,913)	-	-	-	-
		-	-	-	-	(868,799,061)	(868,799,061)	-	-	-	-
		393,362,160	277,568	81,869,428	339,832,995	79,135,047	894,477,198	7,530,265	467,723,688	-	475,253,953
Off - balance sheet financial instruments measured at fair value											
		-	-	-	-	46,725,785	46,725,785	-	48,579,198	-	48,579,198
		-	-	-	-	(24,439,627)	(24,439,627)	-	(23,677,714)	-	(23,677,714)
Off - balance sheet financial instruments not measured at fair value											
38.1		-	-	-	-	9,565,312	9,565,312	-	-	-	-



2016

	Note	Carrying amount					Fair value					
		Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Other Financial Assets	Other Financial Liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3	Total
On - balance sheet financial instruments												
Financial assets measured at fair value												
- Investments												
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)		292,029,937	-	-	-	-	292,029,937	-	292,029,937	-	-	292,029,937
Foreign Currency Bonds - Others		1,700,622	-	-	-	-	1,700,622	-	1,700,622	-	-	1,700,622
Sukuk Bonds - Others		-	-	-	-	-	-	-	-	-	-	-
Fully paid - up ordinary shares - Listed		4,438,647	157,385	-	-	-	4,596,032	4,596,032	-	-	-	4,596,032
Units of mutual funds		2,517,018	-	-	-	-	2,517,018	2,517,018	-	-	-	2,517,018
Term Finance Certificates - Listed		704,600	-	-	-	-	704,600	704,600	-	-	-	704,600
Financial assets not measured at fair value												
- Cash and bank balances with treasury bank		-	-	-	-	50,600,061	50,600,061	-	-	-	-	-
- Balances with other banks		-	-	-	-	2,910,200	2,910,200	-	-	-	-	-
- Lendings to financial institutions		-	-	-	-	-	-	-	-	-	-	-
- Investments												
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC + Others)		5,128,571	-	93,489,701	-	-	98,618,272	-	103,305,566	-	-	103,305,566
Foreign Currency Bonds - Others	38.1	-	-	520,996	-	-	520,996	-	-	-	-	-
Sukuk Bonds - Others	38.1	2,837,799	-	148,566	-	-	2,986,365	-	-	-	-	-
Fully paid - up ordinary shares - Unlisted	38.1	59,651	-	-	-	-	59,651	-	-	-	-	-
Term Finance Certificates - Unlisted	38.1	798,953	-	-	-	-	798,953	-	-	-	-	-
Associates												
Listed shares		-	-	-	-	438,756	438,756	438,756	-	-	-	438,756
Mutual funds		-	-	-	-	307,849	307,849	307,849	-	-	-	307,849
Unlisted shares	38.1	-	-	-	-	83,788	83,788	-	-	-	-	-
- Advances	38.1	-	-	-	261,440,523	-	261,440,523	-	-	-	-	-
- Other assets	38.1	-	-	-	-	10,454,636	10,454,636	-	-	-	-	-
		310,215,798	157,385	94,159,263	261,440,523	64,795,290	730,768,259	8,564,255	397,036,125	-	-	405,600,380
Financial liabilities not measured at fair value												
- Bills payable	38.1	-	-	-	-	-	(13,872,057)	-	-	-	-	-
- Borrowings	38.1	-	-	-	-	-	(93,717,345)	-	-	-	-	-
- Deposits and other accounts	38.1	-	-	-	-	-	(584,165,978)	-	-	-	-	-
- Sub-ordinated loans	38.1	-	-	-	-	-	(3,999,200)	-	-	-	-	-
- Other liabilities	38.1	-	-	-	-	-	(7,684,940)	-	-	-	-	-
		-	-	-	-	-	(703,439,520)	-	-	-	-	-
		310,215,798	157,385	94,159,263	261,440,523	64,795,290	(703,439,520)	8,564,255	397,036,125	-	-	405,600,380
Off - balance sheet financial instruments measured at fair value												
Forward purchase of foreign exchange contracts		-	-	-	-	-	49,396,754	-	46,443,437	-	-	46,443,437
Forward sale of foreign exchange contracts		-	-	-	-	-	(28,383,678)	-	(28,875,247)	-	-	(28,875,247)
Off - balance sheet financial instruments not measured at fair value												
Commitment to extend credit	38.1	-	-	-	-	-	10,967,104	-	-	-	-	-

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).

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

Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 measurement) based on their assessment of the market value as disclosed in note 12.





39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2017				Total
	Retail banking	Commercial banking	Retail brokerage (Rupees in '000)	Inter segment elimination	
Total income	25,354,596	52,356,363	94,776	(19,208,798)	58,596,937
Total expenses	(21,205,160)	(42,455,021)	(93,427)	19,208,798	(44,544,810)
Net income	4,149,436	9,901,342	1,349	-	14,052,127
Segment assets (net of provisions)	718,366,120	851,422,665	494,260	(650,735,485)	919,547,560
Segment non performing loans	52,627	5,235,972	-	-	5,288,599
Segment provision required	44,976	4,354,588	-	-	4,399,564
Segment liabilities	712,515,382	811,168,471	320,812	(650,735,485)	873,269,180
Segment return on assets (ROA) (%)*	3.53%	6.15%	19.18%		
Segment cost of funds (%)*	2.98%	5.23%	29.12%		

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

	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	4,473,649	8,717,154	4,831	-	13,195,634
Segment assets (net of provisions)	598,809,237	703,342,652	409,448	(550,741,803)	751,819,534
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	663,005,608	233,199	(550,741,803)	708,924,231
Segment return on assets (ROA) (%)*	3.69%	6.68%	14.60%		
Segment cost of funds (%)*	2.96%	5.77%	23.55%		

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

40. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), retirement benefit funds, major shareholders, 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 12.2.1, 20.1 and 37 are summarised as follows:

	2017				Total
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	
Deposits					
At beginning of the year	2,777,378	556,559	451,090	842,775	4,627,802
Placements during the year	80,970,167	3,448,955	1,991,843	13,064,423	99,475,388
Withdrawals during the year	(79,725,634)	(3,183,988)	(1,861,947)	(12,494,758)	(97,266,327)
At end of the year	4,021,911	821,526	580,986	1,412,440	6,836,863
Advances					
At beginning of the year	1,391,233	210	49,060	–	1,440,503
Given during the year	36,708,154	24,105	88,844	–	36,821,103
Repaid during the year	(36,324,245)	(23,338)	(85,975)	–	(36,433,558)
At end of the year	1,775,142	977	51,929	–	1,828,048
Investments					
At beginning of the year	830,393	–	–	–	830,393
Investments made during the year	126,230	–	–	–	126,230
Redeemed / adjusted during the year	7,636	–	–	–	7,636
At end of the year	964,259	–	–	–	964,259
Contingencies and commitments	1,358,895	–	–	–	1,358,895
Forward purchase contracts	–	–	–	–	–
Other assets	49	–	–	–	49
Other liabilities	25,389	–	–	–	25,389
Unrealised loss on forward contracts	–	–	–	–	–
Sale / redemption of securities	83,494	–	–	3,695,131	3,778,625
Redemption of units of mutual funds	344	–	–	–	344
Purchase of securities	1,230	–	–	–	1,230
Purchase of units of mutual funds	125,000	–	–	–	125,000
Mark - up earned	72,830	26	3,814	–	76,670
Mark - up expensed	168,698	35,191	22,293	74,987	301,169
Bank charges and commission	7,484	24	27	–	7,535
Gain on sale of securities and units of mutual funds	7	–	–	–	7
Salaries and allowances	–	–	368,292	–	368,292
Bonus	–	–	51,865	–	51,865
Contribution to defined contribution plan	–	–	14,495	–	14,495
Contribution to defined benefit plan	–	–	44,563	–	44,563
Staff provident fund	–	–	–	379,087	379,087
Staff gratuity fund	–	–	–	255,158	255,158
Directors' fee	–	33,550	–	–	33,550
Insurance claim received	15,165	–	–	–	15,165
Insurance premium paid	187,678	–	–	–	187,678
Dividend income	44,471	–	–	–	44,471
Rental paid	7,258	–	–	–	7,258
Rental Income	–	–	–	–	–
Commission expensed	–	–	–	–	–
Donation	50,000	–	–	–	50,000
Brokerage and advisory income	916	–	25	–	941
Other expensed	3,443	–	–	–	3,443
Other income	188	–	–	110	298



	2016				Total
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	
Deposits					
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>
Advances					
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>
Investments					
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 units of mutual funds	-	-	-	-	-
Purchase of securities	-	-	-	-	-
Purchase of units 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 units of 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	-	-	-	-	-
Rental Income	-	-	-	-	-
Commission expensed	-	-	-	-	-
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



41. CAPITAL ASSESSMENT AND ADEQUACY

41.1 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:

	2017
Required CAR	11.275%
CAR on stand - alone basis	13.808%
CAR on consolidated basis	13.879%

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 endeavors 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 4.106% which is above the current minimum requirement of 3% set by SBP.



41.2 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 31 December 2017:

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.

41.3 Capital structure

The Bank's Tier 1 capital comprises paid - up capital, statutory reserve, special reserve, general reserve, unappropriated profit, and perpetual non - cumulative term finance certificates 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, investment in mutual funds exceeding the prescribed limit, and is adjusted for reciprocal cross holdings in Tier 1 instruments and other regulatory deductions.

The Bank's Tier 2 capital includes sub -ordinated loans, general provisions, revaluation reserves, and exchange translation reserve and is adjusted for reciprocal cross holdings in Tier 2 instruments, CAP 2 deductions, and direct or indirect investments in own TFCs.

	2017	2016
	(Rupees in '000)	
41.3.1 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	12,607,324	11,703,978
Gains / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits / (losses)	16,860,463	13,043,606
Minority interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	28,915	51,368
CET 1 before Regulatory Adjustments	40,610,956	35,913,206
Total regulatory adjustments applied to CET1 (Note 41.3.2)	(376,510)	(724,467)
Common Equity Tier 1	40,234,446	35,188,739
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier 1 capital instruments plus any related share premium	-	-
of which: Classified as equity	7,000,000	-
of which: Classified as liabilities	-	-
Additional Tier 1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	7,000,000	-
Total regulatory adjustments applied to AT1 capital (Note 41.3.3)	(48,652)	(16,758)
Additional Tier 1 capital after regulatory adjustments	(48,652)	(16,758)
Additional Tier 1 capital recognised for capital adequacy	6,951,348	(16,758)
Tier 1 Capital (CET1 + admissible AT1)	47,185,794	35,171,981



	2017	2016
	(Rupees in '000)	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	3,992,800	3,994,400
Tier 2 capital instruments subject to phaseout arrangement issued under pre - Basel III rules	-	-
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	3,233,096	2,944,839
Revaluation Reserves (net of taxes)	4,572,993	5,196,908
of which: Revaluation reserves on fixed assets	3,729,705	2,058,682
of which: Unrealised gains / (losses) on AFS	843,288	3,138,226
Foreign Exchange Translation Reserves	412,410	244,933
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	12,211,299	12,381,080
Total regulatory adjustment applied to T2 capital (Note 41.3.4)	(236,347)	(513,386)
Tier 2 capital (T2) after regulatory adjustments	11,974,952	11,867,694
Tier 2 capital recognised for capital adequacy	11,974,952	11,867,694
Portion of Additional Tier 1 capital recognised in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	(d) 11,974,952	11,867,694
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d) 59,160,746	47,039,675
Total Risk Weighted Assets (RWA) (Note 41.6)	(f) 426,257,782	329,420,972
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	(a/f) 9.439%	10.682%
Tier 1 capital to total RWA	(c/f) 11.070%	10.677%
Total capital to total RWA	(e/f) 13.879%	14.280%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.275%	6.250%
of which: capital conservation buffer requirement	1.275%	0.650%
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)	3.439%	4.680%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.000%	6.000%
Tier 1 minimum ratio	7.500%	7.500%
Total capital minimum ratio	11.275%	10.650%



2017 2016
(Rupees in '000)

41.3.2 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	–	–
All other intangibles (net of any associated deferred tax liability)	(73,585)	(129,128)
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	(272,314)	(595,339)
Cash flow hedge reserve	–	–
Investment in own shares / CET1 instruments	(30,611)	–
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	(376,510)	(724,467)

41.3.3 Additional Tier 1 & Tier 1 Capital: Regulatory adjustments

Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	(41,898)	–
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	(6,754)	(16,758)
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
Total regulatory adjustment applied to AT1 capital	(48,652)	(16,758)



2017
2016
(Rupees in '000)

41.3.4 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	(6,754)	(16,758)
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	(223,651)	(493,479)
Investment in own Tier 2 capital instrument	(5,942)	(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	(236,347)	(513,386)

41.3.5 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)	3,233,096	2,944,839
Cap on inclusion of provisions in Tier 2 under standardised approach	3,233,096	2,944,839
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	—	—



	2017	2017
	As per published financial statements	Under regulatory scope for consolidation
	(Rupees in '000)	
41.4. Capital Structure Reconciliation		
41.4.1 Reconciliation of accounting and regulatory scope of consolidation		
Assets		
Cash and balances with treasury banks	60,096,169	60,096,169
Balances with other banks	4,732,856	4,732,856
Lendings to financial institutions	-	-
Investments	476,472,185	476,472,185
Advances	339,832,995	339,832,995
Operating fixed assets	22,565,133	22,565,133
Deferred tax assets	-	-
Other assets	15,848,222	15,848,222
Total assets	919,547,560	919,547,560
Liabilities & Equity		
Bills payable	19,663,349	19,663,349
Borrowings	133,499,876	133,499,876
Deposits and other accounts	692,534,323	692,534,323
Sub - ordinated loans	10,997,600	10,997,600
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	2,521,855	2,521,855
Other liabilities	14,052,177	14,052,177
Total liabilities	873,269,180	873,269,180
Share capital / Head office capital account	11,114,254	11,114,254
Reserves	13,019,734	13,019,734
Unappropriated / Unremitted profits / (losses)	16,860,463	16,860,463
Minority interest	113,897	113,897
Surplus on revaluation of assets	5,170,032	5,170,032
Total equity	46,278,380	46,278,380
Total liabilities & equity	919,547,560	919,547,560



Reference	2017	2017
	As per published financial statements	Under regulatory scope for consolidation

(Rupees in '000)

41.4.2 Reconciliation for balance sheet items that require capital adjustments

Assets

Cash and balances with treasury banks	60,096,169	60,096,169
Balances with other banks	4,732,856	4,732,856
Lendings to financial institutions	-	-
Investments	476,472,185	476,472,185
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)	41,898	41,898
of which: Reciprocal crossholding of capital instrument of CET1 (d)	272,314	272,314
of which: Reciprocal crossholding of capital instrument of T2 (e)	223,651	223,651
Advances	339,832,995	339,832,995
Shortfall in provisions / excess of total EL amount over eligible provisions under IRB (f)	-	-
General provisions reflected in Tier 2 capital (g)	3,233,096	3,233,096
Fixed Assets	22,565,133	22,565,133
of which: Intangibles (h)	73,585	73,585
Deferred Tax Assets	-	-
of which: DTAs that rely on future profitability excluding those arising from temporary differences (i)	-	-
of which: DTAs arising from temporary differences exceeding regulatory threshold (j)	-	-
Other assets	15,848,222	15,848,222
of which: Goodwill (k)	-	-
of which: Defined - benefit pension fund net assets (l)	-	-
Total assets	919,547,560	919,547,560

Liabilities & Equity

Bills payable	19,663,349	19,663,349
Borrowings	133,499,876	133,499,876
Deposits and other accounts	692,534,323	692,534,323
Sub -ordinated loans	10,997,600	10,997,600
of which: eligible for inclusion in AT1 (m)	7,000,000	7,000,000
of which: eligible for inclusion in Tier 2 (n)	3,992,800	3,992,800
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	2,521,855	2,521,855
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	14,052,177	14,052,177
Total liabilities	873,269,180	873,269,180



Reference	2017	2017
	As per published financial statements	Under regulatory scope 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	13,019,734	13,019,734
of which: portion eligible for inclusion in CET1	(u) 12,607,324	12,607,324
of which: portion eligible for inclusion in Tier 2	(v) 412,410	412,410
Unappropriated profits / (losses)	(w) 16,860,463	16,860,463
Minority interest	113,897	113,897
of which: portion eligible for inclusion in CET1	(x) 28,915	28,915
of which: portion eligible for inclusion in AT1	(y) –	–
of which: portion eligible for inclusion in Tier 2	(z) –	–
Surplus on revaluation of assets	5,170,032	5,170,032
of which: Revaluation reserves on Properties	(aa) 4,222,517	4,222,517
of which: Unrealised Gains / (Losses) on AFS	947,515	947,515
In case of deficit on revaluation (deduction from CET1)	(ab) { –	–
Total equity	46,278,380	46,278,380
Total liabilities & equity	919,547,560	919,547,560



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

	Source based on reference number from Note 41.4.2	2017 Component of regulatory capital reported by Bank (Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid - up Capital / Capital deposited with SBP		11,114,254
Balance in Share Premium Account	(s)	-
Reserve for issue of Bonus Shares		-
General / Statutory Reserves	(u)	12,607,324
Gains / (losses) on derivatives held as Cash Flow Hedge		-
Unappropriated/unremitted profits / (losses)	(w)	16,860,463
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)	28,915
CET 1 before Regulatory Adjustments		40,610,956
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(k)-(o)	-
All other intangibles (net of any associated deferred tax liability)	(h)-(p)	(73,585)
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)	(272,314)
Cash flow hedge reserve		-
Investment in own shares / CET1 instruments		(30,611)
Securitisation gain on sale		-
Capital shortfall of regulated subsidiaries		-
Deficit on account of revaluation from bank's holdings of properties / AFS	(ab)	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
Amount exceeding 15% threshold		-
of which: Significant investments in the common stocks of financial entities		-
of which: Deferred tax assets arising from temporary differences		-
National specific regulatory adjustments applied to CET1 capital		-
of which: Investment in TFCs of other banks exceeding the prescribed limit		-
of which: Any other deduction specified by SBP		-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
Total regulatory adjustments applied to CET1		(376,510)
Common Equity Tier 1		40,234,446



	Source based on reference number from Note 41.4.2	2017 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)	7,000,000
Additional Tier 1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		-
of which: instrument issued by subsidiaries subject to phase out	(y)	-
AT1 before regulatory adjustments		7,000,000
Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		(41,898)
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		-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		(6,754)
Total of Regulatory Adjustment applied to AT1 capital		(48,652)
Additional Tier 1 capital		6,951,348
Additional Tier 1 capital recognised for capital adequacy		6,951,348
Tier 1 Capital (CET1 + admissible AT1)		47,185,794
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		3,992,800
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)	3,233,096
Revaluation Reserves eligible for Tier 2		4,572,993
of which: portion pertaining to Property	portion of (aa)	3,729,705
of which: portion pertaining to AFS securities		843,288
Foreign Exchange Translation Reserves	(v)	412,410
Undisclosed / Other Reserves (if any)		-
T2 before regulatory adjustments		12,211,299



	Source based on reference number from Note 41.4.2	2017 Component of regulatory capital reported by Bank (Rupees in '000)
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre - Basel III treatment which, during transitional period, remain subject to deduction		(6,754)
Reciprocal cross holdings in Tier 2 instruments		(223,651)
Investment in own Tier 2 capital instrument		(5,942)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
Amount of Regulatory Adjustment applied to T2 capital		(236,347)
Tier 2 capital (T2)		11,974,952
Tier 2 capital recognised for capital adequacy		11,974,952
Excess Additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		11,974,952
TOTAL CAPITAL (T1 + admissible T2)		59,160,746



41.5 Main Features of Regulatory Capital Instruments

	Main Features	Common Shares	Additional Tier 1 Sub - Ordinated Debt	Tier 2 Sub - Ordinated Debt
1.	Issuer	Bank AL Habib Limited	Bank AL Habib Limited	Bank AL Habib Limited
2.	Unique identifier (e.g. PSX Symbol or Bloomberg identifier etc.)	BAHL	BAHLAT1TFC	BAHLTFC5
3.	Governing law(s) of the instrument (Regulatory Authorities)	Laws of Pakistan (SBP & SECP)	Laws of Pakistan (SBP & SECP)	Laws of Pakistan (SBP & SECP)
	Regulatory treatment			
4.	Transitional Basel III rules	CET - 1	Additional Tier 1	Tier 2
5.	Post - transitional Basel III rules	CET - 1	Additional Tier 1	Tier 2
6.	Eligible at solo / group / group & solo	Group & Standalone	Group & Standalone	Group & Standalone
7.	Instrument types	Ordinary Shares	Sub - ordinated Debt	Sub - ordinated Debt
8.	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	11,114,254	7,000,000	3,992,800
9.	Par value of instrument	Rs 10	Rs 5,000	Rs 5,000
10.	Accounting classification	Shareholders' Equity	Liability - Sub - ordinated Loans	Liability - Sub - ordinated Loans
11.	Original date of issuance	January, 1992	20 December 2017	17 March 2016
12.	Perpetual or dated	Perpetual	Perpetual	Dated
13.	Original maturity date	N/A	N/A	17 March 2026
14.	Issuer call subject to prior supervisory approval	No	Yes	Yes
15.	Optional call date, contingent call dates and redemption amount	N/A	20 December 2022	17 March 2021
16.	Subsequent call dates, if applicable	N/A	On any coupon payment date after 60 months from the date of issue.	On any coupon payment date after 60 months from the date of issue.
	Coupons / dividends			
17.	Fixed or floating dividend / coupon	N/A	Floating	Floating
18.	Coupon rate and any related index/ benchmark	N/A	6 months Kibor + 1.50% p.a.	6 months Kibor + 0.75% p.a.
19.	Existence of a dividend stopper	No	No	No
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory
21.	Existence of step up or other incentive to redeem	N/A	No	No
22.	Noncumulative or cumulative	N/A	Noncumulative	N/A
23.	Convertible or non - convertible	N/A	Convertible	Convertible
24.	If convertible, conversion trigger (s)	N/A	Upon occurrence of a Point of Non Viability (PONV) or Pre Specified Trigger (PST) event or non - compliance with lock - in clause or non - cumulative feature, as stipulated in SBP's Basel III Instructions	Upon occurrence of a Point of Non Viability (PONV) event, as stipulated in SBP's Basel III Instructions
25.	If convertible, fully or partially	N/A	Fully or Partially: To be determined as per SBP's Basel III Instructions	Fully 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	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	To be determined as per SBP's Basel III Instructions
28.	If convertible, specify instrument type convertible into	N/A	Common Equity Tier 1	Common Equity Tier 1
29.	If convertible, specify issuer of instrument it converts into	N/A	BAHL	BAHL
30.	Write-down feature	N/A	Yes	Yes
31.	If write - down, write - down trigger(s)	N/A	Upon occurrence of a Point of Non Viability (PONV) or Pre Specified Trigger (PST) event or non - compliance with lock - in clause or non - cumulative feature, as stipulated in SBP's Basel III Instructions	Upon occurrence of a Point of Non Viability (PONV) event, as stipulated 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	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	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	Subject to Regulatory Instructions/Approval
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Sub - ordinated Loans	Subordinate to all other debts, including deposits & Tier 2 TFCs	Subordinate to all other debts, including deposits, but excluding Tier 1 TFCs
36.	Non - compliant transitioned features	No	No	No
37.	If yes, specify non - compliant features	N/A	N/A	N/A



	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
(Rupees in '000)				
41.6 Credit Risk				
On - Balance sheet				
Portfolios subject to standardised approach (Comprehensive)				
Sovereign	903,858	809,214	9,038,577	8,092,144
Public sector enterprises	334,370	31,297	3,343,698	312,967
Banks	606,774	466,089	6,067,737	4,660,893
Corporate	22,028,631	16,009,968	220,286,306	160,099,677
Retail	2,320,794	1,216,251	23,207,941	12,162,513
Residential mortgages	159,437	114,816	1,594,372	1,148,156
Past due loans	87,642	47,917	876,418	479,167
Equity portfolio	695,598	678,706	6,955,984	6,787,062
Operating fixed assets	2,249,155	1,878,538	22,491,547	18,785,377
Other assets	515,113	262,883	5,151,129	2,628,827
	29,901,372	21,515,679	299,013,709	215,156,783
Off - Balance sheet				
Non - market related				
Direct Credit Substitutes / Acceptances / Standby LCs	2,260,799	1,997,728	22,607,988	19,977,276
Transaction Related Contingent Liabilities	1,903,387	1,457,030	19,033,866	14,570,300
Trade Related Contingent Liabilities	1,625,131	1,519,261	16,251,307	15,192,615
Other Commitments	586,602	520,095	5,866,018	5,200,951
	6,375,919	5,494,114	63,759,179	54,941,142
Market related				
Outstanding Foreign Exchange Contracts	110,813	48,609	1,108,134	486,092
	6,486,732	5,542,723	64,867,313	55,427,234
Market Risk				
Capital requirement for portfolios subject to Standardised Approach				
Interest rate risk				
General market risk	96,365	199,765	1,204,561	2,497,057
Specific market risk	69,035	68,288	862,936	853,602
Foreign exchange risk	340,821	373,034	4,260,261	4,662,929
	506,221	641,087	6,327,758	8,013,588
Operational Risk				
Capital requirement for operational risks	4,483,920	4,065,869	56,049,002	50,823,367
	41,378,245	31,765,358	426,257,782	329,420,972
Capital Adequacy Ratios				
	Required		Actual	
	2017	2016	2017	2016
CET1 to total RWA	6.000%	6.000%	9.439%	10.680%
Tier 1 capital to total RWA	7.500%	7.500%	11.070%	10.680%
Total capital to total RWA	11.275%	10.650%	13.879%	14.280%
Leverage ratio	3.000%	3.000%	4.106%	3.620%



42. 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.

42.1 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 11.5.



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.

42.1.1 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. ECAIs 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%	551,246,074	29,758,969	521,487,105
20%	43,119,858	323,490	42,796,368
35%	4,555,348	–	4,555,348
50%	67,252,276	20,120,462	47,131,814
75%	40,881,981	4,004,540	36,877,441
100%	230,129,363	16,926,399	213,202,964
125%	70,648,447	359,613	70,288,834
150%	158,772	27,997	130,775
250%	54,035	–	54,035
	<u>1,008,046,154</u>	<u>71,521,470</u>	<u>936,524,684</u>

42.1.2 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.



42.1.3 Segment by class of business

2017

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	6,195,386	1.78	1,953,282	0.28	407,202	0.21
Automobiles and transportation equipment	3,762,529	1.08	11,368,355	1.64	9,858,174	5.10
Cement	2,763,567	0.79	1,542,030	0.22	2,655,715	1.38
Chemicals / pharmaceuticals	4,747,012	1.37	3,740,151	0.54	4,041,088	2.09
Commerce and trade	52,385,101	15.08	49,613,241	7.16	35,136,488	18.19
Electronics and electrical appliances	2,145,856	0.62	772,042	0.11	3,758,504	1.95
Fertilizers	5,223,328	1.50	1,035,253	0.15	1,004,559	0.52
Financial	5,095,054	1.47	25,535,290	3.69	13,158,613	6.81
Food and allied	46,223,692	13.30	7,669,145	1.11	5,060,702	2.62
Ghee and edible oil	11,125,726	3.20	2,161,336	0.31	10,135,952	5.25
Individuals	16,634,750	4.79	438,133,277	63.26	46,266	0.02
Iron and steel	17,275,925	4.97	1,112,463	0.16	12,658,914	6.55
Oil refinery / marketing	5,868,464	1.69	17,572,269	2.54	2,712,593	1.40
Paper and board	2,594,455	0.75	200,222	0.03	1,485,229	0.77
Plastic products	2,605,156	0.75	691,383	0.10	7,431,250	3.85
Production and transmission of energy	21,436,303	6.17	9,205,353	1.33	3,945,842	2.04
Real estate / construction	5,292,801	1.52	11,981,753	1.73	9,957,092	5.15
Services (other than financial)	4,966,583	1.43	27,555,513	3.98	3,331,913	1.73
Shoes and leather garments	2,039,466	0.59	758,804	0.11	919,530	0.48
Sugar	6,993,438	2.01	3,032,453	0.44	1,119,807	0.58
Surgical equipments and metal products	3,953,203	1.14	1,505,323	0.22	2,898,970	1.50
Textile						
Spinning	32,169,682	9.26	3,559,524	0.51	11,372,341	5.89
Weaving	14,868,419	4.28	645,101	0.09	5,241,822	2.71
Composite	28,837,635	8.30	6,749,873	0.98	10,815,363	5.60
Ready - made garments	14,423,411	4.15	3,391,066	0.49	6,534,675	3.38
	90,299,147	25.99	14,345,564	2.07	33,964,201	17.58
Others	27,838,713	8.01	61,049,821	8.82	27,498,204	14.23
	<u>347,465,655</u>	<u>100.00</u>	<u>692,534,323</u>	<u>100.00</u>	<u>193,186,808</u>	<u>100.00</u>



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	1.18
Automobiles and transportation equipment	1,256,170	0.47	9,532,136	1.63	7,536,562	4.32
Cement	1,686,085	0.63	119,843	0.02	486,976	0.28
Chemicals / pharmaceuticals	3,308,758	1.23	2,357,184	0.40	4,210,186	2.41
Commerce and trade	47,486,812	17.63	37,551,130	6.43	25,020,916	14.32
Electronics and electrical appliances	2,412,595	0.89	1,231,736	0.21	2,552,661	1.46
Fertilizers	7,705,861	2.86	2,409,241	0.41	2,393,912	1.37
Financial	4,525,081	1.68	17,211,363	2.95	21,670,587	12.41
Food and allied	37,757,576	14.02	6,202,194	1.06	6,202,103	3.55
Ghee and edible oil	5,890,320	2.19	1,399,947	0.24	8,969,779	5.14
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	5.12
Oil refinery / marketing	4,699,340	1.74	22,524,992	3.86	9,159,174	5.25
Paper and board	998,978	0.37	177,899	0.03	930,815	0.53
Plastic products	1,930,003	0.72	748,006	0.13	6,220,534	3.56
Production and transmission of energy	14,293,068	5.31	6,029,997	1.03	6,385,964	3.66
Real estate / construction	4,031,937	1.50	7,901,885	1.35	5,127,079	2.94
Services (other than financial)	5,541,096	2.06	19,996,891	3.42	2,184,879	1.25
Shoes and leather garments	2,315,799	0.86	769,920	0.13	625,821	0.36
Sugar	7,246,005	2.69	1,581,358	0.27	653,005	0.37
Surgical equipments and metal products	1,584,586	0.59	1,444,071	0.25	1,513,207	0.87
Textile						
Spinning	25,246,667	9.37	4,165,021	0.72	10,701,652	6.13
Weaving	10,257,901	3.81	1,138,756	0.19	4,468,533	2.56
Composite	20,784,484	7.72	3,480,410	0.60	9,378,632	5.37
Ready - made garments	9,285,050	3.45	3,472,286	0.59	5,087,089	2.91
	65,574,102	24.35	12,256,473	2.10	29,635,906	16.97
Others	19,949,640	7.41	49,040,109	8.40	22,116,713	12.67
	<u>269,267,692</u>	<u>100.00</u>	<u>584,165,978</u>	<u>100.00</u>	<u>174,608,279</u>	<u>100.00</u>



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

	2017		2016	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Agriculture / agri business	131,119	99,139	106,369	90,666
Automobiles and transportation equipment	20,000	20,000	20,000	20,000
Chemicals / pharmaceuticals	1,960	196	–	–
Commerce and trade	610,815	577,637	679,281	633,559
Electronics and electrical appliances	–	–	4,000	400
Financial	101,949	86,437	101,949	85,364
Food and allied	83,992	67,387	7,999	2,000
Ghee and edible oil	31,705	9,830	48,371	13,996
Individuals	57,576	47,647	51,467	44,156
Iron and steel	671,114	627,494	583,861	583,861
Paper and board	4,774	4,774	5,500	1,375
Plastic products	61,003	61,003	61,003	61,003
Real estate / construction	109,942	109,942	147,210	147,210
Services (other than financial)	12,202	6,288	14,930	7,652
Surgical equipments and metal products	5,293	5,293	5,293	5,293
Textile				
Spinning	1,008,786	952,976	981,178	976,018
Weaving	86,680	86,680	150,911	148,796
Composite	380,760	380,758	947,644	947,481
Ready - made garments	536,118	484,546	423,574	421,876
	2,012,344	1,904,960	2,503,307	2,494,171
Others	1,372,811	771,537	1,374,926	691,624
	<u>5,288,599</u>	<u>4,399,564</u>	<u>5,715,466</u>	<u>4,882,330</u>

42.1.5 Segment by sector

	2017					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	53,281,877	15.33	59,153,029	8.54	22,583,388	11.69
Private	294,183,778	84.67	633,381,294	91.46	170,603,420	88.31
	<u>347,465,655</u>	<u>100.00</u>	<u>692,534,323</u>	<u>100.00</u>	<u>193,186,808</u>	<u>100.00</u>
	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	16.47
Private	210,135,263	78.04	537,146,226	91.95	145,858,155	83.53
	<u>269,267,692</u>	<u>100.00</u>	<u>584,165,978</u>	<u>100.00</u>	<u>174,608,279</u>	<u>100.00</u>



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

	2017		2016	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Public / Government	—	—	—	—
Private	5,288,599	4,399,564	5,715,466	4,882,330
	5,288,599	4,399,564	5,715,466	4,882,330

42.1.7 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	13,138,866	878,425,718	42,046,089	183,431,245
Middle East	655,553	27,401,694	2,983,634	3,564,196
Asia Pacific	248,345	11,831,428	825,643	6,191,367
Africa	9,363	1,888,720	423,014	—
	14,052,127	919,547,560	46,278,380	193,186,808
	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	169,458,335
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
	13,195,634	751,819,534	42,895,303	174,608,279

42.2 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 41.6.

42.2.1 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.

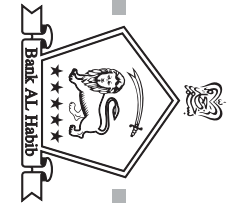
42.2.2 Mismatch of interest rate sensitive assets and liabilities

2017

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	0.37%	60,096,169	7,088,113	-	-	-	-	-	-	-	-	53,008,056
Balances with other banks	2.23%	4,732,856	3,478,296	-	-	-	-	-	-	-	-	1,254,560
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments - net	7.22%	476,472,185	119,993,661	214,065,258	6,376,145	37,467,121	21,397,998	46,166,478	18,702,967	5,111,816	-	7,190,741
Advances - net	6.14%	339,832,995	206,773,349	47,603,608	38,734,881	14,257,731	7,679,187	6,959,889	6,444,930	7,490,697	3,888,723	-
Other assets - net	-	13,342,993	-	-	-	-	-	-	-	-	-	13,342,993
		894,477,198	337,333,419	261,668,866	45,111,026	51,724,852	29,077,185	53,126,367	25,147,897	12,602,513	3,888,723	74,796,350
Liabilities												
Bills payable	-	19,663,349	-	-	-	-	-	-	-	-	-	19,663,349
Borrowings	4.49%	133,499,876	118,241,757	917,711	178,081	600,401	1,628,183	1,828,824	3,544,831	6,060,481	499,607	-
Deposits and other accounts	4.69%	692,534,323	328,680,529	45,265,390	18,263,999	25,597,299	3,803,738	3,411,955	3,401,465	9,138	7,254	264,093,556
Sub - ordinated loans	7.42%	10,997,600	-	3,997,600	-	-	-	-	7,000,000	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	12,103,913	-	-	-	-	-	-	-	-	-	12,103,913
		868,799,061	446,922,286	50,180,701	18,442,080	26,197,700	5,431,921	5,240,779	13,946,296	6,069,619	506,861	295,860,818
On - balance sheet gap		25,678,137	(109,588,867)	211,488,165	26,668,946	25,527,152	23,645,264	47,885,588	11,201,601	6,532,894	3,381,862	(221,064,468)
Off - balance sheet financial instruments												
Forward purchase of foreign exchange contracts		46,725,785	22,668,669	13,470,293	7,479,818	3,107,005	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(24,439,627)	(10,292,458)	(8,944,651)	(4,361,903)	(840,615)	-	-	-	-	-	-
Forward commitments to extend credit		9,565,312	437,460	2,583,191	1,321,790	2,050,000	2,747,101	425,770	-	-	-	-
Off - balance sheet gap		31,851,470	12,813,671	7,108,833	4,439,705	4,316,390	2,747,101	425,770	-	-	-	-
Total interest / yield risk sensitivity gap		57,529,607	(96,775,196)	218,596,998	31,108,651	29,843,542	26,392,365	48,311,358	11,201,601	6,532,894	3,381,862	-
Cumulative interest / yield risk sensitivity gap			(96,775,196)	121,821,802	152,930,453	182,773,995	209,166,360	257,477,718	268,679,319	275,212,213	278,594,075	-



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	-	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)
Off - balance sheet financial instruments												
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	-





42.2.3 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.

2017				
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	849,908,442	785,066,648	(22,286,485)	42,555,309
United States Dollar	65,562,866	73,864,736	12,504,917	4,203,047
Great Britain Pound	1,368,520	9,761,198	8,062,925	(329,753)
Japanese Yen	13,520	17,489	4,716	747
Euro	2,446,139	3,807,684	1,178,462	(183,083)
Other currencies	248,073	751,425	535,465	32,113
	919,547,560	873,269,180	-	46,278,380
2016				
	Assets	Liabilities	Off - balance sheet items	Net currency 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
	751,819,534	708,924,231	-	42,895,303



42.3 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 cost or losses.

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 cost 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.

42.3.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 8 dated 23 June 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Bank's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.

The Bank calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short - term resilience of the liquidity risk profile which requires the Bank to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2017, the Bank's LCR stood at 400% against the SBP's minimum requirement of 90% as per transition phase.

42.3.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the Liquidity Risk Policy approved by the Board. The Bank has "zero tolerance" for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division & Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Bank's liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Bank's liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.



42.3.3 Funding Strategy

The Bank's prime source of liquidity is the customers' deposit base. Within deposits, the Bank strives to maintain core deposit base in form of current and saving deposits and avoids concentration in particular products, tenors and dependence on large fund providers. As a general rule, the Bank will not depend on borrowings in the inter - bank market, including repos, to be a part of its permanent pool of funds for financing of loans, but will use these as a source for obtaining moderate amounts of additional funds to meet temporary liquidity needs in the normal course of business or for money market operations.

42.3.4 Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like core deposits to total deposits, advances to deposits, liquid assets to total deposits, Interbank borrowing to total deposits, which are monitored on regular basis against limits. Further, the Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. For maturity analysis, behavioral study carried out to determine the behavior of non - contractual assets and liabilities. The Bank also ensures that statutory cash and liquidity requirements are maintained at all times.

In addition, LCR, NSFR & Monitoring Tools of Basel III framework further strengthen liquidity risk management of the Bank.

42.3.5 Liquidity Stress Testing

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits, withdrawals of wholesale / large deposits & interbank borrowing, withdrawal of top deposits etc. Results of stress testing are escalated at the senior level so as to enable the senior management to take proactive actions to avoid liquidity crunch for the Bank. 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 as prescribed in the Liquidity Risk Policy is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.

42.3.6 Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Bank which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that needs to be taken to deal with the contingency. Responsibilities and response levels are also incorporated in order to tackle the contingency. Moreover, CFP highlights possible funding sources, in case of a liquidity contingency.

42.3.7 Main Components of LCR

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD circular no. 08 dated 23 June 2016.

42.3.8 Composition of HQLAs

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash & Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks & Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.



42.3.9 Concentration of Funding Sources

The Bank relies on customers' deposits as its key source of funding, specially current and saving deposits and time deposits of small / medium denominations, and avoids concentration of large deposits. Share of core deposits in total deposits and of large deposits in total deposits are regularly monitored. In particular the Bank does not depend on large depositors or borrowings from SBP and financial institutions to meet its funding requirements.

42.3.10 Currency Mismatch in the LCR

About 90% of the Bank's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

42.3.11 Centralisation of Liquidity Management

Overall liquidity management of the Bank is centralised in Treasury Division at Principal Office. The Bank mobilises deposits through its branch network. It also uses the branch network to grant loans to customers. Branches that have more deposits than loans, transfer ("lend") their excess deposits to the Principal Office. Branches that do not have enough deposits to fund their loans, acquire ("borrow") additional funds from the Principal Office.

42.3.12 Other Inflows & Outflows

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

42.3.13 Net Stable Funding Ratio (NSFR)

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets & off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a bank must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank is expected to meet the NSFR requirement of at least 100% from 31 December 2017 and thereafter on quarterly basis. The Bank's NSFR stood at 188% as on 31 December 2017.



2017

Total unweighted value (average)	Total weighted value (average)
A	B

(Rupees in '000)

42.3.14 Liquidity Coverage Ratio (LCR)

High quality liquid assets

Total high quality liquid assets (HQLA) 333,948,742

Cash outflows

Retail deposits and deposits from small business customers of which:

Stable deposit

Less stable deposit

–	–
494,833,315	49,483,331
494,833,315	49,483,331

Unsecured wholesale funding of which:

Operational deposits (all counterparties)

Non - operational deposits (all counterparties)

Unsecured debt

–	–
166,098,464	70,576,264
3,129,012	3,129,012
169,227,476	73,705,276

Secured wholesale funding

Additional requirements of which:

Outflows related to derivative exposures and other collateral requirements

Outflows related to loss of funding on debt products

Credit and liquidity facilities

666,238	666,238
–	–
302,792,413	1,065,370
303,458,651	1,731,608

Other contractual funding obligations

1,457,794 1,457,794

Other contingent funding obligations

224,605,105 11,230,255

Total cash outflows

138,457,638

Cash inflows

Secured lending

Inflows from fully performing exposures

Other cash inflows

–	–
84,382,576	47,526,446
3,436,839	1,587,775

Total cash inflows

49,114,221

Total High Quality Liquid Assets (HQLA)

333,948,742

Total Net Cash Outflows

89,343,417

Liquidity Coverage Ratio

374%



42.3.15 Net Stable Funding Ratio (NSFR)

ASF Item	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	(Rupees in '000)				
Capital					
Regulatory capital	39,960,723	-	-	-	39,960,723
Other capital instruments	6,932,068	-	-	3,996,000	10,928,068
Retail deposits and deposit from small business customers:					
Stable deposits	-	-	-	-	-
Less stable deposits	-	497,713,054	18,088,877	-	464,221,737
Wholesale funding					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	150,433,040	7,511,917	-	78,972,479
Other liabilities:					
NSFR derivative liabilities	-	24,439,627			-
All other liabilities and equity not included in other categories	-	1,717,042	835,779	25,155,521	25,573,411
Total ASF					619,656,418
RSF item					
Total NSFR high - quality liquid assets (HQLA)					49,568,804
Deposits held at other financial institutions for operational purposes	2,124,336	-	-	-	1,062,168
Performing loans and securities:					
Performing loans to financial institutions secured by Level 1 HQLA	-	20,662,417	-	-	3,099,363
Performing loans to financial institutions secured by non - Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
Performing loans to non - financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	244,616,645	-	64,239,087	176,911,547
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	10,314,762	6,704,595
Securities that are not in default and do not qualify as HQLA including exchange - traded equities	-	-	-	12,569,315	10,683,918
Other assets:					
NSFR derivative assets	-	46,725,785			22,286,159
NSFR derivative liabilities before deduction of variation margin posted	-	24,439,627			4,887,925
All other assets not included in the above categories	7,933,846	2,552,041	1,098,086	17,891,159	29,225,802
Off - balance sheet items	-	-	-	-	25,715,079
Total RSF					330,145,360
Net Stable Funding Ratio (%)					188%

*The Liquidity coverage ratio and Net stable funding ratio are applicable from 2017 onwards, therefore, comparative information is not applicable.

42.3.16 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.

	2017									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	60,096,169	60,096,169	-	-	-	-	-	-	-	-
Balances with other banks	4,732,856	4,732,856	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	476,472,185	119,019,606	211,119,169	718,676	46,668,415	22,521,332	47,326,257	20,397,479	8,125,509	575,742
Advances - net	339,832,995	67,956,036	73,202,438	85,933,395	25,230,704	20,246,993	21,186,138	26,407,807	15,090,710	4,578,774
Operating fixed assets	22,565,133	469,601	716,455	867,720	1,098,482	1,833,307	6,500,029	1,300,440	1,052,046	8,727,053
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets - net	15,848,222	12,070,816	1,403,790	326,495	884,883	215,518	186,617	205,254	432,077	122,772
	919,547,560	264,345,084	286,441,852	87,846,286	73,882,484	44,817,150	75,199,041	48,310,980	24,700,342	14,004,341
Liabilities										
Bills payable	19,663,349	19,663,349	-	-	-	-	-	-	-	-
Borrowings	133,499,876	90,966,380	18,682,848	9,638,320	650,401	1,628,183	1,828,824	3,544,831	6,060,482	499,607
Deposits and other accounts	692,534,323	95,344,706	100,535,322	73,533,930	80,867,230	103,289,613	102,897,830	108,414,334	27,644,104	7,254
Sub - ordinated loans	10,997,600	-	800	-	800	1,600	1,600	7,003,200	3,989,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	2,521,855	125,840	56,107	85,690	(130,176)	491,244	1,497,391	(105,808)	(381,816)	883,383
Other liabilities	14,052,177	8,818,879	95,659	33,894	39,238	89,950	109,935	3,853,102	-	1,011,520
	873,269,180	214,919,154	119,370,736	83,291,834	81,427,493	105,500,590	106,335,580	122,709,659	37,312,370	2,401,764
Net assets	46,278,380	49,425,930	167,071,116	4,554,452	(7,545,009)	(60,683,440)	(31,136,539)	(74,398,679)	(12,612,028)	11,602,577
Share capital	11,114,254									
Reserves	13,019,734									
Unappropriated profit	16,860,463									
Non - controlling interest	113,897									
Surplus on revaluation of assets - net of tax	5,170,032									
	46,278,380									



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	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	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	585,812,502	45,802,548	29,580,241	21,096,420	5,978,900	4,318,848	6,621,731	8,245,131	1,467,910
<i>Net assets</i>	42,895,303	(439,553,285)	124,434,211	18,004,952	149,658,401	49,782,456	32,355,686	58,751,088	39,488,279	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									



42.3.17 Maturities of assets and liabilities - based on contractual maturities

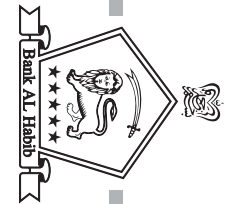
The following maturity profile is based on contractual maturities for assets and liabilities that have a contractual maturity. Assets and liabilities that do not have a contractual maturity have been categorised in the shortest maturity band.

	2017									
	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	60,096,169	60,096,169	-	-	-	-	-	-	-	-
Balances with other banks	4,732,856	4,732,856	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	476,472,185	128,172,736	211,124,303	575,268	40,197,393	21,952,573	46,604,847	20,379,827	7,465,238	-
Advances - net	339,832,995	67,956,114	73,202,423	85,933,374	25,230,662	20,246,993	21,186,138	26,407,807	15,090,710	4,578,774
Operating fixed assets	22,565,133	11,718,064	350,481	510,239	953,856	1,722,321	1,472,907	1,300,440	1,052,046	3,484,779
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets - net	15,848,222	13,752,690	1,365,073	268,127	162,839	132,885	103,984	39,988	18,912	3,724
	919,547,560	286,428,629	286,042,280	87,287,008	66,544,750	44,054,772	69,367,876	48,128,062	23,626,906	8,067,277
<i>Liabilities</i>										
Bills payable	19,663,349	19,663,349	-	-	-	-	-	-	-	-
Borrowings	133,499,876	90,966,380	18,682,848	9,638,320	650,401	1,628,183	1,828,824	3,544,831	6,060,482	499,607
Deposits and other accounts	692,534,323	592,774,084	45,265,390	18,263,999	25,597,299	3,803,738	3,411,955	3,401,465	9,139	7,254
Sub - ordinated loans	10,997,600	7,000,000	800	-	800	1,600	1,600	3,200	3,989,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	2,521,855	1,592,428	54,096	79,669	139,506	269,330	232,759	(113,411)	(616,475)	883,953
Other liabilities	14,052,177	13,579,450	95,659	34,439	38,729	89,950	109,935	104,015	-	-
	873,269,180	725,575,691	64,098,793	28,016,427	26,426,735	5,792,801	5,585,073	6,940,100	9,442,746	1,390,814
<i>Net assets</i>	46,278,380	(439,147,062)	221,943,487	59,270,581	40,118,015	38,261,971	63,782,803	41,187,962	14,184,160	6,676,463
Share capital	11,114,254									
Reserves	13,019,734									
Unappropriated profit	16,860,463									
Non - controlling interest	113,897									
Surplus on revaluation of assets - net of tax	5,170,032									
	46,278,380									



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									





42.4 Equity position risk in the banking book – Basel Specific

Except for very limited trading position in equities as mentioned above (note 42.2), 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.

42.5 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.



43. ISLAMIC BANKING BUSINESS

43.1 The Bank is operating 53 (2016: 41) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2017 and for the year are as follows:

43.1.1 STATEMENT OF FINANCIAL POSITION

	Note	2017 (Rupees in '000)	2016
ASSETS			
Cash and balances with treasury banks		2,554,000	1,552,162
Balances with and due from financial institutions		957,424	302,037
Investments	43.1.1.1	11,333,912	9,132,670
Islamic financing and related assets	43.1.1.2	34,843,979	18,128,914
Operating fixed assets		248,825	182,487
Other assets		538,108	252,443
		50,476,248	29,550,713
LIABILITIES			
Bills payable		30,694	22,514
Due to financial institutions		4,301,041	2,641,655
Deposits and other accounts		37,867,252	22,607,349
Current accounts		12,981,414	8,044,145
Saving accounts		11,145,642	6,533,321
Term deposits		7,123,780	5,049,667
Others		973,928	81,580
Deposits from financial institutions - remunerative		5,635,540	2,897,919
Deposits from financial institutions - non - remunerative		6,948	717
Due to Head Office		1,319,226	513,406
Other liabilities		1,570,087	1,125,648
		(45,088,300)	(26,910,572)
NET ASSETS		5,387,948	2,640,141
REPRESENTED BY:			
Islamic banking fund		5,000,000	2,500,000
Unremitted profit		422,821	108,178
		5,422,821	2,608,178
(Deficit) / surplus on revaluation of assets		(34,873)	31,963
		5,387,948	2,640,141
43.1.1.1 Investments			
Sukuk bonds		11,205,550	9,009,327
Fully paid - up ordinary shares - Listed		73,497	—
Mutual funds		73,965	123,343
Investments		11,353,012	9,132,670
Less: Provision for diminution in the value of investments		(19,100)	—
Investments (net of provision)		11,333,912	9,132,670



	2017	2016
	(Rupees in '000)	
43.1.1.2 Islamic financing and related assets		
Murabaha	6,034,031	3,153,222
Net book value of assets / investment in ijarah under IFAS 2	2,132,197	1,338,279
Running musharaka	2,223,124	-
Diminishing musharaka	10,082,423	5,264,472
Musawama	3,245,401	960,059
Export refinance murabaha	881,335	408,789
Export refinance istisna	3,634,300	2,052,048
Istisna	1,644,298	1,771,968
Gross financing	29,877,109	14,948,837
Advance against murabaha	1,559,959	668,142
Advance against ijarah	500,808	864,728
Advance against diminishing musharaka	2,064,649	1,563,383
Advance against istisna	856,534	89,168
Islamic financing and related assets - gross	34,859,059	18,134,258
Less: provisions		
Specific provision	(478)	-
General provisioning against consumer financing	(14,602)	(5,344)
	(15,080)	(5,344)
Islamic financing and related assets - net of provision	34,843,979	18,128,914
43.1.1.3 Islamic mode of financing		
Financing / inventory / receivables	29,877,109	14,948,837
Advances	4,981,950	3,185,421
Less: provisions	(15,080)	(5,344)
	34,843,979	18,128,914
43.2 PROFIT AND LOSS ACCOUNT		
Profit / return on financing and placements earned	2,186,013	1,320,354
Profit / return on deposits and other dues expensed	(949,413)	(654,881)
	1,236,600	665,473
Provision against non - performing loans and advances - net	(9,736)	(3,560)
Provision for diminution in the value of investments	(19,100)	-
	(28,836)	(3,560)
Net spread earned	1,207,764	661,913
OTHER INCOME		
Fee, commission and brokerage income	109,456	72,021
Dividend income	13,028	5,615
Income from dealing in foreign currencies	30,469	20,038
Gain on sale of securities	-	8,235
Other income	27,703	22,033
	180,656	127,942
	1,388,420	789,855
OTHER EXPENSES		
Administrative expenses	(965,599)	(681,677)
PROFIT BEFORE TAXATION	422,821	108,178



	2017 (Rupees in '000)	2016
43.3 Remuneration to Shariah Board	<u>6,465</u>	<u>5,334</u>
43.4 CHARITY FUND		
Opening balance	2,738	2,686
Additions during the year	6,464	2,738
Payments / utilisation during the year		
Health	(948)	(630)
Social welfare	(1,790)	(2,056)
	<u>(2,738)</u>	<u>(2,686)</u>
Closing balance	<u>6,464</u>	<u>2,738</u>

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

43.5 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

43.5.1 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)

The deposits parked in general pool are based on normal weightages. The risk of loss is minimal due to a long range of diversified assets in the 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.



43.5.2 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, shares and mutual funds
- Production and transmission of energy
- Food and allied except sugar
- Wheat
- Individuals
- Others (Domestic whole sale, engineering goods, plastic product etc.)

43.5.3 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 and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharaka, Running Musharaka, Musawama, Shares, Mutual funds and Sukuks etc.

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 direct costs such as cost of murabaha, cost of takaful, depreciation on ijarah assets, amortisation of premium on sukuk, 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% (2016: 50%) of net income and the depositors' profit sharing ratio was 50% (2016: 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.



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

	2017				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,468,300	686,435	47%	101,035	14.70%
FCY Pool	5,588	5,309	95%	345	6.50%
2016					
LCY Pool	963,914	460,681	48%	82,024	18%
FCY Pool	3,828	3,554	93%	192	5%

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

	2017 (Percentage)	2016
Profit rate earned	6.08%	6.03%
Profit rate distributed	3.12%	3.36%

44. SUBSEQUENT EVENT

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 3.0 (2016: Rs. 3.5) per share.

45. GENERAL

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

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

46. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on 14 February 2018.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



Annexure I

**Statement showing written - off loans or any other financial relief
of five hundred thousand rupees or above provided
during the year ended 31 December 2017**

(Rupees in '000)

S. No.	Name and address of the borrower	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.	Salloos Industries Limited Head Office: Hafeez Chamber 85, Shahrah-e-Quaid-e-Azam Lahore. Factory: 45-KM, Multan Road, Chunia Industrial Estate District Kasur.	Mr. Imran Hafeez (CNIC: 35202-9231828-9) Mr. Sheikh Nauman Hafeez (CNIC: 35202-6191931-1) Mr. Sheikh Abdul Hafeez (CNIC: 35202-9146423-9) Mr. Salman Hafeez (CNIC: 35202-6190981-1) Mrs. Hina Sami (CNIC: 35202-7190458-2)	Mr. Sheikh Abdul Hafeez Mr. Sheikh Abdul Hafeez Mr. Sheikh Abdul Ghafoor Mr. Sheikh Abdul Hafeez Mr. Sami Ullah Khan	4,884	1,172	-	6,056	-	1,333	-	1,333
2.	Acme Global 1st Floor, Mandiwala Building, Shahrah-e-Liaquat, Karachi.	Mr. Osman Danish Diwan (CNIC: 61101-8246751-5)	Mr. Mushtaq Ahmed Diwan	28,993	7,078	-	36,071	-	5,071	-	5,071
			TOTAL	33,877	8,250	-	42,127	-	6,404	-	6,404

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



Annexure II

**Statement showing material outsourcing arrangements
during the year ended 31 December 2017**

S. No.	Name of outsourced activity	Name of Service Provider	Nature of Service
1	2	3	4
1.	Merchant On - Boarding and Terminal Management Services	M/s. Wemsol Private Limited	Point of Sale (POS) acquiring
2.	Credit Card system	M/s. Arab Financial Services (AFS)	Credit card
3.	Non - Clerical Outsourced Human Resource (H.R.) Staff	M/s. Salam Enterprises M/s. Razzaq Corporation	H.R. service provider (Driver, peon, cleaner, rider, electrician, helper) H.R. service provider (Driver, peon, cleaner, rider, electrician, helper)
4.	Guarding Services	M/s. Phoenix Security Services (Private) Limited M/s. Security 2000 (Private) Limited M/s. Parwest Pacific Security (Private) Limited M/s. Kardesler Security Company (Private) Limited M/s. Shezada Security Services (Private) Limited M/s. Fauji Security Services (Private) Limited M/s. Oil Links Security and Services (Private) Limited M/s. Security Organising System Pakistan (Private) Limited M/s. Access Security Services (Private) Limited M/s. Indus Security Services (Private) Limited	Security guards
5.	Cash - in - Transit Services (CIT)	M/s. Phoenix Armour (Private) Limited M/s. Security 2000 (Private) Limited M/s. Wackenhut Pakistan (Private) Limited M/s. Askari Guards (Private) Limited M/s. Fauji Security Services (Private) Limited	Armoured vehicles for cash and cashable items

The cost of material outsourcing arrangements for the year ended 31 December 2017 was around Rs. 2.1 billion.



Disclosure on Complaint Handling

Better Services leading to higher Customer Satisfaction assures continued growth in business and profitability of the Bank.

The Bank has a comprehensive Customer Grievances Handling Policy, which is based on the principles of fairness, promptness, and customer's right to approach alternate remedial avenues in case of need. Customers may register their complaints through Call Center, Bank's website, direct emails and letters through drop-boxes or directly to Customer Services Division/CEO's Office, which are promptly logged and acknowledged. The 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 communicated to customers through notices in Branches and the Website.

During 2017, a comprehensive training on Complaints Handling was developed for branches and Departments through online Learning Management System. The purpose was to make the staff more aware of the requirements of Consumer Grievance Handling Mechanism and provide speedy and fair resolution of the complaints.

In 2017, the Bank received 46,370 complaints, about 3% lower than the previous year. While the average turnaround time for resolution was a reasonably satisfactory 4 working days, the Bank established a customer focus group to review and improve processes on an ongoing basis to investigate systemic issues, reduce complaints resolution timelines and achieve higher customer satisfaction.



Report of Shariah Board for the year ended December 31, 2017

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, requires from 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 reviewed Internal Shariah Audit and External Shariah Audit Reports. Based on above, Shariah Board is 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 i.e. related to Shariah Compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
- (iii) BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management.
- (iv) BAHL-IBD has developed the basic mechanism to ensure Shariah Compliance in its overall operations.
- (v) The Shariah Board observed that there are issues with the manner the IT system is capturing different facilities, which may lead to wrong profit realization in deposit Pools. The Shariah Board recommends that IT System should be robust so that these issues are rectified on urgent basis.
- (vi) Improvement is required in level of awareness of Islamic Banking Staff, as well Executive Management in order to improve their understanding on the importance of Shariah Compliance in their respective areas. Proper training schedule/calendar needs to be developed for each level. The BOD appreciates the importance of Shariah Compliance in the products, processes and operations of the BAHL-IBD.
- (vii) The Management has provided adequate resources to Shariah Compliance Department and also committed to provide further staff enabling them to discharge their duties effectively and ensuring the Shariah Compliance environment in BAHL-IBD.
- (viii) Although there is some improvement in transfer of exposure from Insurance to Takaful, However Shariah Board has observed that the progress is slow and needs to be speeded up.
- (ix) The Bank has a well-defined mechanism in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. This year charity amount of Rs. 6.464 Million has been realized, out of which Rs.610,124 was due to Shariah Non-compliance.

Karachi: February 14, 2018

Mufti Muhammad Sarfaraz Nihal
Resident Shariah Board Member

Mufti Muhammad Ismatullah Hamdullah
Chairman Shariah Board

Mufti Mohib Ul Haq Siddiqui
Shariah Board Member



شریعی بورڈ رپورٹ بمطابق ۳۱ دسمبر ۲۰۱۷ء

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۔ بینک دولت پاکستان 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 مجموعی شریعی کمپلائنس ماحول پر ایک رپورٹ جمع کروائے۔

رائے تشکیل دینے کیلئے جیسا کہ اس رپورٹ میں بیان کیا گیا ہے، شریعی کمپلائنس ڈپارٹمنٹ نے ہر قسم کے معاملے کا ٹیسٹ چیک بنیاد پر شرعی جائزہ لیا۔ شریعی بورڈ نے پچھلے سال کے دوران شریعی کمپلائنس اور شریعی آڈٹ کی رپورٹس کا جائزہ لیا اور ان کی بنیاد پر درج ذیل نتائج اخذ کئے۔

- ۱۔ اسلامی بینکاری کی خدمات فراہم کرتے ہوئے بینک الحیب اسلامک بینکنگ ڈویژن نے شریعی بورڈ کے فتاویٰ اور ہدایات کو ملحوظ رکھا۔
- ۲۔ بینک الحیب اسلامک بینکنگ ڈویژن نے بینک دولت پاکستان اور اس کے شریعی بورڈ کی جاری کردہ ہدایات و احکامات کی پاسداری کی۔
- ۳۔ بینک الحیب اسلامک بینکنگ ڈویژن نے نفع نقصان کی تقسیم اور پول مینجمنٹ سے متعلق بینک دولت پاکستان کے احکامات پر عمل کیا۔
- ۴۔ شرعی اصولوں کی پاسداری کے حوالے سے بینک الحیب اسلامک بینکنگ ڈویژن میں بنیادی طریقہ کار رائج ہے۔
- ۵۔ شریعی بورڈ نے مشاہدہ کیا ہے کہ آئی ٹی سسٹم میں کئی بینکنگ خدمات کی فراہمی و انجام دہی سے متعلق مسائل ہیں، جو کھاتوں کے پول میں منافع کی غلط تقسیم کا باعث بن سکتے ہیں۔ شریعی بورڈ کی تجویز ہے کہ آئی ٹی سسٹم کو مضبوط ہونا چاہئے تاکہ یہ مسائل جلد از جلد حل ہوں۔
- ۶۔ ملازمین اور انتظامیہ میں اسلامی بینکاری کی آگاہی میں مزید بہتری کی ضرورت ہے تاکہ ان کے متعلقہ شعبہ جات میں شریعی کی پاسداری کے حوالے سے سمجھ بوجھ بہتر سطح پر بنائی جاسکے۔ ہر لیول کے لئے مناسب ٹریننگ شیڈول انکی ضروریات کو مد نظر رکھتے ہوئے بنائے جائیں۔ بورڈ آف ڈائریکٹرز بینک کی پراڈکٹ، طریقہ کار اور آپریشن میں شریعی کمپلائنس کی اہمیت کو بخوبی سمجھتے ہیں۔
- ۷۔ بینک کی انتظامیہ نے شریعی کمپلائنس ڈپارٹمنٹ کیلئے مناسب وسائل مہیا کیے ہیں۔ مزید برآں انتظامیہ اس ڈپارٹمنٹ کو اپنی ذمہ داریوں سے عہدہ برآ ہونے اور شریعی کمپلائنس ماحول کو یقینی بنانے کیلئے مزید عملہ اور وسائل فراہم کرنے کیلئے پرعزم ہے۔
- ۸۔ اگرچہ بیمہ جات کی مروجہ انشورنس سے تکافل میں منتقلی میں کچھ بہتری ہے، تاہم شریعی بورڈ نے مشاہدہ کیا ہے کہ اس منتقلی کی رفتار سست ہے جس کو تیز کرنے کی ضرورت ہے۔
- ۹۔ بینک میں ایک مناسب وضع شدہ نظام ہے جو اس قابل ہے کہ کسی بھی غیر شرعی طریقے سے حاصل کیے گئے منافع کو صدقہ کے اکاؤنٹ میں ڈالے اور بطریق احسن ادائیگی کر سکے۔ اس سال صدقے کی مد میں ۶۰۴۶۴ ملین روپے جمع ہوئے، جس میں سے چھ لاکھ دس ہزار ایک سو چوبیس روپے شریعی کی عدم پاسداری کی وجہ سے تھے۔

کراچی: ۱۴ فروری ۲۰۱۸ء

مفتی محمد الحق صدیقی
ممبر شریعی بورڈ

مفتی عصمت اللہ محمد اللہ
چیئر مین 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 کیپیٹل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب کریڈٹ اینڈ فنانس (ہانگ کانگ) لمیٹڈ کے آڈٹ شدہ مجموعی مالیاتی حسابات برائے ۳۱ دسمبر ۲۰۱۷ء کو ختم ہونے والے سال کیلئے پیش کرنا باعث مسرت ہے:

(۰۰۰ روپے میں)

14,052,127

(5,398,333)

8,653,794

318

8,654,112

13,043,606

64,160

(108,080)

21,653,798

سالانہ منافع قبل از ٹیکس

ٹیکسیشن

سالانہ منافع بعد از ٹیکس

غیر اختیاری مفاد سے منسوب شدہ نقصان

شیئر ہولڈرز سے منسوب شدہ منافع

گزشتہ غیر مختص شدہ منافع

فکسڈ اثاثہ جات کی ریویلویشن کے اضافہ میں سے منتقلی۔ بعد از ٹیکس

دیگر جامع آمدنی

تخصیص کیلئے دستیاب منافع

تخصیص:

اسٹیچوٹری ریزرو میں منتقلی

نقد منافع منقسمہ - ۲۰۱۶ء

(903,346)

(3,889,989)

(4,793,335)

16,860,463

7.79 روپے

غیر مختص شدہ منافع

فی شیئر آمدنی (بعد از ٹیکس)۔ ہولڈنگ کمپنی

شیئر ہولڈنگ کی ساخت

شیئر ہولڈنگ کی ساخت برمطابق ۳۱ دسمبر ۲۰۱۷ء بینک الحیب لمیٹڈ کے مالیاتی حسابات کے ساتھ منسلک ہے۔

عباس ڈی۔ حبیب

چیرمین

بورڈ آف ڈائریکٹرز

منصور علی خان

چیف ایگزیکٹو

کراچی: ۱۴ فروری ۲۰۱۸ء



عمومی

ہم اپنے صارفین کا ان کی مستقل تائید اور اعتماد کیلئے، اسٹیٹ بینک آف پاکستان کا اُن 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 مشکور ہیں جن کے خلوص، لگن اور انتھک محنت کی بدولت بینک یہ اطمینان بخش نتائج حاصل کرنے میں کامیاب ہوا۔

عباس ڈی۔ حبیب

چیئر مین
بورڈ آف ڈائریکٹرز

منصور علی خان

چیف ایگزیکٹو

کراچی: ۱۴ فروری ۲۰۱۸



۷۔ گزشتہ 6 سالوں کے اہم آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ درج ذیل ہے:

(ملین روپے میں)

2012	2013	2014	2015	2016	2017	
340,393	386,161	446,409	516,213	584,172	692,576	صارفین کے مجموعی ڈپازٹس
147,869	167,579	181,737	207,289	261,440	339,833	مجموعی ایڈوانسز
8,878	7,513	9,917	12,332	13,164	14,040	منافع قبل از ٹیکس
5,455	5,155	6,349	7,405	8,119	8,650	منافع بعد از ٹیکس
21,058	23,227	27,555	31,698	35,922	40,807	شیر ہولڈرز کی ایکویٹی
4.91	4.64	5.71	6.66	7.31	7.78	فی شیر آمدنی* (روپے)
30	20	30	35	35	30	نقد منافع منقسمہ (%)
-	10	-	-	-	-	اسٹاک منافع منقسمہ (%)

* 2012 سے 2013 تک فی شیر آمدنی کا حساب موجودہ ادا شدہ سرمائے کی بنیاد پر دوبارہ لگایا گیا ہے۔

۸۔ پروویڈنٹ فنڈ اور گریجویٹ فنڈ کے آڈٹ شدہ مالیاتی حسابات کی بنیاد پر ان اسکیموں کی سرمایہ کاریوں کی مالیت برطابق ۳۱ دسمبر ۲۰۱۶ء درج ذیل ہیں:

(روپے میں '000)

3,740,366	پروویڈنٹ فنڈ
1,446,468	گریجویٹ فنڈ

۹۔ شیر ہولڈنگ کی ساخت اور اس سے متعلق اضافی معلومات صفحات ۱۲۲، ۱۲۳ اور ۱۲۴ 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 ٹیکنیک 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 شعبے 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، سی ای او، سی ایف او، انٹرنل آڈٹ کے سربراہ، کمپنی سیکریٹری اور ایگزیکٹوز اور ان کے شریک حیات اور نابالغ بچوں کی جانب سے بینک کے شیرز میں کوئی تجارت نہیں کی گئی، سوائے درج ذیل کے:

● ایک ڈائریکٹر کو 1,543,640 شیرز منتقل ہوئے۔

● 92,000 شیرز ہمارے ایک ایگزیکٹو کی جانب سے خریدے گئے۔

اس ضمن میں "ایگزیکٹو" کی تعریف میں پاکستان اسٹاک ایکسچینج کی رول بک میں درج شدہ افسران کے علاوہ بینک کے اسسٹنٹ جنرل نیچرز اور اس سے بالا عہدیداران کو بھی شامل کیا گیا 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 صحت، سماجی اور تعلیمی ترقی اور عوام کی فلاح و بہبود کے لئے عطیات کی صورت میں 124.2 بلین روپے کی فراہمی۔
- توانائی کا بہتر استعمال اور ماحول کو محفوظ اور صحت مند بنانے کیلئے انسدادِ تمباکو نوشی کے قانون پر عملدرآمد اور ”نوا سموکنگ زون“ کا قیام۔
- کاروباری ضابطہ اخلاق اور انسدادِ 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 تشریح۔
- اسٹاف کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کا اعتراف، دورانِ ملازمت اور باقاعدہ تربیتی پروگراموں کے ذریعے اسٹاف کیلئے سیکھنے اور ترقی کے مواقع۔
- مذہب، ذات پات اور لسانی امتیاز کے بغیر ایک شفاف طریقہ کار کے ذریعے روزگار کی فراہمی، بشمول برائے خصوصی افراد۔
- دیہی علاقوں کیلئے بینک کے برانچ نیٹ ورک میں توسیع جس سے دیہی ترقی میں مدد ملے۔
- بینک کی جانب سے براہ راست ٹیکسز کے ذریعے سال کے دوران قومی خزانے میں 6.05 بلین روپے جمع کرائے گئے۔ مزید برآں 10.75 بلین روپے سے زیادہ کی اضافی رقم ودہولڈنگ ٹیکسز، فیڈرل ایکسائز ڈیوٹیز اور سروسز پر سیلز ٹیکس کی مدد میں بینک کے ذریعے منہا/ وصول کی گئی اور حکومت پاکستان/ صوبائی حکومتوں کو ادا کی گئی۔

کارپوریٹ اور فنانشل رپورٹنگ پرائسٹیٹنٹ

- ۱۔ بینک کی جانب سے تیار کئے گئے مالیاتی حسابات، اس کے تمام کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کے معاملات کو شفاف انداز میں واضح کرتے ہیں۔
- ۲۔ بینک کی جانب سے باقاعدہ حساب کتاب رکھا گیا ہے۔
- ۳۔ 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 محتاط فیصلوں پر مبنی ہیں۔
- ۴۔ مالیاتی حسابات کی تیاری میں انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرز اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرز، 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۔
- ۵۔ 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 ۴ پر درج ہے۔
- ۶۔ 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۔



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۔ بینک کا ایک اہم رہنما اصول، ڈپازٹرز کی رقوم کو بطور امانت تحفظ فراہم کرنا ہے۔ یہی وجہ ہے کہ بینک بزنس رسک سے نمٹنے کے لئے معتدل اور محتاط رویہ اپناتا ہے۔ بینک کے رسک مینجمنٹ فریم ورک کی نمایاں خصوصیات درج ذیل ہیں:

- کریڈٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ کریڈٹ پالیسیز، بہتر کریڈٹ منظوری کا طریقہ کار، انٹرنل رسک ریٹیننگ کا استعمال، مقرر کردہ دستاویزی ضروریات، پوسٹ ڈسبرسمنٹ ایڈمنسٹریشن، کریڈٹ سہولتوں کا جائزہ و نگرانی، اور کسٹمرز کی کریڈٹ اہلیت کی مستقل جانچ پر مشتمل ہے۔ بینک نے بڑے کریڈٹ رسک کے پیش نظر خود مختار پوسٹ ڈسبرسمنٹ جائزے کے لئے بھی طریقہ کار تشکیل دیا ہے۔ کریڈٹ پورٹ فولیو سے متعلق فیصلے بنیادی طور پر سینٹرل 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، کسٹمرز اور ڈیلرز کی لمٹس کی منظوری، سرمایہ کاریوں کیلئے سینئر انتظامیہ کی منظوری اور بینک کی ایسیٹ لائیوٹی مینجمنٹ کمیٹی (ALCO) کی جانب سے سرمایہ کاری کے پورٹ فولیو کے باقاعدہ جائزے اور نگرانی کے ذریعے کیا جاتا ہے۔ علاوہ ازیں لیکویڈٹی رسک پالیسی بینک کی لیکویڈٹی پوزیشن کے انتظام میں رہنمائی فراہم کرتی ہے جس کی نگرانی ٹریڈری اور ڈیل آفس کے ذریعے روزانہ کی بنیاد پر کی جاتی ہے۔ بورڈ کی رسک مینجمنٹ کمیٹی بینک کے مارکیٹ اور لیکویڈٹی رسک، کیپٹل ایڈیکویٹی اور مر بوط رسک مینجمنٹ (جسے انٹر پرائز رسک مینجمنٹ بھی کہا جاتا ہے) کے انتظام کی رہنمائی کرتی ہے۔

- آپریشنل رسک کا انتظام بورڈ کی جانب سے منظور کردہ آڈٹ پالیسی، آپریشنل رسک پالیسی، کمپلائنس پالیسی اینڈ پروگرام، آئی ٹی سیکورٹی پالیسی اور فراڈ سے تحفظ کی پالیسی اور اس کے ساتھ ساتھ وقتاً فوقتاً جاری کردہ آپریشنل مینیکلز و طریقہ کار، انٹرنل کنٹرولز اور اہم ٹرانزیکشن کی حفاظت داری کے لئے دوہرے اختیارات کا نظام؛ کاروبار جاری رکھنے کا پلان بشمول آئی ٹی کیلئے ڈیزاسٹر ریکوری پلان، اور برانچ آڈٹ کے ذریعے کیا جاتا ہے۔ بورڈ کی آڈٹ کمیٹی بینک کے آپریشنل رسک کے انتظام کے سلسلے میں رہنمائی فراہم کرتی ہے۔

رسک مینجمنٹ پرائیٹ بینک آف پاکستان کی رہنما ہدایات پر عمل درآمد کرنے کی غرض سے بینک نے ایک علیحدہ سے رسک مینجمنٹ ڈویژن بشمول ایک ڈیل آفس قائم کیا ہے جو کہ آزادانہ طور پر ٹریڈری آپریشنز 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 حساسیت کی جانچ؛ پورٹ فولیو کی مدت اور ترمیم شدہ دورانیے کا حساب رکھنا، فارورڈ فارن ایکچینج گپ پوزیشنز کا تجزیہ، ٹی ایف سیز اور شیئرز پورٹ فولیو کی مزید مفصل رپورٹنگ؛ ایکویٹیز میں ڈیلنگ اور سیٹلمنٹس کو بہتر بنانے کے طریقہ کار کی تشکیل؛ آف مارکیٹ فارن ایکچینج ریٹس اور غیر ملکی زرمبادلہ کی آمدنی کی نگرانی، اہم رسک انڈیکسز کی نشاندہی، بینک کے دس بڑے رسک کی شناخت، تمام پروڈکٹس اور پروسیجرز کے لئے رسک کی جانچ اور بڑے کریڈٹ رسک کے پوسٹ ڈسبرسمنٹ جائزے کیلئے خود مختار طریقہ کار کا قیام شامل ہیں۔ بینک کے انٹر پرائز و ایڈمر بوط رسک پروفائل کی جانچ، بازل فریم ورک، انٹرنل کیپٹل ایڈیکویٹی اسسمنٹ پروسس اور اسٹریٹجک ٹیسٹنگ استعمال کرتے ہوئے انجام دی جاتی ہے۔



ہیومن ریسورس اینڈری میونزیشن کمیٹی			آڈٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
4	4	جناب ایس۔ مظہر عباس (چیئرمین)	9	9	جناب ایس۔ مظہر عباس (چیئرمین)
3	4	جناب انور حاجی کریم	9	9	جناب انور حاجی کریم
3	4	جناب مرتضیٰ ایچ۔ حبیب	8	9	جناب ایس۔ حسن علی بخاری
4	4	جناب ایس۔ حسن علی بخاری	7	9	جناب سفر علی لاکھانی
4	4	جناب ارشد ناصر	9	9	جناب ارشد ناصر

ڈائریکٹرز کا ٹریننگ پروگرام

بینک کے 10 میں سے 7 ڈائریکٹرز پہلے ہی ڈائریکٹرز کے ٹریننگ پروگرام میں شرکت کر چکے ہیں۔ سال کے دوران کسی ڈائریکٹر کو ڈائریکٹرز ٹریننگ پروگرام کے لئے نامزد نہیں کیا گیا۔

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) ریٹنگز برقرار رکھی ہیں۔ ہمارے انسکیورڈ، سبارڈینٹیٹی ایف سیز کی ریٹنگز بھی AA (ڈبل اے) برقرار رکھی گئی ہے۔ یہ ریٹنگز کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ برآ ہونے کی بہت مضبوط صلاحیت ہے۔

مستقبل پر ایک نظر

پاکستان کی معیشت نے 2017 کے دوران ترقی کا سفر جاری رکھا۔ جی ڈی پی میں حقیقی شرح نمو گزشتہ 10 سال کی بہترین سطح پر رہی جس کی بنیادی وجہ زراعت میں بہتری اور لارج۔ اسکیل مینوفیکچرنگ اور سروسز کے شعبے میں نمایاں ترقی تھی۔ توانائی اور سیکورٹی کی مجموعی صورتحال بھی بہتری کی جانب گامزن ہے۔ موزوں مانیٹری پالیسی، ترقیاتی اخراجات میں اضافہ اور سی۔ پیک سے منسلک پروڈیکٹس پر مستقل کام، اقتصادی سرگرمیوں کیلئے کارآمد ثابت ہوئیں۔ حالانکہ شرح سود میں اضافہ کا سلسلہ شروع ہو چکا ہے لیکن یہ شرح ماضی کے مقابلے میں اب بھی کم ہے۔ اس کے باوجود یہ اضافہ بینک کے منافع پر مثبت انداز سے اثر انداز ہوگا۔ ساتھ ہی کرنٹ اکاؤنٹ، مالیاتی استحکام اور انفراسٹرکچر پروڈیکٹس سے متعلقہ بڑھتی ہوئی ذمہ داریوں کے حوالے سے درپیش چیلنجز پر توجہ دینے کی ضرورت ہے۔ اللہ تعالیٰ کے فضل و کرم سے ہم پر اعتماد ہیں کہ بینک انشاء اللہ اپنی توسیع اور ترقی کا سلسلہ جاری رکھے گا۔

آڈیٹرز

موجودہ آڈیٹرز کے پی ایم جی تاثر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، ریٹائر ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے ۳۱ دسمبر ۲۰۱۸ء کو ختم ہونے والے سال کے لئے باہمی طور پر طے کئے جانے والے معاوضے پر ان کی بحیثیت بینک کے آڈیٹرز دوبارہ تقرری کے لئے شیئر ہولڈرز کو سفارش کی ہے۔



بورڈ کے اجلاس

اس سال کے دوران بورڈ کے 5 اجلاس منعقد ہوئے اور ان میں ڈائریکٹرز کی شرکت درج ذیل رہی:

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب عباس ڈی۔ حبیب	5	5
جناب علی رضا ڈی۔ حبیب	5	3
جناب انور حاجی کریم	5	5
جناب مرتضیٰ ایچ۔ حبیب	5	5
جناب کمیل آر۔ حبیب	5	5
جناب ایس۔ مظہر عباس	5	5
جناب ارشد ناصر	5	5
جناب سفر علی لاکھانی	5	4
جناب ایس۔ حسن علی بخاری	5	5
جناب شاہد غفار *	5	2
جناب منظور احمد **	5	2
جناب منصور علی خان، چیف ایگزیکٹو	5	5
* جناب شاہد غفار، دوران سال بحیثیت ڈائریکٹر (این آئی ٹی کے نامزد کردہ)، مستعفی ہوئے۔ انہوں نے اپنے استعفیے سے قبل بورڈ کے منعقدہ 3 میں سے 2 اجلاسوں میں شرکت کی۔		
** جناب منظور احمد نے بطور ڈائریکٹر عہدہ سنبھالنے کے بعد بورڈ کے تمام اجلاسوں میں شرکت کی۔		

کمیٹی کے اجلاس

کوڈ آف کارپوریٹ گورننس 2012 کے تحت بورڈ کی 2 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 آر اینڈ آرسی) کے 4 اجلاس منعقد ہوئے اور اس میں ممبران کی حاضری درج ذیل رہی:



ہم بسمرت آگاہ کرتے ہیں کہ اللہ تعالیٰ کے فضل و کرم سے آپ کے بینک نے دسمبر 2017 میں کامیابی کے ساتھ 7,000 ملین روپے مالیت کے اپنے پریچول ٹرم فنانس سرٹیفکیٹس (ٹی ایف سیز)، بشمول 2,000 ملین روپے کے گرین شو آپشن، کی پرائیویٹ پلیسمنٹ مکمل کر لی ہے۔ یہ پاکستان میں کسی بھی بینک کی جانب سے جاری کردہ پہلا پریچول، آنسکیورڈ، اور سہارڈ بیٹڈ ٹی ایف سی تھا۔

سال کے دوران بینک نے 45 نئی برانچیں قائم کیں اور 42 ذیلی برانچوں کو مکمل برانچوں میں تبدیل کیا۔ بینک کا موجودہ نیٹ ورک 653 دفاتر پر مشتمل ہے جس میں 605 برانچیں (بشمول 53 اسلامک بینکنگ برانچیں اور 3 اور سیز برانچیں، بحرین، ملائیشیا اور سیشلز) 45 ذیلی برانچیں اور 3 نمائندہ دفاتر، دبی، استنبول اور بیجنگ شامل ہیں۔ بینک کی جانب سے پاکستان اور بیرون ملک نیٹ ورک میں توسیع کا سلسلہ جاری رہے گا۔

ایوارڈز اور اعزازات

ٹریڈ فنانس پروگرام (ٹی ایف پی) ایوارڈ 2017

بینک نے ایشیائی ترقیاتی بینک کی جانب سے پاکستان میں سرکردہ شراکتی بینک (لیڈنگ پارٹنر بینک) کی حیثیت سے ”ٹریڈ فنانس پروگرام (ٹی ایف پی) ایوارڈ 2017“ حاصل کیا۔ یہ ٹی ایف پی ایوارڈ، ایشیا اور پسیفک ریجن میں بینک کے تجارتی معاونت کے کردار کو تسلیم کرتا ہے۔

ٹاپ کمپنیز ایوارڈ برائے سال 2016

اللہ تعالیٰ کے فضل و کرم سے ہم بسمرت آگاہ کرتے ہیں کہ بینک کو سال 2016 کے لئے پاکستان اسٹاک ایکسچینج کی جانب سے ”ٹاپ 25 کمپنیز ایوارڈ“ کے لئے منتخب کیا گیا۔ ایوارڈ کیلئے اہلیت کے معیار منافع منقسمہ کی شرح، سرمائے کا بہتر استعمال، منافع جات، آزاد دستیاب شیئرز، شفافیت، کارپوریٹ گورننس اور سرمایہ کار سے تعلق اور اسٹاک کمپنیز اور سیکورٹیز ضوابط پر عملدرآمد تھا۔ الحمد للہ، بینک کو اس ایوارڈ کیلئے چھٹی مرتبہ منتخب کیا گیا ہے۔

سال 2016 کے لئے بہترین بینک (مڈ سائز بینک)

بینک نے چارٹرڈ فنانشل اینالسٹ (سی ایف اے) سوسائٹی پاکستان کی جانب سے ”بہترین بینک برائے سال 2016 (مڈ سائز بینک)“ ایوارڈ حاصل کیا۔ یہ ایوارڈ کسی بھی مالیاتی ادارے کی غیر معمولی کارکردگی کی پہچان ہے۔ بینک نے سی ایف اے سوسائٹی پاکستان کی جانب سے اس ایوارڈ کو پانچویں مرتبہ وصول کیا۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں

سال کے دوران جناب شاہد غفار، نامزد ڈائریکٹر، نیشنل انویسٹمنٹ ٹرسٹ لمیٹڈ (این آئی ٹی) نے 25 ستمبر 2017 کو بورڈ سے استعفیٰ دے دیا اور ان کی جگہ جناب منظور احمد نے مورخہ 20 اکتوبر 2017 سے این آئی ٹی کے نامزد ڈائریکٹر کی حیثیت سے اپنی ذمے داریاں سنبھالیں۔

بورڈ جناب شاہد غفار کو ان کی جانب سے بینک کے لئے پیش کردہ شاندار خدمات پر خراج تحسین پیش کرتا ہے اور جناب منظور احمد کو بطور بینک کے ڈائریکٹر کی حیثیت سے خوش آمدید کہتا ہے اور یہ امید ظاہر کرتا ہے کہ ان کے تجربے اور مشوروں سے استفادہ حاصل کیا جائے گا۔



ڈائریکٹرز کی رپورٹ

الحمد للہ بینک الحبيب نے اپنے آپریشن کے 26 سال مکمل کر لئے ہیں اور ڈائریکٹرز کیلئے 27 ویں سالانہ رپورٹ بشمول ۳۱ دسمبر ۲۰۱۷ء کو ختم ہونے والے سال کیلئے بینک کے آڈٹ شدہ مالیاتی حسابات پیش کرنا باعث مسرت ہے۔
آپریٹنگ نتائج اور ان کی تخصیص کے لئے بورڈ کی سفارشات درج ذیل ہیں:

(000' روپے میں)

14,040,322

(5,390,752)

8,649,570

12,858,807

64,160

(108,080)

12,814,887

21,464,457

(903,346)

(3,889,989)

(4,793,335)

16,671,122

7.78 روپے

سالانہ منافع قبل از ٹیکس

ٹیکسیشن

سالانہ منافع بعد از ٹیکس

گزشتہ غیر مختص شدہ منافع

فلڈ اثاثہ جات کی ری ویلیویشن کے اضافے میں سے منتقلی۔ بعد از ٹیکس

دیگر جامع آمدنی

تخصیص کیلئے دستیاب منافع

تخصیص:

اسٹیچوٹری ریزرو میں منتقلی

نقد منافع منقسمہ - ۲۰۱۶ء

غیر مختص شدہ منافع

بنیادی/معتدل فی شیئر آمدنی۔ بعد از ٹیکس

۳۱ دسمبر ۲۰۱۷ء کو ختم ہونے والے سال کے لئے ڈائریکٹرز نے 30% نقد منافع منقسمہ یعنی 3.0 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 584,172 ملین روپے کے مقابلے میں بڑھ کر 692,576 ملین روپے ہو گئے جبکہ ایڈوانسز 261,440 ملین روپے سے بڑھ کر 339,833 ملین روپے ہو گئے۔ سال کے دوران بینک کا غیر ملکی تجارتی کاروباری حجم 1,073,506 ملین روپے رہا۔ سالانہ منافع قبل از ٹیکس 14,040 ملین روپے رہا جبکہ گزشتہ سال یہ منافع 13,164 ملین روپے تھا۔ جبکہ سالانہ منافع بعد از ٹیکس گزشتہ سال کے 8,119 ملین روپے کے مقابلے میں 8,650 ملین روپے رہا۔



بورڈ کی مجموعی کارکردگی پر چیئرمین کی جانب سے جائزہ رپورٹ

میں بمسرت بورڈ کی مجموعی کارکردگی اور بینک کے اغراض و مقاصد کے حصول کے سلسلے میں بورڈ کی جانب سے ادا کیے جانے والے موثر کردار پر رپورٹ پیش کر رہا ہوں۔

بینک کے انتظام اور کنٹرول کے اختیارات بورڈ آف ڈائریکٹرز کے پاس ہیں ماسوائے بطور خاص ان اختیارات کے جو شیئر ہولڈرز بینک کے اجلاس عام میں استعمال کرتے ہیں۔ ڈائریکٹرز نے روزمرہ کے امور مینجمنٹ کے سپرد کئے ہیں تاہم یہ سپردگی بورڈ کے کنٹرول اور ہدایات سے مشروط ہے۔ ڈائریکٹرز کیلئے ضروری ہے کہ وہ اپنی ذمہ داریاں اور اپنے فیصلے آزادانہ طور پر بینک کے بہترین مفادات کو پیش نظر رکھتے ہوئے سرانجام دیں۔

بورڈ نے اپنی کارکردگی کی جانچ کے لئے ایک باقاعدہ طریقہ کار منظور کیا ہے۔ بینک نے بورڈ کی جانچ کے لئے اندرون خانہ طریقہ کار اور اعدادی ٹیکنیک مع اسکور شدہ سوال نامے کا انتخاب کیا ہے۔

بورڈ کی اس کارکردگی کی جانچ کا مجموعی مقصد درج ذیل شعبوں پر توجہ مرکوز کرتے ہوئے بینک کی دیر پا توسیع و ترقی کو یقینی بنانا ہے:

اے۔ بورڈ کی تشکیل اور اس کے امور

بی۔ کارپوریٹ اسٹریٹیجی اور بزنس پلان

سی۔ بینک کی کارکردگی کی نگرانی

ڈی۔ انٹرنل آڈٹ اور انٹرنل کنٹرول

ای۔ رسک مینجمنٹ اور کمپلائنس

ایف۔ ضروری معلومات کی تشہیر

جی۔ بہتری کے لئے تجاویز

اس حوالے سے بورڈ کی کارکردگی کی جانچ بورڈ کے منظور کردہ طریقہ کار کے مطابق 2017 میں کی گئی جس کے تحت یہ نتیجہ اخذ کیا گیا کہ بورڈ کی مجموعی کارکردگی بشمول بینک کے مقاصد کے حصول کیلئے بورڈ کا موثر کردار بالعموم باعث اطمینان ہے۔

عباس ڈی۔ حبیب

چیئرمین

بورڈ آف ڈائریکٹرز

کراچی: ۱۴ فروری ۲۰۱۸ء



Branch Network

The Bank has a network of 650 branches including 45 sub-branches, 03 overseas branches and 53 Islamic Banking branches. The Bank also has 03 representative offices. The Bank has branches / sub-branches / representative offices in the following cities:

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

- 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



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 Seventh Annual General Meeting of the Bank to be held on Tuesday, March 27, 2018 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2018.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

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

Witnesses:

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

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

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

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

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



مختار نامہ (پراکسی فارم)

میں / ہم _____ ساکن _____ بحیثیت ممبر (رکن) بینک الحیب لمیٹڈ اور حامل
عام حصص، بمطابق شیئر رجسٹر فلیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____
ممبر (رکن) محترم / محترمہ _____ فلیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____ کو
یا ان کی غیر حاضری میں ممبر (رکن) محترم / محترمہ _____ فلیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____
کو اپنے / ہمارے ایما پر بروز منگل ۲۷ مارچ ۲۰۱۸ء کو بینک الحیب لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے بینک کے سٹائیسویں سالانہ اجلاس عام میں
حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں / کرتے ہیں۔
آج بروز _____ بتاریخ _____ ۲۰۱۸ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
رسیدی ٹکٹ پر دستخط

دستخط ممبر (رکن)

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

گواہان:

۱۔ دستخط _____ ۲۔ دستخط _____

نام _____ نام _____

پتہ _____ پتہ _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہوا اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پراکسی) شرکت کرنے، بولنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔

سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوگی۔
مختار (پراکسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)،
بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد / پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختار نامہ (پراکسی فارم) جمع کرانا ہوئے۔

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

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

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