

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 Anwar Haji Karim Farhana Mowjee Khan Syed Mazhar Abbas Qumail R. Habib Safar Ali Lakhani Syed Hasan Ali Bukhari Murtaza H. Habib Arshad Nasar Adnan Afridi	<i>Chairman</i> <i>Executive Director</i>
	Mansoor Ali Khan	<i>Chief Executive</i>
Audit Committee	Safar Ali Lakhani Syed Mazhar Abbas Anwar Haji Karim Syed Hasan Ali Bukhari Arshad Nasar	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Human Resource & Remuneration Committee	Syed Hasan Ali Bukhari Syed Mazhar Abbas Abbas D. Habib Farhana Mowjee Khan Arshad Nasar	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Credit Risk Management Committee	Syed Mazhar Abbas Safar Ali Lakhani Qumail R. Habib Syed Hasan Ali Bukhari Murtaza H. Habib	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Risk Management Committee	Adnan Afridi Qumail R. Habib Farhana Mowjee Khan Anwar Haji Karim Safar Ali Lakhani	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
IT Committee	Abbas D. Habib Qumail R. Habib Arshad Nasar Syed Mazhar Abbas Mansoor Ali Khan	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Company Secretary	Mohammad Taqi Lakhani	



Chief Financial Officer	Ashar Husain
Statutory Auditors	EY Ford Rhodes 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	CDC Share Registrar Services Limited 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 Muhammad 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 and issued Pakistan's first Perpetual Term Finance Certificates in the banking industry.

2019

Bank AL Habib Limited achieved asset base of Rs. 1.3 trillion, deposits of Rs. 903.7 billion, profit before tax of Rs. 19.0 billion, and a network of 755 branches in 288 cities.

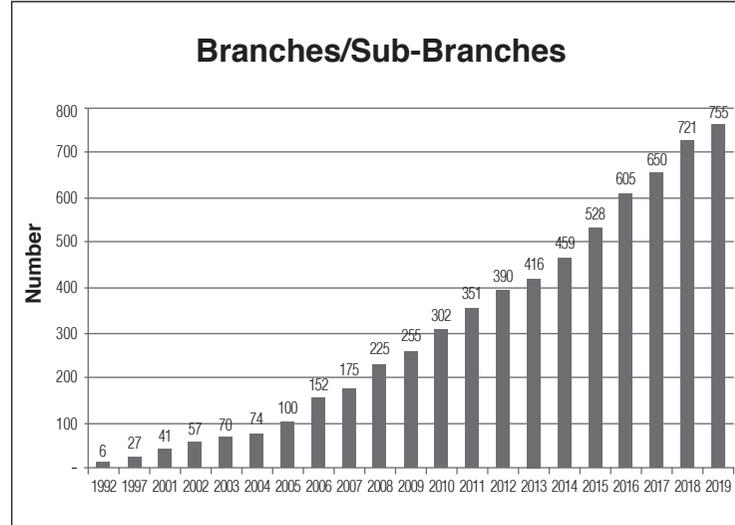
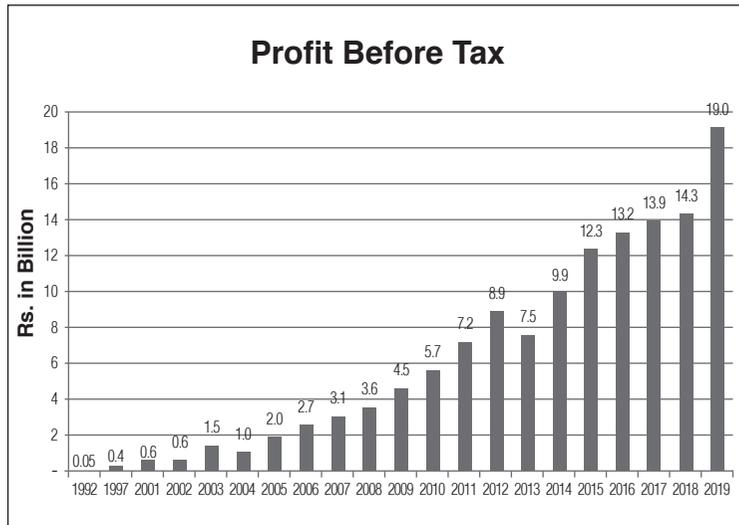
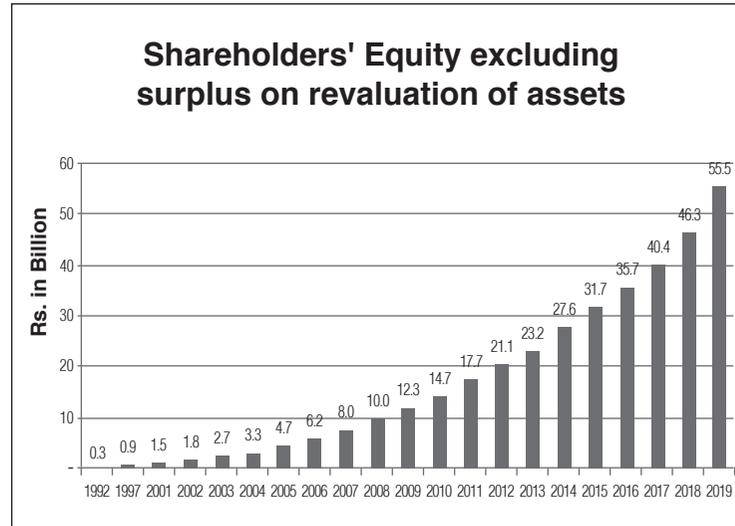
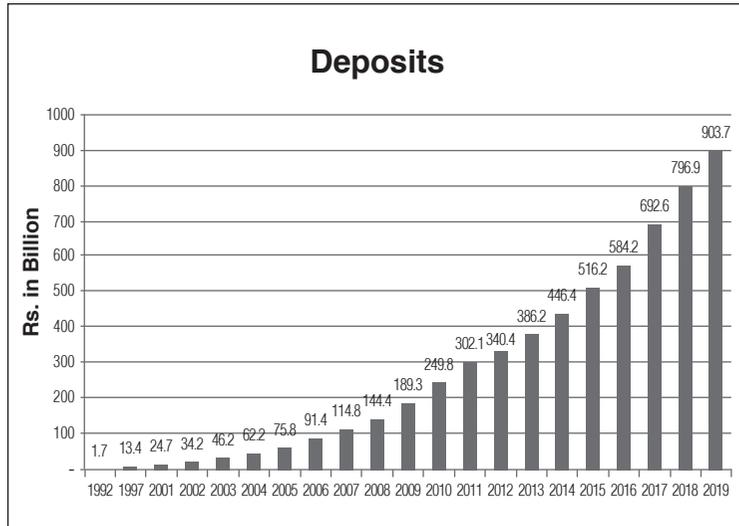
Performance 1992-2019 : Financials

(Rupees in Million)

Years	Assets	Deposits	Advances	Investments	Shareholders' Equity excluding surplus on revaluation of assets	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	768,018	584,172	261,440	405,028	35,673	13,164	8,119	35.0%	–
2017	944,134	692,576	339,833	476,125	40,409	13,890	8,501	30.0%	–
2018	1,048,239	796,901	478,215	414,605	46,283	14,264	8,418	25.0%	–
2019	1,298,682	903,740	488,669	586,141	55,489	19,011	11,169	35.0%	–



Performance 1992-2019 : Charts





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

Alhamdulillah, 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 objectives.

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, to the best of their knowledge. The Directors are required to carry out their fiduciary duties and exercise their independent judgment to the best of their abilities in the 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 2019 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: January 29, 2020

Abbas D. Habib
Chairman
Board of Directors



DIRECTORS' REPORT

Alhamdulillah, Bank AL Habib Limited has completed 28 years of its operation, and the Directors are pleased to present the Twenty-ninth Annual Report together with the audited financial statements of the Bank for the year ended December 31, 2019.

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

	(Rupees in '000)
Profit for the year before tax	19,010,995
Taxation	(7,842,259)
Profit for the year after tax	11,168,736
Unappropriated profit brought forward	20,411,694
Transfer from surplus on revaluation of fixed assets – net of tax	72,769
Other comprehensive income – net of tax	149,997
	<u>20,634,460</u>
Profit available for appropriations	31,803,196
Appropriations:	
Transfer to Statutory Reserve	(1,116,874)
Cash dividend – 2018	(2,778,564)
	<u>(3,895,438)</u>
Unappropriated profit carried forward	<u>27,907,758</u>
Basic / Diluted earnings per share – after tax	<u>Rs. 10.05</u>

For the year ended December 31, 2019, the Directors propose a cash dividend of 35%, i.e., Rs. 3.50 per share.

Performance Review

Alhamdulillah, the performance of your Bank continued to be satisfactory during the year. Deposits rose to Rs. 903.7 billion against Rs. 796.9 billion a year earlier, while advances increased to Rs. 488.7 billion from Rs. 478.2 billion. Foreign Trade Business handled by the Bank during the year was Rs. 1,458.5 billion. Profit before tax for the year was Rs. 19.0 billion as compared to Rs. 14.3 billion last year, while profit after tax was Rs. 11.2 billion against Rs. 8.4 billion last year.

During the year, the Bank opened 34 new branches, bringing our network to 759, which comprises 718 branches (including 83 Islamic Banking Branches and 3 Overseas Branches, one each in Bahrain, Malaysia, and Seychelles), 37 sub-branches, and 4 Representative Offices, one each in Dubai, Istanbul, Beijing, and Nairobi. The Bank will continue to expand its network in Pakistan and abroad.

Investment in Habib Asset Management Limited (HAML)

We are pleased to inform you that we have received regulatory approvals from State Bank of Pakistan (SBP), Securities & Exchange Commission of Pakistan (SECP), and Competition Commission of Pakistan (CCP), for acquiring the remaining 70% in addition to our existing 30% of the issued and paid-up capital of Habib Asset Management Limited (HAML) from its existing shareholders at a price of Rs. 7.25 per share, amounting to Rs. 152,250,000, and injecting additional equity of up to Rs. 450,000,000 in HAML. These transactions are subject to the approval of shareholders of the Bank in the forthcoming Annual General Meeting.



AWARDS AND RECOGNITION

Trade Finance Program (TFP) Award 2019

The Bank has received “Trade Finance Program (TFP) Award 2019” from Asian Development Bank (ADB) as being a Leading Partner Bank in Pakistan. The TFP award recognizes the Bank’s role in supporting trade in Asia and the Pacific region. This is the second time that the Bank has received this award.

Chartered Financial Analyst (CFA) Society Pakistan Award for the Year 2018

The Bank has received “Best Islamic Window of the Year 2018” and Runner Up award for “Best Bank of the Year (Large-Size Banks) 2018” from the Chartered Financial Analyst (CFA) Society Pakistan. These awards recognized the outstanding performance of a financial institution.

Top 25 Companies Award for the Year 2017

By the Grace of Allah, We are pleased to inform that your Bank has received “Top 25 Companies Award” for the year 2017 by the Pakistan Stock Exchange (PSX). Criteria for the award include capital efficiency, profitability, free-float of shares, transparency, corporate governance & investors relation and compliance with listing of companies and securities regulations. Alhamdulillah, this is the seventh time that the Bank has received this award.

CHANGES IN THE BOARD OF DIRECTORS

- Mr. Ali Raza D. Habib retired from the Board and did not offer himself for election as Director in the year 2019.
- Mr. Manzoor Ahmed, Nominee Director, National Investment Trust (NIT), resigned from the Board in February 2019.
- Mr. Adnan Afridi, Nominee Director, National Investment Trust (NIT), and Ms. Farhana Mowjee Khan are the new members on our Board, being elected as Directors in March 2019.

The Board members placed their highest appreciation and gratitude for the invaluable services rendered by Mr. Ali Raza D. Habib as Chairman and Director of the Board, covering a period of more than 25 years, during which his participation played an important role in the development and success of the Bank.

COMPOSITION OF BOARD OF DIRECTORS

Total number of Directors are as follows:

- Male 09
 - Female 01
- 10

The composition of the Board is as follows:

Independent Directors	Syed Hasan Ali Bukhari Mr. Arshad Nasar Mr. Safar Ali Lakhani
Non-Executive Directors	Mr. Abbas D. Habib Mr. Anwar Haji Karim Syed Mazhar Abbas Mr. Murtaza H. Habib Mr. Adnan Afridi
Executive Director	Mr. Qumail R. Habib
Female Director-Non Executive	Ms. Farhana Mowjee Khan

Mr. Mansoor Ali Khan is the Chief Executive of the Bank. Being CEO of the Bank, he is deemed to be a Director.



Board Meetings

During the year, four 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	4	3
Mr. Ali Raza D. Habib*	4	1
Mr. Anwar Haji Karim	4	4
Mr. Murtaza H. Habib	4	4
Mr. Qumail R. Habib	4	4
Syed Mazhar Abbas	4	4
Mr. Arshad Nasar	4	4
Mr. Safar Ali Lakhani	4	4
Syed Hasan Ali Bukhari	4	4
Mr. Manzoor Ahmed*	4	1
Ms. Farhana Mowjee Khan**	4	3
Mr. Adnan Afridi**	4	3
Mr. Mansoor Ali Khan, Chief Executive	4	4
*Mr. Ali Raza D. Habib and Mr. Manzoor Ahmed ceased to be the members of the Board. They attended the Board meeting while they were members.		
**Ms. Farhana Mowjee Khan and Mr. Adnan Afridi attended all meetings after their nomination.		

Committees Meetings

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires the Bank to disclose the composition of all Committees of the Board, viz. Audit Committee, Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee and IT Committee.

During the year, eight meetings of the Audit Committee, and four meetings of Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, and IT Committee 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. Safar Ali Lakhani, Chairman	8	8	Syed Hasan Ali Bukhari, Chairman	4	4
Syed Mazhar Abbas	8	7	Syed Mazhar Abbas	4	3
Mr. Anwar Haji Karim	8	8	Mr. Abbas D. Habib	4	3
Syed Hasan Ali Bukhari	8	8	Ms. Farhana Mowjee Khan*	4	2
Mr. Arshad Nasar	8	8	Mr. Arshad Nasar	4	4
			Mr. Safar Ali Lakhani**	4	2
*Ms. Farhana Mowjee Khan attended all Human Resource & Remuneration Committee meetings after her nomination.					
** Mr. Safar Ali Lakhani ceased to be the member of Human Resource & Remuneration Committee during the year. He attended all meetings of Human Resource & Remuneration Committee while he was its member.					



Credit Risk Management Committee			Risk Management Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Syed Mazhar Abbas, Chairman	4	3	Mr. Adnan Afridi, Chairman*	4	2
Mr. Safar Ali Lakhani	4	4	Mr. Qumail R. Habib	4	4
Mr. Qumail R. Habib	4	4	Ms. Farhana Mowjee Khan*	4	2
Syed Hasan Ali Bukhari	4	4	Mr. Anwar Haji Karim	4	4
Mr. Murtaza H. Habib	4	4	Mr. Safar Ali Lakhani	4	4
			Mr. Manzoor Ahmed**	4	1
			Mr. Mansoor Ali Khan***	4	2
* Mr. Adnan Afridi and Ms. Farhana Mowjee Khan attended all Risk Management Committee meetings after their nomination.					
** Mr. Manzoor Ahmed resigned in February 2019. He attended the Risk Management Committee meeting while he was its member.					
*** Mr. Mansoor Ali Khan ceased to be the member of Risk Management Committee during the year. He attended all meetings of Risk Management Committee while he was its member.					

IT Committee		
Name of Director	Meetings Held	Meetings Attended
Mr. Abbas D. Habib, Chairman	4	3
Mr. Qumail R. Habib	4	4
Mr. Arshad Nasar	4	4
Syed Mazhar Abbas	4	3
Mr. Mansoor Ali Khan	4	4

Directors Training Programme

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

Directors' Remuneration Policy

The Board of Directors has approved a 'Policy and Procedure for Fixing Remuneration of Directors', which states that:

- No Director shall determine his own remuneration. These shall be subject to prior approval of shareholders in the General Meetings as required by the Articles of Association of the Bank.
- Levels of remuneration shall be appropriate and commensurate with the level of responsibility and expertise, to attract and retain Directors needed to govern the Bank successfully and to encourage value addition. However, it shall not be at a level that could be perceived to compromise their independence.



Credit Rating

Alhamdollillah, 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 Term Finance Certificates (TFCs) are **AA** (Double A) for TFC-2016 and TFC-2018, and **AA-** (Double A minus) for TFC-2017 (perpetual). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

Future Outlook

The economy of Pakistan went through important adjustments during the year. In particular, exchange rates and interest rates were sharply re-adjusted, energy prices were increased, and public sector development expenditures were curtailed. Some signs of recovery are already there: current account deficit has declined, exchange rate has stabilized, and equity market has recovered significantly. At the same time, GDP growth has contracted and inflation has risen above its target. However, we are optimistic that economic stabilization policies of the government will benefit the country as well as the banking sector on a long-term basis. Being under an IMF programme ensures fiscal discipline and consistency of policies, which in turn gives comfort to investors and capital markets. Efforts to remove the deficiencies of tax system will help improve documentation and enhance revenue collection, although it may take some time. We are confident that, adhering to our usual prudent policies, the Bank will InshaAllah continue to grow and progress.

Auditors

The present auditors EY Ford Rhodes, 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, 2020, 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; and treasury & investment policy; 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. Decisions regarding the investment portfolio are taken mainly by ALCO. 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, IT and IT security policies, human resource policy, consumer protection framework, and outsourcing policy approved by the Board, along with the fraud prevention policy, consumer grievance handling 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 and divisions. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.



In addition, Risk Management Policy, Risk Tolerance Statement, and Country Risk Management Policy provide further guidance on managing the potential risk exposures of the Bank.

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 maturity mismatch and rate sensitive assets and liabilities, 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; collecting operational loss data, developing Key Risk Indicators; identifying Top Ten Risks of the Bank; conducting risk evaluation of 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, Key Risk Indicators, Internal Capital Adequacy Assessment Process, Stress Testing and Recovery Plan.

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. 110.7 million by way of donations during the year for social and educational development and welfare of people;
- energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and "No Smoking Zone", and providing a safe and healthy work environment;
- business ethics and anti-corruption measures, requiring all staff members to comply with the Bank's "Code of Conduct";
- consumer protection measures, requiring disclosure of the schedule of charges and terms and conditions that apply to the Bank's products and services;
- amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;
- employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc., including employment of special persons;
- expansion of the Bank's branch network to rural areas, which helps in rural development;
- contribution to the national exchequer by the Bank by way of direct taxes of about Rs. 8.63 billion paid to the Government of Pakistan during the year; furthermore, an additional amount of over Rs. 15.80 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.
- During the last five years, the Bank has disbursed Rs. 51,887,500 under the Prime Minister's Youth Business Loan programme.



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 30.
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 summarised below:

	(Rupees in million)					
	2019	2018	2017	2016	2015	2014
Total customer deposits	903,740	796,901	692,576	584,172	516,213	446,409
Total advances	488,669	478,215	339,833	261,440	207,289	181,737
Profit before tax	19,011	14,264	13,890	13,164	12,332	9,917
Profit after tax	11,169	8,418	8,501	8,119	7,405	6,349
Shareholders' Equity	55,489	46,283	40,409	35,673	31,698	27,555
Earnings per share (Rs.)	10.05	7.57	7.65	7.31	6.66	5.71
Cash Dividend (%)	35	25	30	35	35	30

8. Value of investments of Provident Fund and Gratuity Fund Schemes based on latest audited financial statements as at December 31, 2018 was as follows:

	(Rupees in '000)
Provident Fund	6,144,979
Gratuity Fund	2,227,828

9. The pattern of shareholding and additional information regarding pattern of shareholding is given on pages 140, 141 & 142.
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 March 31 of the next year. Additionally, performance evaluation of the Board will be conducted by an external independent evaluator at least every three years. We have appointed Pakistan Institute of Corporate Governance (PICG) for external independent evaluation of the Board.

There is no conflict of interest between the experts hired by the Bank and any Board member or Key Executive.



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, during the year, except the following:

- 60,400 shares sold by four Executives.
- 7,000 shares purchased by two Executives.

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 trust and support, local and foreign correspondents for their confidence and cooperation, and the State Bank of Pakistan for their guidance. We also thank all our staff members for their sincerity, dedication and hard work.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 29, 2020



CORPORATE GOVERNANCE

Corporate Governance Culture

Habib Family has been engaged in the business of banking for over 70 years, and is well known for commitment to its traditional values of integrity, prudence, and trust. We are committed to continue all our business activities as per highest ethical and professional standards and practices. We ensure good corporate governance culture by remaining true to our values and by following the Prudential Regulations issued by the State Bank of Pakistan and the Code of Corporate Governance Regulations issued by the Securities & Exchange Commission of Pakistan. Board of Directors of the Bank comprises reputable businessmen, bankers, professional managers, and chartered accountants, representing a range of industries. They carry out their fiduciary duties to protect the interests of shareholders, depositors, and creditors, and exercise their independent judgement in the best interests of the Bank. We have clearly defined the responsibilities of the Board, Chief Executive, and Senior Management.

Nomination and Selection of Board Members

There is a defined procedure for election of Directors in Companies Act, 2017 and the Bank's Articles of Association which has been strictly followed by the Bank. Accordingly, the Bank announces the schedule of election of Directors in the year when the election is due. Any person desirous to become a Director can submit his/her nomination papers as per the requirements of the Companies Act, 2017 and regulations of State Bank of Pakistan (SBP). The person elected by the shareholders shall hold the office of Director, subject to Fit and Proper Criteria and approval of the State Bank of Pakistan. Any casual vacancy on the Board is filled up by the Directors, subject to applicable regulations.

Profile of Board Members

1. Mr. Abbas D. Habib – Chairman

Mr. Abbas D. Habib, Founder Member & Chairman of the Board, has over 40 years' commercial, industrial and banking experience in the local and international environment. He is a Fellow Member of the Institute of Bankers, Pakistan. He has held senior management positions with various organizations of the Habib Group and gained international banking experience while working with Habibsons Bank Limited, London, as Regional Director and later as Executive Director. Upon the inception of Bank AL Habib Limited in 1991, he became its Director and Joint Managing Director. He assumed responsibilities as Managing Director and Chief Executive of the Bank on May 8, 1994 and served in that position till October 31, 2016. He became Chairman of the Board on November 1, 2016.

2. Mr. Anwar Haji Karim

Mr. Anwar Haji Karim holds a Bachelor's degree in commerce and has over 40 years' experience in business and industry. He belongs to the Al Karam Group, a reputable business group of Pakistan, with interests in textiles and synthetics. He is Chief Executive of Al Karam Textile Mills, Iqbal Textile Mills, and Pakistan Synthetics Limited. He is a Founder Member of the Board of Directors of the Bank since its inception in 1991.

3. Ms. Farhana Mowjee Khan

Ms. Farhana Mowjee Khan, Director of Razaque Steels (Private) Limited, has over 30 years' experience in the local and international environment. She has also served as Managing Director of Razaque Steels (Private) Limited from 1994 to 2006. She graduated from University College London, UK and is a qualified Chartered Accountant from Institute of Chartered Accountants in England and Wales, UK. She joined the Board of Bank AL Habib Limited in April 2019.



4. Syed Mazhar Abbas

Syed Mazhar Abbas studied at American University of Beirut. He has over 45 years' experience in commercial banking, including senior executive positions at Habib Bank Limited and Bank AL Habib Limited. He has had extensive exposure to international banking in several countries including Bahrain, Lebanon, France, UK, Egypt, and Hong Kong. He joined Bank AL Habib Limited in 1992 as a senior executive and became its Director in 2000.

5. Mr. Qumail R. Habib – Executive Director

Mr. Qumail R. Habib is a graduate of the University of California in Business Economics and has over 25 years' commercial, industrial, and banking experience. He is a Founder Member of the Board and Executive Director of the Bank since its inception in 1991. Prior to that, he was Resident Director of Al Ghazi Tractors Limited. He has been actively involved with the operations of the Bank since its inception. He is responsible for enhanced oversight on Enterprise Risk and Corporate Strategy, and for monitoring Fraud Investigation Unit.

6. Mr. Safar Ali Lakhani

Mr. Safar A. Lakhani holds a Bachelor's degree in Commerce and is also a Law graduate. He is a Diplomaed Associate of the Institute of Bankers, Pakistan. He has extensive experience of working in banks in senior positions. He served in Habib Bank Limited as Senior Executive Vice President & General Manager for East & Pacific Region, based in Singapore. Also served as the founder President of Soneri Bank from 1991 until his retirement in 2010. He has been associated with Bank AL Habib Limited as advisor/consultant during the years 2011-2013 and was appointed as a Director in January 2014.

7. Syed Hasan Ali Bukhari

Syed Hasan Ali Bukhari is a Commerce graduate and a Fellow of the Institute of Chartered Accountant of Pakistan (FCA). Mr. Bukhari has also attended General Management Course at Henley Management College, England. He has vast experience in a professional accounting firm and the shipping industry. His corporate experience span over 36 years in various positions with Mackinnon Mackenzie & Co. of Pakistan, until his retirement as Chief Executive & Managing Director of the company in 2010. Mr. Bukhari is Advisor to Chairman of Hilton Pharma (Private) Limited since 2011. Mr. Bukhari has served as a Board member of Karachi Port Trust and Pakistan Institute of Corporate Governance, and he is currently a Director of Pakistan Oxygen Limited, Quick Food Industries (Private) Limited, and Pakistan Gum & Chemicals Limited. He was appointed as a Director of Bank AL Habib Limited in June 2014.

8. Mr. Murtaza H. Habib

Mr. Murtaza H. Habib holds a Bachelor's degree in finance from Texas A&M University, USA, and has over 25 years' experience in business and industry. He is currently Executive Director of Habib Sugar Mills, and also holds Directorships in several other companies of Habib Group. He is actively involved with social welfare activities of the Group. He is a Founder Member of the Board of Directors of the Bank since its inception in 1991, except for a gap of one year.

9. Mr. Arshad Nasar

Mr. Arshad Nasar served as Chairman and Chief Executive of Oil & Gas Development Company Ltd (OGDCL) from 2005 - 2008. Under his watch, OGDCL successfully launched a Global Depository Receipt (GDR) issue and was listed on London Stock Exchange. Mr. Nasar previously served as Country Chairman and Managing Director of Caltex Oil (Chevron) Pakistan Ltd from 1998 – 2004, the first Pakistani to lead Caltex Oil in Pakistan. He retired from the Company after 36 years of service. He holds a Master's Degree in Economics and has extensive functional and Management experience in a wide ranging international corporate career spanning more than 40 years. Mr. Nasar has served as Director on the Boards of: Oil



& Gas Development Company Limited (OGDCL), Caltex Oil (Chevron) Pakistan Ltd, Engro Corporation Pakistan Ltd, Engro Fertilizer Ltd, Pakistan Industrial Development Corporation (PIDC), Pakistan Refinery Limited (PRL), Mari Gas Company, The American Business Council of Pakistan, Petroleum Institute of Pakistan. Presently, he is also on the Board of FAST National University of Computer and Emerging Sciences. He joined the Board of Bank AL Habib Limited in March 2016.

10. Mr. Adnan Afridi

Mr. Adnan Afridi holds a Bachelor's degree in Economics – Industrial Organization and a Juris Doctor degree in Corporate Law from Harvard University, USA. He assumed charge as Managing Director, National Investment Trust Limited (NITL) in February 2019. He has 24 years' international experience in change management, business transformation, innovation and profitability enhancement in blue chip companies, public sector, and start-up situations. He had a distinguished career in financial services and capital markets, including the position of Managing Director of the Karachi Stock Exchange, CEO of Overseas Chamber of Commerce and Industry, Chairman of National Clearing Corporation of Pakistan, and a Director of Central Depository Company. He is also a Member of the SECP Policy Board. He represents NITL as a Director on the Boards of several well-known and multinational companies in Pakistan. He joined the Board of Bank AL Habib Limited as a nominee of NITL in April 2019.

Details of Membership on the Bank's & other Boards

Sr. No.	Name of Director	Date of Joining /Leaving the Board (dd/mm/yyyy)	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Number of other Board Memberships along with name of Company(ies)
1	Mr. Abbas D. Habib	15/10/1991	Non-Executive	<ul style="list-style-type: none"> Human Resource and Remuneration Committee IT Committee 	1. Habib Insurance Company Limited 2. Habib & Sons (Private) Limited
2	Mr. Anwar Haji Karim	15/10/1991	Non-Executive	<ul style="list-style-type: none"> Audit Committee Risk Management Committee 	1. AL - Karam Textile Mills (Private) Limited 2. Pakistan Synthetics Limited 3. Iqbal Textile Mills (Private) Limited
3	Ms. Farhana Mowjee Khan	17/04/2019	Non-Executive	<ul style="list-style-type: none"> Human Resource and Remuneration Committee Risk Management Committee 	1. Razaque Steel (Private) Limited 2. Shabbir Tiles and Ceramics Limited
4	Syed Mazhar Abbas	10/10/2000	Non-Executive	<ul style="list-style-type: none"> Audit Committee Human Resource and Remuneration Committee Credit Risk Management Committee IT Committee 	-
5	Mr. Qumail R. Habib	15/10/1991	Executive	<ul style="list-style-type: none"> Credit Risk Management Committee Risk Management Committee IT Committee 	Habib Insurance Company Limited
6	Mr. Safar Ali Lakhani	29/01/2014	Independent	<ul style="list-style-type: none"> Audit Committee Credit Risk Management Committee Risk Management Committee 	-



Details of Membership on the Bank's & other Boards

Sr. No.	Name of Director	Date of Joining /Leaving the Board (dd/mm/yyyy)	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Number of other Board Memberships along with name of Company(ies)
7	Syed Hasan Ali Bukhari	02/06/2014	Independent	<ul style="list-style-type: none"> Audit Committee Human Resource and Remuneration Committee Credit Risk Management Committee 	<ol style="list-style-type: none"> Pakistan Gum & Chemicals Limited Pakistan Oxygen Limited Quick Food Industries (Private) Limited
8	Mr. Murtaza H. Habib	15/10/1991 to 22/12/1997 and 24/11/1998 to date	Non-Executive	<ul style="list-style-type: none"> Credit Risk Management Committee 	<ol style="list-style-type: none"> Habib Sugar Mills Limited Habib & Sons (Private) Limited Investment Consultancy (Private) Limited Habib Capital Management (Private) Limited Habib Leasing Corporation (Private) Limited Habib Management Services (Private) Limited Habib Energy (Private) Limited HSM Energy Limited Greenshield Insurance Brokers (Private) Limited
9	Mr. Arshad Nasar	28/03/2016	Independent	<ul style="list-style-type: none"> Audit Committee Human Resource and Remuneration Committee IT Committee 	–
10	Mr. Adnan Afridi	17/04/2019	Non-Executive	<ul style="list-style-type: none"> Risk Management Committee 	<ol style="list-style-type: none"> Dynea Pakistan Limited International Industries Limited Mari Petroleum Company Limited Bulk Transport Company (Private) Limited
11	Mr. Ali Raza D. Habib*	27/03/2019	Non-Executive	–	<ol style="list-style-type: none"> Habib Sugar Mills Limited Habib & Sons (Private) Limited Habib Asset Management Limited
12	Mr. Manzoor Ahmed *	18/02/2019	Non-Executive	<ul style="list-style-type: none"> Risk Management Committee 	<ol style="list-style-type: none"> Askari Bank Limited Lucky Cement Limited Hub Power Company Limited Mari Petroleum Company Limited Siemens Pakistan Engineering Limited Sui Northern Gas Pipelines Co. Limited Soneri Bank Limited The General Tyre & Rubber Company of Pakistan Limited

*Mr. Ali Raza D. Habib retired in March 2019 and Mr. Manzoor Ahmed resigned in February 2019.



Appointment of the Shariah Board (SB) Members

Shariah scholars who meet the Fit and Proper Criteria as laid down by State Bank of Pakistan are appointed as SB members for a term of three years by the Board of Directors and are eligible for re-appointment. Their appointment and re-appointment is subject to prior written clearance of SBP. The three years' term of SB commenced from the date of SBP's clearance for appointment / re-appointment. Any SB member (including Chairperson) may be re-appointed as a member of SB for another term by the Board of Directors, at least two months prior to expiry of the term, subject to a fresh prior written clearance of SBP and pursuant to Fit and Proper Criteria of SBP.

Casual vacancy

Board of Directors of the Bank fills the casual vacancy on the SB that may occur as a result of resignation, removal, termination or death of a member, within three months from the date on which such vacancy arises. However, the SB member appointed on casual vacancy shall hold the office till the expiry of the existing term of the SB.

Profile of each of the Shariah Board member

Mufti Ismatullah Hamdullah

Mufti Ismatullah Hamdullah holds the degrees of "Shahadat-ul-Aalamiyah" and "Takhassus Fil Fiqh" from Jamia Dar-ul-Uloom, Karachi. He is a PhD in Islamic Economics from University of Karachi. He has been associated with Islamic Banking Division of Bank AL Habib Limited since 2006 as Shariah Advisor prior to his appointment as the Chairman of Shariah Board.

He has been teaching Quran, Hadith, Fiqh, Philosophy and Arabic Grammar in Dar-ul-Uloom since 1993. He has a vast experience in issuing Shariah rulings (Fatwa) and is currently serving Dar-ul-Ifta' of Dar-ul-Uloom. So far, he has issued about 20,000 Fatwas regarding various topics and Shariah issues.

His thesis – Zar (Money) in light of Shariah – is considered as one of the most useful research on Islamic Economics and has already been published. He is a renowned research scholar; his research papers have been published in Monthly "Al Balaagh". He wrote a book "Guide to Takaful or Islamic Insurance" that has also been published.

Mufti Mohib ul Haq Siddiqui

Mufti Mohib ul Haq Siddiqui graduated from Jamia Dar-ul-Uloom, Karachi. He obtained Shahadat-ul-Aalamia (Master's in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa (Specialization in Islamic Jurisprudence and Fatwa) qualifications from Darul Uloom.

He joined the Shariah Board of Bank AL Habib Limited – Islamic Banking in November 2015 as a Member. With substantial and diversified experience in the field of Islamic Finance, he has served several financial institutions as a member of their Shariah Boards.

Mufti Mohib ul Haq Siddiqui is currently associated with Faysal Barkat Islamic Banking as the Chairman of Shariah Board. He is also a member of the State Bank of Pakistan's Forum for Shariah review, standardization of Islamic products and processes, and formalization of Shariah Accounting standards for the Pakistan banking industry.

He is a member of the Shariah Board of Bank Alfalah Islamic Banking Division and JS Islamic Fund. Formerly, he was also member of the Shariah Board of Takaful Pakistan Limited and Royal Bank of Scotland Berhad, Malaysia. He has over twelve years of teaching experience at renowned institutions and is also a Faculty Member/ Visiting Faculty Member of various well-known institutions such as:

- Jamia Dar-ul-Uloom Karachi – Centre for Islamic Economics
- National Institute of Banking and Finance (NIBAF) – SBP



Mufti Muhammad Sarfraz Nihal - Resident Shariah Board Member (RSBM)

Mufti Muahammad Sarfraz Nihal is a well-known Shariah Scholar in Islamic Banking. He joined Bank AL Habib Islamic Banking Division in 2015 as RSBM.

Mufti Muahammad Sarfraz Nihal obtained Shahadat-ul-Aalamiyah (Master's in Arabic and Islamic Studies) and Al-T'akhusus fi al-Iftaa' (Specialisation in Islamic fiscal Jurisprudence and Fatwa) from Jamia Farooqia, Karachi.

Further, he holds the degree of Master of Philosophy (MPhil) in Economics, MSc in Economics, and BSc in Mathematics, Statistics and Economics from University of Karachi and is currently pursuing PhD in Management Sciences at University of Karachi.

He has also served as Shariah Auditor in Al Baraka Bank Pakistan Limited. and Product Manager (Corporate, Trade & Commercial) in Faysal Bank. Furthermore, he has numerous research articles/publications in the area of Islamic Economics & Finance.

Details of Membership on Bank's and other Shariah Boards

Sr. No.	Name of Shariah Board Member	Date of Joining /Leaving the Shariah Board (dd/mm/yyyy)	Status of Shariah Board Member	Number of other Shariah Board Members along with name of Company(ies)
1	Mufti Ismatullah Hamdullah	8/10/2015	Chairman	<ul style="list-style-type: none"> Member, Shariah Board-Askari Bank Limited Member, Shariah Board-Pak Qatar Takaful Group Shariah Advisor - IGI Life Takaful Shariah Advisor - Habib Asset Management Limited
2	Mufti Mohib ul Haq Siddiqui	8/10/2015	Member	<ul style="list-style-type: none"> Chairman, Shariah Board- Faysal Bank Limited Member, Shariah Board- Bank Alfalah Limited
3	Mufti Muhammad Sarfaraz Nihal	8/10/2015	Resident Member	–

Composition of Board Committees and their Terms of References (TORs)

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires the Bank to disclose the composition of all Committees of the Board, viz. Audit Committee, Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee and IT Committee.



Composition of Board's Committees

Audit Committee	Human Resource & Remuneration Committee	Credit Risk Management Committee	Risk Management Committee	IT Committee
Mr. Safar Ali Lakhani, Chairman	Syed Hasan Ali Bukhari, Chairman	Syed Mazhar Abbas, Chairman	Mr. Adnan Afridi, Chairman	Mr. Abbas D. Habib, Chairman
Syed Mazhar Abbas	Syed Mazhar Abbas	Mr. Safar Ali Lakhani	Mr. Qumail R. Habib	Mr. Qumail R. Habib
Mr. Anwar Haji Karim	Mr. Abbas D. Habib	Mr. Qumail R. Habib	Ms. Farhana Mowjee Khan	Mr. Arshad Nasar
Syed Hasan Ali Bukhari	Ms. Farhana Mowjee Khan	Syed Hasan Ali Bukhari	Mr. Anwar Haji Karim	Syed Mazhar Abbas
Mr. Arshad Nasar	Mr. Arshad Nasar	Mr. Murtaza H. Habib	Mr. Safar Ali Lakhani	Mr. Mansoor Ali Khan

During the year, eight meetings of the Audit Committee and four meetings of Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, and IT Committee were held, and the attendance of members was as follows:

Sr. No.	Name of Director	No. of Board Meetings Attended	Number of Board Committees Meetings Attended				
			Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IT Committee
1	Mr. Abbas D. Habib	3	-	3	-	-	3
2	Mr. Anwar Haji Karim	4	8	-	4	-	-
3	Ms. Farhana Mowjee Khan*	3	-	2	2	-	-
4	Syed Mazhar Abbas	4	7	3	-	3	3
5	Mr. Qumail R. Habib	4	-	-	4	4	4
6	Mr. Safar Ali Lakhani**	4	8	2	4	4	-
7	Syed Hasan Ali Bukhari	4	8	4	-	4	-
8	Mr. Murtaza H. Habib	4	-	-	-	4	-
9	Mr. Arshad Nasar	4	8	4	-	-	4
10	Mr. Adnan Afridi*	3	-	-	2	-	-
11	Mr. Ali Raza D. Habib***	1	-	-	-	-	-
12	Mr. Manzoor Ahmed****	1	-	-	1	-	-
13	Mr. Mansoor Ali Khan*****	4	-	-	2	-	4
Total Meetings Held		4	8	4	4	4	4

*Ms. Farhana Mowjee Khan and Mr. Adnan Afridi attended all Board & Committees meetings after their nomination.

**Mr. Safar Ali Lakhani ceased to be a member of Human Resource & Remuneration Committee during the year. He attended all meetings of Human Resource & Remuneration Committee while he was its member.

*** Mr. Ali Raza D. Habib ceased to be a member of the Board during the year. He attended the Board meeting while he was its member.

****Mr. Manzoor Ahmed resigned in February 2019. He attended the Risk Management Committee meeting while he was its member.

*****Mr Mansoor Ali Khan ceased to be the member of Risk Management Committee during the year. He attended all meetings of Risk Management Committee while he was its member.



TORs of Audit Committee of the Board

The key functions in the TORs include the following:

- Recommend to the Board the appointment / re-appointment of external auditors, their removal, audit fees and provision by external auditors of any services to the Bank in addition to audit of its financial statements for Pakistan Operations and Overseas Jurisdictions.
- Discuss with external auditors the major observations arising from interim and final audits and review management letter issued by them and management's response thereto.
- Review quarterly, half-yearly and annual financial statements of the Bank before their publication.
- Approve the half-yearly audit planning schedule and the estimated timeframe for completion of various audits.
- Ensure that policies and procedures of the Bank are in line with prevailing banking laws and regulations of the State Bank of Pakistan and other relevant statutory requirements.
- Institute special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the CEO, and to consider remittance of any matter to the external auditors or to any other external body.
- Recommend the amendments in the Bank's Internal Control Systems and Internal Audit Policy and Audit Manual to the Board of Directors for approval.
- Review the periodical reporting made by the Audit Division on significant findings pointed out during the testing of existing key controls relating to Internal Control over Financial Reporting. (ICFR).
- Review the significant audit findings presented by Audit Division and examine the Executive Summary of Internal Audit Reports (Branch Operations, Management Audits, Information System Audits, and Islamic Banking Branches Audits) of domestic & overseas operations.
- Review the significant audit findings of Inspection Reports of State Bank of Pakistan, regulators of overseas branches and the status of compliance submitted by the Management.
- Ensure compliance of the corrective actions as required by the Shariah Board on the reports of "Internal Shariah Audit" and "External Shariah Audit" as per Shariah Governance Framework for Islamic Banking Institutions.
- Review the reports on internal control system presented by Audit Division on quarterly basis as required under internal control guidelines issued by the State Bank of Pakistan.
- Review and approve the increments of internal auditors and recommend the performance appraisal and increment / promotion of Head of Internal Audit.
- Approve annual budget of Audit Division for expenditure and staff requirements.
- To review all other matters as required in terms of Code of Corporate Governance and instructions issued by State Bank of Pakistan and the Policies of the Bank, as detailed in Internal Control System & Internal Audit Policy of the Bank.

TORs of Human Resource & Remuneration Committee of the Board

The key functions in the TORs include the following:

- Review and recommend to the Board for approval of Human Resource Policy & Service Rules of the Bank.
- Recommend to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO.
- Recommend to the Board the selection, evaluation, compensation (including retirement benefits) of COO (if any), CFO, Company Secretary, and Head of Internal Audit.
- Consider and approve recommendations of CEO on above matters for key management positions who report directly to CEO or COO (if any).
- Review the manpower budget of the Bank, taking into consideration the expansion programme proposed by the Management.



- Review training activities and management development programmes for employees of the Bank.
- Review total staff strength with cadre and location-wise break-up of employees.
- Review on quarterly basis name-wise details of employees of Senior Chief Manager level and above who have joined or left service of the Bank during the period, along with reasons for their separation.
- Recommend the Remuneration Policy to the Board for approval, ensuring that the Remuneration Policy is fair and competitive, and encourages performance and motivation.
- Recommend to the Board the “structure” of compensation package of Executive Directors, Chief Executive, Key Executives, and other employees, as may be required by the Board.

TORs of Credit Risk Management Committee of the Board

The key functions in the TORs include the following:

- Review from time to time that the Management has put in place effective policies and information systems to identify and mitigate credit risk.
- Review that the Management follows appropriate procedures to recognize adverse trends in the credit portfolio of the Bank, identifies weaknesses in the loan portfolio, takes corrective/remedial actions and maintains an adequate level of provisions for potential loan losses in the light of the requirements of the Prudential Regulations.
- Review and recommend to the Board any changes in the Bank's policies related to credit.
- Review the quality of the Bank's credit portfolio on a quarterly basis through various comparisons / benchmarking, including but not limited to:
 - Industry Benchmarks / Positioning.
 - Diversification of advances by industry, business segment, etc.
 - Concentration of advances in private and public sectors.
 - Movement / changes in advances by region / industry / business segments.
 - Details of large limits approved / enhanced during the quarter, as per the threshold prescribed by the Committee.
 - Maturity profile of the loan portfolio.
 - Review of Non-Performing Loans (NPLs).
 - Review of Watch-List & NPL accounts, as per the threshold prescribed by the Committee.
 - Review / approval of any policy exceptions.
 - Review restructured / rescheduled accounts and written-off advances, as per the threshold prescribed by the Committee.
 - Review any adverse findings of Credit Risk Review Department (CRRD).
- Consider Write Off/Waiver of NPLs up to Rs. 50 million.
- Recommend cases for Write Off/Waiver, exceeding Rs. 50 million, to the Board of Directors for consideration and approval.

TORs of Risk Management Committee of the Board

The key functions in the TORs include the following:

- Review from time to time that the management has put in place effective policies and information systems to identify and mitigate the following risks:
 - Market Risk, which includes Interest Rate Risk, Foreign Exchange Risk, and Equity Price Risk;
 - Liquidity Risk.
- Review summary of risk reports relating to the following risks:
 - Credit Risk,
 - Operational Risk,which are reviewed in detail by the Credit Risk Management Committee and the Audit Committee of the Board, respectively.



- Review and provide guidance regarding integrated risk management (also known as enterprise risk management), covering various significant risk exposures of the Bank.
- Review the Bank's capital adequacy ratio and establish a process for internal capital adequacy assessment process (ICAAP) using integrated risk management.
- Review and recommend to the Board any changes in the Bank's Treasury and Investment Policy, Market Risk Policy, Liquidity Risk Policy, Risk Management Policy, and ICAAP.
- Review the credit rating report of the Bank, issued by the credit rating agency.
- Review any changes in laws and regulations relating to Market Risk, Liquidity Risk and Capital Adequacy.
- Review changes in prevailing economic and market conditions.
- Review the financial data of other comparable banks.

TORs of IT Committee of the Board

The key functions in the TORs include the following:

- Review and recommend the Bank's IT and Digital strategies, relevant policies, frameworks and changes thereof, for the Board's approval.
- Review the role of IT as an enabler to provide competitive advantage and efficient services to customers.
- Review the level of expertise of IT personnel and assess their adequacy in number and skillset as well as continuous professional development.
- Review major IT related risks and ensure that IT Risk Management strategies are designed and implemented to address IT related risks including cyber-attacks and attacks on multiple critical infrastructure sectors in order to achieve resilience.
- Receive periodic updates from IT Steering Committee to monitor all IT related projects, particularly those which are approved by the Board.
- Ensure that IT related procurements are in line with the strategic directions provided by the Board.
- Review and recommend any IT related material outsourcing arrangement including obtaining IT experts' opinion.
- Constitute/reconstitute IT Steering Committee and approve its TORs and any revisions thereof.
- Review the MIS on incidents, logs, breaches and significant incidents on a regular basis.

Board's Oversight over Shariah Compliance Functions and Shariah Board (SB)

The Shariah Board members meet the Board of Directors on half yearly basis and give detailed briefings on the Shariah compliance environment, the issues/weaknesses (if any), and recommendations to improve Shariah compliance environment and to ensure timely and effective enforcement of the SB's decisions, Fatwas, observations and recommendations.

Further, every year, Shariah Board Report is also presented by the Shariah Board in the meeting of the Board of Directors of the Bank.

TORs of Shariah Board (SB) of the Bank

The key functions in the TORs include the following:

- The SB shall be empowered to consider, decide and supervise all Shariah related matters of Islamic Banking Division. All decisions, rulings, Fatwas of the SB shall be binding on Islamic Banking Division whereas SB shall be responsible and accountable for all its Shariah related decisions.
- The SB shall cause to develop a comprehensive Shariah compliance framework for all areas of operations of the Islamic Banking Division and shall approve all products/services to be offered and/or launched by the Islamic Banking Division.
- The SB shall review and approve all the Islamic Banking Division's procedure manuals, product programs/structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures so that they are in conformity with the rules and principles of Shariah.



- The SB shall have at all reasonable times unhindered access to all books of accounts, records, documents and information from all sources including professional advisors and Bank's employees in the due discharge of its duties.
- Considering the importance of the SB decisions, rulings and Fatwas given by SB, it shall rigorously deliberate on the issue placed before it for consideration before giving any decision/ Fatwa. All such deliberations and rationale for allowing or disallowing a particular product or service shall be duly recorded and documented.
- All reports of internal Shariah audit, external Shariah audit, Shariah compliance reviews and SBP Shariah compliance inspection shall be submitted to the SB for consideration and prescribing appropriate enforcement action. The report of Internal Shariah shall be finalized by the Internal Shariah Audit Unit (ISAU) and the final report shall be submitted to SB for prescribing appropriate enforcement/corrective actions. The SB shall take up the unresolved issues with Management and shall include all significant outstanding issues in its annual report on the Shariah compliance environment of Islamic Banking Division.
- Moreover, the Head-Shariah Compliance Department and RSBM shall discuss both the significant and unresolved issues with SBP inspection team during their onsite inspection.
- The SB shall also specify the process/procedures for changing, modifying or revisiting Fatwas/rulings/guidelines etc. already issued by SB.
- The SB shall not delegate any of its roles and responsibilities prescribed in Shariah Governance Framework (updated time to time) to any other person or any of its members.
- All the decisions and rulings of the SB of the Bank shall be in conformity with the directives, regulations, instructions and guidelines issued by SBP in accordance with the rulings of Shariah Advisory Committee of SBP.
- The SB shall, in addition to its meetings with the BOD, meet at least on quarterly basis and each member of SB shall attend at least two-thirds of the meetings during a calendar year. Further, in addition to the mandatory quarterly meeting, the Chairperson of SB may convene SB meetings as and when he deems it necessary.
- The quorum of the SB meetings, including that with BOD of the Bank, shall be at least two thirds of Shariah Board members.
- The SB decisions should preferably be made through consensus of the Shariah Board members; however, in case of difference of opinion, the decisions may be made by a majority vote of the Shariah Board members. In the event of equality of votes, the Chairman shall have a second or casting vote.
- All meetings shall be chaired by the Chairman of SB and in his absence one of the Shariah Board members, other than the RSBM, shall be elected as the acting Chairperson to preside over the meeting.
- The agenda of the SB meeting along with sufficient details and documents shall be sent to SB members well in advance enabling them to come prepared to the meeting; the specific timelines for submission of the agenda shall be set by the SB itself.
- The meetings of the SB shall be held by physical presence of the members. However, in appropriate circumstances to be determined by the Chairman of the SB, meetings(s) may be held through video conferencing subject to recording of proper minutes of the meeting.
- The SB shall ensure to cause that minutes of its meetings are properly recorded incorporating necessary details of all deliberations, decisions, rulings and Fatwas issued along with the rationale and difference of opinion or dissenting note, if any. Further, the minutes shall be signed by all the SB members who attended the meeting and a copy thereof be provided to each member of the SB.



Shariah Board Meetings

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

Name of Member	Meetings Held	Meetings Attended
Mufti Ismatullah Hamdullah, Chairman	5	4
Mufti Mohib ul Haq Siddiqui, Member	5	5
Mufti Muhammad Sarfaraz Nihal, Resident Member	5	5

The Bank had engaged KPMG Taseer Hadi & Co. to assist in developing the draft of remuneration policy, keeping in view the culture and values of the Bank, and other related matters.

Additionally, performance evaluation of the Board is to be conducted by an external independent evaluator at least every three years. The Bank has appointed Pakistan Institute of Corporate Governance (PICG) for external independent evaluation of the full Board, Individual Directors, Board Committees, the Chairman, and the Chief Executive.

There is no conflict of interest between the experts hired by the Bank and any Board member or Key Executive.

Disclosure relating to the Remuneration Policy:

Key objectives of Remuneration Policy are to:

- Attract, retain, and develop competent employees.
- Identify senior Risk Takers and Controllers.
- Offer remuneration that is fair and competitive.
- Encourage behaviour and practices, consistent with the Bank's Strategy, Vision, Mission, Values, and Guiding Principles.
- Discourage material risk taking.
- Avoid any conflict of interest between the employee and the Bank.
- Establish a management structure to administer and oversee implementation of this Policy.

Bank AL Habib has low tolerance for risk and is averse to taking material risks, i.e., risks that can have a material adverse impact on its business and financial position. Therefore, the Bank does not have any defined Bonus Policy (in any form like cash, stocks, stock options, or other types of incentive pay) to incentivise achievement of performance targets, which may prompt material risk taking. Accordingly, a fundamental principle of the Bank is that employee remuneration is paid in the form of Fixed Remuneration. This has enabled the Bank to maintain sustainable growth and profitability over the years, with a low risk profile and low staff turnover.

There are management committees/senior employees who are authorized to approve risk exposures involving large amounts and deal with other institutionally important matters. They are designated as Senior Risk Takers, who are responsible not only for taking risks, but also for mitigating, monitoring, and controlling the risks taken by the Bank. The Bank encourages and emphasizes risk control, rather than risk taking, which means that control responsibilities take precedence for employees at all levels. Therefore, in case of Senior Risk Takers also, their control responsibilities are paramount and take precedence over their other responsibilities.



Risk Controllers are employees whose professional activities include review, identification, mitigation, and control of risks to which the Bank may be exposed, or providing assistance or assurance related to such activities. Risk control is the responsibility of all functional units of the Bank, including various functions at Principal Office who provide input to line functions on risk management and control, assist them in designing and implementing adequate controls, and independently monitor that the prescribed controls and limits are being complied with.

It is a key principle of employee appraisal that employees must not get penalized or suffer as a consequence of carrying out control activities for which they are institutionally responsible and duly authorized. Any deviation from this principle will be taken very seriously.

Key criteria for evaluation of performance are as follows:

- Compliance with applicable laws and regulations.
- Commitment to the Bank's Vision, Mission, and Values.
- Compliance with the Bank's risk and control policies, procedures, and limits.
- Behaviour with customers and colleagues.
- Knowledge and quality of work.
- New ideas and suggestions.
- Growth of business and profitability vs. business objectives (as applicable).
- Persistence and productivity.
- Job performance.
- Teamwork and People Development.

Fixed Remuneration is determined on the basis of role and responsibility of the individual, professional expertise and experience, job performance, and potential for growth. In addition, all employees of the Bank are required to carry out their duties with due care and in an ethical manner. They must act in accordance with the Bank's Strategy, Vision, Mission, Values, Guiding Principles, Code of Conduct, Policies and Procedures, within the authorities and limits delegated to them. This means that protection of the Bank's reputation, trustworthiness, and safety is of paramount importance and takes precedence over profit maximization.

Risk management policies, together with the Risk Tolerance Statement, authorities, and limits approved by the Board, provide the necessary guidance on risk taking activities of the Bank. Actions taken and decisions made by the employees are institutionally owned and protected by the Bank, as long as these are within the ambit of the prescribed policies and procedures and there is no evidence of self-dealing.

Governance of remuneration is accomplished through a formal structure which includes: Board of Directors; Human Resource & Remuneration Committee; Chief Executive; Human Resource Division; and Finance, Audit, Compliance, and Risk Management Divisions.



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are ten as per the following:
 - Male 09
 - Female 01
2. The composition of the Board is as follows:

Independent Directors	Syed Hasan Ali Bukhari Mr. Arshad Nasar Mr. Safar Ali Lakhani
Non - Executive Directors	Mr. Abbas D. Habib Mr. Anwar Haji Karim Syed Mazhar Abbas Mr. Murtaza H. Habib Mr. Adnan Afridi
Executive Director	Mr. Qumail R. Habib
Female Director - Non - Executive	Ms. Farhana Mowjee Khan

Mr. Mansoor Ali Khan is the Chief Executive of the Bank. Being the CEO of the Bank, he is deemed to be a Director.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.
4. 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 its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Bank.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Act and these regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. During the year, the Board has arranged Directors' Training Program for Ms. Farhana Mowjee Khan.
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 and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.



12. The Board has formed five committees comprising of members given below:

A.	Audit Committee	Position
1	Mr. Safar Ali Lakhani	Chairman
2	Syed Mazhar Abbas	Member
3	Mr. Anwar Haji Karim	Member
4	Syed Hasan Ali Bukhari	Member
5	Mr. Arshad Nasar	Member

B.	Human Resource & Remuneration Committee	Position
1	Syed Hasan Ali Bukhari	Chairman
2	Syed Mazhar Abbas	Member
3	Mr. Abbas D. Habib	Member
4	Ms. Farhana Mowjee Khan	Member
5	Mr. Arshad Nasar	Member

C.	Credit Risk Management Committee	Position
1	Syed Mazhar Abbas	Chairman
2	Mr. Safar Ali Lakhani	Member
3	Mr. Qumail R. Habib	Member
4	Syed Hasan Ali Bukhari	Member
5	Mr. Murtaza H. Habib	Member

D.	Risk Management Committee	Position
1	Mr. Adnan Afridi	Chairman
2	Mr. Qumail R. Habib	Member
3	Ms. Farhana Mowjee Khan	Member
4	Mr. Anwar Haji Karim	Member
5	Mr. Safar Ali Lakhani	Member

E.	IT Committee	Position
1	Mr. Abbas D. Habib	Chairman
2	Mr. Qumail R. Habib	Member
3	Mr. Arshad Nasar	Member
4	Syed Mazhar Abbas	Member
5	Mr. Mansoor Ali Khan	Member



13. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committees for compliance.
14. The frequency of meetings of Board's Committees were as per following:

Board's Committees	Frequency
Audit Committee	Eight meetings held in the year; at least two every quarter
Human Resource & Remuneration Committee	Four quarterly meetings held in the year
Credit Risk Management Committee	Four quarterly meetings held in the year
Risk Management Committee	Four quarterly meetings held in the year
IT Committee	Four quarterly meetings held in the year

15. 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.
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their 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 and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Bank.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 29, 2020



INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Bank AL Habib Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Bank AL Habib Limited (the Bank) for the year ended 31 December 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a 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 Regulations require 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. 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 procedures to assess and determine the Bank's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2019.

Karachi: 04 February, 2020

EY Ford Rhodes
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 2019 as per SBP Guidelines on Internal Controls has been successfully completed. In accordance with SBP directives, the annual assessment report for the year 2019 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 2020.

ASHAR HUSAIN
Chief Financial Officer

ARIF SAEED KHAN
Head of Internal Audit

Karachi: January 29, 2020

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

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 29, 2020



INDEPENDENT AUDITORS' REPORT

To the members of Bank AL Habib Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Bank AL Habib Limited (the Bank), which comprise the unconsolidated statement of financial position as at 31 December 2019, and the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with unaudited certified returns received from the branches except for twenty four branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information 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 the audit.

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 statement of profit and loss and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Provision against non-performing loans and advances	
<p>The Bank's advances portfolio include fund-based and non-funded financing facilities. The portfolio includes corporate financing to public sector entities and large to small size businesses operating in the private sector, as well as consumer financing to individuals.</p> <p>As per the Bank's accounting policy (refer note 4.4 to the unconsolidated financial statements), the Bank determines provisions against non-performing advances exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against advances as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non-performing advances are included in note 4.4 and 9 respectively to the unconsolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Bank's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be. - We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; - In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant corporate financing and performed tests and procedures such as review of financing documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Bank and status of litigation, if any, with the borrower; - In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management and the approvals in place for such policy. - We also assessed adequacy of disclosures as included in note 9 to the unconsolidated financial statements regarding the non-performing advances and provisions made for the same in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework.



Key audit matters	How the matter was addressed in our audit
2. Adoption of IFRS 16 “Leases”	
<p>As referred to in note 2.6.2 to the financial statements, IFRS 16 ‘Leases’ (the standard) has become effective for the current financial year.</p> <p>The standard has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Bank is required to recognize right of use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The impacts of the adoption of the standard are disclosed in note 2.6.2 to the unconsolidated financial statements.</p> <p>The application of the new standard requires management to make significant estimates and judgements such as in related to determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgements in respect of the application of the new standard.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> – We evaluated the appropriateness of the new accounting policies for recognition of lease contracts and their measurement in the financial statements; – We obtained an understanding of the process and controls in place for identification of in-scope and material lease contracts and capturing of relevant data regarding the terms and condition of the lease contracts; – We corroborated the completeness of the leases identified by the management by reviewing the reconciliations of leases with the list of branch properties in the use of the Bank and reviewing the rent expense ledgers for the year; – We performed independent checks of lease accounting computations for a sample of lease contracts through reperformance of such computations and tracing the terms with the relevant contracts; – We evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate and lease term; and – We evaluated the adequacy of disclosures made regarding the application of the standard and its impact on the unconsolidated financial statements of the Bank for the year.

Information Other than the Financial Statements and Auditors’ Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors’ report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank / branches which have come to our notice have been within the powers of the Bank; and
 - d) 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.
2. We confirm that for the purpose of our audit we have covered more than sixty percent of the total loans and advances of the Bank.

Other Matters:

The financial statements of the Bank for the year ended 31 December 2018 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon in the audit report dated 30 January 2019.

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

Karachi: 04 February, 2020

EY Ford Rhodes
Chartered Accountants



**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	2019 (Rupees in '000)	2018
ASSETS			
Cash and balances with treasury banks	5	113,838,791	74,432,172
Balances with other banks	6	9,523,969	7,989,939
Lendings to financial institutions	7	1,857,575	–
Investments	8	586,140,504	414,605,406
Advances	9	488,669,447	478,214,578
Fixed assets	10	36,562,508	26,183,149
Intangible assets	11	365,428	166,930
Deferred tax assets		–	–
Other assets	12	61,723,889	46,646,829
		1,298,682,111	1,048,239,003
LIABILITIES			
Bills payable	14	20,131,529	20,603,682
Borrowings	15	228,745,034	119,038,358
Deposits and other accounts	16	903,739,926	796,900,525
Liabilities against assets subject to finance lease		–	–
Subordinated debt	17	14,992,800	14,996,000
Deferred tax liabilities	18	1,380,189	1,350,203
Other liabilities	19	68,189,523	45,798,555
		1,237,179,001	998,687,323
NET ASSETS		61,503,110	49,551,680
REPRESENTED BY			
Share capital	20	11,114,254	11,114,254
Reserves		16,467,282	14,757,530
Surplus on revaluation of assets	21	6,013,816	3,268,202
Unappropriated profit		27,907,758	20,411,694
		61,503,110	49,551,680
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ARSHAD NASAR
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



UNCONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 (Rupees in '000)	2018
Mark - up / return / interest earned	24	105,601,725	60,733,138
Mark - up / return / interest expensed	25	(64,415,666)	(29,839,393)
Net mark - up / interest income		41,186,059	30,893,745
NON MARK - UP / INTEREST INCOME			
Fee and commission income	26	6,093,104	4,789,590
Dividend income		451,101	444,530
Foreign exchange income		2,305,204	1,631,947
Income / (loss) from derivatives		—	—
Loss on securities - net	27	(32,469)	(14,877)
Other income	28	663,931	416,466
Total non mark - up / interest income		9,480,871	7,267,656
Total income		50,666,930	38,161,401
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	29	(27,719,281)	(23,352,506)
Workers welfare fund		(448,415)	(294,534)
Other charges	30	(93,244)	(3,517)
Total non mark - up / interest expenses		(28,260,940)	(23,650,557)
Profit before provisions		22,405,990	14,510,844
Provisions and write offs - net	31	(3,394,995)	(247,177)
Extra ordinary / unusual items		—	—
PROFIT BEFORE TAXATION		19,010,995	14,263,667
Taxation	32	(7,842,259)	(5,846,011)
PROFIT AFTER TAXATION		11,168,736	8,417,656
		(Rupees)	
Basic and diluted earnings per share	33	10.05	7.57

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ARSHAD NASAR
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 (Rupees in '000)	2018
Profit after taxation for the year	11,168,736	8,417,656
Other comprehensive income		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Effect of translation of net investment in foreign branches	592,878	934,385
Movement in surplus / (deficit) on revaluation of investments - net of tax	2,818,383	(2,126,322)
	3,411,261	(1,191,937)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	149,997	(82,044)
Total comprehensive income	14,729,994	7,143,675

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

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**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets		
	(Rupees in '000)								
Balance as at 01 January 2018	11,114,254	11,901,027	413,852	126,500	540,000	846,813	4,620,480	16,179,355	45,742,281
Profit after taxation	-	-	-	-	-	-	-	8,417,656	8,417,656
Other comprehensive income - net of tax	-	-	934,385	-	-	(2,126,322)	-	(82,044)	(1,273,981)
Total comprehensive income for the year	-	-	934,385	-	-	(2,126,322)	-	8,335,612	7,143,675
Transfer to statutory reserve	-	841,766	-	-	-	-	-	(841,766)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(72,769)	72,769	-
Transactions with owners, recorded directly in equity									
Cash dividend (Rs. 3.0 per share)	-	-	-	-	-	-	-	(3,334,276)	(3,334,276)
Balance as at 31 December 2018	11,114,254	12,742,793	1,348,237	126,500	540,000	(1,279,509)	4,547,711	20,411,694	49,551,680
Profit after taxation	-	-	-	-	-	-	-	11,168,736	11,168,736
Other comprehensive income - net of tax	-	-	592,878	-	-	2,818,383	-	149,997	3,561,258
Total comprehensive income for the year	-	-	592,878	-	-	2,818,383	-	11,318,733	14,729,994
Transfer to statutory reserve	-	1,116,874	-	-	-	-	-	(1,116,874)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(72,769)	72,769	-
Transactions with owners, recorded directly in equity									
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	-	-	(2,778,564)	(2,778,564)
Balance as at 31 December 2019	11,114,254	13,859,667	1,941,115	126,500	540,000	1,538,874	4,474,942	27,907,758	61,503,110

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

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UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 (Rupees in '000)	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		19,010,995	14,263,667
Less: Dividend income		(451,101)	(444,530)
		18,559,894	13,819,137
Adjustments:			
Depreciation		2,472,253	2,169,169
Depreciation on right-of-use assets		1,395,355	—
Amortisation		225,556	141,403
Provision and write - offs		3,394,995	247,177
Gain on sale of fixed assets		(377,002)	(130,801)
Loss on sale / redemption of securities - net		32,469	14,877
Charge for compensated absences		135,164	92,542
Mark-up expense on lease liability against right-of-use assets		734,780	—
		8,013,570	2,534,367
		26,573,464	16,353,504
(Increase) / decrease in operating assets			
Lendings to financial institutions		(1,857,575)	—
Held - for - trading securities		197,562	(37,594)
Advances		(12,196,267)	(138,305,099)
Other assets (excluding advance taxation)		(15,880,721)	(4,984,097)
		(29,737,001)	(143,326,790)
(Decrease) / increase in operating liabilities			
Bills payable		(472,153)	940,333
Borrowings from financial institutions		109,148,680	(14,624,466)
Deposits		106,839,401	104,324,349
Other liabilities		14,155,942	6,692,633
		229,671,870	97,332,849
		226,508,333	(29,640,437)
Income tax paid		(8,634,998)	(6,615,726)
Net cash flow from / (used in) operating activities		217,873,335	(36,256,163)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(71,023,527)	23,897,484
Net investments in held to maturity securities		(97,530,743)	33,604,368
Net investments in associates		(525,000)	58,119
Dividends received		464,001	452,944
Investments in operating fixed assets		(5,205,962)	(6,114,691)
Proceeds from sale of fixed assets		520,644	152,539
Exchange differences on translation of net investments in foreign branches		592,878	934,385
Net cash flow (used in) / from investing activities		(172,707,709)	52,985,148
CASH FLOW FROM FINANCING ACTIVITIES			
(Repayments) / receipts from subordinated debt		(3,200)	3,998,400
Dividend paid		(2,767,686)	(3,256,294)
Payment against lease liabilities		(2,012,087)	—
Net cash flow from financing activities		(4,782,973)	742,106
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	34	40,382,653	17,471,091
		82,075,690	64,604,599
Cash and cash equivalents at end of the year	34	122,458,343	82,075,690

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 718 branches (2018: 684 branches), 37 sub - branches (2018: 37 sub - branches), 04 representative offices (2018: 04 representative offices) and 02 booths (2018: Nil). The branch network of the Bank includes 03 overseas branches (2018: 03 overseas branches) and 83 Islamic Banking branches (2018: 71 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 BPRD Circular No. 02, dated 25 January 2018.

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 the Companies Act, 2017.

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 annexure II.

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.

2.5 Statement of compliance

2.5.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP).



Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 2.5.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I) / 2008 dated 28 April 2008. 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 prescribed by SBP through various circulars.
- 2.5.3** SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 02 of 2018, as amended from time to time.
- 2.6 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year**

The Bank has adopted the following accounting standards and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

- 2.6.1** In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which replaces all existing revenue requirements and related interpretations and is effective for annual periods beginning on or after 01 July 2018. IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (such as interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). Certain requirements in IFRS 15 are also relevant for the recognition and measurement of gains or losses on disposal of non-financial assets that are not in the ordinary course of business.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Bank's revenue streams that are within the scope of IFRS 15 relate to certain fee and commission income. The accounting policy for recognition of such income is disclosed in Note 4.11 (g) to these unconsolidated financial statements. The application of this standard did not have any material impact on these unconsolidated financial statements, except for change in description of accounting policy.



2.6.2 IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on statement of financial position.

The Bank has lease contracts for various properties. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other asset and other liabilities, respectively.

Upon adoption of IFRS 16, the Bank applied the recognition and measurement approach of IFRS 16 for all leases, except for short-term leases and leases of low-value assets. The standard also provides practical expedients, which have been applied by the Bank.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 01 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Accordingly, the Bank recognised right-of-use assets and lease liabilities for those leases where the Bank is the lessee and which were previously accounted for as operating leases. The right-of-use assets and lease liabilities were recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.

	As at 31 December 2019	As at 01 January 2019
	(Rupees in '000)	
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	8,198,691	8,139,524
Decrease in other assets - advances, deposits, advance rent and other prepayments	(513,754)	(672,886)
Increase in other assets - advance taxation (payments less provisions)	246,395	-
Increase in total assets	7,931,332	7,466,638
Increase in other liabilities - lease liability against right-of-use assets / other payable	(8,316,718)	(7,466,638)
Decrease in net assets	(385,386)	-



**For the year
ended
31 December
2019
(Rupees in '000)**

Impact on Profit and Loss account

Increase in mark-up expense - lease liability against right-of-use assets	(734,780)
(Increase) / decrease in administrative expenses	
- Depreciation on right-of-use assets	(1,395,355)
- Rent expense	1,498,354
	102,999
Decrease in profit before tax	(631,781)
Decrease in tax expense	246,395
Decrease in profit after tax	(385,386)

There was no difference between present value of the operating lease commitments discounted using incremental borrowing rate at the year end preceding the date of initial application and lease liabilities recognised in statement of financial position at the date of initial application of IFRS 16.

2.6.3 IFRIC 23 - Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The interpretation did not have any material impact on the unconsolidated financial statements of the Bank.

2.7 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.



- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore, would not have an impact on past financial statements.
- IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. 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. SBP has directed the Bank to conduct an impact assessment as at 31 December 2019 which is due to be submitted to SBP by 30 April 2020.
- IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required. IFRS 14 was originally issued by IASB in January 2014 with Initial application date for a period beginning on or after 01 January 2016. During November 2019, SECP modified the effective date for applicability of IFRS 14 for the annual reporting periods beginning on or after 01 July 2019.
- The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2021



2.8 Critical accounting estimates and judgments

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 unconsolidated financial statements are in respect of the following:

	Note
Classification and provisioning against investments	4.3, 4.13 & 31
Classification and provisioning against loans and advances	4.4, 9 & 31
Useful lives of fixed, right of use assets and intangible assets, depreciation, amortisation and revaluation	4.5, 10 & 11
Determination of lease term and borrowing rate	4.5, 10 & 19
Non - banking assets acquired in satisfaction of claims	4.6 & 12
Accounting for defined benefit plan	4.9 & 36
Provisions against off - balance sheet obligations	4.14 & 19
Current and deferred taxation	4.12, 18 & 32

3. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for certain investments, certain land and buildings, certain non - banking assets acquired in satisfaction of claims and derivative financial instruments which are revalued as referred to in notes 4.3, 4.5, 4.6 and 4.17.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year, except for changes explained in notes 2.6.1 and 2.6.2:

4.1 Cash and cash equivalents

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

4.2 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.

4.3 Investment

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', is included in the statement of comprehensive income and is shown in the statement of financial position as part of 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.

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.

4.4 Advances

Loans and advances

These are stated net of provisions for non - performing advances.

Receivables against lease finance where Bank is a lessor (other than Ijara)

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.

Inventory

The Bank values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale.

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.

Running Musharaka

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half-yearly / annual accounts of the customer.

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.

Provision for non-performing advances

Provision for non - performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of respective central banks is followed in respect of overseas branches 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.

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank is allowed to consider the effect of Forced Sale Value of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken in determining provisioning amount.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant \ Prudential Regulations and SBP directives.

For overseas operations, the Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at Fair Value through Profit and Loss (all referred to as 'financial instruments'). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months'



expected credit losses (12mECL). The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Advances are written-off when there are no realistic prospects of recovery.

4.5 Operating fixed assets and depreciation

Capital work in progress

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

Property and equipment - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount less impairment, if any. 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 10.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation methods 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 valuations involve estimates / assumptions and various market factors and conditions. Any revaluation surplus is credited to the surplus on revaluation of land and buildings, except to the extent that it reversal of a deficit already charged to profit and loss account on the same asset. Any revaluation deficit is recognised in profit and loss account, except for a deficit directly offsetting a previous surplus on the same asset recognised in the asset revaluation surplus.

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.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.



The right-of-use assets are presented within note 9 fixed assets and are subject to impairment in line with the Bank's policy as described in note 4.13 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Determination of the lease term for lease contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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 11. 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.

4.6 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. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. 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 assets is credited to the 'surplus on revaluation of Non-banking assets acquired in satisfaction of claims' 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 assets is charged to profit and loss account and not capitalised.

4.7 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised on an accrual basis as an expense in the period in which it is incurred.

Deposits mobilized under Islamic Banking operations are generated under two modes i.e. "Qard" and "Modaraba". Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits / Current remunerative deposits'.



4.8 Subordinated debt

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

4.9 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 and loss in subsequent periods. The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 36. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

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.

4.10 Foreign currencies

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.

4.11 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) The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

4.12 Taxation

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

Current

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

Deferred

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

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

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

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

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



In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

4.13 Impairment

Available-for-sale equity securities

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. This determination of what is significant or prolonged requires judgment.

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 is considered to determine impairment amount.

Associates

The carrying values of investments in associates 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 investments in associates are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account.

Non-financial assets

The carrying values of 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 assets are written down to their recoverable amounts and 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 relevant surplus.

4.14 Provisions against off - balance sheet obligations

The Bank, in the ordinary course of business, issues letters of credit, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fees and commission 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.

4.15 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.

4.16 Financial assets and liabilities

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 derecognised 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 derecognised when obligation is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit and loss account of the current period.

4.17 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.



4.18 Dividend distribution

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.

4.19 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 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 2019.

4.20 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 Bank's primary format of reporting is based on business segments.

4.21 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 small and medium enterprises.

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 small and medium enterprises treated as corporate under the Prudential Regulations.

4.22 Geographical segments

The Bank operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

4.23 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.

4.24 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. Provision against contingencies is determined based on the management judgement regarding the probability of future out flows of resources embodying economic benefits to settle an obligation arising from past events. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.25 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.

4.26 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.



	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		19,497,716	16,653,027
Foreign currencies		2,062,958	1,566,662
		21,560,674	18,219,689
In transit:			
Local currency		481,699	106,914
Foreign currencies		676,471	26,856
		1,158,170	133,770
With State Bank of Pakistan in:			
Local currency current accounts	5.1	59,153,555	31,352,756
Local currency current accounts - Islamic Banking	5.1	3,140,622	2,556,444
Foreign currency deposit accounts			
Cash reserve account	5.1	3,236,315	2,916,100
Cash reserve / special cash reserve account - Islamic Banking		256,350	148,166
Special cash reserve account	5.1	9,708,945	8,757,757
Local US Dollar collection account	5.2	303,328	84,470
		75,799,115	45,815,693
With National Bank of Pakistan in:			
Local currency current account		14,944,966	10,220,736
Prize bonds		375,866	42,284
		113,838,791	74,432,172
5.1 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 0.70% to 1.50% (2018: 0.56% to 1.35%) per annum.			
5.2 This represents US Dollar collection account maintained with SBP.			
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current account		309,409	335,200
In deposit account	6.1	7,000,000	-
In savings account	6.2	508,791	5,361,894
		7,818,200	5,697,094
Outside Pakistan:			
In current account	6.3	1,642,734	2,254,412
In deposit account	6.4	63,037	38,435
		1,705,771	2,292,847
		9,523,971	7,989,941
Less: impairment against IFRS 9 in overseas branches		(2)	(2)
		9,523,969	7,989,939



- 6.1 This carries expected profit rate ranging from of 11% to 12.50% (2018: Nil) per annum having maturity period upto one month.
- 6.2 These carry expected profit rates ranging from 1% to 11.38% (2018: 2.50% to 8.13%) per annum.
- 6.3 These carry interest rates ranging from 0.05% to 1% (2018: 0.30% to 0.50%) per annum.
- 6.4 These carry interest rates ranging from 1.25% to 4.50% (2018: 0.55% to 3.42%) per annum.

2019 2018
(Rupees in '000)

7. LENDING TO FINANCIAL INSTITUTIONS

In local currency:

Bai Muajjal Receivable from the State Bank of Pakistan	1,857,575	-
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7.1 Securities held as collateral against amounts due from financial institutions

	2019			2018		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
GoP Ijarah Sukuks	1,857,575	-	1,857,575	-	-	-

7.1.1 The GoP Ijarah Sukuks carry rates ranging from 10.39% to 10.49% (2018: Nil).

8. INVESTMENTS

	Note	2019				2018			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.1 Investments by type:									
(Rupees in '000)									
Held-for-trading securities									
Shares		-	-	-	-	285,368	-	(21,920)	263,448
Available-for-sale securities									
	8.3 & 8.4	419,402,570	(187,265)	1,895,941	421,111,246	354,604,674	(21,616)	(1,276,704)	353,306,354
Federal Government Securities		4,326,102	(1,567,064)	428,546	3,187,584	4,675,040	(487,788)	(494,239)	3,693,013
Shares		5,586,804	-	(141,759)	5,445,045	4,901,380	-	8,370	4,909,750
Non Government Debt Securities		6,524,223	(41,248)	(48,396)	6,434,579	1,548,752	(8,041)	(45,710)	1,495,001
Foreign Securities		3,125,000	(373,875)	233,167	2,984,292	2,175,000	(34,906)	(160,193)	1,979,901
Units of mutual funds		438,964,699	(2,169,452)	2,367,499	439,162,746	367,904,846	(552,351)	(1,968,476)	365,384,019
Held-to-maturity securities									
	8.3 & 8.5	145,152,375	(41,871)	-	145,110,504	48,049,798	(6,418)	-	48,043,380
Federal Government Securities		46,632	-	-	46,632	86,213	-	-	86,213
Non Government Debt Securities		467,747	(471)	-	467,276	-	-	-	-
Foreign Securities		145,666,754	(42,342)	-	145,624,412	48,136,011	(6,418)	-	48,129,593
Associates									
	8.6	1,153,346	-	-	1,153,346	628,346	-	-	628,346
Subsidiary									
	8.7	200,000	-	-	200,000	200,000	-	-	200,000
Total Investments									
		585,984,799	(2,211,794)	2,367,499	586,140,504	417,154,571	(558,769)	(1,990,396)	414,605,406



Note	2019				2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.2 Investments by segments:	(Rupees in '000)							
Federal Government Securities								
Market Treasury Bills	295,433,821	-	798,050	296,231,871	298,677,490	-	(89,876)	298,587,614
Pakistan Investment Bonds	242,283,659	-	894,877	243,178,536	81,918,316	-	(995,196)	80,923,120
Foreign Currency Bonds	6,932,009	(163,826)	208,400	6,976,583	4,658,020	(28,034)	(68,486)	4,561,500
Ijarah Sukuks	14,865,277	(65,310)	(5,386)	14,794,581	6,539,730	-	(39,980)	6,499,750
Sukuks	4,468,750	-	-	4,468,750	10,003,773	-	(83,166)	9,920,607
Term Finance Certificates - Unlisted	571,429	-	-	571,429	857,143	-	-	857,143
	564,554,945	(229,136)	1,895,941	566,221,750	402,654,472	(28,034)	(1,276,704)	401,349,734
Shares								
Listed Companies	4,221,866	(1,561,364)	428,546	3,089,048	4,856,172	(482,088)	(516,159)	3,857,925
Unlisted Companies	104,236	(5,700)	-	98,536	104,236	(5,700)	-	98,536
	4,326,102	(1,567,064)	428,546	3,187,584	4,960,408	(487,788)	(516,159)	3,956,461
Non Government Debt Securities								
Term Finance Certificates and Sukuks								
Listed								
Term finance certificates	1,947,922	-	(46,982)	1,900,940	952,788	-	926	953,714
Sukuks	1,504,215	-	(94,777)	1,409,438	1,635,901	-	7,444	1,643,345
	3,452,137	-	(141,759)	3,310,378	2,588,689	-	8,370	2,597,059
Unlisted								
Term finance certificates	199,960	-	-	199,960	199,980	-	-	199,980
Sukuks	1,981,339	-	-	1,981,339	2,198,924	-	-	2,198,924
	2,181,299	-	-	2,181,299	2,398,904	-	-	2,398,904
Foreign Securities								
Government securities	6,991,970	(41,719)	(48,396)	6,901,855	1,548,752	(8,041)	(45,710)	1,495,001
Associates								
Habib Sugar Mills Limited	182,690	-	-	182,690	182,690	-	-	182,690
Habib Asset Management Limited	81,000	-	-	81,000	81,000	-	-	81,000
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	10,000	-	-	10,000	10,000	-	-	10,000
First Habib Islamic Income Fund	549,656	-	-	549,656	24,656	-	-	24,656
First Habib Asset Allocation Fund	20,000	-	-	20,000	20,000	-	-	20,000
	1,153,346	-	-	1,153,346	628,346	-	-	628,346
Subsidiary								
AL Habib Capital Markets (Private) Limited	200,000	-	-	200,000	200,000	-	-	200,000
Units of mutual funds	3,125,000	(373,875)	233,167	2,984,292	2,175,000	(34,906)	(160,193)	1,979,901
Total Investments	585,984,799	(2,211,794)	2,367,499	586,140,504	417,154,571	(558,769)	(1,990,396)	414,605,406



2019 2018
(Rupees in '000)

8.2.1 Investments given as collateral

Market Treasury Bills

Carrying value	153,188,536	56,804,498
Surplus / (deficit)	276,366	(31,410)
	153,464,902	56,773,088

8.3 Provision for diminution in value of investments

Opening balance	558,769	190,242
Exchange adjustments against IFRS 9 in overseas branches	2,909	13,721
Charge / reversals		
Charge for the year	1,418,245	385,867
Charge / (reversal) of impairment as per IFRS 9 in overseas branches	231,871	(31,061)
	1,650,116	354,806
Closing Balance	2,211,794	558,769

8.4 Quality of Available for Sale Securities

Details regarding quality of available for securities are as follows:

Cost
2019 2018
(Rupees in '000)

8.4.1 Federal Government Securities - Government guaranteed

Market Treasury Bills	295,433,821	298,677,490
Pakistan Investment Bonds	109,035,246	38,436,394
Foreign Currency Bonds	5,784,962	2,206,078
Ijarah Sukuks	4,108,362	6,539,730
Sukuks	4,468,750	7,887,839
Term Finance Certificates - Unlisted	571,429	857,143
	419,402,570	354,604,674



		Cost	
		2019	2018
		(Rupees in '000)	
8.4.2	Shares		
8.4.2.1	Listed Companies		
	Automobile Assembler	199,842	199,842
	Cement	292,921	292,921
	Commercial Banks	150,024	150,024
	Fertilizer	923,380	1,298,222
	Food & Personal Care Products	23,211	23,211
	Insurance	29,975	29,975
	Securities Companies	92,509	92,509
	Oil & Gas Marketing Companies	788,541	788,541
	Paper & Board	38,264	38,264
	Pharmaceuticals	21,775	21,775
	Power Generation & Distribution	1,607,640	1,581,736
	Technology & Communication	13,140	13,140
	Textile Composite	40,644	40,644
		<u>4,221,866</u>	<u>4,570,804</u>
		2019	2018
8.4.2.2	Unlisted Companies	Cost	Breakup value
		(Rupees in '000)	
	Khushhali Bank Limited	30,000	144,255
	Pakistan Export Finance Guarantee Agency Limited	5,700	-
	Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	18,536	-
	Pakistan Mortgage Refinance Company Limited	50,000	50,746
		<u>104,236</u>	<u>195,001</u>
		Cost	Breakup value
		2019	2018
		(Rupees in '000)	
8.4.3	Non Government Debt Securities		
8.4.3.1	Listed		
	AA+	1,449,410	635,901
	AA	152,727	152,788
	AA-	500,000	500,000
	A+	-	1,000,000
	A	1,300,000	300,000
		<u>3,402,137</u>	<u>2,588,689</u>
8.4.3.2	Unlisted		
	AA	900,000	900,000
	AA-	750,000	450,000
	A+	284,707	687,711
	A	100,000	175,000
	A-	149,960	99,980
		<u>2,184,667</u>	<u>2,312,691</u>



8.4.4 Foreign Securities	2019		2018	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
Bahrain	309,695	BB-	277,724	BB+
Srilanka	4,247,753	B	1,271,028	B+
Egypt	1,246,574	B+	-	-
Turkey	720,201	BB-	-	-
	<u>6,524,223</u>		<u>1,548,752</u>	

8.4.5 Units of mutual funds	Cost	
	2019	2018
	<u>3,125,000</u>	<u>2,175,000</u>

8.5 Particulars relating to Held to Maturity securities are as follows:

	Cost	
	2019	2018
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	133,248,413	43,481,922
Foreign Currency Bonds	1,147,047	2,451,942
Ijarah Sukuks	10,756,915	2,115,934
	<u>145,152,375</u>	<u>48,049,798</u>

Non Government Debt Securities - Unlisted

- A+	<u>46,632</u>	<u>86,213</u>
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Foreign Securities	2019		2018	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
- Egypt	<u>467,747</u>	B+	<u>-</u>	-

8.5.1 The market value of securities classified as held to maturity at 31 December 2019 amounted to Rs. 148,608 million (2018: Rs. 47,754 million).



8.6 Associates

2019	2018	Name of companies / funds	Note	2019	2018
No. of ordinary shares / units				(Rupees in '000)	
9,415,312	9,415,312	Habib Sugar Mills Limited % of holding: 6.28% (2018: 6.28%) Par value per share: Rs. 5 Market value: Rs. 360.136 million (2018: Rs. 348.367 million) Chief Executive: Mr. Raeesul Hasan	8.6.2	182,690	182,690
9,000,000	9,000,000	Habib Asset Management Limited % of holding: 30% (2018: 30%) Par value per share: Rs. 10 Break - up value per share: Rs. 6.25 (2018: Rs. 8.24) based on audited financial statements for the year ended 30 June 2019 Chief Executive: Mr. Imran Azim	8.6.3	81,000	81,000
1,363,808	1,363,808	First Habib Income Fund % of holding: 21.91% (2018: 19.03%) Average cost per unit: Rs. 109.99 (2018: Rs. 109.99) Net asset value: Rs. 106.01 (2018: Rs. 103.59) 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 % of holding: 6.67% (2018: 6.84%) Average cost per unit: Rs. 100 (2018: Rs. 100) Net asset value: Rs. 84.68 (2018: Rs. 78.92) 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 % of holding: 6.61% (2018: 5.34%) Average cost per unit: Rs. 107.74 (2018: Rs. 107.74) Net asset value: Rs. 100.23 (2018: Rs. 100.89) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		150,000	150,000
100,929	100,929	First Habib Islamic Stock Fund % of holding: 7.16% (2018: 8%) Average cost per unit: Rs. 99.08 (2018: Rs. 99.08) Net asset value: Rs. 82.08 (2018: Rs. 79.53) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		10,000	10,000
5,493,453	250,421	First Habib Islamic Income Fund % of holding: 14.32% (2018: 24.79%) Average cost per unit: Rs. 100.85 (2018: Rs. 98.46) Net asset value: Rs. 100.17 (2018: Rs. 102.80) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		549,656	24,656
200,149	200,149	First Habib Asset Allocation Fund % of holding: 17.87% (2018: 18.80%) Average cost per unit: Rs. 99.93 (2018: Rs. 99.93) Net Asset Value: Rs. 90.70 (2018: Rs. 95.85) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		20,000	20,000
				1,153,346	628,346

8.6.1 The place of business and incorporation of associates is 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	First Habib Islamic Income Fund	First Habib Asset Allocation Fund
	(Rupees in '000)							
Assets	10,749,005	194,758	762,120	107,918	2,235,159	103,921	111,378	101,824
Liabilities	2,673,312	7,607	29,305	3,898	29,178	3,065	1,231	976
Total income	10,268,047	45,206	87,745	(22,040)	243,659	(17,365)	10,632	(4,598)
Profit / (loss) before taxation	1,342,276	(42,219)	60,343	(27,453)	211,032	(22,191)	7,805	(9,998)
Profit / (loss) after taxation	1,202,276	(60,173)	60,343	(27,453)	211,032	(22,191)	7,805	(9,998)
Other comprehensive income	240	-	-	-	-	-	-	-

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

8.6.3 It includes Rs. 24.750 million (2018: 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.

8.6.4 The Bank is in the process of acquiring controlling interest in Habib Asset Management Limited, an associated company. Subsequent to the year end, SECP, SBP and Competition Commission of Pakistan have granted approval for the acquisition.

8.7 Subsidiary

2019	2018	Name of company	2019	2018
No. of ordinary shares			(Rupees in '000)	
20,000,000	20,000,000	AL Habib Capital Markets (Private) Limited	200,000	200,000
% of holding: 66.67% (2018: 66.67%) Par value per share: Rs. 10 Break up value per share: Rs. 10.63 (31 December 2018: Rs. 10.67) based on audited financial statements for the year ended 31 December 2019 Chief Executive: Mr. Aftab Q. Munshi Principal place of business: Pakistan				

9. ADVANCES

	Note	Performing		Non Performing		Total	
		2019	2018	2019	2018	2019	2018
(Rupees in '000)							
Loans, cash credits, running finances, etc.	9.1	407,463,485	408,233,880	6,989,020	5,059,552	414,452,505	413,293,432
Islamic financing and related assets		50,662,682	49,708,261	82,542	8,724	50,745,224	49,716,985
Bills discounted and purchased		32,876,085	22,767,224	186,354	167,116	33,062,439	22,934,340
Advances - gross		491,002,252	480,709,365	7,257,916	5,235,392	498,260,168	485,944,757
Provision against advances							
- Specific		-	-	6,201,412	4,351,895	6,201,412	4,351,895
- General as per regulations		263,290	238,099	-	-	263,290	238,099
- General		3,000,000	3,000,000	-	-	3,000,000	3,000,000
- As per IFRS 9 in overseas branches		126,019	140,185	-	-	126,019	140,185
		3,389,309	3,378,284	6,201,412	4,351,895	9,590,721	7,730,179
Advances - net of provision		487,612,943	477,331,081	1,056,504	883,497	488,669,447	478,214,578



9.1 Includes net investment in finance lease as disclosed below:

	2019			2018		
	Not later than one year	Later than one and less than five years	Total (Rupees in '000)	Not later than one year	Later than one and less than five years	Total
Lease rentals receivable	8,477,197	9,784,780	18,261,977	7,337,208	9,674,905	17,012,113
Residual value	1,426,512	4,826,361	6,252,873	1,096,338	4,442,641	5,538,979
Minimum lease payments	9,903,709	14,611,141	24,514,850	8,433,546	14,117,546	22,551,092
Financial charges for future periods	(1,884,098)	(1,717,790)	(3,601,888)	(1,294,217)	(1,292,929)	(2,587,146)
Present value of minimum lease payments	8,019,611	12,893,351	20,912,962	7,139,329	12,824,617	19,963,946

9.2 Particulars of advances (Gross)

	2019	2018
	(Rupees in '000)	
In local currency	409,294,620	428,995,512
In foreign currencies	88,965,548	56,949,245
	498,260,168	485,944,757

9.3 Advances include Rs. 7,257.916 million (2018: Rs. 5,235.392 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	82,730	456	10,715	998
Substandard	377,335	84,250	44,963	10,869
Doubtful	1,014,818	503,459	1,621,874	796,947
Loss	3,696,404	3,681,349	2,496,394	2,481,635
	5,171,287	4,269,514	4,173,946	3,290,449
Overseas				
Overdue by:				
181 to 365 days	913,445	758,714	—	—
> 365 days	1,173,184	1,173,184	1,061,446	1,061,446
	2,086,629	1,931,898	1,061,446	1,061,446
Total	7,257,916	6,201,412	5,235,392	4,351,895



9.4 Particulars of provision against advances

	Note	2019			2018		
		Specific	General	Total (Rupees in '000)	Specific	General	Total
Opening balance		4,351,895	3,378,284	7,730,179	4,399,564	3,337,610	7,737,174
Exchange adjustments		104,015	16,608	120,623	218,348	26,933	245,281
Charge for the year							
- Specific provision		2,092,790	-	2,092,790	354,961	-	354,961
- General provision as per regulations		-	25,191	25,191	-	5,003	5,003
- As per IFRS 9 in overseas branches		-	(30,774)	(30,774)	-	8,738	8,738
Reversals		(345,809)	-	(345,809)	(445,270)	-	(445,270)
		1,746,981	(5,583)	1,741,398	(90,309)	13,741	(76,568)
Amounts written off	9.5	(1,479)	-	(1,479)	(175,708)	-	(175,708)
Closing balance		6,201,412	3,389,309	9,590,721	4,351,895	3,378,284	7,730,179

9.4.1 Particulars of provision against advances

	2019			2018		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
In local currency	4,269,514	3,263,290	7,532,804	3,290,449	3,238,099	6,528,548
In foreign currencies	1,931,898	126,019	2,057,917	1,061,446	140,185	1,201,631
	6,201,412	3,389,309	9,590,721	4,351,895	3,378,284	7,730,179

9.4.2 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.

9.5 PARTICULARS OF WRITE OFFS

	Note	2019 (Rupees in '000)	2018
9.5.1 Against Provisions Directly charged to Profit & Loss account	9.4	1,479	175,708
		-	-
		1,479	175,708
9.5.2 Write Offs of Rs. 500,000 and above			
- Domestic	9.6	815	175,694
- Write Offs of below Rs. 500,000		664	14
		1,479	175,708



9.6 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

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 rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure I.

	Note	2019 (Rupees in '000)	2018
10. FIXED ASSETS			
Capital work - in - progress	10.1	1,597,551	1,433,875
Property and equipment	10.2	34,964,957	24,749,274
		<u>36,562,508</u>	<u>26,183,149</u>
10.1 Capital work - in - progress			
Civil works		652,132	498,060
Advance payment for purchase of equipments		68,212	31,768
Advance payment towards suppliers, contractors and property		854,366	883,137
Consultants' fee and other charges		22,841	20,910
		<u>1,597,551</u>	<u>1,433,875</u>

10.2 Property and Equipment

	2019							
	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets - building on leasehold land	Total
	(Rupees in '000)							
At 01 January 2019								
Cost / Revalued amount	9,005,011	9,495,459	1,234,055	8,146,278	3,114,891	2,488,339	8,139,524	41,623,557
Accumulated depreciation	-	(460,141)	(496,056)	(4,942,336)	(1,562,803)	(1,273,423)	-	(8,734,759)
Net book value	<u>9,005,011</u>	<u>9,035,318</u>	<u>737,999</u>	<u>3,203,942</u>	<u>1,552,088</u>	<u>1,214,916</u>	<u>8,139,524</u>	<u>32,888,798</u>
Year ended 31 December 2019								
Opening net book value	9,005,011	9,035,318	737,999	3,203,942	1,552,088	1,214,916	8,139,524	32,888,798
Additions	1,706,068	601,780	220,951	874,149	921,505	301,388	-	4,625,841
Additions to ROUs	-	-	-	-	-	-	1,454,522	1,454,522
Disposals	-	-	(3,587)	(5,747)	(130,093)	(4,235)	-	(143,662)
Depreciation charge	-	(319,230)	(111,647)	(1,001,813)	(554,614)	(477,883)	(1,395,355)	(3,860,542)
Other adjustments / transfers	13,359	(13,359)	-	-	-	-	-	-
Closing net book value	<u>10,724,438</u>	<u>9,304,509</u>	<u>843,716</u>	<u>3,070,531</u>	<u>1,788,886</u>	<u>1,034,186</u>	<u>8,198,691</u>	<u>34,964,957</u>
At 31 December 2019								
Cost / Revalued amount	10,724,438	10,083,880	1,420,179	8,831,843	3,390,210	2,766,206	9,594,046	46,810,802
Accumulated depreciation	-	(779,371)	(576,463)	(5,761,312)	(1,601,324)	(1,732,020)	(1,395,355)	(11,845,845)
Net book value	<u>10,724,438</u>	<u>9,304,509</u>	<u>843,716</u>	<u>3,070,531</u>	<u>1,788,886</u>	<u>1,034,186</u>	<u>8,198,691</u>	<u>34,964,957</u>
Rate of depreciation (percentage)	-	2.22% - 12.50%	10%	20%	20%	20%	-	



2018

	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment (Rupees in '000)	Vehicles	Improvements to leasehold building	Right of use assets - building on leasehold land	Total
At 01 January 2018								
Cost / Revalued amount	7,480,054	8,325,088	1,021,025	7,002,051	2,500,073	2,171,959	-	28,500,250
Accumulated depreciation	-	(158,554)	(427,918)	(4,280,903)	(1,301,370)	(895,410)	-	(7,064,155)
Net book value	<u>7,480,054</u>	<u>8,166,534</u>	<u>593,107</u>	<u>2,721,148</u>	<u>1,198,703</u>	<u>1,276,549</u>	<u>-</u>	<u>21,436,095</u>
Year ended 31 December 2018								
Opening net book value	7,480,054	8,166,534	593,107	2,721,148	1,198,703	1,276,549	-	21,436,095
Additions	1,524,957	1,160,898	241,832	1,401,093	823,270	345,249	-	5,497,299
Additions to ROUs	-	-	-	-	-	-	-	-
Disposals	-	-	(4,143)	(5,218)	(6,324)	(6,053)	-	(21,738)
Depreciation charge	-	(294,992)	(92,797)	(913,081)	(463,561)	(397,951)	-	(2,162,382)
Other adjustments / transfers	-	2,878	-	-	-	(2,878)	-	-
Closing net book value	<u>9,005,011</u>	<u>9,035,318</u>	<u>737,999</u>	<u>3,203,942</u>	<u>1,552,088</u>	<u>1,214,916</u>	<u>-</u>	<u>24,749,274</u>
At 31 December 2018								
Cost / Revalued amount	9,005,011	9,495,459	1,234,055	8,146,278	3,114,891	2,488,339	-	33,484,033
Accumulated depreciation	-	(460,141)	(496,056)	(4,942,336)	(1,562,803)	(1,273,423)	-	(8,734,759)
Net book value	<u>9,005,011</u>	<u>9,035,318</u>	<u>737,999</u>	<u>3,203,942</u>	<u>1,552,088</u>	<u>1,214,916</u>	<u>-</u>	<u>24,749,274</u>
Rate of depreciation (percentage)	-	2.22% - 12.50%	10%	20%	20%	20%	-	

- 10.3** In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 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 2019 would have been as follows:

	2019 (Rupees in '000)	2018
Leasehold land	<u>4,788,144</u>	<u>4,788,144</u>
Buildings on leasehold land	<u>4,670,487</u>	<u>4,836,414</u>

- 10.4** The gross carrying amount of fully depreciated assets still in use is as follows:

	2019	2018
Furniture and fixture	<u>200,124</u>	188,231
Electrical, office and computer equipment	<u>3,144,841</u>	2,718,039
Vehicles	<u>450,511</u>	547,077
	<u>3,795,476</u>	<u>3,453,347</u>

- 10.5** Details of disposal of fixed assets during the year:

Particulars	2019		
	Cost	Book value	Insurance claim
Habib Insurance Company Limited - (Related Party - Karachi)			
		(Rupees in '000)	
Electrical, office and computer equipment	<u>1,035</u>	<u>478</u>	<u>660</u>
Vehicles	<u>15,710</u>	<u>6,094</u>	<u>13,445</u>



11. INTANGIBLE ASSETS

2019
2018
(Rupees in '000)

Computer software

At 01 January,

Cost	862,562	632,194
Accumulated amortisation	(695,632)	(561,838)
Net book value	166,930	70,356

Year ended 31 December,

Opening net book value	166,930	70,356
Additions: directly purchased	416,445	230,368
Amortisation charge	(217,947)	(133,794)
Closing net book value	365,428	166,930

At 31 December,

Cost	1,279,007	862,562
Accumulated amortisation	(913,579)	(695,632)
Net book value	365,428	166,930
Rate of amortisation (percentage)	50%	50%
Useful life	2 Years	2 Years

11.1 As at 31 December 2019, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs. 632.194 million (2018: Rs. 590.600 million).

12. OTHER ASSETS

Note 2019
2018
(Rupees in '000)

Income / mark - up accrued in local currency - net of provision	19,895,629	10,391,678
Income / mark - up accrued in foreign currencies - net of provision	600,408	390,718
Advances, deposits, advance rent and other prepayments	581,084	1,209,722
Advance taxation (payments less provisions)	682,237	1,457,872
Non - banking assets acquired in satisfaction of claims	12.1 874,900	800,040
Mark to market gain on forward foreign exchange contracts	1,032,137	1,133,980
Acceptances	36,264,680	28,771,029
Stationery and stamps on hand	240,307	218,772
Receivable from SBP on encashment of Government Securities	41,680	325,478
Non - refundable deposits	35,845	43,455
ATM settlement account	239,233	965,926
Others	1,208,650	909,030
	61,696,790	46,617,700
Less: Provision held against other assets	12.2 (7,383)	(7,279)
Other Assets (net of provision)	61,689,407	46,610,421
Surplus on revaluation of non - banking assets acquired in satisfaction of claims	12.1 34,482	36,408
Other Assets - total	61,723,889	46,646,829

12.1 Market value of Non - banking assets acquired in satisfaction of claims 1,013,291 885,443



	Note	2019 (Rupees in '000)	2018
12.1.1 Non - banking assets acquired in satisfaction of claims			
Opening balance		836,448	826,331
Additions		80,000	56,764
Transferred to CWIP		–	(39,860)
Accumulated depreciation		(7,066)	(6,787)
Closing balance		<u>909,382</u>	<u>836,448</u>
12.2 Provision held against other assets			
Receivable against consumer loans		<u>7,383</u>	<u>7,279</u>
12.2.1 Movement in provision held against other assets			
Opening balance		7,279	6,486
Charge for the year		2,108	1,485
Reversals		(1,658)	(605)
		450	880
Amount written off		(346)	(87)
Closing balance		<u>7,383</u>	<u>7,279</u>
13. CONTINGENT ASSETS			
There were no contingent assets of the Bank as at 31 December 2019 (2018: Nil).			
	Note	2019 (Rupees in '000)	2018
14. BILLS PAYABLE			
In Pakistan		<u>20,131,529</u>	<u>20,603,682</u>
15. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	15.1	42,657,650	33,445,797
Under renewable energy	15.2	3,946,903	3,885,244
Under long term financing for imported and locally manufactured plant and machinery	15.3	19,796,175	13,444,746
Under modernisation of small and medium enterprises	15.4	310,422	116,354
Under women entrepreneurship	15.5	19,159	8,476
Under financing facility for storage of agricultural produce	15.6	2,869	26,967
		66,733,178	50,927,584
Repurchase agreement borrowings	15.7	153,365,059	56,714,334
Borrowings from financial institutions	15.8	7,742,380	–
Total secured		<u>227,840,617</u>	<u>107,641,918</u>
Unsecured			
Call borrowings		–	1,500,000
Borrowings from financial institutions		–	9,550,019
Overdrawn nostro accounts		904,417	346,421
		904,417	11,396,440
Total unsecured		<u>228,745,034</u>	<u>119,038,358</u>



- 15.1** These carry mark - up rates ranging from 1% to 2% (2018: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.
- 15.2** These carry mark - up rate of 2% to 3% (2018: 2%) per annum having maturity periods over ten years.
- 15.3** These carry mark - up rate ranging from 2% to 6% (2018: 2% to 6%) per annum having maturity periods upto ten years.
- 15.4** These carry mark - up rate of 2% (2018: 2%) per annum having maturity periods upto seven years.
- 15.5** These carry mark - up rate of Nil (2018: Nil) per annum having maturity periods upto five years.
- 15.6** These carry mark - up rate of 2% (2018: 3.50%) per annum having maturity periods upto three months.
- 15.7** These repurchase agreement borrowings are secured against market treasury bills. These carry effective mark - up rates ranging from 13.10% to 13.45% (2018: 10.10% to 10.35%) per annum, having maturity periods upto one week.
- 15.8** These carry mark rate of 2.57% to 2.62% (2018: Nil) per annum, having maturity periods upto three months.

15.9 Particulars of borrowings with respect to currencies	2019	2018
	(Rupees in '000)	
In local currency	220,098,237	109,152,837
In foreign currencies	8,646,797	9,885,521
	<u>228,745,034</u>	<u>119,038,358</u>

16. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	280,876,055	34,758,774	315,634,829	259,924,538	27,655,719	287,580,257
Savings deposits	222,230,042	38,657,119	260,887,161	190,726,381	35,939,386	226,665,767
Term deposits	162,116,200	33,990,552	196,106,752	128,918,633	27,556,178	156,474,811
Current deposits - remunerative	96,456,401	771,529	97,227,930	82,817,947	550,054	83,368,001
Others	11,695,770	8,186,073	19,881,843	10,802,035	8,189,454	18,991,489
	773,374,468	116,364,047	889,738,515	673,189,534	99,890,791	773,080,325
Financial institutions						
Current deposits	1,717,795	1,234,067	2,951,862	1,284,400	358,311	1,642,711
Savings deposits	4,407,712	16	4,407,728	11,836,148	15	11,836,163
Term deposits	1,750,000	114,123	1,864,123	289,001	454,768	743,769
Current deposits - remunerative	4,578,433	192,643	4,771,076	7,226,357	2,285,052	9,511,409
Others	6,622	-	6,622	86,148	-	86,148
	12,460,562	1,540,849	14,001,411	20,722,054	3,098,146	23,820,200
	<u>785,835,030</u>	<u>117,904,896</u>	<u>903,739,926</u>	<u>693,911,588</u>	<u>102,988,937</u>	<u>796,900,525</u>



	2019 (Rupees in '000)	2018
16.1 Composition of deposits		
- Individuals	582,960,377	501,490,801
- Government (Federal and Provincial)	29,895,314	19,258,183
- Public Sector Entities	36,377,740	46,636,750
- Banking Companies	3,888,823	127,149
- Non-Banking Financial Institutions	10,112,588	23,693,051
- Private Sector	240,505,084	205,694,591
	<u>903,739,926</u>	<u>796,900,525</u>

16.2 This includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 549,470 million as per balances held on 31 December 2018.

	Note	2019 (Rupees in '000)	2018
17 SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	17.1	3,994,400	3,996,000
Term Finance Certificates (TFCs) - VI - (Unquoted)	17.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	17.3	3,998,400	4,000,000
		<u>14,992,800</u>	<u>14,996,000</u>

17.1 Term Finance Certificates - V (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	March 2016
Maturity date	March 2026
Rating	AA
Profit payment frequency	semi - annually
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Mark - up	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap
Call option	On or after five years with prior SBP approval
Lock - in - clause	Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non - Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).



17.2 Term Finance Certificates - VI (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA-
Profit payment frequency	semi - annually
Redemption	No fixed or final redemption date
Mark - up	Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap. The issuer will have full discretion over the amount and timing of profit distribution, and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock - in - clause	No profit may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non - Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and /or have them immediately written off (either partially or in full).

17.3 Term Finance Certificates - VII (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AA
Profit payment frequency	semi - annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each
Mark - up	6-Months KIBOR (ask side) + 1.00% per annum
Call option	On or after five years with prior SBP approval
Lock - in - clause	Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non - Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).



18. DEFERRED TAX LIABILITIES

	2019			
	At 01 January 2019	Recognised in profit and loss account (Rupees in '000)	Recognised in other comprehensive income	At 31 December 2019
Taxable Temporary Differences on				
Accelerated tax depreciation	1,042,090	(82,052)	-	960,038
Surplus on revaluation of fixed assets / non - banking assets	1,023,644	(39,183)	-	984,461
Remeasurement of defined benefit plan	246,397	(80,768)	-	165,629
Surplus on revaluation of available for sale investments	(688,967)	-	1,517,592	828,625
	<u>1,623,164</u>	<u>(202,003)</u>	<u>1,517,592</u>	<u>2,938,753</u>
Deductible Temporary Differences on				
Provision against diminution in the value of investments	(181,518)	(496,386)	-	(677,904)
Provision against loans and advances, off balance sheet, etc.	(5,555)	(726,018)	-	(731,573)
Impairment as per IFRS 9	(78,217)	(70,870)	-	(149,087)
Surplus on revaluation of held for trading investments	(7,671)	7,671	-	-
	<u>(272,961)</u>	<u>(1,285,603)</u>	<u>-</u>	<u>(1,558,564)</u>
	<u>1,350,203</u>	<u>(1,487,606)</u>	<u>1,517,592</u>	<u>1,380,189</u>
	2018			
	At 01 January 2018	Recognised in profit and loss account (Rupees in '000)	Recognised in other comprehensive income	At 31 December 2018
Taxable Temporary Differences on				
Accelerated tax depreciation	965,402	76,688	-	1,042,090
Surplus on revaluation of fixed assets / non - banking assets	1,062,827	(39,183)	-	1,023,644
Remeasurement of defined benefit plan	202,220	44,177	-	246,397
Surplus on revaluation of available for sale investments	455,976	-	(1,144,943)	(688,967)
	<u>2,686,425</u>	<u>81,682</u>	<u>(1,144,943)</u>	<u>1,623,164</u>
Deductible Temporary Differences on				
Provision against diminution in the value of investments	(46,464)	(135,054)	-	(181,518)
Provision against loans and advances, off balance sheet, etc.	(113,900)	108,345	-	(5,555)
Impairment as per IFRS 9	(71,939)	(6,278)	-	(78,217)
Surplus on revaluation of held for trading investments	2,937	(10,608)	-	(7,671)
	<u>(229,366)</u>	<u>(43,595)</u>	<u>-</u>	<u>(272,961)</u>
	<u>2,457,059</u>	<u>38,087</u>	<u>(1,144,943)</u>	<u>1,350,203</u>



	Note	2019	2018
		(Rupees in '000)	
19. OTHER LIABILITIES			
Mark - up / return / interest payable in local currency		4,945,307	2,973,219
Mark - up / return / interest payable in foreign currencies		253,120	231,537
Unearned commission income		241,742	204,609
Accrued expenses		1,281,288	1,026,805
Acceptances		36,264,680	28,771,029
Unclaimed dividends		426,525	415,647
Mark to market loss on forward foreign exchange contracts		1,767,178	614,896
Branch adjustment account		2,336,825	717,339
Payable to defined benefit plan		473,227	703,992
Charity payable		43,474	14,218
Provision against off - balance sheet items	19.1	129,369	116,600
Security deposits against leases / ijarah		6,532,535	5,940,336
Provision for compensated absences	19.2	722,300	585,739
Special exporters' accounts in foreign currencies		194,604	41,936
Other security deposits		592,271	506,331
Workers' welfare fund		1,751,577	1,303,162
Payable to SBP / NBP		210,373	223,763
Payable to supplier against murabaha		186,648	44,886
Insurance payable		455,266	490,757
Lease liability against right-of-use assets		8,316,718	-
Others		1,064,496	871,754
		68,189,523	45,798,555
19.1 Provision against off - balance sheet obligations			
Opening balance		116,600	160,838
Exchange adjustment against IFRS 9 in overseas branches		9,738	12,263
Charge for the year		30,897	13,827
Reversals		(27,866)	(70,328)
		3,031	(56,501)
Closing balance		129,369	116,600
19.1.1 The provision against off-balance sheet obligations includes provision in respect of letter of guarantees and shipping guarantee.			
19.2 Provision for compensated absences has been determined on the basis of independent actuarial valuation. The significant assumptions used for actuarial valuation were as follows:			
		2019	2018
		(% per annum)	
Discount rate		12.25%	12.75%
Expected rate of increase in salary in future years		11.25%	11.75%



20. SHARE CAPITAL

20.1 Authorized Capital

2019	2018		2019	2018
Number of shares			(Rupees in '000)	
<u>1,500,000,000</u>	<u>1,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>15,000,000</u>	<u>15,000,000</u>

20.2 Issued, subscribed and paid up capital

2019	2018		2019	2018
Number of shares			(Rupees in '000)	
<u>30,000,000</u>	<u>30,000,000</u>	Fully paid in cash	<u>300,000</u>	<u>300,000</u>
<u>1,081,425,416</u>	<u>1,081,425,416</u>	Issued as bonus shares	<u>10,814,254</u>	<u>10,814,254</u>
<u>1,111,425,416</u>	<u>1,111,425,416</u>		<u>11,114,254</u>	<u>11,114,254</u>

20.3 As of statement of financial position date 180,881,503 (2018: 198,396,189) ordinary shares of Rs. 10/- each were held by the related parties.

Note
2019
2018
(Rupees in '000)

21. SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of:

- Available for sale securities	8.1	<u>2,367,499</u>	<u>(1,968,476)</u>
- Fixed Assets	21.1	<u>5,495,269</u>	<u>5,605,295</u>
- Non - banking assets acquired in satisfaction of claims	21.2	<u>34,482</u>	<u>36,408</u>
		<u>7,897,250</u>	<u>3,673,227</u>

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities		<u>828,625</u>	<u>(688,967)</u>
- Fixed Assets	21.1	<u>1,049,269</u>	<u>1,087,778</u>
- Non - banking assets acquired in satisfaction of claims	21.2	<u>5,540</u>	<u>6,214</u>
		<u>1,883,434</u>	<u>405,025</u>
		<u>6,013,816</u>	<u>3,268,202</u>

21.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at 01 January	<u>5,605,295</u>	<u>5,715,321</u>
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<u>(110,026)</u>	<u>(110,026)</u>
Surplus on revaluation of fixed assets as at 31 December	<u>5,495,269</u>	<u>5,605,295</u>

Less: related deferred tax liability on:

- revaluation as at 01 January	<u>1,087,778</u>	<u>1,126,287</u>
- incremental depreciation charged during the year	<u>(38,509)</u>	<u>(38,509)</u>
	<u>1,049,269</u>	<u>1,087,778</u>
	<u>4,446,000</u>	<u>4,517,517</u>



	Note	2019 (Rupees in '000)	2018
21.2 Surplus on revaluation of non - banking assets acquired in satisfaction of claims			
Surplus on revaluation as at 01 January		36,408	38,334
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,926)	(1,926)
Surplus on revaluation as at 31 December		34,482	36,408
Less: related deferred tax liability on:			
- revaluation as at 01 January		6,214	6,888
- incremental depreciation charged during the year		(674)	(674)
		5,540	6,214
		<u>28,942</u>	<u>30,194</u>
22. CONTINGENCIES AND COMMITMENTS			
- Guarantees	22.1	81,086,627	66,873,212
- Commitments	22.2	346,877,061	217,907,165
- Other contingent liabilities	22.3	4,673,685	4,716,420
		<u>432,637,373</u>	<u>289,496,797</u>
22.1 Guarantees:			
Financial guarantees		16,237,352	9,633,948
Performance guarantees		64,849,275	57,239,264
		<u>81,086,627</u>	<u>66,873,212</u>
22.2 Commitments:			
Documentary credits and short term trade - related transactions - letters of credit		145,745,358	109,275,067
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	197,844,773	103,620,742
- forward lending	22.2.2	2,214,998	3,916,624
Commitments for acquisition of:			
- operating fixed assets		1,071,932	1,094,732
		<u>346,877,061</u>	<u>217,907,165</u>
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		106,704,798	70,584,095
Sale		91,139,975	33,036,647
		<u>197,844,773</u>	<u>103,620,742</u>
The maturities of above contracts are spread over the periods upto one year.			
22.2.2 Commitments in respect of forward lending		<u>2,214,998</u>	<u>3,916,624</u>
22.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			



	2019 (Rupees in '000)	2018
22.3 Claims against the Bank not acknowledged as debts	<u>4,673,685</u>	<u>4,716,420</u>
22.4 Other contingent liabilities		

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2018 (Tax Year 2019). The income tax assessments of the Bank are complete upto tax year 2016.

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 disallowing certain expenses. Subsequently, amended order was received from ACIR based on a rectification application filed by the Bank resulting an impact of Rs. 482.233 million. After filing of appeal with Commissioner Inland Revenue (Appeals) by the Bank, orders have been passed by CIR (Appeals) allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Deputy Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2014 (Accounting Year 2013) by disallowing certain expenses resulting in an impact of Rs. 150.769 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2015 (Accounting Year 2014) by disallowing certain expenses resulting in an impact of Rs. 301.855 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2016 (Accounting Year 2015) by disallowing certain expenses resulting in an impact of Rs. 207.679 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Deputy Commissioner Inland Revenue has passed order for the period January 2013 to December 2015 levying Federal Excise Duty on certain items resulting in an impact of Rs. 80.766 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals).

Commissioner (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. The Bank has filed an appeal before Appellate Tribunal (Punjab Revenue Authority).

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 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 ITAT against the above referred orders.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Years 2014 to 2018 by disallowing certain expenses resulting in an impact of Rs. 93.443 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

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

23. DERIVATIVE 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.



23.1 Product Analysis

Counter Parties	2019					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
	(Rupees in '000)					
Banks						
Hedging	6,661,765	26,468	129,746,798	(917,715)	136,408,563	(891,247)
Other Entities						
Hedging	61,436,210	156,206	-	-	61,436,210	156,206
Total						
Hedging	<u>68,097,975</u>	<u>182,674</u>	<u>129,746,798</u>	<u>(917,715)</u>	<u>197,844,773</u>	<u>(735,041)</u>

2018						
(Rupees in '000)						
Banks						
Hedging	15,866,132	39,714	77,523,611	365,635	93,389,743	405,349
Other Entities						
Hedging	9,482,464	113,887	748,535	(152)	10,230,999	113,735
Total						
Hedging	<u>25,348,596</u>	<u>153,601</u>	<u>78,272,146</u>	<u>365,483</u>	<u>103,620,742</u>	<u>519,084</u>

23.2 Maturity Analysis

	2019				
	Number of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
	(Rupees in '000)				
Upto 1 month	233	72,985,102	(770,198)	272,735	(497,463)
1 to 3 months	445	73,198,078	(840,319)	238,992	(601,327)
3 to 6 months	396	37,979,403	(132,541)	260,852	128,311
6 months to 1 year	258	13,682,190	(24,120)	259,558	235,438
	<u>1,332</u>	<u>197,844,773</u>	<u>(1,767,178)</u>	<u>1,032,137</u>	<u>(735,041)</u>

2018					
(Rupees in '000)					
Upto 1 month	144	39,021,458	(171,195)	569,452	398,257
1 to 3 months	173	52,299,327	(284,138)	218,057	(66,081)
3 to 6 months	119	9,420,641	(135,670)	185,144	49,474
6 months to 1 year	136	2,879,316	(23,893)	161,327	137,434
	<u>572</u>	<u>103,620,742</u>	<u>(614,896)</u>	<u>1,133,980</u>	<u>519,084</u>



	Note	2019 (Rupees in '000)	2018
24. MARK - UP / RETURN / INTEREST EARNED			
On loans and advances		50,320,400	28,604,517
On investments		53,033,167	31,648,623
On deposits with financial institutions		671,641	288,539
On securities purchased under resale agreements		1,291,640	183,322
On call money lendings		284,877	8,137
		<u>105,601,725</u>	<u>60,733,138</u>
25. MARK - UP / RETURN / INTEREST EXPENSED			
Deposits		49,250,286	25,134,132
Borrowings from SBP		1,166,339	929,798
Subordinated debt		1,944,179	911,973
Cost of foreign currency swaps		1,637,026	529,108
Repurchase agreement borrowings		9,404,347	2,015,395
Mark-up expense on lease liability against right-of-use assets		734,780	–
Other borrowings		278,709	318,987
		<u>64,415,666</u>	<u>29,839,393</u>
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,086,265	673,391
Consumer finance related fees		44,287	44,797
Card related fees (debit and credit cards)		626,717	612,990
Credit related fees		192,168	187,074
Commission on trade		3,454,118	2,658,230
Commission on guarantees		411,148	381,930
Commission on cash management		196,473	177,864
Commission on home remittances		54,728	43,556
Others		27,200	9,758
		<u>6,093,104</u>	<u>4,789,590</u>
27. (LOSS) / GAIN ON SECURITIES			
Realised	27.1	(32,469)	15,432
Unrealised - held for trading		–	(30,309)
		<u>(32,469)</u>	<u>(14,877)</u>
27.1 Realised (loss) / gain on:			
Federal Government Securities		100	(1,897)
Shares		(33,325)	18,060
Non Government Debt Securities		–	150
Mutual funds		756	(881)
		<u>(32,469)</u>	<u>15,432</u>
28. OTHER INCOME			
Rent on property		2,100	2,100
Gain on sale of fixed assets - net		377,002	130,801
Recovery of expenses from customers	28.1	271,455	274,551
Lockers rent		10,085	8,157
Others		3,289	857
		<u>663,931</u>	<u>416,466</u>
28.1			
Includes courier, SWIFT, postage and other charges recovered from customers.			



	Note	2019	2018
		(Rupees in '000)	
29. OPERATING EXPENSES			
Total compensation expenses	29.1	12,232,953	10,223,151
Property expense			
Rent & taxes		364,045	1,571,697
Insurance		16,710	20,347
Utilities cost		1,047,320	880,605
Security (including guards)		871,860	852,391
Repair & maintenance (including janitorial charges)		240,392	211,402
Depreciation		2,199,534	699,730
Amortisation		7,609	7,609
		4,747,470	4,243,781
Information technology expenses			
Software maintenance		4,417	2,784
Hardware maintenance		465,967	391,894
Depreciation		251,689	261,899
Amortisation		217,947	133,794
Network charges		390,911	316,670
		1,330,931	1,107,041
Other operating expenses			
Directors' fees and allowances		45,650	42,925
Fees and allowances to Shariah Board		9,819	8,096
Insurance		357,902	312,780
Legal & professional charges		180,822	164,108
Outsourced services costs	29.2	1,435,776	1,194,990
Travelling & conveyance		243,601	217,597
NIFT & other clearing charges		126,269	113,789
Depreciation		1,416,385	1,207,540
Repair and maintenance		1,203,134	1,148,946
Training & development		45,691	47,145
Postage & courier charges		216,537	192,913
Communication		280,696	239,381
Stationery & printing		898,758	548,145
Marketing, advertisement & publicity		264,463	298,570
Donations	29.3	110,700	159,761
Auditors remuneration	29.4	6,600	6,596
Commission and brokerage		614,359	326,536
Entertainment and staff refreshment		307,372	277,263
Vehicle running expenses		863,258	628,694
Subscriptions and publications		167,579	100,807
CNIC verification charges		131,145	66,578
Security charges		278,742	229,872
Others		202,669	245,501
		9,407,927	7,778,533
		27,719,281	23,352,506



	2019	2018												
	(Rupees in '000)													
29.1 Total compensation expense														
Fees and allowances etc.	438,579	272,472												
Managerial remuneration	7,519,463	6,319,232												
Charge for defined benefit plan	403,923	313,225												
Contribution to defined contribution plan	527,940	445,591												
Rent & house maintenance	2,239,780	1,921,181												
Utilities	560,065	481,106												
Medical	394,481	362,069												
Charge for employees compensated absences	135,164	92,542												
Social security	1,681	3,005												
Staff indemnity	11,877	12,728												
	<u>12,232,953</u>	<u>10,223,151</u>												
29.2	Total cost for the year included in other operating expenses relating to material outsourced activities is Rs. 32.693 million (2018: Rs. 22.384 million) paid to a company incorporated outside Pakistan. Material outsourcing arrangements are as follows:													
	<table border="1"> <thead> <tr> <th>S.No.</th> <th>Name of material outsourced activity</th> <th>Name of Service Provider</th> <th>Nature of Service</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Merchant On - Boarding and Terminal Management Services</td> <td>M/s. Wemsol (Private) Limited</td> <td>Point of Sale (POS) acquiring</td> </tr> <tr> <td>2.</td> <td>Credit Card system</td> <td>M/s. Arab Financial Services (AFS)</td> <td>Credit Card</td> </tr> </tbody> </table>		S.No.	Name of material outsourced activity	Name of Service Provider	Nature of Service	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
S.No.	Name of material outsourced activity	Name of Service Provider	Nature of Service											
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											
	2019	2018												
	(Rupees in '000)													
29.3	The detail of donations is given below:													
Al-Sayyeda Benevolent Trust	3,000	3,000												
Bank AL Habib Staff Benefit Trust	-	50,000												
Childlife Foundation	-	5,000												
Habib Education Trust	3,000	13,000												
Habib Medical Trust	3,000	3,000												
Habib Poor Fund	3,000	3,000												
Institute of Management Sciences, Bahauddin Zakariya University	-	1,000												
Jinnah Foundation (Memorial) Trust	2,000	-												
Panah Trust	500	-												
Patients' Aid Foundation	85,000	52,828												
Rahmatbai Habib Food and Clothing Trust	3,000	3,000												
Rahmatbai Habib Widows and Orphans Trust	3,000	3,000												
The Citizens Foundation	5,200	4,800												
The Supreme Court of Pakistan and the Prime Minister of Pakistan														
Diamer-Bhasha and Mohmand Dams Fund	-	18,133												
	<u>110,700</u>	<u>159,761</u>												
29.4 Auditors' remuneration														
Audit fee	2,613	2,613												
Half yearly review	825	825												
Special certifications	2,301	2,301												
Gratuity fund	91	91												
Out of pocket expenses	770	766												
	<u>6,600</u>	<u>6,596</u>												
30. OTHER CHARGES														
Penalties imposed by the State Bank of Pakistan	<u>93,244</u>	<u>3,517</u>												



	Note	2019 (Rupees in '000)	2018
31. PROVISIONS AND WRITE OFFS - NET			
Reversal against balances with other banks		–	(9)
Provisions for diminution in value of investments	8.3	1,650,116	354,806
Provision / (reversal) against loans and advances - net	9.4	1,741,398	(76,568)
Provision / (reversal) against off - balance sheet items	19.1	3,031	(56,501)
Provision against other assets	12.2.1	450	880
Loss on closure of subsidiary		–	24,569
		<u>3,394,995</u>	<u>247,177</u>
32. TAXATION			
Current		8,757,958	5,807,924
Prior years		571,907	–
Deferred		(1,487,606)	38,087
		<u>7,842,259</u>	<u>5,846,011</u>
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>19,010,995</u>	<u>14,263,667</u>
Tax at the applicable rate of 35% (2018: 35%)		6,653,848	4,992,283
Tax effects of:			
Expenses that are not deductible in determining taxable income		115,977	302,218
Tax effect of super tax	32.1.1	1,468,844	595,684
Others	32.1.2	(396,410)	(44,174)
		<u>7,842,259</u>	<u>5,846,011</u>
32.1.1 The Finance Supplementary (Second Amendment) Act 2019 has reversed the phase-wise reduction in rate of Super Tax for banking companies from 4% to 3% and further levied additional super tax charge at 4% for Tax Year 2018 (Accounting Year 2017), which was previously not chargeable. The aggregate super tax charge amount to Rs. 1,468.844 million (including additional super tax charge of Rs. 571.907 million pertaining to Tax Year 2018).			
32.1.2 Includes Rs. 490 million being the tax effect of unrecognised deductible temporary differences of prior years.			
		2019 (Rupees in '000)	2018
33. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		<u>11,168,736</u>	<u>8,417,656</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>10.05</u>	<u>7.57</u>
	Note	2019	2018
34. CASH AND CASH EQUIVALENTS		(Rupees in '000)	
Cash and balances with treasury banks	5	113,838,791	74,432,172
Balances with other banks	6	9,523,969	7,989,939
Overdrawn nostros	15	(904,417)	(346,421)
		<u>122,458,343</u>	<u>82,075,690</u>



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

	2019		
	Subordinated debt	Lease liability	Dividend
	(Rupees in '000)		
Balance as at 01 January 2019	14,996,000	-	415,647
Changes from financing cash flows			
Receipts against subordinated debt	-	-	-
Payments against subordinated debt	(3,200)	-	-
Payment against lease liability	-	(2,012,087)	-
Dividend paid	-	-	(2,767,686)
Total changes from financing cash flows	(3,200)	(2,012,087)	(2,767,686)
Other changes			
Addition to right-of-use-assets	-	9,594,025	-
Mark-up expense on lease liability against right-of-use assets	-	734,780	-
Cash dividend (Rs. 2.5 per share)	-	-	2,778,564
	-	10,328,805	2,778,564
Balance as at 31 December 2019	14,992,800	8,316,718	426,525
	2018		
	Subordinated debt	Lease liability	Dividend
	(Rupees in '000)		
Balance as at 01 January 2018	10,997,600	-	337,665
Changes from financing cash flows			
Receipts against subordinated debt	4,000,000	-	-
Payments against subordinated debt	(1,600)	-	-
Payment against lease liability	-	-	-
Dividend paid	-	-	(3,256,294)
Total changes from financing cash flows	3,998,400	-	(3,256,294)
Other changes			
Addition to right-of-use-assets	-	-	-
Mark-up expense on lease liability against right-of-use assets	-	-	-
Cash dividend (Rs. 3 per share)	-	-	3,334,276
	-	-	3,334,276
Balance as at 31 December 2018	14,996,000	-	415,647



	2019	2018
	(Number)	
35. STAFF STRENGTH		
Permanent	11,315	10,421
Temporary / on contractual basis	220	221
Bank's own staff at end of the year	<u>11,535</u>	<u>10,642</u>
Outsourced	2,594	2,549
Total staff strength	<u>14,129</u>	<u>13,191</u>
35.1 Domestic	14,080	13,146
Offshore	49	45
	<u>14,129</u>	<u>13,191</u>

36. DEFINED BENEFIT PLAN

36.1 General description

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

Number of years of eligible service completed:

Less than 5 years
 5 years or more but less than 10 years
 10 years or more but less than 15 years
 15 years or more

Amount of gratuity payable:

Nil
 1/3rd of basic salary for each year served
 2/3rd of basic salary for each year served
 Full basic salary for each year served

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 and loss account in subsequent periods.

36.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 11,073 (2018: 10,325).

36.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2019 and the significant assumptions used for actuarial valuation were as follows:

	2019	2018
Discount Rate	12.25%	12.75%
Expected rate of return on plan assets	23.73%	9.81%
Expected rate of salary increase : Year 1	11.25%	11.75%
Year 2	11.25%	11.75%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate



36.4 Reconciliation of payable to defined benefit plan	Note	2019	2018
		(Rupees in '000)	
Present value of obligations		3,590,184	2,993,002
Fair value of plan assets		(3,116,957)	(2,289,010)
Payable		473,227	703,992
36.5 Movement in defined benefit obligations			
Obligation at the beginning of the year		2,993,002	2,435,705
Current service cost		319,391	264,747
Interest cost		389,264	219,159
Benefits paid during the year		(120,225)	(57,610)
Remeasurement loss		8,752	131,001
Obligation at the end of the year		3,590,184	2,993,002
36.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		2,289,010	1,857,934
Interest income on plan assets		304,732	170,681
Contribution by the Bank - net		403,923	313,225
Actual benefits paid during the year		(120,225)	(57,610)
Remeasurement gain on plan assets	36.8.2	239,517	4,780
Fair value at the end of the year		3,116,957	2,289,010
36.7 Movement in payable under defined benefit scheme			
Opening balance		703,992	577,771
Charge for the year		403,923	313,225
Contribution by the Bank		(403,923)	(313,225)
Remeasurement (gain) / loss recognised in Other Comprehensive Income during the year	36.8.2	(230,765)	126,221
Closing Balance		473,227	703,992
36.8 Charge for defined benefit plan			
36.8.1 Cost recognised in profit and loss			
Current service cost		319,391	264,747
Net interest on defined benefit liability		84,532	48,478
		403,923	313,225



	2019 (Rupees in '000)	2018
36.8.2 Re-measurements recognised in OCI during the year		
(Gain) / loss on obligation		
- Financial assumptions	(9,703)	3,962
- Experience assumptions	18,455	127,039
	8,752	131,001
Actuarial gain on plan assets	(239,517)	(4,780)
Total Remeasurement (gain) / loss recognised in OCI	(230,765)	126,221
36.9 Components of plan assets		
Cash and cash equivalents - net	265,219	7,928
Unquoted investments		
Government securities	2,851,738	2,281,082
Total fair value of plan assets	3,116,957	2,289,010
36.10 Sensitivity analysis		2019 (Rupees in '000)
1% increase in discount rate		3,250,738
1% decrease in discount rate		3,987,794
1% increase in expected rate of salary increase		4,005,677
1% decrease in expected rate of salary increase		3,230,434
		2020 (Rupees in '000)
36.11 Expected contributions to be paid to the funds in the next financial year		424,170
36.12 Expected charge for the next financial year		424,170
36.13 Maturity profile		2019 (Rupees in '000)
The weighted average duration of the obligation is 10.20 years.		
Distribution of timing of benefit payments		
within the next 12 months (next annual reporting period)		186,229
between 2 and 5 years		1,378,800
between 5 and 10 years		3,549,199
		5,114,228



36.14 Funding Policy

The Bank will fund the yearly contribution to the defined benefit plan each year, as per the amount calculated by the valuer.

36.15 Significant risk

Asset volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly fixed income bonds. Almost 55.40% of the total Investments (Rs. 1.727 billion) is invested in PIB's. This gives rise to significant reinvestment risk.

The remaining fund is invested in Treasury Bills. The T Bills exposure is almost 36.09% (Rs. 1.125 billion).

The asset class is volatile with reference to the yield on this class. This risk should be viewed together with change in the bond yield risk.

Changes in bond yields

There are two dimensions to the changes in Bond yields: first, as described above; second, the valuation of the Gratuity Liability is discounted with reference to these bond yields. So any increase in Bond yields will lower the Gratuity Liability and vice versa, but, it will also lower the asset values.

Inflation risk

The salary inflation is the major risk that the gratuity fund liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability. But viewed with the fact that asset values will also decrease, the salary inflation does, as an overall affect, increases the net liability of the Bank.

Life expectancy / Withdrawal rate

The Gratuity is paid off at the maximum of age 60. The Life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the Gratuity. Thus, the risk of life expectancy is almost negligible. However, had a post retirement benefit been given by the Bank like monthly pension, post retirement medical etc., this would have been a significant risk which would have been quite difficult to value even by using advance mortality improvement models.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions. In this case, it is not a significant risk.

Other Risks

Though, not imminent and observable, over long term there are some risks that may crystallize. This includes:

Model Risk

The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the Gratuity Fund are also marked to market. This two-tier valuation gives rise to the model risk.



Retention risk

The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.

Final Salary Risk

The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.

Operational Risk related to a separate entity

Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank.

Generally, the protocols, processes and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit Funds. This gives rise to some specific operational risks.

Compliance Risk

The risk that retirement benefits offered by the Bank does not comply with minimum statutory requirements.

Legal / Political Risk

The risk that the legal / political environment changes and the Bank is required to offer additional or different retirement benefits than what the Bank projected.

37. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 4.9.

	2019
	(Rupees in '000)
Contributions made during the year :	
Employer's Contribution	<u>527,940</u>
Employees' Contribution	<u>527,940</u>

The number of employees covered under the defined contribution plan are 10,262 (2018: 9,302).

38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total Compensation Expense

	2019						
	Directors			Members Shariah Board	Chief Executive	Key Management Personnel	Other Risk Takers / Controllers
	Chairman	Executives (other than CE)	Non- Executives				
	(Rupees in '000)						
Fees and allowances etc.	27,500	–	18,150	–	–	–	–
Managerial remuneration	–	27,000	–	6,520	47,000	273,277	1,093,039
Charge for defined benefit plan	–	6,353	–	–	19,793	38,648	106,639
Contribution to defined contribution plan	–	2,150	–	103	3,733	18,579	84,896
Rent and house maintenance	–	8,600	–	2,470	14,933	88,590	353,733
Utilities	–	2,162	–	618	4,482	22,147	88,433
Medical	–	–	–	108	–	1,080	29,016
Others	–	500	–	–	417	4,655	20,708
Total	27,500	46,765	18,150	9,819	90,358	446,976	1,776,464
Number of persons	1	1	10	3	1	35	828
	2018						
	(Rupees in '000)						
Fees and allowances etc.	25,000	–	17,925	–	–	–	–
Managerial remuneration	–	24,000	–	5,420	37,000	208,403	989,617
Charge for defined benefit plan	–	10,393	–	–	18,448	23,223	80,962
Contribution to defined contribution plan	–	1,900	–	–	2,933	12,998	74,924
Rent and house maintenance	–	7,600	–	2,054	11,733	67,186	318,072
Utilities	–	1,912	–	514	3,593	16,796	79,518
Medical	–	–	–	108	–	893	27,570
Others	–	488	–	–	334	4,344	14,091
Total	25,000	46,293	17,925	8,096	74,041	333,843	1,584,754
Number of persons	1	1	7	3	1	30	790



Chief Executive, Executive Director, Members Shariah Board, Key Management Personal and Other Risk Takers / Controllers are entitled to Bank's maintained cars with fuel in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Bank. In addition, the Chief Executive and Executive Director are also provided with drivers, 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 with fuel, security guard services, payment of utility bills, club and entertainment bills, travelling bills, appropriate office, staff, and administrative support.

38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2019						
		Meeting Fees and Allowances Paid						
		For Board Committees						
S.No.	Name of Director	For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IT Committee	Total Amount Paid
(Rupees in '000)								
1.	Mr. Ali Raza D. Habib	150	—	—	—	—	—	150
2.	Mr. Anwar Haji Karim	600	1,200	—	600	—	—	2,400
3.	Ms. Farhana Mowjee Khan	450	—	300	300	—	—	1,050
4.	Syed Mazhar Abbas	600	1,050	450	—	450	450	3,000
5.	Mr. Safar Ali Lakhani	600	1,200	300	600	600	—	3,300
6.	Syed Hasan Ali Bukhari	600	1,200	600	—	600	—	3,000
7.	Mr. Murtaza H. Habib	600	—	—	—	600	—	1,200
8.	Mr. Arshad Nasar	600	1,200	600	—	—	600	3,000
9.	Mr. Adnan Afridi	450	—	—	300	—	—	750
10.	Mr. Manzoor Ahmed	150	—	—	150	—	—	300
		4,800	5,850	2,250	1,950	2,250	1,050	18,150



2018
Meeting Fees and Allowances Paid

S.No.	Name of Director	For Board Committees					Total Amount Paid	
		For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee		IT Committee
(Rupees in '000)								
1.	Mr. Anwar Haji Karim	675	1,200	225	525	–	–	2,625
2.	Syed Mazhar Abbas	525	1,050	675	–	525	525	3,300
3.	Mr. Safar Ali Lakhani	675	1,200	450	525	525	–	3,375
4.	Syed Hasan Ali Bukhari	675	1,200	675	–	525	–	3,075
5.	Mr. Murtaza H. Habib	675	–	225	–	150	–	1,050
6.	Mr. Arshad Nasar	675	1,200	675	–	225	525	3,300
7.	Mr. Manzoor Ahmed	675	–	–	525	–	–	1,200
		4,575	5,850	2,925	1,575	1,950	1,050	17,925

38.3 Remuneration paid to Shariah Board Members

Items	2019			2018		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
(Rupees in '000)						
Managerial Remuneration	2,800	2,000	1,720	2,400	1,600	1,420
Contribution to defined contribution plan	–	–	103	–	–	–
Rent & house maintenance	1,120	800	550	960	640	454
Utilities	280	200	138	240	160	114
Medical	36	36	36	36	36	36
Total	4,236	3,036	2,547	3,636	2,436	2,024
Number of persons	1	1	1	1	1	1





39. FAIR VALUE MEASUREMENTS

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)
Foreign Securities	Market prices / Mashreqbank PSC
Listed securities	Prices quoted at Pakistan Stock Exchange Limited
Mutual funds	Net asset values declared by respective funds
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 notes 4.13 and 4.4.

39.1 Fair value of financial assets

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).



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

	2019			Total
	Level 1	Level 2	Level 3	
On balance sheet financial instruments	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	421,111,246	–	421,111,246
Shares	3,089,046	–	–	3,089,046
Non-Government Debt Securities	3,310,377	1,849,049	–	5,159,426
Foreign Securities	–	6,434,579	–	6,434,579
Mutual funds	–	2,984,292	–	2,984,292
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	138,020,153	–	138,020,153
Non-Government Debt Securities	–	407,752	–	407,752
Associates				
Listed shares	360,136	–	–	360,136
Mutual funds	–	894,766	–	894,766
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	106,704,798	–	106,704,798
Forward sale of foreign exchange contracts	–	(91,139,975)	–	(91,139,975)
	2018			
On balance sheet financial instruments	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	353,327,970	–	353,327,970
Shares	4,340,014	–	–	4,340,014
Non-Government Debt Securities	2,597,060	2,112,711	–	4,709,771
Foreign Securities	–	1,503,042	–	1,503,042
Mutual funds	–	2,014,807	–	2,014,807
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government securities	–	47,667,386	–	47,667,386
Non-Government Debt Securities	–	–	–	–
Associates				
Listed shares	348,367	–	–	348,367
Mutual funds	–	352,118	–	352,118
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	70,584,095	–	70,584,095
Forward sale of foreign exchange contracts	–	(33,036,647)	–	(33,036,647)

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

39.3 Foreign exchange contracts are valued using exchange rates declared by the State Bank of Pakistan.



40. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

41. SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities

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

	2019		Total
	Commercial banking	Retail banking (Rupees in '000)	
Profit and loss account			
Mark - up / return / profit	96,226,769	9,374,956	105,601,725
Inter segment revenue - net	—	31,667,850	31,667,850
Non mark - up / return / interest income	3,234,924	6,245,947	9,480,871
Total income	99,461,693	47,288,753	146,750,446
Segment direct expenses	(58,040,232)	(34,636,374)	(92,676,606)
Inter segment expense allocation	(31,667,850)	—	(31,667,850)
Total expenses	(89,708,082)	(34,636,374)	(124,344,456)
Provisions	(3,386,417)	(8,578)	(3,394,995)
Profit before tax	6,367,194	12,643,801	19,010,995
Statement of financial position			
Cash & bank balances	113,906,872	9,455,888	123,362,760
Investments	586,140,504	—	586,140,504
Net inter segment lending	—	581,041,519	581,041,519
Lendings to financial institutions	1,857,575	—	1,857,575
Advances - performing	450,257,279	37,355,664	487,612,943
- non-performing	955,129	101,375	1,056,504
Others	91,090,056	7,561,769	98,651,825
Total assets	1,244,207,415	635,516,215	1,879,723,630
Borrowings	228,745,034	—	228,745,034
Subordinated debt	14,992,800	—	14,992,800
Deposits & other accounts	328,083,837	575,656,089	903,739,926
Net inter segment borrowing	581,041,519	—	581,041,519
Others	33,349,056	56,352,185	89,701,241
Total liabilities	1,186,212,246	632,008,274	1,818,220,520
Equity	57,995,169	3,507,941	61,503,110
Total equity & liabilities	1,244,207,415	635,516,215	1,879,723,630
Contingencies & commitments	226,672,893	159,092	226,831,985



	2018		Total
	Commercial banking	Retail banking (Rupees in '000)	
Profit and loss account			
Mark - up / return / profit	54,592,244	6,140,894	60,733,138
Inter segment revenue - net	—	17,719,736	17,719,736
Non mark - up / return / interest income	3,950,728	3,316,928	7,267,656
Total income	58,542,972	27,177,558	85,720,530
Segment direct expenses	(30,593,226)	(22,896,724)	(53,489,950)
Inter segment expense allocation	(17,719,736)	—	(17,719,736)
Total expenses	(48,312,962)	(22,896,724)	(71,209,686)
Provisions	(163,779)	(83,398)	(247,177)
Profit before tax	10,066,231	4,197,436	14,263,667
Statement of financial position			
Cash & bank balances	65,818,341	16,603,770	82,422,111
Investments	414,605,406	—	414,605,406
Net inter segment lending	—	429,972,610	429,972,610
Lending to financial institutions	—	—	—
Advances - performing	381,011,650	96,319,431	477,331,081
- non-performing	867,555	15,942	883,497
Others	58,291,826	14,705,082	72,996,908
Total assets	920,594,778	557,616,835	1,478,211,613
Borrowings	119,038,358	—	119,038,358
Subordinated debt	14,996,000	—	14,996,000
Deposits & other accounts	295,409,724	501,490,801	796,900,525
Net inter segment borrowing	429,972,610	—	429,972,610
Others	25,516,506	42,235,934	67,752,440
Total liabilities	884,933,198	543,726,735	1,428,659,933
Equity	35,661,580	13,890,100	49,551,680
Total equity & liabilities	920,594,778	557,616,835	1,478,211,613
Contingencies & commitments	176,091,049	57,230	176,148,279



41.2 Segment details with respect to geographical locations

Geographical Segment Analysis

	2019				Total
	Pakistan	Middle East	Asia Pacific	Africa	
	(Rupees in '000)				
Profit and loss account					
Mark - up / return / profit	103,271,247	1,203,762	1,030,976	95,740	105,601,725
Non mark - up / return / interest income	9,144,967	194,062	141,368	474	9,480,871
Total income	112,416,214	1,397,824	1,172,344	96,214	115,082,596
Segment direct expenses	(91,026,511)	(731,221)	(812,685)	(106,189)	(92,676,606)
Provisions	(2,447,667)	(808,646)	(102,920)	(35,762)	(3,394,995)
Profit before tax	18,942,036	(142,043)	256,739	(45,737)	19,010,995
Statement of financial position					
Cash & bank balances	123,253,924	70,099	35,937	2,800	123,362,760
Investments	569,580,848	8,398,048	6,547,783	1,613,825	586,140,504
Net inter segment lendings	1,607,355	8,675,968	439,579	2,377	10,725,279
Lending to financial institutions	1,857,575	—	—	—	1,857,575
Advances - performing	453,164,096	19,935,668	14,513,179	—	487,612,943
- non-performing	1,056,504	—	—	—	1,056,504
Others	83,308,445	556,284	14,756,839	30,257	98,651,825
Total assets	1,233,828,747	37,636,067	36,293,317	1,649,259	1,309,407,390
Borrowings	221,002,654	7,742,380	—	—	228,745,034
Subordinated debt	14,992,800	—	—	—	14,992,800
Deposits & other accounts	861,704,786	23,867,406	18,010,982	156,752	903,739,926
Net inter segment borrowings	6,037,213	1,605,050	2,169,415	913,601	10,725,279
Others	74,586,162	494,784	14,608,357	11,938	89,701,241
Total liabilities	1,178,323,615	33,709,620	34,788,754	1,082,291	1,247,904,280
Equity	55,505,132	3,926,447	1,504,563	566,968	61,503,110
Total equity & liabilities	1,233,828,747	37,636,067	36,293,317	1,649,259	1,309,407,390
Contingencies & commitments	213,556,869	13,101,824	173,292	—	226,831,985



	2018				
	Pakistan	Middle East	Asia Pacific	Africa	Total
	(Rupees in '000)				
Profit and loss account					
Mark - up / return / profit	58,832,195	1,097,667	715,416	87,860	60,733,138
Non mark - up / return / interest income	6,860,446	246,825	156,390	3,995	7,267,656
Total income	65,692,641	1,344,492	871,806	91,855	68,000,794
Segment direct expenses	(52,355,969)	(552,869)	(502,390)	(78,722)	(53,489,950)
(Provisions) / reversals	(282,161)	(21)	35,018	(13)	(247,177)
Profit before tax	13,054,511	791,602	404,434	13,120	14,263,667
Statement of financial position					
Cash & bank balances	82,303,170	78,482	38,518	1,941	82,422,111
Investments	403,784,551	6,998,398	2,452,177	1,370,280	414,605,406
Net inter segment lendings	4,214,459	7,377,491	649,553	8,594	12,250,097
Lending to financial institutions	—	—	—	—	—
Advances - performing	448,135,194	17,098,469	11,764,345	333,073	477,331,081
- non-performing	883,497	—	—	—	883,497
Others	61,674,675	1,068,593	10,223,583	30,057	72,996,908
Total assets	1,000,995,546	32,621,433	25,128,176	1,743,945	1,060,489,100
Borrowings	116,431,434	2,606,924	—	—	119,038,358
Subordinated debt	14,996,000	—	—	—	14,996,000
Deposits & other accounts	762,225,581	20,882,948	13,681,767	110,229	796,900,525
Net inter segment borrowings	6,873,102	4,264,711	—	1,112,284	12,250,097
Others	56,500,156	1,002,978	10,241,938	7,368	67,752,440
Total liabilities	957,026,273	28,757,561	23,923,705	1,229,881	1,010,937,420
Equity	43,969,273	3,863,872	1,204,471	514,064	49,551,680
Total equity & liabilities	1,000,995,546	32,621,433	25,128,176	1,743,945	1,060,489,100
Contingencies & commitments	168,395,885	7,601,831	150,563	—	176,148,279

42. RELATED PARTY TRANSACTIONS

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

Transactions with related parties of the Bank are carried out on 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 10.5, 20.3 and 38 are summarised as follows:

	2019					2018				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key Management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	200,000	628,346	-	-	-	200,127	688,576	-
Investment made during the year	-	-	-	525,000	-	-	-	-	21,000	-
Investments adjusted / redeemed / disposed off during the year	-	-	-	-	-	-	-	(127)	(81,230)	-
Closing balance	-	-	200,000	1,153,346	-	-	-	200,000	628,346	-
Advances										
Opening balance	1,313	53,257	-	1,359,059	-	977	51,929	-	1,775,142	-
Addition during the year	55,443	363,717	7,585,878	33,451,951	-	34,176	51,761	6,894,120	32,726,863	-
Repaid during the year	(55,269)	(340,348)	(7,570,256)	(31,795,754)	-	(33,840)	(50,433)	(6,894,120)	(33,142,946)	-
Closing balance	1,487	76,626	15,622	3,015,256	-	1,313	53,257	-	1,359,059	-
Operating fixed assets										
Right of use	-	-	-	7,076	-	-	-	-	-	-
Other Assets										
Interest / mark-up accrued	-	55	-	10,667	-	-	32	-	4,216	-
L/C acceptance	-	-	-	350,867	-	-	-	-	532,718	-
Other receivable	-	-	-	1,525	-	-	-	-	-	-
Subordinated debt										
Opening balance	-	-	-	-	-	-	-	-	-	-
Issued / purchased during the year	-	-	-	44,000	-	-	-	-	-	-
Closing balance	-	-	-	44,000	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	587,452	816,406	47,744	4,876,833	536,801	821,526	580,986	41,933	4,021,911	1,412,440
Received during the year	11,221,419	2,996,758	8,414,981	150,071,628	29,846,047	3,185,597	2,384,155	6,276,995	101,140,451	33,145,306
Withdrawn during the year	(10,853,793)	(3,189,001)	(8,350,899)	(151,411,505)	(29,869,118)	(3,419,671)	(2,148,735)	(6,271,184)	(100,285,529)	(34,020,945)
Closing balance	955,078	624,163	111,826	3,536,956	513,730	587,452	816,406	47,744	4,876,833	536,801
Other Liabilities										
Interest / mark-up payable	3,799	4,118	8	15,309	2,216	652	2,240	9	20,861	6,897
Payable to staff retirement fund	-	-	-	-	473,226	-	-	-	-	703,992
L/C acceptance	-	-	-	350,867	-	-	-	-	532,718	-
Unrealised loss on forward exchange contracts	-	-	-	16,187	-	-	-	-	-	-
Other liabilities	-	19	542	-	-	-	-	630	-	-
Contingencies and Commitments										
	-	-	-	3,385,253	-	-	-	-	729,458	-
Other Transactions - Investor Portfolio Securities										
Opening balance	-	-	85,000	201,000	8,132,000	-	-	80,000	21,000	3,827,000
Increased during the year	30,000	-	85,000	1,534,940	8,487,000	-	-	370,000	416,000	15,445,000
Decreased during the year	(30,000)	-	(85,000)	(986,100)	(12,382,000)	-	-	(365,000)	(236,000)	(11,140,000)
Closing balance	-	-	85,000	749,840	4,237,000	-	-	85,000	201,000	8,132,000



42.1 RELATED PARTY TRANSACTIONS

	2019					2018				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key Management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)										
Income										
Mark - up / return / interest earned	-	5,160	932	267,442	-	21	3,279	323	85,012	-
Fee and commission income	23	758	32	17,227	-	-	-	-	5,251	-
Dividend income	-	-	-	56,530	-	-	-	-	39,550	-
Net gain / (loss) on sale / redemption of securities and units of mutual funds	-	-	-	-	-	-	-	-	(881)	(15)
Bank charges	-	-	-	-	-	20	43	5	1,908	-
Other income	1	-	2,885	287	169	-	-	2,890	180	152
Expense										
Mark - up / return / interest expensed	80,855	42,642	6,902	421,247	77,219	35,858	34,017	701	201,493	60,453
Operating expenses	-	-	2,553	6,466	-	-	-	2,336	951	-
Salaries and allowances	-	502,016	-	-	-	-	419,104	-	-	-
Bonus	-	77,547	-	-	-	-	64,067	-	-	-
Contribution to defined contribution plan	-	25,462	-	-	-	-	18,893	-	-	-
Contribution to defined benefit plan	-	70,610	-	-	-	-	55,548	-	-	-
Staff provident fund	-	-	-	-	527,940	-	-	-	-	313,225
Staff gratuity fund	-	-	-	-	403,923	-	-	-	-	445,591
Directors' fees	44,600	-	-	-	-	41,725	-	-	-	-
Expense on closure of subsidiary	-	-	-	-	-	-	-	24,704	-	-
Donation	-	-	-	6,000	-	-	-	-	53,000	-
Insurance premium paid	-	-	-	130,949	-	-	-	-	138,950	-
Insurance claims settled	-	-	-	34,375	-	-	-	-	24,719	-





43. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2019	2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>11,114,254</u>	<u>11,114,254</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>52,961,015</u>	43,278,088
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,690,557</u>	6,750,000
Total Eligible Tier 1 Capital	<u>59,651,572</u>	50,028,088
Eligible Tier 2 Capital	<u>16,537,708</u>	14,242,570
Total Eligible Capital (Tier 1 + Tier 2)	<u>76,189,280</u>	<u>64,270,658</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>443,548,469</u>	408,701,591
Market Risk	<u>12,343,837</u>	8,590,756
Operational Risk	<u>74,928,286</u>	61,440,341
Total	<u>530,820,592</u>	<u>478,732,688</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>9.977%</u>	9.040%
Tier 1 Capital Adequacy Ratio	<u>11.238%</u>	10.450%
Total Capital Adequacy Ratio	<u>14.353%</u>	<u>13.425%</u>

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.

Minimum Capital Adequacy Ratio (CAR)

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

	2019	2018
Required CAR	<u>12.500%</u>	<u>11.900%</u>
CAR on stand - alone basis	<u>14.353%</u>	<u>13.425%</u>

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



	2019	2018
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	59,651,572	50,028,088
Total Exposures	1,497,222,424	1,230,510,528
Leverage Ratio	<u>3.984%</u>	<u>4.066%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	363,806,793	360,946,772
Total Net Cash Outflow	132,953,270	111,556,296
Liquidity Coverage Ratio	<u>273.635%</u>	<u>323.556%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	808,044,723	707,901,854
Total Required Stable Funding	606,312,286	482,005,370
Net Stable Funding Ratio	<u>133.272%</u>	<u>146.866%</u>

43.1 The full disclosures on the **CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS** as per SBP instructions issued from time to time have been placed on the Bank's website. The link to the full disclosure is available at <http://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-banklevel2019>.

44. RISK MANAGEMENT

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

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

44.1 Credit Risk

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

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

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

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



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

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

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

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

The Bank lends primarily against the cash flow of the business with recourse to the assets being financed as primary security. Collaterals in the form of liquid securities, tangible securities, and other acceptable securities are obtained to hedge the risk, as deemed appropriate. Main types of collaterals taken by the Bank include charge on stock - in - trade, receivables, machinery, mortgage of properties, pledge of goods, shares and other marketable securities, government securities, government guarantees, bank guarantees, 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 and as per IFRS 9 for overseas branches. Particulars of provisions against advances are given in note 9.4.

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

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

44.1.1 Investment in debt securities

Credit risk by industry sector	Gross investments		Non - performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Power (electricity), gas, water, sanitary	5,750,733	7,123,218	-	-	-	-
Financial	570,429,618	401,067,599	-	-	270,855	36,075
Iron and steel	1,000,000	1,000,000	-	-	-	-
	<u>577,180,351</u>	<u>409,190,817</u>	<u>-</u>	<u>-</u>	<u>270,855</u>	<u>36,075</u>
Credit risk by public / private sector						
Public / Government	564,554,945	402,654,472	-	-	225,505	30,736
Private	12,625,406	6,536,345	-	-	45,350	5,339
	<u>577,180,351</u>	<u>409,190,817</u>	<u>-</u>	<u>-</u>	<u>270,855</u>	<u>36,075</u>



44.1.2 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Agriculture, forestry, hunting and fishing	11,203,672	7,669,900	196,750	118,289	114,416	110,498
Mining and quarrying	110,030	101,775	-	-	-	-
Textile	141,981,518	115,842,236	1,926,502	1,712,414	1,702,741	1,651,175
Chemical and pharmaceuticals	19,178,166	16,877,195	-	-	-	-
Cement	4,504,098	4,670,145	-	-	-	-
Sugar	9,733,115	7,165,035	-	-	-	-
Footwear and leather garments	2,457,991	2,641,656	-	-	-	-
Automobile and transportation equipment	4,548,316	5,009,017	20,000	20,000	20,000	20,000
Electronics and electrical appliances	5,076,193	6,292,076	-	-	-	-
Construction	7,305,727	6,679,441	240,170	118,523	146,758	109,540
Power (electricity), gas, water, sanitary	51,903,018	49,937,869	-	-	-	-
Wholesale and retail trade	72,659,722	81,002,624	1,446,628	561,183	1,259,444	512,703
Transport, storage and communication	12,131,252	13,197,311	52,611	2,669	15,835	2,669
Financial	12,034,302	6,570,150	101,949	101,949	87,808	87,190
Insurance	567,307	460,310	-	-	-	-
Services (other than financial services)	12,232,116	11,134,742	71,800	179,374	36,350	90,059
Individuals	21,013,245	21,132,921	89,824	55,887	58,834	49,164
Food and allied	60,942,702	77,828,360	-	-	-	-
Iron and steel	27,083,285	25,454,077	-	-	-	-
Oil refinery / marketing	5,308,267	8,694,281	-	-	-	-
Paper and board	2,687,071	3,825,174	-	-	-	-
Plastic products	5,908,391	4,989,532	-	-	-	-
Others	7,690,664	8,768,930	3,111,682	2,365,104	2,759,226	1,718,897
	<u>498,260,168</u>	<u>485,944,757</u>	<u>7,257,916</u>	<u>5,235,392</u>	<u>6,201,412</u>	<u>4,351,895</u>
Credit risk by public / private sector						
Public / Government	64,482,124	92,605,354	-	-	-	-
Private	433,778,044	393,339,403	7,257,916	5,235,392	6,201,412	4,351,895
	<u>498,260,168</u>	<u>485,944,757</u>	<u>7,257,916</u>	<u>5,235,392</u>	<u>6,201,412</u>	<u>4,351,895</u>



44.1.3 Contingencies and Commitments

Credit risk by industry sector

	2019	2018
	(Rupees in '000)	
Agriculture, forestry, hunting and fishing	776,904	1,299,904
Mining and quarrying	1,274	694
Textile	40,895,042	31,410,588
Chemical and pharmaceuticals	6,468,137	3,744,241
Cement	2,282,578	5,259,368
Sugar	209,010	1,303,477
Footwear and leather garments	1,359,686	1,007,490
Automobile and transportation equipment	7,199,853	5,590,869
Electronics and electrical appliances	4,188,959	3,721,999
Construction	8,137,417	7,996,339
Power (electricity), gas, water, sanitary	3,611,333	2,514,168
Wholesale and retail trade	44,790,286	33,158,445
Transport, storage and communication	926,449	1,512,973
Financial	9,487,746	8,509,860
Insurance	14,321	261,587
Services (other than financial services)	38,066,278	25,235,347
Individuals	159,092	57,230
Food and allied	22,135,184	16,496,673
Iron and steel	14,736,453	10,204,385
Oil refinery / marketing	3,133,887	3,966,669
Paper and board	1,391,654	3,306,228
Plastic products	6,832,281	6,678,504
Others	10,028,161	2,911,241
	226,831,985	176,148,279

Credit risk by public / private sector

Public / Government	35,815,701	25,899,406
Private	191,016,284	150,248,873
	226,831,985	176,148,279

44.1.4 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 139,796 million (2018: Rs. 137,619 million) are as following:

	2019	2018
	(Rupees in '000)	
Funded	93,419,738	108,399,337
Non Funded	46,376,271	29,219,369
Total Exposure	139,796,009	137,618,706

The sanctioned limits against these top 10 exposures aggregated to Rs. 146,750 million (2018: Rs. 155,769 million). Provision against top 10 exposures amounts to be nil (2018: nil).



44.1.5 Advances - Province / Region - wise Disbursement & Utilization

Province / Region	2019						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	195,104,300	192,857,427	12,264	1,185,522	62,647	983,896	2,544
Sindh	188,567,708	481,735	180,055,998	2,103,571	5,920,715	3,750	1,939
KPK including FATA	3,862,092	3,500	2,931	3,743,439	-	112,222	-
Balochistan	559,379	-	111,193	1,583	446,603	-	-
Islamabad	35,436,568	341	-	514,838	-	34,921,389	-
AJK including Gilgit - Baltistan	581,097	-	-	3,588	-	3,576	573,933
Total	424,111,144	193,343,003	180,182,386	7,552,541	6,429,965	36,024,833	578,416

Province / Region	2018						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	197,208,901	196,672,008	3,246	368,437	9,430	146,541	9,239
Sindh	191,514,269	2,950,296	185,137,288	1,602,236	1,819,843	4,478	128
KPK including FATA	3,410,710	-	-	3,410,710	-	-	-
Balochistan	340,388	-	40,576	-	299,812	-	-
Islamabad	36,011,996	49,824	-	219,645	-	35,742,527	-
AJK including Gilgit - Baltistan	542,354	-	-	-	-	-	542,354
Total	429,028,618	199,672,128	185,181,110	5,601,028	2,129,085	35,893,546	551,721

44.2 Market Risk

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

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

Market risk is managed through the market risk policy approved by the Board, approval of counterparty and dealer limits, specific senior management approval for each investment and regular review and monitoring of the investment portfolio by the Asset Liability Management Committee (ALCO). A key element of the Bank's market risk management is to balance safety, liquidity, and income in that order of priority. Another key element is separation of functions and reporting lines for the Treasury Division which undertakes dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deals, 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. Portfolio risks arising in banking book is also measured through Value at Risk (VAR).



44.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	113,838,791	-	113,838,791	74,432,172	-	74,432,172
Balances with other banks	9,523,969	-	9,523,969	7,989,939	-	7,989,939
Lendings to financial institutions	1,857,575	-	1,857,575	-	-	-
Investments	586,140,504	-	586,140,504	414,341,958	263,448	414,605,406
Advances	488,669,447	-	488,669,447	478,214,578	-	478,214,578
Fixed assets	36,562,508	-	36,562,508	26,183,149	-	26,183,149
Intangible assets	365,428	-	365,428	166,930	-	166,930
Deferred tax assets	-	-	-	-	-	-
Other assets	61,723,889	-	61,723,889	46,646,829	-	46,646,829
	<u>1,298,682,111</u>	<u>-</u>	<u>1,298,682,111</u>	<u>1,047,975,555</u>	<u>263,448</u>	<u>1,048,239,003</u>

44.2.2 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.

	2019			Net foreign currency exposure
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	
	(Rupees in '000)			
United States Dollar	130,167,939	127,477,029	5,165,055	7,855,965
Great Britain Pound	1,836,022	11,037,651	9,284,201	82,572
Japanese Yen	15,247	953	(15,868)	(1,574)
Euro	4,139,554	5,349,188	1,205,940	(3,694)
Other currencies	754,274	625,752	(74,502)	54,020
	<u>136,913,036</u>	<u>144,490,573</u>	<u>15,564,826</u>	<u>7,987,289</u>

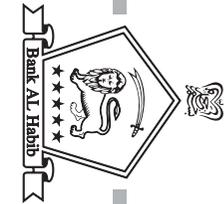
44.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2019												
Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)												
On - balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.68%	113,838,791	10,152,100	-	-	-	-	-	-	-	-	103,686,691
Balances with other banks	10.77%	9,523,969	8,013,218	-	-	-	-	-	-	-	-	1,510,751
Lendings to financial institutions	10.43%	1,857,575	(15,051)	1,872,626	-	-	-	-	-	-	-	-
Investments	12.84%	586,140,504	9,579,116	41,315,249	(1,222,040)	319,369,135	83,804,607	47,705,813	55,219,925	22,843,478	-	7,525,221
Advances	10.80%	488,669,447	278,563,270	101,685,423	54,936,699	13,138,908	10,333,141	7,723,868	9,572,013	8,000,584	4,709,616	5,925
Other assets	-	59,275,034	-	-	-	-	-	-	-	-	-	59,275,034
		1,259,305,320	306,292,653	144,873,298	53,714,659	332,508,043	94,137,748	55,429,681	64,791,938	30,844,062	4,709,616	172,003,622
Liabilities												
Bills payable	-	20,131,529	-	-	-	-	-	-	-	-	-	20,131,529
Borrowings	9.68%	228,745,034	187,985,960	10,403,899	6,043,994	1,470,712	3,395,138	3,594,897	6,842,894	8,997,966	9,574	-
Deposits and other accounts	10.38%	903,739,926	450,473,851	21,948,126	19,137,128	49,697,169	5,291,864	4,915,071	13,769,205	18,361	13,995	338,475,156
Subordinated debt	14.76%	14,992,800	-	3,994,400	10,998,400	-	-	-	-	-	-	-
Other liabilities	-	54,690,992	-	-	-	-	-	-	-	-	-	54,690,992
		1,222,300,281	638,459,811	36,346,425	36,179,522	51,167,881	8,687,002	8,509,968	20,612,099	9,016,327	23,569	413,297,677
On - balance sheet gap		37,005,039	(332,167,158)	108,526,873	17,535,137	281,340,162	85,450,746	46,919,713	44,179,839	21,827,735	4,686,047	(241,294,055)
Off - balance sheet financial instruments												
Documentary credits and short term trade related transactions		145,745,358	39,075,909	59,634,787	12,898,478	15,932,547	14,580,990	3,490,782	131,865	-	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		106,704,798	33,362,935	34,471,904	25,668,967	13,200,992	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(91,139,975)	(42,027,617)	(37,025,513)	(12,086,845)	-	-	-	-	-	-	-
Forward commitments to extend credit		2,214,998	487,000	810,000	500,000	417,998	-	-	-	-	-	-
Off - balance sheet gap		17,779,821	(8,177,682)	(1,743,609)	14,082,122	13,618,990	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(301,268,931)	166,418,051	44,515,737	310,891,699	100,031,736	50,410,495	44,311,704	21,827,735	4,686,047	(241,294,055)
Cumulative Yield / Interest Risk Sensitivity Gap			(301,268,931)	(134,850,880)	(90,335,143)	220,556,556	320,588,292	370,998,787	415,310,491	437,138,226	441,824,273	200,530,218



2018

	Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk								Non interest bearing financial instruments	
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 years
(Rupees in '000)												
On - balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.34%	74,432,172	8,923,044	-	-	-	-	-	-	-	-	65,509,128
Balances with other banks	7.89%	7,989,939	6,714,243	-	-	-	-	-	-	-	-	1,275,696
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	9.21%	414,605,406	251,955,216	55,116,782	12,117,455	17,455,568	44,665,477	5,057,361	16,825,248	4,647,589	-	6,764,710
Advances	8.30%	478,214,578	300,150,341	89,159,571	41,701,545	12,764,056	9,770,632	7,680,514	6,545,627	6,381,249	4,055,796	5,247
Other assets	-	42,880,560	-	-	-	-	-	-	-	-	-	42,880,560
		1,018,122,655	567,742,844	144,276,353	53,819,000	30,219,624	54,436,109	12,737,875	23,370,875	11,028,838	4,055,796	116,435,341
Liabilities												
Bills payable	-	20,603,682	-	-	-	-	-	-	-	-	-	20,603,682
Borrowings	6.12%	119,038,358	88,206,607	10,684,031	3,496,597	1,028,718	2,195,859	2,382,771	4,222,445	6,821,330	-	-
Deposits and other accounts	7.50%	796,900,525	401,125,478	27,318,831	14,616,667	34,792,700	4,460,048	2,910,645	3,347,939	16,223	11,388	308,300,606
Subordinated debt	11.15%	14,996,000	-	3,996,000	11,000,000	-	-	-	-	-	-	-
Other liabilities	-	42,871,106	-	-	-	-	-	-	-	-	-	42,871,106
		994,409,671	489,332,085	41,998,862	29,113,264	35,821,418	6,655,907	5,293,416	7,570,384	6,837,553	11,388	371,775,394
On - balance sheet gap		23,712,984	78,410,759	102,277,491	24,705,736	(5,601,794)	47,780,202	7,444,459	15,800,491	4,191,285	4,044,408	(255,340,053)
Off - balance sheet financial instruments												
Documentary credits and short term trade related transactions		109,275,067	32,689,676	43,897,997	12,988,277	8,573,759	3,763,433	7,230,060	-	131,865	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		70,584,095	31,361,221	31,146,185	5,890,828	2,185,861	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(33,036,647)	(12,559,677)	(16,371,559)	(3,410,457)	(694,954)	-	-	-	-	-	-
Forward commitments to extend credit		3,916,624	47,000	575,000	1,189,290	938,860	875,420	291,054	-	-	-	-
Off - balance sheet gap		41,464,072	18,848,544	15,349,626	3,669,661	2,429,767	875,420	291,054	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			129,948,979	161,525,114	41,363,674	5,401,732	52,419,055	14,965,573	15,800,491	4,323,150	4,044,408	(255,340,053)
Cumulative Yield / Interest Risk Sensitivity Gap			129,948,979	291,474,093	332,837,767	338,239,499	390,658,554	405,624,127	421,424,618	425,747,768	429,792,176	174,452,123





44.2.5.1 Reconciliation of Financial Assets and Liabilities

	2019 (Rupees in '000)	2018
Assets as per statement of financial position	1,298,682,111	1,048,239,003
Less:		
Fixed assets	36,562,508	26,183,149
Intangible assets	365,428	166,930
Advances, deposits, advance rent and other prepayments	581,084	1,209,722
Advance taxation (payments less provisions)	682,237	1,457,872
Non banking assets acquired against claims	909,382	836,448
Stationery and stamps on hand	240,307	218,772
Non - refundable deposits	35,845	43,455
	2,448,855	3,766,269
Interest Rate Sensitive Assets	1,259,305,320	1,018,122,655
Liabilities as per Statement of financial position	1,237,179,001	998,687,323
Less:		
Deferred tax liabilities	1,380,189	1,350,203
Unearned commission income	241,742	204,609
Branch adjustment account	2,336,825	717,339
Provision against off - balance sheet items	129,369	116,600
Provision for compensated absences	722,300	585,739
Workers' welfare fund	1,751,577	1,303,162
Lease liability against right-of-use assets	8,316,718	-
	13,498,531	2,927,449
Interest Rate Sensitive Liabilities	1,222,300,281	994,409,671

44.3 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. Bank classifies operational loss / near miss events into seven loss event types, which are Internal Fraud, External Fraud, Employment Practice & Workplace Safety, Client, Product & Business Practice, Damage to Physical Assets, Business Disruption & System Failure, and Execution, Delivery & Process Management.

Operational risk is managed through the Operational Risk Policy, Audit Policy, Compliance Policy & Programme, Information Technology (I.T.) Policy, I.T. Governance Framework, I.T. Security Policy, Human Resource Policy, Consumer Protection Framework, KYC / CDD Policy, AML / CFT Policy, Fraud Prevention Policy, Consumer Grievance Handling Policy and Outsourcing Policy approved by the Board, along with the operational manuals and procedures issued from time to time; system of internal controls; Business Continuity Plan, Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Operational risk related matters are discussed in the operations committee, compliance committee of management and IT steering committee. 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.

Business continuity plan of the Bank pays special attention to identification of critical business processes including those where there is dependence on external vendors or third parties, identification of alternative mechanisms for timely resumption of services, with special focus on critical business processes, location of off-site backup and regular review and testing of the plan.

Bank has put in place an IT Project Management Framework. It has completed the performance stress testing of the core banking application and its optimization. Software development processes have also been re-engineered / optimized. Bank has successfully achieved CMMI Maturity Level 3 certification.

Bank has taken various measures to strengthen IT Security, which includes development of Cyber Security Action Plan / Strategy, development of vulnerability assessment and patch management programs, external network compromise assessment, installation of anti malware security software, subscribing to IT security threat intelligence service to pro-actively detect cyber criminal activities like phishing pages and social media fraud, implementation of virtual patching solution on critical payment systems and associated servers, regular external penetration testing of applications, and deployment of database activity monitoring solution on databases of financial applications.

44.3.1 Operational Risk-Disclosures Basel II 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. Key Risk Indicators have also been developed along with thresholds which are being closely monitored for breaches. Risk Evaluation exercise is carried out for new products, processes and systems or any significant change in the existing product, processes and systems as per the operational risk policy of the Bank.

44.4 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 mobilization 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.

44.4.1 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 2019, the Bank's LCR stood at 282% against the SBP's minimum requirement of 100% .

44.4.2 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.

44.4.3 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.

44.4.4 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.

44.4.5 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.



44.4.6 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.

44.4.7 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.

44.4.8 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.

44.4.9 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.

41.4.10 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.

44.4.11 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.

44.4.12 Other Inflows & Outflows

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

44.4.13 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's NSFR stood at 133% as on 31 December 2019.

44.5 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

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.

	Total	2019												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	113,838,791	113,838,791	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	9,523,969	2,523,969	-	2,000,000	5,000,000	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,857,575	(485)	(2,913)	(3,399)	(8,254)	1,872,626	-	-	-	-	-	-	-	-
Investments	586,140,504	9,111,355	(567,932)	(537,587)	(2,034,140)	(3,693,400)	32,486,728	(9,475,557)	175,227,737	144,043,685	85,540,852	48,406,326	56,497,033	51,135,404
Advances	488,669,447	62,610,174	10,135,948	12,181,250	23,916,330	64,885,943	71,316,745	85,592,125	20,899,895	12,435,127	38,611,034	32,280,480	30,610,066	23,194,330
Fixed assets	36,562,508	15,111,331	-	-	344,271	338,598	335,374	991,593	967,338	913,566	3,187,976	2,668,769	3,635,547	8,068,145
Intangible assets	365,428	-	-	-	26,950	26,856	25,187	66,104	55,136	52,177	113,018	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	61,723,889	14,773,349	2,935,711	6,300,087	6,928,835	7,537,061	7,631,313	9,879,817	5,516,389	130,651	26,835	16,464	29,222	18,155
	1,298,682,111	217,968,484	12,500,814	19,940,351	34,173,992	70,967,684	111,795,347	87,054,082	202,666,495	157,575,206	127,479,715	83,372,039	90,771,868	82,416,034
Liabilities														
Bills payable	20,131,529	20,131,529	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	228,745,034	908,853	153,421,371	75,452	825,020	12,860,661	23,518,085	12,824,411	657,941	812,771	3,395,138	3,594,897	6,842,894	9,007,540
Deposits and other accounts	903,739,926	716,966,172	18,256,147	15,008,415	38,718,273	11,392,152	10,555,974	19,137,128	24,264,133	25,433,036	5,291,864	4,915,071	13,769,205	32,356
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,992,800	-	-	-	-	-	800	800	800	800	3,200	3,200	6,400	14,976,800
Deferred tax liabilities	1,380,189	507,823	-	-	35,771	34,277	34,277	102,366	90,884	89,499	211,187	152,884	26,655	94,566
Other liabilities	68,189,523	23,099,268	2,905,133	2,056,776	4,825,818	6,967,404	5,383,357	9,820,091	5,008,867	291,837	985,826	1,120,752	1,916,645	3,807,749
	1,237,179,001	761,613,645	174,582,651	17,140,643	44,404,882	31,254,494	39,492,493	41,884,796	30,022,625	26,627,943	9,887,215	9,786,804	22,561,799	27,919,011
Net assets	61,503,110	(543,645,161)	(162,081,837)	2,799,708	(10,230,890)	39,713,190	72,302,854	45,169,286	172,643,870	130,947,263	117,592,500	73,585,235	68,210,069	54,497,023
Share capital	11,114,254													
Reserves	16,467,282													
Surplus on revaluation of assets	6,013,816													
Unappropriated profit	27,907,758													
	61,503,110													



Total	2018												
	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years

(Rupees in '000)

Assets

Cash and balances with treasury banks	74,432,172	74,432,172	-	-	-	-	-	-	-	-	-	-	-	
Balances with other banks	7,989,939	7,989,939	-	-	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments	414,605,406	5,389,902	124,734,196	405,816	124,697,295	51,309,316	723,481	3,292,501	14,130,840	4,006,795	46,949,926	6,751,129	18,791,230	13,422,979
Advances	478,214,578	63,178,239	8,392,413	8,647,207	29,435,773	39,031,046	103,253,127	66,725,645	21,817,641	16,952,275	32,321,586	32,754,170	34,035,989	21,669,467
Fixed assets	26,183,149	13,338,254	-	-	202,264	195,256	196,275	584,297	570,709	553,184	2,012,190	1,436,496	1,715,784	5,378,440
Intangible assets	166,930	-	-	-	13,728	12,764	11,088	31,079	30,493	28,350	39,428	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	46,646,829	12,212,838	1,641,352	2,211,230	7,645,970	6,429,791	5,297,278	5,196,886	4,693,736	77,377	1,115,376	47,967	48,926	28,102
	1,048,239,003	176,541,344	134,767,961	11,264,253	161,995,030	96,978,173	109,481,249	75,830,408	41,243,419	21,617,981	82,438,506	40,989,762	54,591,929	40,498,988

Liabilities

Bills payable	20,603,682	20,603,682	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	119,038,358	355,042	60,053,814	190,440	1,879,372	8,575,489	22,924,766	8,308,312	534,528	594,190	2,195,859	2,382,771	4,222,445	6,821,330
Deposits and other accounts	796,900,525	642,951,914	30,112,138	5,717,339	30,644,692	6,843,037	20,475,794	14,616,667	15,437,140	19,355,560	4,460,048	2,910,645	3,347,939	27,612
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,996,000	-	-	-	-	-	800	800	800	800	3,200	3,200	6,400	14,980,000
Deferred tax liabilities	1,350,203	313,607	-	(967)	32,038	30,245	30,245	90,463	88,903	84,546	304,140	160,510	57,431	159,042
Other liabilities	45,798,555	16,452,452	1,620,060	2,159,210	5,488,714	6,267,817	4,266,587	4,886,782	3,203,484	57,247	1,089,286	132,180	174,736	-
	998,687,323	680,676,697	91,786,012	8,066,022	38,044,816	21,716,588	47,698,192	27,903,024	19,264,855	20,092,343	8,052,533	5,589,306	7,808,951	21,987,984

Net assets

	49,551,680	(504,135,353)	42,981,949	3,198,231	123,950,214	75,261,585	61,783,057	47,927,384	21,978,564	1,525,638	74,385,973	35,400,456	46,782,978	18,511,004
Share capital	11,114,254													
Reserves	14,757,530													
Surplus on revaluation of assets	3,268,202													
Unappropriated profit	20,411,694													
	49,551,680													



44.6 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

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.

	Total	2019								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	113,838,791	113,838,791	-	-	-	-	-	-	-	-
Balances with other banks	9,523,969	9,523,969	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,857,575	(15,051)	1,872,626	-	-	-	-	-	-	-
Investments	586,140,504	(3,259,311)	28,501,889	(9,495,557)	327,037,276	85,430,770	48,739,400	56,994,965	49,755,633	2,435,439
Advances	488,669,447	108,843,702	136,202,688	85,592,125	33,335,022	38,611,034	32,280,480	30,610,066	17,252,868	5,941,462
Fixed assets	36,562,508	637,491	1,060,086	6,582,904	2,146,365	3,276,542	2,668,769	3,635,547	3,463,282	13,091,522
Intangible assets	365,428	26,950	52,043	66,104	107,313	113,018	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	61,723,889	29,756,404	15,237,052	9,940,073	5,767,552	31,790	16,464	29,222	18,154	927,178
	1,298,682,111	259,352,945	182,926,384	92,685,649	368,393,528	127,463,154	83,705,113	91,269,800	70,489,937	22,395,601
Liabilities										
Bills payable	20,131,529	20,131,529	-	-	-	-	-	-	-	-
Borrowings	228,745,034	155,230,696	36,378,746	12,824,411	1,470,712	3,395,138	3,594,897	6,842,894	8,997,966	9,574
Deposits and other accounts	903,739,926	153,756,860	92,525,031	89,714,033	120,274,074	132,330,294	131,953,500	147,865,325	35,306,814	13,995
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,992,800	-	800	800	1,600	3,200	3,200	6,400	7,976,800	7,000,000
Deferred tax liabilities	1,380,189	(582,676)	(29,884)	1,067,350	15,649	172,658	269,460	200,932	(248,539)	515,239
Other liabilities	68,189,523	25,337,777	12,350,761	9,820,091	5,300,703	985,826	1,120,752	8,047,228	2,946,918	2,279,467
	1,237,179,001	353,874,186	141,225,454	113,426,685	127,062,738	136,887,116	136,941,809	162,962,779	54,979,959	9,818,275
Net assets	61,503,110	(94,521,241)	41,700,930	(20,741,036)	241,330,790	(9,423,962)	(53,236,696)	(71,692,979)	(15,509,978)	12,577,326
Share capital	11,114,254									
Reserves	16,467,282									
Surplus on revaluation of assets	6,013,816									
Unappropriated profit	27,907,758									
	61,503,110									



	Total	2018								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	74,432,172	74,432,172	-	-	-	-	-	-	-	-
Balances with other banks	7,989,939	7,989,939	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	414,605,406	249,944,741	52,025,918	3,283,527	24,080,687	46,054,271	6,696,000	18,798,576	12,284,459	1,437,227
Advances	478,214,578	109,653,632	142,284,173	66,725,645	38,769,916	32,321,586	32,754,170	34,035,989	16,290,062	5,379,405
Fixed assets	26,183,149	603,927	864,734	877,331	1,405,391	7,133,815	1,436,496	1,715,784	1,256,847	10,888,824
Intangible assets	166,930	13,728	23,852	31,079	58,843	39,428	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	46,646,829	22,622,326	11,763,852	5,252,061	4,881,462	1,144,700	52,922	48,926	28,036	852,544
	1,048,239,003	465,260,465	206,962,529	76,169,643	69,196,299	86,693,800	40,939,588	54,599,275	29,859,404	18,558,000
Liabilities										
Bills payable	20,603,682	20,603,682	-	-	-	-	-	-	-	-
Borrowings	119,038,358	62,478,668	31,500,255	8,308,312	1,128,718	2,195,859	2,382,771	4,222,445	6,821,330	-
Deposits and other accounts	796,900,525	133,712,333	91,287,026	78,584,861	98,760,894	119,602,798	118,053,395	124,887,509	32,000,321	11,388
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,996,000	-	800	800	1,600	3,200	3,200	6,400	7,980,000	7,000,000
Deferred tax liabilities	1,350,203	167,129	61,537	92,648	(224,375)	985,815	141,215	60,002	(486,037)	552,269
Other liabilities	45,798,555	19,092,695	10,534,403	4,886,782	3,260,731	1,089,286	132,180	5,628,018	-	1,174,460
	998,687,323	236,054,507	133,384,021	91,873,403	102,927,568	123,876,958	120,712,761	134,804,374	46,315,614	8,738,117
Net assets	49,551,680	229,205,958	73,578,508	(15,703,760)	(33,731,269)	(37,183,158)	(79,773,173)	(80,205,099)	(16,456,210)	9,819,883
Share capital	11,114,254									
Reserves	14,757,530									
Surplus on revaluation of assets	3,268,202									
Unappropriated profit	20,411,694									
	<u>49,551,680</u>									





45. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 3.5 (2018: Rs. 2.5) per share.

46. GENERAL

46.1 Captions, as prescribed by BPRD Circular No.2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these unconsolidated financial statements, except for captions of the statement of financial position and profit and loss account.

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

46.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements wherever necessary to facilitate comparison and better presentation.

47. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue in the Board of Directors' meeting held on 29 January 2020.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ARSHAD NASAR
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



Annexure I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 DECEMBER 2019**

(Rupees in '000)

S. No.	Name and address of the borrower(s)	Name of individuals / partners / directors (with CNIC Nos.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest / Mark-up Written off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Others than Interest / Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Electro Appliances Plot No. R-435, Shop # 2, 11 - C, U.P. More, North Karachi, Karachi.	Mrs. Dinar Nazim (CNIC: 42301 - 0837699 - 8)	Nazim Mustafa	1,329	1,074	-	2,403	329	1,074	-	1,403
2.	Hafeez Sons International 9 / B-1, Sir Syed Road, Sahiwal.	Abdul Hafeez Gorija (CNIC: 36502 - 1362466 - 7) Tayyab Hafeez Gorija (CNIC: 36502 - 2743390 - 9) Shahzad Hafeez Gorija (CNIC: 36502 - 7362612 - 7) Karamat Hafeez Gorija (CNIC: 42201 - 2649383 - 5)	Sheikh Ghulam Hussain Abdul Hafeez Gorija Abdul Hafeez Gorija Abdul Hafeez Gorija	-	2,654	-	2,654	-	2,654	-	2,654
3.	Sohail Khattak House # 93-94, Near Global School, Shah Town Phase 3, Steel Town, Bin Qasim, Karachi.	Sohail Khattak (CNIC: 42401 - 1761374 - 5)	Mohsin Ali Khan	335	135	136	606	335	135	136	606
4.	Muhammad Waseem House # A 266, Block I North Nazimabad, Near Farooq-e-Azam Mosque, Karachi.	Muhammad Waseem (CNIC: 42101 - 8489026 - 5)	Sheikh Abdul Khaliq	815	428	150	1,393	815	428	150	1,393
			Total	2,479	4,291	286	7,056	1,479	4,291	286	6,056



Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 83 (2018: 71) Islamic banking branches and 142 (2018: 132) Islamic banking windows at the end of the year.

	Note	2019 (Rupees in '000)	2018
ASSETS			
Cash and balances with treasury banks		4,553,339	3,814,608
Balances with other banks		7,297,026	5,164,063
Due from financial institutions	1	1,857,575	—
Investments	2	21,669,565	15,158,233
Islamic financing and related assets - net	3	50,689,875	49,690,533
Fixed assets		402,062	326,841
Intangible assets		—	—
Due from Head Office		—	—
Other assets		7,595,621	4,124,660
Total Assets		94,065,063	78,278,938
LIABILITIES			
Bills payable		45,838	21,052
Due to financial institutions		9,718,686	6,438,783
Deposits and other accounts	4	67,981,321	57,230,315
Due to Head Office		3,282,835	2,199,047
Subordinated debt		—	—
Other liabilities	5	3,773,952	5,289,933
		(84,802,632)	(71,179,130)
NET ASSETS		9,262,431	7,099,808
REPRESENTED BY			
Islamic Banking Fund		6,800,000	6,200,000
Reserves		—	—
Deficit on revaluation of assets		(88,942)	(28,940)
Unremitted profit	6	2,551,373	928,748
		9,262,431	7,099,808
CONTINGENCIES AND COMMITMENTS	7		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2019 is as follows:

	Note	2019 (Rupees in '000)	2018
Profit / return earned	8	8,056,283	3,827,474
Profit / return expensed	9	(4,055,827)	(1,755,450)
Net Profit / return		4,000,456	2,072,024
Other income			
Fee and commission income		229,655	175,282
Dividend income		4,353	6,510
Foreign exchange income		67,924	49,751
Income / (loss) from derivatives		–	–
Gain / (loss) on securities		–	–
Other income		93,109	43,622
Total other income		395,041	275,165
Total income		4,395,497	2,347,189
Other expenses			
Operating expenses		(1,786,510)	(1,349,860)
Other charges		–	(58)
Total other expenses		(1,786,510)	(1,349,918)
Profit before provisions		2,608,987	997,271
Provisions and write offs - net		(57,614)	(68,523)
Profit for the year		2,551,373	928,748

1. Due from Financial Institutions

	2019 (Rupees in '000)	2018
In local currency		
Bai Muajjal Receivable from the State Bank of Pakistan	1,857,575	–

1.1 Securities held as collateral against amounts due from financial institutions

	2019			2018		
	Held by Bank	Further given as collateral	Total (Rupees in '000)	Held by Bank	Further given as collateral	Total
GoP Ijarah Sukuks	1,857,575	–	1,857,575	–	–	–

The GoP Ijarah Sukuks carry rates ranging from 10.39% to 10.49% (31 December 2018: Nil).



	2019				2018			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
2. Investments by segments	(Rupees in '000)							
Federal Government Securities								
- Ijarah Sukuks	2,000,000	-	(20,000)	1,980,000	4,152,910	-	(39,979)	4,112,931
- Neelum Jhelum Hydropower Co Ltd. Sukuk	4,468,750	-	-	4,468,750	5,156,250	-	-	5,156,250
- Bai Muajjal with Government of Pakistan	10,133,361	-	-	10,133,361	2,386,820	-	-	2,386,820
	16,602,111	-	(20,000)	16,582,111	11,695,980	-	(39,979)	11,656,001
Shares								
- Listed Companies	97,442	(57,567)	9,399	49,274	97,442	(41,345)	3,596	59,693
Non Government Debt Securities								
- Listed	1,454,215	-	(94,777)	1,359,438	1,635,901	-	7,444	1,643,345
- Unlisted	1,984,707	-	-	1,984,707	1,734,101	-	-	1,734,101
	3,438,922	-	(94,777)	3,344,145	3,370,002	-	7,444	3,377,446
Units of mutual funds	1,200,000	(47,401)	16,436	1,169,035	100,000	(34,907)	-	65,093
Associate								
- First Habib Islamic Income Fund	525,000	-	-	525,000	-	-	-	-
Total Investments	21,863,475	(104,968)	(88,942)	21,669,565	15,263,424	(76,252)	(28,939)	15,158,233

	Note	2019		2018	
		(Rupees in '000)			
3. Islamic financing and related assets					
Ijarah	3.1	2,365,239		2,854,541	
Murabaha	3.2	8,255,703		10,034,698	
Diminishing Musharaka		13,499,915		15,868,804	
Islamic Long Term Financing Facility (ILTFF)		1,449,640		-	
Istisna		3,929,818		1,471,282	
Islamic Export Refinance - Istisna		1,685,500		1,523,700	
Musawamah		3,979,048		3,166,895	
Islamic Export Refinance - Musawamah		200,000		-	
Running Musharaka		2,845,780		4,271,620	
Islamic Export Refinance - Running Musharaka		2,318,300		1,000,000	
Staff Financing		431,960		210,540	
Advance against Musawamah		920,594		1,079,782	
Advance against Istisna		4,168,944		4,127,286	
Advance against Istisna - IERF		3,694,450		2,600,100	
Advance against Ijarah		52,940		305,071	
Advance against Diminishing Musharaka		815,069		884,300	
Advance against ILTFF		121,424		318,366	
Financing against Bills - Musawamah		10,900		-	
Gross Islamic financing and related assets		50,745,224		49,716,985	
Less: provision against Islamic financings					
- Specific		32,893		4,187	
- General		22,456		22,265	
		(55,349)		(26,452)	
Islamic financing and related assets - net of provision		50,689,875		49,690,533	



3.1 Ijarah

	2019						
	Cost			Accumulated depreciation			Book value
	As at 01 January 2019	Additions / (deletions)	As at 31 December 2019	As at 01 January 2019	Charge for the year / (deletions)	As at 31 December 2019	as at 31 December 2019
	(Rupees in '000)						
Plant & Machinery	1,252,766	132,311 (450,732)	934,345	477,305	280,914 (399,313)	358,906	575,439
Vehicles	2,543,137	704,429 (840,822)	2,406,744	809,693	509,992 (428,963)	890,722	1,516,022
Equipment	604,287	65,427 (61,831)	607,883	258,651	129,438 (53,984)	334,105	273,778
Total	4,400,190	902,167 (1,353,385)	3,948,972	1,545,649	920,344 (882,260)	1,583,733	2,365,239

	2018						
	Cost			Accumulated depreciation			Book value
	As at 01 January 2018	Additions / (deletions)	As at 31 December 2018	As at 01 January 2018	Charge for the year / (deletions)	As at 31 December 2018	as at 31 December 2018
	(Rupees in '000)						
Plant & Machinery	672,645	618,792 (38,671)	1,252,766	258,612	253,498 (34,805)	477,305	775,461
Vehicles	1,764,193	1,015,841 (236,897)	2,543,137	486,286	431,789 (108,382)	809,693	1,733,444
Equipment	684,191	75,669 (155,573)	604,287	243,934	144,806 (130,089)	258,651	345,636
Total	3,121,029	1,710,302 (431,141)	4,400,190	988,832	830,093 (273,276)	1,545,649	2,854,541

3.1.1 Future ijarah payments receivable

	2019				2018			
	Not later than 1 year	Later than 1 year and less than 5 years	Over 5 years	Total	Not later than 1 year	Later than 1 year and less than 5 years	Over 5 years	Total
Ijarah rental receivables	1,056,088	1,435,753	-	2,491,841	1,089,845	1,751,496	-	2,841,341
	(Rupees in '000)							
	Note				2019			
					(Rupees in '000)			

3.2 Murabaha

Murabaha financing	3.2.1	6,907,752	8,791,829
Advances for Murabaha		1,347,951	1,242,869
		8,255,703	10,034,698
3.2.1 Murabaha receivable - gross			
Less: Deferred murabaha income	3.2.2	7,212,743	9,042,474
Profit receivable shown in other assets	3.2.4	(125,034)	(114,816)
Murabaha financings		(179,957)	(135,829)
		6,907,752	8,791,829



	2019 (Rupees in '000)	2018
3.2.2 The movement in Murabaha financing during the year is as follows:		
Opening balance	9,042,474	6,915,366
Sales during the year	31,056,039	26,626,295
Adjusted during the year	<u>(32,885,770)</u>	<u>(24,499,187)</u>
Closing balance	<u>7,212,743</u>	<u>9,042,474</u>
3.2.3 Murabaha sale price	32,129,388	32,839,758
Murabaha purchase price	<u>(31,122,793)</u>	<u>(32,199,766)</u>
	<u>1,006,595</u>	<u>639,992</u>
3.2.4 Deferred murabaha income		
Opening balance	(114,816)	(76,760)
Arising during the year	(1,048,539)	(1,188,147)
Less: Recognised during the year	<u>1,038,321</u>	<u>1,150,091</u>
Closing balance	<u>(125,034)</u>	<u>(114,816)</u>

4. Deposits and other accounts

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	21,427,120	1,213,985	22,641,105	19,262,833	1,020,390	20,283,223
Savings deposits	21,917,057	811,234	22,728,291	17,460,434	417,595	17,878,029
Term deposits	<u>17,144,488</u>	<u>-</u>	<u>17,144,488</u>	<u>7,299,391</u>	<u>-</u>	<u>7,299,391</u>
	<u>60,488,665</u>	<u>2,025,219</u>	<u>62,513,884</u>	<u>44,022,658</u>	<u>1,437,985</u>	<u>45,460,643</u>
Financial institutions						
Current deposits	4,306	-	4,306	25,342	-	25,342
Savings deposits	4,263,131	-	4,263,131	11,744,330	-	11,744,330
Term deposits	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,467,437</u>	<u>-</u>	<u>5,467,437</u>	<u>11,769,672</u>	<u>-</u>	<u>11,769,672</u>
	<u>65,956,102</u>	<u>2,025,219</u>	<u>67,981,321</u>	<u>55,792,330</u>	<u>1,437,985</u>	<u>57,230,315</u>

	2019 (Rupees in '000)	2018
4.1 Composition of deposits		
- Individuals	41,348,006	31,792,512
- Government / Public Sector Entities	1,001,499	751,507
- Banking Companies	3,872,049	23
- Non-Banking Financial Institutions	1,595,388	11,769,649
- Private Sector	<u>20,164,379</u>	<u>12,916,624</u>
	<u>67,981,321</u>	<u>57,230,315</u>



- 4.1.1 This includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act 2016, amounting to Rs 39,661 million as per balances held on 31 December 2018.

	2019	2018
	(Rupees in '000)	
5. Charity Fund		
Opening Balance	14,218	6,464
Additions during the period		
Received from customers on account of delayed payment	33,795	11,913
Charity accrued but not yet received	3,424	978
Dividend purification amount	212	252
Other Non - Shariah compliant income	3,230	-
Profit on charity saving account	1,835	461
	42,496	13,604
Payments / utilization during the period		
Health	(6,227)	(3,525)
Social Welfare	(7,013)	(2,325)
	(13,240)	(5,850)
Closing Balance	43,474	14,218
5.1 Detail of charity in excess of Rs.0.5 million in as follows:		
Friends of Cardiology Hospital, Multan	1,431	-
Green Crescent Trust	1,431	-
Edhi Foundation	1,431	-
Karachi Down Syndrome Program	1,431	-
Indus Hospital	1,431	-
Child Aid Association	1,075	-
IDA RIEU Welfare Association	859	-
Bait-ul-Sukoon	-	925
Dar-ul-Sukun	1,431	925
SIUT	1,431	1,500
	11,951	3,350
6. Islamic Banking Business Unappropriated Profit		
Opening Balance	928,748	422,821
Add: Islamic Banking profit for the period	2,551,373	928,748
Less: Remitted to Head Office	(928,748)	(422,821)
Closing Balance	2,551,373	928,748
7. Contingencies and Commitments		
Guarantees	2,719,414	2,573,724
Commitments	7,710,226	5,766,253
	10,429,640	8,339,977
8. Profit / Return Earned on Financing, Investments and Placement		
Profit earned on:		
Financing	5,205,830	2,875,422
Investments	2,252,959	896,725
Placements	597,494	55,327
	8,056,283	3,827,474



2019
2018
(Rupees in '000)

9. Profit on Deposits and Other Dues Expensed

Deposits and other accounts	3,845,832	1,572,836
Due to Financial Institutions	154,464	97,311
Due to Head Office	55,531	85,303
	4,055,827	1,755,450

10. PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

10.1 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)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the special class of assets. In case of loss in a 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 Islamic Export Refinance Scheme.

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.

10.2 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
- Cement
- Financial
- Wheat
- Individuals
- Others (Domestic Whole Sale, Engineering Goods, Plastic Product, etc.)



10.3 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 Musharakah, Running Musharakah, 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, amortization of premium on sukuks 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% (2018: 50%) of net income and the depositors' profit sharing ratio was 50% (2018: 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.

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

	2019				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	5,332,255	2,057,735	38.59%	572,480	27.82%
FCY Pool	31,725	29,854	94.10%	3,790	12.70%
2018					
LCY Pool	2,459,420	1,026,633	41.74%	223,548	21.77%
FCY Pool	14,423	13,698	94.97%	726	5.30%
				2019 (Percentage)	2018

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

Profit rate earned	10.56%	6.80%
Profit rate distributed	6.66%	3.78%



Disclosure on Complaint Handling

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 2019, Customer Complaint Unit has been expanded to oversee the handling all types of complaints received at the Bank.

In 2019, the Bank received 77,470 complaints, about 38% higher than the previous year. However, the complaints were investigated and closed within an average turnaround time of 4 working days.



Report of Shariah Board for the year ended December 31, 2019

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 Shari'ah principles and guidelines issued by the Shari'ah Board of the BAHL-IBD at all times. The Shari'ah Governance Framework issued by the State Bank of Pakistan, required from the Shari'ah Board (SB) to submit a report on the overall Shari'ah compliance environment of BAHL-IBD.

To form the opinion as expressed in this report, the Shari'ah Compliance Department carried out Shari'ah Reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, during the last year, Shari'ah Board reviewed the Internal Shari'ah Audit and External Shari'ah Audit Reports. Based on above, we are of the view that:

- I. BAHL-IBD has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.
- II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
- III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management.
- IV. BAHL-IBD has the basic mechanism to ensure Shari'ah Compliance in its overall operations. However Policy of Zero Tolerance in cases of Shari'ah non-compliance is yet to be formalized.
- V. The BOD appreciates the importance of Shari'ah Compliance in the products, processes and operations of the BAHL-IBD. 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 Shari'ah Compliance in their respective areas, particularly improvement is required in Foreign Trade Department.
- VI. The Management has provided adequate resources to Shari'ah Compliance Department and also committed to provide further staff enabling them to discharge their duties effectively and ensuring the Shari'ah Compliance environment in BAHL IBD.
- VII. Shari'ah Board appreciates that BAHL-IBD has transferred exposure of its own policies from Insurance to Takaful and efforts are being made to obtain Takaful coverage for assets acquired through financing activities.
- VIII. 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 Rs. 39.072 Million has been realized. Shari'ah Board has advised to transfer Shari'ah Non-compliance income to charity without delay.

Karachi: January 29, 2020

Mufti Muhammad Sarfaraz Nihal
Resident Shariah Board Member

Mufti Ismatullah Hamdullah
Chairman Shariah Board

Mufti Mohib UI Haq Siddiqui
Shariah Board Member



Notice of Annual General Meeting

Notice is hereby given that the Twenty-ninth Annual General Meeting of Bank AL Habib Limited will be held at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, on Wednesday, March 25, 2020 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, 2019 together with the Reports of Chairman, Directors and Auditors.
2. To consider and approve payment of cash dividend @ 35%, i.e., Rs. 3.50 per share of Rs. 10/- each for the year ended December 31, 2019 as recommended by the Board of Directors.
3. To appoint auditors for the year 2020 and to fix their remuneration. EY Ford Rhodes, 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 acquisition of remaining 70% of the issued and paid-up share capital of Habib Asset Management Limited (“HAML”) (in addition to our existing 30% shareholding) from its existing shareholders at a price of Rs. 7.25 per share, amounting to Rs. 152,250,000 to become Bank’s wholly owned subsidiary, and to inject additional equity amounting up to Rs. 450,000,000 into HAML in order for HAML to meet the minimum capital requirements prescribed by the Securities & Exchange Commission of Pakistan and to further support the business operations of HAML.
6. To consider and approve “Policy and Procedure for Fixing Remuneration of Directors” for attending Board Meeting and Sub-Committee Meeting of the Board.
7. To consider and approve amendment in Article No. 106 of Articles of Association of the Bank related to “Remuneration of Directors”.
8. To consider and approve the remuneration payable to the Executive Director of the Bank.

For Item Nos. 5, 6, 7 & 8 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 4, 2020

Notes:

1. The share transfer book of the Bank will remain closed from March 16, 2020 to March 25, 2020 (both days inclusive). Transfers received in order at the office of our Share Registrar, CDC Share Registrar Services Limited, 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, 2020 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 original 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 Participants / Investor Account Services of the CDC/Share Registrar of the Bank (as the case may be) latest by March 13, 2020 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 valid CNICs, the Bank will withhold cash dividend of such members.

5. The Government of Pakistan through Finance Act, 2019 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 30%

To enable the Bank to make tax deduction on the amount of cash dividend @ 15% instead of 30% all the 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 25, 2020; otherwise tax on their cash dividend will be deducted @ 30% 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, 2020, 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, 2020.



As per instructions of Securities & Exchange Commission of Pakistan (SECP) and Central Depository Company of Pakistan (CDC) circular No. 6 of 2018, the shareholders are hereby informed that the CDC has developed Centralized Cash Dividend Register (CCDR) on eServices Web Portal which contains details of cash dividend such as either paid or unpaid, withheld by the Bank, total amount of cash dividend, tax and zakat deductions and net amount credited into designated bank account of shareholders. The shareholders are requested to register themselves to CDC's eServices Portal link, <https://eservices.cdcaccess.com.pk> to obtain the aforesaid information.

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 2019 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 link, <https://www.bankalhabib.com/reports> Audited Financial Statements and reports are being placed on the aforesaid link.

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.

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



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

The statement is annexed to the Notice of the 29th Annual General Meeting of Bank AL Habib Limited at which certain special businesses are to be transacted. The purpose of this statement is to set forth the material facts concerning such special businesses.

Item No. 5 of the Agenda

Information Required Under Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 are Provided Below:

SR No.	DESCRIPTION	INFORMATION REQUIRED																																								
(a)	Disclosures for all types of investments																																									
(A)	Regarding Associated Company or Associated Undertaking:																																									
(i)	Name of the associated company or associated undertaking	Habib Asset Management Limited (HAML)																																								
(ii)	Basis of relationship	Associated Company by virtue of 30% shareholding of the Bank in HAML.																																								
(iii)	Earnings / (Loss) per share for the last three years	Loss per share: June 30, 2019: (2.01) June 30, 2018: (1.89) June 30, 2017: (0.94)																																								
(iv)	Break-up value per share, based on latest audited financial statements	June 30, 2019	6.24																																							
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">June 30, 2019 Audited</th> <th style="text-align: right;">June 30, 2018 Audited</th> </tr> <tr> <th></th> <th colspan="2" style="text-align: center;">Rs. in Million</th> </tr> </thead> <tbody> <tr> <td>Assets Under Management</td> <td style="text-align: right;">3,354.67</td> <td style="text-align: right;">4,408.58</td> </tr> <tr> <td>Equity</td> <td style="text-align: right;">187.15</td> <td style="text-align: right;">247.32</td> </tr> <tr> <td>Total Assets</td> <td style="text-align: right;">194.76</td> <td style="text-align: right;">256.33</td> </tr> <tr> <td>Investment In Funds</td> <td style="text-align: right;">111.10</td> <td style="text-align: right;">196.04</td> </tr> <tr> <td>Cash & Bank Balance</td> <td style="text-align: right;">68.64</td> <td style="text-align: right;">17.80</td> </tr> <tr> <td>Total Revenue</td> <td style="text-align: right;">45.21</td> <td style="text-align: right;">20.44</td> </tr> <tr> <td>Operating Expenses</td> <td style="text-align: right;">87.42</td> <td style="text-align: right;">73.40</td> </tr> <tr> <td>Loss Before Taxation</td> <td style="text-align: right;">42.22</td> <td style="text-align: right;">52.96</td> </tr> <tr> <td>Loss After Taxation</td> <td style="text-align: right;">60.17</td> <td style="text-align: right;">56.73</td> </tr> <tr> <td>Loss Per Share (Rs.)</td> <td style="text-align: right;">2.01</td> <td style="text-align: right;">1.89</td> </tr> <tr> <td>Break Up Value (Rs.)</td> <td style="text-align: right;">6.24</td> <td style="text-align: right;">8.25</td> </tr> </tbody> </table>			June 30, 2019 Audited	June 30, 2018 Audited		Rs. in Million		Assets Under Management	3,354.67	4,408.58	Equity	187.15	247.32	Total Assets	194.76	256.33	Investment In Funds	111.10	196.04	Cash & Bank Balance	68.64	17.80	Total Revenue	45.21	20.44	Operating Expenses	87.42	73.40	Loss Before Taxation	42.22	52.96	Loss After Taxation	60.17	56.73	Loss Per Share (Rs.)	2.01	1.89	Break Up Value (Rs.)	6.24	8.25
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SR No.	DESCRIPTION	INFORMATION REQUIRED
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information namely:	N/A
(I)	Description of the project and its history since conceptualization	N/A
(II)	Starting date and expected date of completion of work	N/A
(III)	Time by which such project shall become commercially operational	N/A
(IV)	Expected time by which the project shall start paying return on investment	N/A
(V)	Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	N/A
(B)	General disclosures:	
(i)	Maximum amount of investment to be made	Rs. 602,250,000/- (Rupees Six Hundred Two Million and Two Hundred & Fifty Thousand only) Rs. 152,250,000/- (Rupees One Hundred Fifty Two Million and Two Hundred & Fifty Thousand only) shall be made by way of purchase of shares and up to Rs. 450,000,000/- (Rupees Four Hundred and Fifty Million only) shall be made by way of injection of additional equity through subscription of Right Shares.
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	After acquiring controlling stake, desired synergies of two institutions will give HAML (wholly owned subsidiary) a positive turnaround and enhance its profitability. There is a natural synergy between the two institutions, Asset Management Company (AMC) products will suit rate sensitive customers of the Bank. Thus, rates sensitive customers, who would



SR No.	DESCRIPTION	INFORMATION REQUIRED						
		<p>have gone to other AMCs, can be persuaded to invest in the products of the Bank own AMC.</p> <p>The future of banking is associated with wealth management, and by offering suitable investment products of AMC, Bank will be able to further strengthen kinship with its customers.</p> <p>The investment in HAML is intended to be injected within a period of 24 months.</p>						
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds	Through internal sources						
	(I) Justification for investment through borrowings	N/A						
	(II) Detail of collateral, guarantees provided and assets pledged for obtaining such funds	N/A						
	(III) Cost benefit analysis	N/A						
(iv)	Salient features of the agreements(s), if any with associated company or associated undertaking with regards to the proposed investment	<p>The Bank has entered into a Share Purchase Agreement with the remaining shareholders of HAML in order to acquire the 21,000,000 (Twenty One Million) ordinary shares held by the shareholders, for a price of Rs. 7.25/- (Rupees Seven and Paisas Twenty Five only) per share, aggregating Rs. 152,250,000/- (Rupees One Hundred Fifty Two Million and Two Hundred & Fifty Thousand only).</p> <p>Subsequent to the abovementioned acquisition, the Bank shall execute and enter into relevant documents and agreements with HAML for the purposes of injection of additional equity through subscription of shares in the amount of up to Rs. 450,000,000/- (Rupees Four Hundred and Fifty Million only).</p>						
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	<table border="1"> <tbody> <tr> <td>Abbas D. Habib & Family</td> <td>3,000,000 Million shares in HAML</td> </tr> <tr> <td>Qumail R. Habib & Family</td> <td>2,499,998 Million shares in HAML</td> </tr> <tr> <td>Murtaza H. Habib & Family</td> <td>3,699,999 Million shares in HAML</td> </tr> </tbody> </table>	Abbas D. Habib & Family	3,000,000 Million shares in HAML	Qumail R. Habib & Family	2,499,998 Million shares in HAML	Murtaza H. Habib & Family	3,699,999 Million shares in HAML
Abbas D. Habib & Family	3,000,000 Million shares in HAML							
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Murtaza H. Habib & Family	3,699,999 Million shares in HAML							



SR No.	DESCRIPTION	INFORMATION REQUIRED
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information /justification for any impairment or write offs	Please refer to A (ii) and A (v) above
(vii)	Any other important details necessary for the members to understanding the transaction	N/A
(b)	In case of equity investment, following disclosures in addition to those provided under clause (a) above	
(i)	Maximum price at which securities will be acquired	Rs. 7.25/- per share for purchase of shares Rs. 10/- per share for subscription of shares
(ii)	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	A valuation exercise was conducted by KPMG Taseer Hadi, Chartered Accountants and the purchase price that has been negotiated is within the fair value range provided by them.
(iii)	Maximum number of securities to be acquired	21,000,000/- (Twenty One Million) ordinary shares of Rs. 10/- (Rupees Ten) each constituting 70% of the issued and paid up capital of HAML. Bank shall subscribe up to 45,000,000 (Forty Five Million) additional ordinary shares of Rs. 10/- (Rupees Ten) each by way of injection of additional equity in HAML.
(iv)	Number of securities and percentage thereof held before and after the proposed investment	Before: 30% (thirty percent) of the paid-up capital of HAML constituting 9,000,000/- (Nine Million) ordinary shares of Rs. 10/- (Rupees Ten) each. After: 100% (one hundred percent) of the paid-up capital of HAML constituting 30,000,000/- (Thirty Million) ordinary shares of Rs. 10/- (Rupees Ten) each pre injection of additional equity and up to 75,000,000 (Seventy Five Million) ordinary shares of Rs. 10/- (Rupees Ten) each post injection of additional equity.



SR No.	DESCRIPTION	INFORMATION REQUIRED
(v)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities	N/A
(vi)	Fair value determined in terms of sub-regulation (1) of regulation 5 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for investment in unlisted securities	A valuation exercise was conducted by KPMG Taseer Hadi, Chartered Accountants, who have suggested a fair value of between Rs. 6.84/- and Rs. 7.44/- per share.

Except to the extent as mentioned in B(v) above and to the extent of their respective shareholding in the Bank, the Board of Directors of the Bank have no direct or indirect interest in the Special Business.

Therefore, for the purpose of the above, the Board of Directors has recommended that the members may consider and, if deemed fit, pass with or without modification, the following resolutions as Special Resolutions as required under Section 199 of the Companies Act, 2017 for the purposes of authorizing further investment by the Bank in HAML.

“RESOLVED that subject to obtaining all necessary regulatory approvals and fulfilment of all legal formalities, the Bank be and is hereby authorized, in accordance with Section 199 of the Companies Act, 2017, to acquire the remaining 70% (seventy percent) of the issued and paid up share capital of HAML, comprising 21,000,000 (Twenty One Million) ordinary shares of Rs. 10/- (Rupees Ten Only) each, for an aggregate price of Rs. 152,250,000/- (Rupees One Hundred Fifty Two Million and Two Hundred & Fifty Thousand only) and as a consequence of which, HAML will become a wholly owned subsidiary of the Bank. (**“Proposed Acquisition”**).

“FURTHER RESOLVED that subject to completion of the **Proposed Acquisition** and subject to obtaining all necessary regulatory approvals, the Bank is further authorized to inject additional equity amounting up to Rs. 450,000,000/- (Rupees Four Hundred and Fifty Million only) into HAML in order for HAML to meet the minimum capital requirements prescribed by the Securities and Exchange Commission of Pakistan and to further support the business operations of HAML.

“FURTHER RESOLVED that the Chief Executive Officer or the Company Secretary or the Chief Financial Officer of the Bank, (**the “Authorized Persons”**), acting jointly (any two), be and are hereby authorized and empowered to take all necessary steps and actions and are further authorized to seek necessary regulatory consents and to sign, execute, and deliver all necessary documents, agreements, and letters on behalf of the Bank along with ancillary documents thereto or provide any such documentation for and on behalf and in the name of the Bank as may be necessary or required or as they or any of them may think fit for or in connection with or incidental for the purposes of carrying out the proposed resolutions.

“RESOLVED FURTHER that all actions taken by the Authorized Persons acting jointly (any two) on behalf of the Bank in respect of the above matters are hereby confirmed, ratified and adopted by the Bank in full.”

Item No. 6 of the Agenda

The following policy has been formulated by Human Resource & Remuneration Committee (HR&RC) of the Board, and subsequently recommended by the Board in its meeting held on January 29, 2020 to the shareholders of the Bank for its approval.



“Policy & Procedure for Fixing Remuneration of Directors”

“Introduction:

Listed Companies (Code of Corporate Governance) Regulations, 2019 issued by Securities and Exchange Commission of Pakistan (SECP) requires that every company shall have a formal policy and transparent procedure for fixing the remuneration packages of individual Directors & for attending meetings of the Board and its Committees.

Additionally, State Bank of Pakistan (SBP) vide its BPRD Circular No. 3 of 2019 also requires to formulate a comprehensive and transparent remuneration policy for the Chairman and other Directors, and the said policy shall be approved by the shareholders of the Bank on pre or post facto basis in the Annual General Meeting.

Furthermore, the process adopted for determination of Director’s remuneration shall comply with the provisions of the SBP’s Prudential Regulations, Companies Act 2017, Code of Corporate Governance Regulations, and the Bank’s Articles of Association.

Fixation of Directors’ Remuneration:

Remuneration payable to Non-Executive Directors for attending Board and Committee meetings, a full time Director and the Chairman of the Board who performs extra services, shall be governed under this policy. This policy has been formulated by Human Resource & Remuneration Committee (HR&RC) of the Board, and recommended by the Board to shareholders of the Bank for approval in the Annual General Meeting.

The remuneration of Non-Executive Directors for attending Board and Committee meetings shall be decided by the Board within the maximum limit as specified by the SBP from time to time.

The Chairman of the Board is also entitled to have 20% additional remuneration fee of the remuneration set for him for attending Board and its Committee meeting considering the Chairman’s vast knowledge, experience, insight, sense of judgement and market contacts. The Chairman of the Board shall also monitor the performance of the Bank’s management and implementation of the Business Plan of the Bank on behalf of the Board.

A full time Director shall receive such remuneration as the members (shareholders) may fix.

The Chairman of the Board (in case of individual Directors) and Independent Directors with the help of other Directors (in case of Chairman of the Board) shall decide regarding reconsideration in remuneration of underperforming Director/Chairman if the overall performance of the Director/Chairman consistently remains in “Needs Improvement” category for the two consecutive years as per Annual Performance Evaluation of the Board members.

Director’s Accountability:

Directors are accountable for all their conduct as per their duties and responsibilities defined in SBP Prudential Regulations, Companies Act, 2017 and Articles of Association of the Bank.

Traveling, Board & Lodging Expenses:

Business class Air Traveling, Board & Lodging and all allied expenses (at actual) for attending Board/Committees/General meetings will be borne by the Bank.

Review and Amendments:

This policy will be reviewed by the Board of Directors at least once a year and, if any, revision/amendment recommended by the Board will be forwarded to the shareholders for approval in the Annual General Meeting.”



For the purpose of the above, the Board of Directors in its meeting held on January 29, 2020, has recommended that the members may consider and, if deemed fit, pass with or without modification, the following resolution as an Ordinary Resolution:

“**RESOLVED** that the “Policy and Procedure for Fixing Remuneration of Directors”, formulated by Human Resource & Remuneration Committee of the Board, be and is hereby approved.”

Item No. 7 of the Agenda

Article No. 106: Remuneration of Directors

Existing Version	Proposed Version
<p>Remuneration payable to Directors for attending Board Meeting and Sub-Committee Meeting of the Board shall not exceed Rs. 150,000 and a Director who performs extra services or a full time Director shall receive such remuneration (whether by way of salary, commission, participation in profits, allowances, perquisites, etc., or partly in one way and partly in another) as the members may fix, subject to the Federal Government, Finance Division Notification SRO No. 572 (i) 82 dated 16 June 1982 or any modification in that behalf for the time being in force. The Directors may also pay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of Directors or committee of Directors or which he may otherwise incur in or about the business of the Company.</p>	<p>Remuneration payable to Non-Executive Directors, a full time Director and the Chairman of the Board who performs extra services shall be governed by “Policy & Procedure for Fixing Remuneration of Directors” approved by the shareholders.</p>

For the purpose of the above, the Board of Directors in its meeting held on January 29, 2020, has recommended that the members may consider and, if deemed fit, pass with or without modification, the following resolutions as Special Resolutions, to amend the Articles of Association of the Bank.

“**RESOLVED** that subject to obtaining the requisite approvals, the Article No. 106 of Articles of Association of the Bank be and is hereby amended as follows:

106 Remuneration payable to Non-Executive Directors, a full time Director and the Chairman of the Board who performs extra services shall be governed by “Policy and Procedure for Fixing Remuneration of Directors” approved by the shareholders. **Remuneration of Directors**

“**FURTHER RESOLVED** that the Company Secretary of the Bank be and is hereby authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Bank, and make necessary filings and complete legal formalities as may be required to implement the aforesaid resolution.”

Item No. 8 of the Agenda

As recommended by the Board of Directors in their meeting held on January 29, 2020, 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. 3,025,000/- per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment.”



Pattern of Shareholding as at December 31, 2019

Number of Shareholders	Size of Shareholding				Total Shares Held
387	From	1	To	100	12,868
672	From	101	To	500	206,266
443	From	501	To	1,000	341,147
1,810	From	1,001	To	5,000	4,983,399
525	From	5,001	To	10,000	3,959,953
328	From	10,001	To	15,000	4,099,041
1,183	From	15,001	To	20,000	21,657,684
82	From	20,001	To	25,000	1,833,635
62	From	25,001	To	30,000	1,724,817
66	From	30,001	To	35,000	2,155,684
89	From	35,001	To	40,000	3,321,301
85	From	40,001	To	50,000	3,904,143
50	From	50,001	To	60,000	2,735,694
84	From	60,001	To	80,000	5,915,588
74	From	80,001	To	100,000	6,783,664
75	From	100,001	To	150,000	8,932,502
74	From	150,001	To	200,000	13,125,984
29	From	200,001	To	250,000	6,532,599
26	From	250,001	To	300,000	7,091,678
20	From	300,001	To	350,000	6,548,170
86	From	350,001	To	600,000	40,521,159
41	From	600,001	To	1,000,000	31,932,893
151	From	1,000,001	To	100,000,000	933,105,547
6,442					1,111,425,416

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,106	582,805,292	52.44
Investment & Insurance Companies	13	133,417,304	12.00
Joint Stock Companies	105	144,902,933	13.04
Financial Institutions	14	12,375,514	1.11
Modaraba & Mutual Funds	40	104,029,667	9.36
Foreign Companies	16	37,164,707	3.34
Pension Funds	33	14,087,455	1.27
Others	115	82,642,544	7.44
TOTAL	6,442	1,111,425,416	100.00



Pattern of Shareholding as at December 31, 2019 Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies		
Habib Insurance Co. Ltd.	1	2,000,000
Habib Sugar Mills Limited	1	24,136,691
Mutual Funds		
TRI-STAR MUTUAL FUND LIMITED	1	1,904
SAFEWAY FUND (PVT) LTD.	1	5,001
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	1	9,000
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	13,000
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	1	16,000
CDC - TRUSTEE NITPF EQUITY SUB-FUND	1	20,000
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	1	60,000
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	62,500
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	66,200
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	79,500
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	84,000
CDC - TRUSTEE ALLIED FINERGY FUND	1	155,000
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	163,500
CDC - TRUSTEE HBL EQUITY FUND	1	169,500
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	175,332
CDC - TRUSTEE JS LARGE CAP. FUND	1	199,000
CDC - TRUSTEE LAKSON TACTICAL FUND	1	218,000
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	226,500
MCBFSL - TRUSTEE JS GROWTH FUND	1	330,000
CDC - TRUSTEE APF - EQUITY SUB FUND	1	355,000
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	415,000
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	417,500
CDC - TRUSTEE NBP SARMAYA IZAFI FUND	1	459,150
CDC - TRUSTEE NBP BALANCED FUND	1	484,400
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	595,500
CDC - TRUSTEE NIT - EQUITY MARKET OPPORTUNITY FUND	1	684,489
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	1,069,500
CDC - TRUSTEE PICIC INVESTMENT FUND	1	1,104,500
CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1	1,123,000
CDC - TRUSTEE HBL - STOCK FUND	1	1,271,500
CDC - TRUSTEE PICIC GROWTH FUND	1	1,452,500
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	1,775,500
CDC - TRUSTEE ABL STOCK FUND	1	2,640,000
CDC - TRUSTEE LAKSON EQUITY FUND	1	2,764,500
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	3,929,000
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	5,814,700
CDC - TRUSTEE NBP STOCK FUND	1	8,724,650
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	9,101,000
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	57,794,329
National Bank of Pakistan, Trustee Dept.		



Shareholders' Category	Number of Shareholders	Number of Shares Held
Directors		
Abbas D. Habib	1	42,450,257
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
Farhana Mowjee Khan	1	25,180
Chief Executive Officer		
Mansoor Ali Khan	-	NIL
Directors' Spouses		
Mrs. Niamet Fatima W/o. Mr. Abbas D. Habib	1	4,818,197
Mrs. Shirin Lakhani W/o Mr. Safar Ali Lakhani	1	77,042
Executives	47	9,035,498
Joint Stock Companies and Corporations	104	120,766,242
Banks, Development Financial Institutions, Non - Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	59	84,445,131
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	6,048	488,678,066
Others (including foreign companies)	131	119,807,251
TOTAL	6,442	1,111,425,416



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Company



Bank AL Habib Limited and its Subsidiary Company
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 Subsidiary AL Habib Capital Markets (Private) Limited for the year ended December 31, 2019.

	(Rupees in '000)
Profit for the year before tax	19,040,463
Taxation	(7,848,833)
Profit for the year after tax	11,191,630
Share of Loss attributable to Non - controlling interest	3,736
Profit attributable to shareholders	11,195,366
Un-appropriated profit brought forward	20,641,220
Transfer from surplus on revaluation of fixed assets - net of tax	72,769
Other comprehensive income	149,997
Profit available for appropriation	32,059,352
Appropriations:	
Transfer to Statutory Reserve	(1,116,874)
Cash dividend – 2018	(2,778,564)
	(3,895,438)
Un - appropriated profit carried forward	28,163,914
Earnings per share (after tax) – Holding company	Rs. 10.07

Pattern of Shareholding

The pattern of shareholding as at December 31, 2019 is annexed with the financial statements of Bank AL Habib Limited.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 29, 2020



INDEPENDENT AUDITORS' REPORT

To the members of Bank AL Habib Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Bank AL Habib Limited (the Bank) and its subsidiary company, AL Habib Capital Markets Private Limited, (the Group) which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Provision against non-performing loans and advances	
<p>The Group's advances portfolio include fund-based and non-funded financing facilities. The portfolio includes corporate financing to public sector entities and large to small size businesses operating in the private sector, as well as consumer financing to individuals.</p> <p>As per the Group's accounting policy (refer note 4.5 to the consolidated financial statements), the Group determines provisions against non-performing advances exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against advances as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non - performing advances are included in note 4.5 and 9.4 respectively to the consolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Group's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be. - We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; - In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant corporate financing and performed tests and procedures such as review of financing documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower; - In respect of the level of general provision maintained by the Group, we discussed the approach and policy followed by the Group with the management and the approvals in place for such policy. - We also assessed adequacy of disclosures as included in note 9 to the consolidated financial statements regarding the non-performing advances and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.



Key audit matters	How the matter was addressed in our audit
2. Adoption of IFRS 16 “Leases”	
<p>As referred to in note 2.5.2 to the consolidated financial statements, IFRS 16 ‘Leases’ (the standard) has become effective for the current financial year.</p> <p>The standard has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Group is required to recognize right of use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The impacts of the adoption of the standard are disclosed in note 2.5.2 to the consolidated financial statements.</p> <p>The application of the new standard requires management to make significant estimates and judgements such as in related to determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgements in respect of the application of the new standard.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We evaluated the appropriateness of the new accounting policies for recognition of lease contracts and their measurement in the financial statements; - We obtained an understanding of the process and controls in place for identification of in-scope and material lease contracts and capturing of relevant data regarding the terms and condition of the lease contracts; - We corroborated the completeness of the leases identified by the management by reviewing the reconciliations of leases with the list of branch properties in the use of the Group and reviewing the rent expense ledgers for the year; - We performed independent checks of lease accounting computations for a sample of lease contracts through re-performance of such computations and tracing the terms with the relevant contracts; - We evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate and lease term; and - We evaluated the adequacy of disclosures made regarding the application of the standard and its impact on the consolidated financial statements of the Group for the year.

Information Other than the Consolidated Financial Statements and Auditors’ Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors’ report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters:

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon in the audit report dated 30 January 2019.

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

Karachi: 04 February, 2020

EY Ford Rhodes
Chartered Accountants



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	2019 (Rupees in '000)	2018
ASSETS			
Cash and balances with treasury banks	5	113,838,856	74,432,185
Balances with other banks	6	9,526,278	8,010,940
Lendings to financial institutions	7	1,857,575	–
Investments	8	586,510,554	414,981,145
Advances	9	488,652,848	478,214,653
Fixed assets	10	36,571,645	26,192,997
Intangible assets	11	368,840	170,863
Deferred tax assets		–	–
Other assets	12	61,812,360	46,723,577
		1,299,138,956	1,048,726,360
LIABILITIES			
Bills payable	14	20,131,529	20,603,682
Borrowings	15	228,745,034	119,038,358
Deposits and other accounts	16	903,630,124	796,851,867
Liabilities against assets subject to finance lease		–	–
Subordinated debt	17	14,992,800	14,996,000
Deferred tax liabilities	18	1,377,707	1,344,621
Other liabilities	19	68,329,071	45,896,782
		1,237,206,265	998,731,310
NET ASSETS		61,932,691	49,995,050
REPRESENTED BY			
Share capital	20	11,114,254	11,114,254
Reserves		16,467,282	14,757,530
Surplus on revaluation of assets	21	6,081,731	3,375,368
Unappropriated profit		28,163,914	20,641,220
Equity attributable to the shareholders of the Holding company		61,827,181	49,888,372
Non-controlling interest	22	105,510	106,678
Total equity		61,932,691	49,995,050
CONTINGENCIES AND COMMITMENTS	23		

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ARSHAD NASAR
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 (Rupees in '000)	2018
Mark - up / return / interest earned	25	105,617,207	60,743,247
Mark - up / return / interest expensed	26	(64,412,998)	(29,838,696)
Net mark - up / interest income		41,204,209	30,904,551
NON MARK - UP / INTEREST INCOME			
Fee and commission income	27	6,135,310	4,825,113
Dividend income		397,558	409,895
Foreign exchange income		2,305,204	1,631,947
Income / (loss) from derivatives		-	-
Loss on securities - net	28	(32,469)	(10,316)
Share of profit from associates		94,992	61,819
Other income	29	662,966	415,795
Total non mark - up / interest income		9,563,561	7,334,253
Total income		50,767,770	38,238,804
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	30	(27,786,291)	(23,414,190)
Workers welfare fund		(448,415)	(294,534)
Other charges	31	(93,244)	(3,517)
Total non mark - up / interest expenses		(28,327,950)	(23,712,241)
Profit before provisions		22,439,820	14,526,563
Provisions and write offs - net	32	(3,399,357)	(220,748)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		19,040,463	14,305,815
Taxation	33	(7,848,833)	(5,853,160)
PROFIT AFTER TAXATION		11,191,630	8,452,655
Attributable to:			
Shareholders of the Holding company		11,195,366	8,457,841
Non - controlling interest		(3,736)	(5,186)
		11,191,630	8,452,655
		(Rupees)	
Basic and diluted earnings per share attributable to equity holders of the Holding company	34	10.07	7.61

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ARSHAD NASAR
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	(Rupees in '000)	
Profit after taxation for the year	11,191,630	8,452,655
Other comprehensive income		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Effect of translation of net investment in foreign operations	592,878	935,827
Movement in surplus / (deficit) on revaluation of investments - net of tax	2,781,700	(2,121,891)
	3,374,578	(1,186,064)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	149,997	(82,044)
Total comprehensive income	14,716,205	7,184,547
Attributable to:		
Shareholders of the Holding company	14,717,373	7,196,892
Non - controlling interest	(1,168)	(12,345)
	14,716,205	7,184,547

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ARSHAD NASAR
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Attributable to shareholders of the Holding Company										
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of			Sub Total	Non-controlling Interest	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets	Unappropriated Profit			
Balance as at 01 January 2018	11,114,254	11,901,027	412,410	126,500	540,000	940,933	4,620,480	16,368,696	46,024,300	120,479	46,144,779
Profit after taxation	-	-	-	-	-	-	-	8,457,841	8,457,841	(5,186)	8,452,655
Other comprehensive income - net of tax	-	-	935,827	-	-	(2,113,276)	-	(82,044)	(1,259,493)	(8,615)	(1,268,108)
Total comprehensive income for the year	-	-	935,827	-	-	(2,113,276)	-	8,375,797	7,198,348	(13,801)	7,184,547
Transfer to statutory reserve	-	841,766	-	-	-	-	-	(841,766)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(72,769)	72,769	-	-	-
Transactions with owners, recorded directly in equity											
Cash dividend (Rs. 3.0 per share)	-	-	-	-	-	-	-	(3,334,276)	(3,334,276)	-	(3,334,276)
Balance as at 31 December 2018	11,114,254	12,742,793	1,348,237	126,500	540,000	(1,172,343)	4,547,711	20,641,220	49,888,372	106,678	49,995,050
Profit after taxation	-	-	-	-	-	-	-	11,195,366	11,195,366	(3,736)	11,191,630
Other comprehensive income - net of tax	-	-	592,878	-	-	2,779,132	-	149,997	3,522,007	2,568	3,524,575
Total comprehensive income for the year	-	-	592,878	-	-	2,779,132	-	11,345,363	14,717,373	(1,168)	14,716,205
Transfer to statutory reserve	-	1,116,874	-	-	-	-	-	(1,116,874)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(72,769)	72,769	-	-	-
Transactions with owners, recorded directly in equity											
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	-	-	(2,778,564)	(2,778,564)	-	(2,778,564)
Balance as at 31 December 2019	11,114,254	13,859,667	1,941,115	126,500	540,000	1,606,789	4,474,942	28,163,914	61,827,181	105,510	61,932,691

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ARSHAD NASAR
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman





CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation
Less: Dividend income

Note 2019 2018
(Rupees in '000)

19,040,463 14,305,815
(397,558) (409,895)

18,642,905 13,895,920

Adjustments:

Depreciation
Depreciation on right-of-use assets
Amortisation
Provision and write - offs
Gain on sale of fixed assets
Share of profit from associates
Loss on sale / redemption of securities - net
Charge for compensated absences
Mark-up expense on lease liability against right-of-use assets

2,474,524 2,170,967
1,395,355 -
226,327 142,180
3,399,357 220,748
(377,019) (130,801)
(94,992) (61,819)
32,469 10,316
135,164 92,542
734,780 -

7,925,965 2,444,133

26,568,870 16,340,053

(Increase) / decrease in operating assets

Lendings to financial institutions
Held - for - trading securities
Advances
Other assets (excluding advance taxation)

(1,857,575) -
197,562 (37,954)
(12,179,593) (138,305,090)
(15,893,345) (4,960,398)

(29,732,951) (143,303,442)

(Decrease) / increase in operating liabilities

Bills payable
Borrowings from financial institutions
Deposits
Other liabilities

(472,153) 940,333
109,148,680 (14,624,466)
106,778,257 104,317,544
14,197,263 6,648,397

229,652,047 97,281,808

226,487,966 (29,681,581)

(8,639,712) (6,623,696)

Income tax paid

217,848,254 (36,305,277)

Net cash flow from / (used in) operating activities

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available for sale securities
Net investments in held to maturity securities
Net investments in associates
Dividends received
Investments in operating fixed assets
Proceeds from sale of fixed assets
Exchange differences on translation of net investment in foreign operations
Net cash flow (used in) / from investing activities

(71,017,537) 23,794,895
(97,530,743) 33,733,418
(469,232) 98,551
410,458 418,309
(5,207,819) (6,119,258)
520,727 152,581
592,878 935,827

(172,701,268) 53,014,323

CASH FLOW FROM FINANCING ACTIVITIES

(Repayments) / receipts from subordinated debt
Dividend paid
Payment against lease liabilities

(3,200) 3,998,400
(2,767,686) (3,256,294)
(2,012,087) -

Net cash flow from financing activities

(4,782,973) 742,106

Increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year
Cash and cash equivalents at end of the year

35 40,364,013 17,451,152

35 82,096,704 64,645,552

122,460,717 82,096,704

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ARSHAD NASAR
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding company

- Bank AL Habib Limited

Subsidiary

- AL Habib Capital Markets (Private) 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 718 branches (2018: 684 branches), 37 sub - branches (2018: 37 sub - branches), 04 representative offices (2018: 04 representative offices) and 02 booths (2018: Nil). The branch network of the Bank includes 03 overseas branches (2018: 03 overseas branches) and 83 Islamic Banking branches (2018: 71 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.

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 BPRD Circular No. 02, dated 25 January 2018.

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 the Companies Act, 2017.

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 annexure II.

2.4 Statement of Compliance

2.4.1 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and



- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 2.4.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I) / 2008 dated 28 April 2008. 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 prescribed by SBP through various circulars.

- 2.4.3** SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 02 of 2018, as amended from time to time.

2.5 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Group has adopted the following accounting standards and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

- 2.5.1** In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which replaces all existing revenue requirements and related interpretations and is effective for annual periods beginning on or after 01 July 2018. IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (such as interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). Certain requirements in IFRS 15 are also relevant for the recognition and measurement of gains or losses on disposal of non-financial assets that are not in the ordinary course of business.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Bank's revenue streams that are within the scope of IFRS 15 relate to certain fee and commission income. The accounting policy for recognition of such income is disclosed in Note 4.12 (g) to these consolidated financial statements. The application of this standard did not have any material impact on these consolidated financial statements, except for change in description of accounting policy.

- 2.5.2** IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on statement of financial position.



The Bank has lease contracts for various properties. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other asset and other liabilities, respectively.

Upon adoption of IFRS 16, the Bank applied the recognition and measurement approach of IFRS 16 for all leases, except for short-term leases and leases of low-value assets. The standard also provides practical expedients, which have been applied by the Bank.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 01 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Accordingly, the Bank recognised right-of-use assets and lease liabilities for those leases where the Bank is the lessee and which were previously accounted for as operating leases. The right-of-use assets and lease liabilities were recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.

	As at 31 December 2019	As at 01 January 2019
	(Rupees in '000)	
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	8,198,691	8,139,524
Decrease in other assets - advances, deposits, advance rent and other prepayments	(513,754)	(672,886)
Increase in other assets - advance taxation (payments less provisions)	246,395	-
Increase in total assets	7,931,332	7,466,638
Increase in other liabilities - lease liability against right-of-use assets / other payable	(8,316,718)	(7,466,638)
Decrease in net assets	(385,386)	-
		For the year ended 31 December 2019 (Rupees in '000)
Impact on Profit and Loss account		
Increase in mark-up expense - lease liability against right-of-use assets		(734,780)
(Increase) / decrease in administrative expenses		(1,395,355)
- Depreciation on right-of-use assets		1,498,354
- Rent expense		102,999
Decrease in profit before tax		(631,781)
Decrease in tax expense		246,395
Decrease in profit after tax		(385,386)



There was no difference between present value of the operating lease commitments discounted using incremental borrowing rate at the year end preceding the date of initial application and lease liabilities recognised in statement of financial position at the date of initial application of IFRS 16.

2.5.3 IFRIC 23 - Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The interpretation did not have any material impact on the consolidated financial statements of the Group.

2.6 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of materiality in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore, would not have an impact on past financial statements.
- IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. 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. SBP has directed the Bank to conduct an impact assessment as at 31 December 2019 which is due to be submitted to SBP by 30 April 2020.



- IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required. IFRS 14 was originally issued by IASB in January 2014 with Initial application date for a period beginning on or after 01 January 2016. During November 2019, SECP modified the effective date for applicability of IFRS 14 for the annual reporting periods beginning on or after 01 July 2019.
- The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2021

2.7 Critical accounting estimates and judgments

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 consolidated financial statements are in respect of the following:

	Note
Classification and provisioning against investments	4.4, 4.14 & 32
Classification and provisioning against loans and advances	4.5, 9 & 32
Useful lives of fixed, right of use assets and intangible assets, depreciation, amortisation and revaluation	4.6, 10 & 11
Determination of lease term and borrowing rate	4.6, 10 & 19
Non - banking assets acquired in satisfaction of claims	4.7 & 12
Accounting for defined benefit plan	4.10 & 37
Provisions against off - balance sheet obligations	4.15 & 19
Current and deferred taxation	4.13, 18 & 33



3. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for certain investments, certain land and buildings, certain non - banking assets acquired in satisfaction of claims and derivative financial instruments which are revalued as referred to in notes 4.4, 4.6, 4.7 and 4.18.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except for changes explained in notes 2.5.1 and 2.5.2:

4.1 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.

4.2 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.

4.3 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.

4.4 Investment

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 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', is included in the statement of comprehensive income and is shown in the statement of financial position as part of 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.

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

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. The profit and loss account reflects the Group's share of the results of operations of the associate. Any change in OCI of associates is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity

4.5 Advances

Loans and advances

These are stated net of provisions for non - performing advances.

Receivables against lease finance where Bank is a lessor (other than Ijara)

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.

Inventory

The Bank values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale.

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.

Running Musharaka

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half-yearly / annual accounts of the customer.

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.

Provision for non-performing advances

Provision for non - performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of respective central banks is followed in respect of overseas branches 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.

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank is allowed to consider the effect of Forced Sale Value of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken in determining provisioning amount.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant \ Prudential Regulations and SBP directives.

For overseas operations, the Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at Fair Value through Profit and Loss (all referred to as 'financial instruments'). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL). The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Advances are written-off when there are no realistic prospects of recovery.

4.6 Operating fixed assets and depreciation

Capital work in progress

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

Property and equipment - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount less impairment, if any. 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 10.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation methods 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 valuations involve estimates / assumptions and various market factors and conditions. Any revaluation surplus is credited to the surplus on revaluation of land and buildings, except to the extent that it reversal of a deficit already charged to profit and loss account on the same asset. Any revaluation deficit is recognised in profit and loss account, except for a deficit directly offsetting a previous surplus on the same asset recognised in the asset revaluation surplus.

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.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within note 9 fixed assets and are subject to impairment in line with the Bank's policy as described in note 4.14 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Determination of the lease term for lease contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).



Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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 11. 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.

4.7 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. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. 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 assets is credited to the 'surplus on revaluation of Non-banking assets acquired in satisfaction of claims' 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 assets is charged to profit and loss account and not capitalised.

4.8 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised on an accrual basis as an expense in the period in which it is incurred.

Deposits mobilized under Islamic Banking operations are generated under two modes i.e. "Qard" and "Modaraba". Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits / Current remunerative deposits'.

4.9 Subordinated debt

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

4.10 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 and loss in subsequent periods. The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 37. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

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.

4.11 Foreign currencies

Functional and presentation currency

These 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.

4.12 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) The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.



4.13 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.

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

4.14 Impairment

Available-for-sale equity securities

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. This determination of what is significant or prolonged requires judgment.

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 is considered to determine impairment amount.

Associates

The carrying values of investments in associates 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 investments in associates are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account.



Non-financial assets

The carrying values of 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 assets are written down to their recoverable amounts and 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 relevant surplus.

4.15 Provisions against off - balance sheet obligations

The Bank, in the ordinary course of business, issues letters of credit, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fees and commission 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.

4.16 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.

4.17 Financial assets and liabilities

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.

4.18 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.

4.19 Dividend distribution

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.

4.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the 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 2019.

4.21 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 Group's primary format of reporting is based on business segments.



4.22 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 small and medium enterprises.

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 small and medium enterprises 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.

4.23 Geographical segments

The Group operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

4.24 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.

4.25 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. Provision against contingencies is determined based on the management judgement regarding the probability of future out flows of resources embodying economic benefits to settle an obligation arising from past events. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.26 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.

4.27 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.



	Note	2019 (Rupees in '000)	2018
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		19,497,781	16,653,040
Foreign currencies		2,062,958	1,566,662
		21,560,739	18,219,702
In transit:			
Local currency		481,699	106,914
Foreign currencies		676,471	26,856
		1,158,170	133,770
With State Bank of Pakistan in:			
Local currency current account	5.1	59,153,555	31,352,756
Local currency current account - Islamic Banking	5.1	3,140,622	2,556,444
Foreign currency deposit accounts			
Cash reserve account	5.1	3,236,315	2,916,100
Cash reserve / special cash reserve account - Islamic Banking		256,350	148,166
Special cash reserve account	5.1	9,708,945	8,757,757
Local US Dollar collection account	5.2	303,328	84,470
		75,799,115	45,815,693
With National Bank of Pakistan in:			
Local currency current account		14,944,966	10,220,736
Prize bonds		375,866	42,284
		113,838,856	74,432,185

5.1 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 0.70% to 1.50% (2018: 0.56% to 1.35%) per annum.

5.2 This represents US Dollar collection account maintained with SBP.

	Note	2019 (Rupees in '000)	2018
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current account		309,758	353,686
In deposit account	6.1	7,000,000	—
In saving account	6.2	510,751	5,364,409
		7,820,509	5,718,095
Outside Pakistan:			
In current account	6.3	1,642,734	2,254,412
In deposit account	6.4	63,037	38,435
		1,705,771	2,292,847
		9,526,280	8,010,942
Less: impairment against IFRS 9 in overseas branches		(2)	(2)
		9,526,278	8,010,940



- 6.1 This carries expected profit rate ranging from of 11% to 12.50% (2018: Nil) per annum having maturity period upto one month.
- 6.2 These carry expected profit rates ranging from 1% to 11.75% (2018: 2.50% to 8.13%) per annum.
- 6.3 These carry interest rates ranging from 0.05% to 1% (2018: 0.30% to 0.50%) per annum.
- 6.4 These carry interest rates ranging from 1.25% to 4.50% (2018: 0.55% to 3.42%) per annum.

2019 2018
(Rupees in '000)

7. LENDINGS TO FINANCIAL INSTITUTIONS

In local currency:

Bai Muajjal Receivable from the State Bank of Pakistan 1,857,575 -

7.1 Securities held as collateral against amounts due from financial institutions

	2019			2018		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
GoP Ijarah Sukuks	1,857,575	-	1,857,575	-	-	-

7.1.1 The GoP Ijarah Sukuks carry rates ranging from 10.39% to 10.49% (2018: Nil).

8. INVESTMENTS

	Note	2019				2018			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		(Rupees in '000)							
8.1 Investments by type:									
<i>Held - for - trading securities</i>									
Shares		-	-	-	-	285,368	-	(21,920)	263,448
<i>Available - for - sale securities</i>	8.3 & 8.4								
Federal Government Securities		419,545,132	(187,265)	1,899,966	421,257,833	354,754,071	(21,616)	(1,276,813)	353,455,642
Shares		4,431,809	(1,571,426)	431,845	3,292,228	4,781,741	(490,342)	(501,038)	3,790,361
Non Government Debt Securities		5,586,804	-	(141,759)	5,445,045	4,901,380	-	8,370	4,909,750
Foreign Securities		6,524,223	(41,248)	(48,396)	6,434,579	1,548,752	(8,041)	(45,710)	1,495,001
Units of mutual funds		3,125,000	(373,875)	233,167	2,984,292	2,175,000	(34,906)	(160,193)	1,979,901
		439,212,968	(2,173,814)	2,374,823	439,413,977	368,160,944	(554,905)	(1,975,384)	365,630,655
<i>Held - to - maturity securities</i>	8.3 & 8.5								
Federal Government Securities		145,152,375	(41,871)	-	145,110,504	48,049,798	(6,418)	-	48,043,380
Non Government Debt Securities		46,632	-	-	46,632	86,213	-	-	86,213
Foreign Securities		467,747	(471)	-	467,276	-	-	-	-
		145,666,754	(42,342)	-	145,624,412	48,136,011	(6,418)	-	48,129,593
<i>Associates</i>	8.6	1,472,165	-	-	1,472,165	957,449	-	-	957,449
Total Investments		586,351,887	(2,216,156)	2,374,823	586,510,554	417,539,772	(561,323)	(1,997,304)	414,981,145



	2019				2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.2 Investments by segments:								
(Rupees in '000)								
Federal Government Securities:								
Market Treasury Bills	295,433,821	-	798,050	296,231,871	298,826,887	-	(89,985)	298,736,902
Pakistan Investment Bonds	242,426,221	-	898,902	243,325,123	81,918,316	-	(995,196)	80,923,120
Foreign Currency Bonds	6,932,009	(163,826)	208,400	6,976,583	4,658,020	(28,034)	(68,486)	4,561,500
Ijarah Sukuks	4,108,362	(65,310)	(5,386)	4,037,666	6,539,730	-	(39,980)	6,499,750
Sukuks	15,225,665	-	-	15,225,665	10,003,773	-	(83,166)	9,920,607
Term Finance Certificates - Unlisted	571,429	-	-	571,429	857,143	-	-	857,143
	564,697,507	(229,136)	1,899,966	566,368,337	402,803,869	(28,034)	(1,276,813)	401,499,022
Shares								
Listed Companies	4,327,573	(1,565,726)	431,845	3,193,692	4,962,873	(484,642)	(522,958)	3,955,273
Unlisted Companies	104,236	(5,700)	-	98,536	104,236	(5,700)	-	98,536
	4,431,809	(1,571,426)	431,845	3,292,228	5,067,109	(490,342)	(522,958)	4,053,809
Non Government Debt Securities								
Term Finance Certificates and Sukuks:								
Listed								
Term finance certificates	1,947,922	-	(46,982)	1,900,940	952,788	-	926	953,714
Sukuks	1,504,215	-	(94,777)	1,409,438	1,635,901	-	7,444	1,643,345
	3,452,137	-	(141,759)	3,310,378	2,588,689	-	8,370	2,597,059
Unlisted								
Term finance certificates	199,960	-	-	199,960	199,980	-	-	199,980
Sukuks	1,981,339	-	-	1,981,339	2,198,924	-	-	2,198,924
	2,181,299	-	-	2,181,299	2,398,904	-	-	2,398,904
Foreign Securities								
Government securities	6,991,970	(41,719)	(48,396)	6,901,855	1,548,752	(8,041)	(45,710)	1,495,001
Associates								
Habib Sugar Mills Limited	538,332	-	-	538,332	537,504	-	-	537,504
Habib Asset Management Limited	64,532	-	-	64,532	77,364	-	-	77,364
First Habib Income Fund	144,578	-	-	144,578	141,277	-	-	141,277
First Habib Stock Fund	8,468	-	-	8,468	7,892	-	-	7,892
First Habib Cash Fund	139,539	-	-	139,539	140,458	-	-	140,458
First Habib Islamic Stock Fund	8,285	-	-	8,285	8,027	-	-	8,027
First Habib Islamic Income Fund	550,278	-	-	550,278	25,743	-	-	25,743
First Habib Asset Allocation Fund	18,153	-	-	18,153	19,184	-	-	19,184
	1,472,165	-	-	1,472,165	957,449	-	-	957,449
Units of mutual funds								
	3,125,000	(373,875)	233,167	2,984,292	2,175,000	(34,906)	(160,193)	1,979,901
Total Investments	586,351,887	(2,216,156)	2,374,823	586,510,554	417,539,772	(561,323)	(1,997,304)	414,981,145



2019 2018
(Rupees in '000)

8.2.1 Investments given as collateral

Market Treasury Bills

Carrying value	153,188,536	56,804,498
Surplus / (deficit)	277,366	(31,410)
	153,465,902	56,773,088

8.3 Provision for diminution in value of investments

Opening balance	561,323	194,656
Exchange adjustments against IFRS 9 in overseas branches	2,909	13,721
Charge / reversals		
Charge for the year	1,420,053	384,007
Charge / (reversal) of impairment as per IFRS 9 in overseas branches	231,871	(31,061)
	1,651,924	352,946
Closing Balance	2,216,156	561,323

8.4 Quality of Available for Sale Securities

Details regarding quality of available for sale securities are as follows:

Cost
2019 2018
(Rupees in '000)

8.4.1 Federal Government Securities - Government guaranteed

Market Treasury Bills	295,433,821	298,826,887
Pakistan Investment Bonds	109,177,808	38,436,394
Foreign Currency Bonds	5,784,962	2,206,078
Ijarah Sukuks	4,108,362	6,539,730
Sukuks Bonds	4,468,750	7,887,839
Term Finance Certificates - Unlisted	571,429	857,143
	419,545,132	354,754,071



		Cost			
		2019	2018		
		(Rupees in '000)			
8.4.2 Shares					
8.4.2.1 Listed Companies					
Automobile Assembler		199,842	199,842		
Cement		297,906	297,906		
Commercial Banks		164,773	164,774		
Fertilizer		939,647	1,314,489		
Food & Personal Care Products		23,211	23,211		
Insurance		29,975	29,975		
Securities Companies		106,275	108,969		
Oil & Gas Exploration Companies		24,701	24,701		
Oil & Gas Marketing Companies		793,159	793,159		
Paper & Board		38,264	38,264		
Pharmaceuticals		21,775	21,775		
Power Generation & Distribution		1,634,090	1,606,656		
Technology & Communication		13,140	13,140		
Textile Composite		40,815	40,644		
		<u>4,327,573</u>	<u>4,677,505</u>		
		<u>2019</u>	<u>2018</u>		
8.4.2.2 Unlisted Companies		Cost	Breakup value	Cost	Breakup value
		(Rupees in '000)			
Khushhali Bank Limited	30,000	144,255	30,000	111,803	
Pakistan Export Finance Guarantee Agency Limited	5,700	-	5,700	-	
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	18,536	-	18,536	-	
Pakistan Mortgage Refinance Company Limited	50,000	50,746	50,000	50,746	
		<u>104,236</u>	<u>195,001</u>	<u>104,236</u>	<u>162,549</u>
			Cost		
		2019	2018		
		(Rupees in '000)			
8.4.3 Non Government Debt Securities					
8.4.3.1 Listed					
AA+		1,449,410	635,901		
AA		152,727	152,788		
AA-		500,000	500,000		
A+		-	1,000,000		
A		1,300,000	300,000		
		<u>3,402,137</u>	<u>2,588,689</u>		
8.4.3.2 Unlisted					
AA		900,000	900,000		
AA-		750,000	450,000		
A+		284,707	687,711		
A		100,000	175,000		
A-		149,960	99,980		
		<u>2,184,667</u>	<u>2,312,691</u>		



8.4.4 Foreign Securities	2019		2018	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
Bahrain	309,695	BB-	277,724	BB+
Srilanka	4,247,753	B	1,271,028	B+
Egypt	1,246,574	B+	–	–
Turkey	720,201	BB-	–	–
	<u>6,524,223</u>		<u>1,548,752</u>	

8.4.5 Units of mutual funds	Cost (Rupees in '000)	
	2019	2018
	<u>3,125,000</u>	<u>2,175,000</u>

8.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed	Cost (Rupees in '000)	
	2019	2018
Pakistan Investment Bonds	133,248,413	43,481,922
Foreign Currency Bonds	1,147,047	2,451,942
Ijarah Sukuks	10,756,915	2,115,934
	<u>145,152,375</u>	<u>48,049,798</u>

Non Government Debt Securities - Unlisted

- A+	<u>46,632</u>	<u>86,213</u>
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Foreign Securities	2019		2018	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
- Egypt	<u>467,747</u>	B+	<u>–</u>	–

8.5.1 The market value of securities classified as held to maturity at 31 December 2019 amounted to Rs. 148,608 million (2018: Rs. 47,754 million).



8.6 Associates

2019	2018	Name of companies / funds	Note	2019	2018
No. of ordinary shares / units				(Rupees in '000)	
9,415,312	9,415,312	Habib Sugar Mills Limited % of holding: 6.28% (2018: 6.28%) Par value per share: Rs. 5 Market value: Rs. 360.136 million (2018: Rs. 348.367 million) Chief Executive: Mr. Raeesul Hasan	8.6.2	538,332	537,504
9,000,000	9,000,000	Habib Asset Management Limited % of holding: 30% (2018: 30%) Par value per share: Rs. 10 Break up value per share: Rs. 6.25 (2018: Rs. 8.24) based on audited financial statements for the year ended 30 June 2019 Chief Executive: Mr. Imran Azim	8.6.3	64,532	77,364
1,363,808	1,363,808	First Habib Income Fund % of holding: 21.91% (2018: 19.03%) Average cost per unit: Rs. 109.99 (2018: Rs. 109.99) Net asset value: Rs. 106.01 (2018: Rs. 103.59) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		144,578	141,277
100,000	100,000	First Habib Stock Fund % of holding: 6.67% (2018: 6.84%) Average cost per unit: Rs. 100 (2018: Rs. 100) Net asset value: Rs. 84.68 (2018: Rs. 78.92) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		8,468	7,892
1,392,189	1,392,189	First Habib Cash Fund % of holding: 6.61% (2018: 5.34%) Average cost per unit: Rs. 107.74 (2018: Rs. 107.74) Net asset value: Rs. 100.23 (2018: Rs. 100.89) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		139,539	140,458
100,929	100,929	First Habib Islamic Stock Fund % of holding: 7.16% (2018: 8%) Average cost per unit: Rs. 99.08 (2018: Rs. 99.08) Net asset value: Rs. 82.08 (2018: Rs. 79.53) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		8,284	8,027
5,493,453	250,421	First Habib Islamic Income Fund % of holding: 14.32% (2018: 24.79%) Average cost per unit: Rs. 100.85 (2018: Rs. 98.46) Net asset value: Rs. 100.17 (2018: Rs. 102.80) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		550,279	25,743
200,149	200,149	First Habib Asset Allocation Fund % of holding: 17.87% (2018: 18.80%) Average cost per unit: Rs. 99.93 (2018: Rs. 99.93) Net Asset Value: Rs. 90.70 (2018: Rs. 95.85) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		18,153	19,184
				1,472,165	957,449



- 8.6.1** The place of business and incorporation of associates is Pakistan.
- 8.6.2** Due to common directorship in Habib Sugar Mills Limited, the Bank considers the investee company as an associate.
- 8.6.3** It includes Rs. 24.750 million (2018: 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.
- 8.6.4** The Bank is in the process of acquiring controlling interest in Habib Asset Management Limited, an associated company. Subsequent to the year end, SECP, SBP and Competition Commission of Pakistan have granted approval for the acquisition.

8.6.5 Movement of investments in associates	2019	2018
	(Rupees in '000)	
Opening balance	957,449	963,029
Share of profit	94,991	61,819
Investment - net	525,000	(59,000)
Dividend received	(56,530)	(39,550)
Capital gain	-	881
Unrealised (loss) / gain routed to OCI	(48,745)	30,270
Closing balance	1,472,165	957,449

8.6.6 Summary of audited financial information of associates

Name of associates	2019				
	Assets	Liabilities	Equity	Revenue	Profit / (loss)
	(Rupees in '000)				
First Habib Cash Fund	2,235,159	29,178	2,264,337	243,659	211,032
First Habib Income Fund	762,120	29,305	732,815	87,745	60,343
First Habib Stock Fund	107,918	3,898	104,020	(22,040)	(27,453)
Habib Asset Management Limited	194,758	7,607	187,151	45,206	(60,173)
Habib Sugar Mills Limited	10,749,005	2,673,312	8,075,693	10,268,047	1,202,276
First Habib Islamic Stock Fund	103,921	3,065	100,856	(17,365)	(22,191)
First Habib Islamic Income Fund	111,378	1,231	110,147	10,632	7,805
First Habib Asset Allocation Fund	101,824	976	100,848	(4,598)	(9,998)
	2018				
First Habib Cash Fund	2,855,767	73,646	2,929,413	129,019	108,743
First Habib Income Fund	996,410	31,054	965,356	68,288	47,691
First Habib Stock Fund	141,381	3,981	137,400	8,184	(40,746)
Habib Asset Management Limited	256,333	9,010	247,323	20,438	(56,733)
Habib Sugar Mills Limited	10,460,111	2,356,141	8,103,970	7,974,143	901,276
First Habib Islamic Stock Fund	118,493	3,295	115,346	5,795	(25,291)
First Habib Islamic Income Fund	193,493	896	192,597	7,329	4,139
First Habib Asset Allocation Fund	222,087	6,338	215,749	7,180	2,045



9. ADVANCES

	Note	Performing		Non Performing		Total	
		2019	2018	2019	2018	2019	2018
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.1	407,446,886	408,233,955	6,989,020	5,059,552	414,435,906	413,293,507
Islamic financing and related assets		50,662,682	49,708,261	82,542	8,724	50,745,224	49,716,985
Bills discounted and purchased		32,876,085	22,767,224	186,354	167,116	33,062,439	22,934,340
Advances - gross		490,985,653	480,709,440	7,257,916	5,235,392	498,243,569	485,944,832
Provision against advances							
- Specific		-	-	6,201,412	4,351,895	6,201,412	4,351,895
- General as per regulations		263,290	238,099	-	-	263,290	238,099
- General		3,000,000	3,000,000	-	-	3,000,000	3,000,000
- As per IFRS 9 in overseas branches		126,019	140,185	-	-	126,019	140,185
		3,389,309	3,378,284	6,201,412	4,351,895	9,590,721	7,730,179
Advances - net of provision		487,596,344	477,331,156	1,056,504	883,497	488,652,848	478,214,653

9.1 Includes net investment in finance lease as disclosed below:

	2019			2018		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	(Rupees in '000)					
Lease rentals receivable	8,477,197	9,784,780	18,261,977	7,337,208	9,674,905	17,012,113
Residual value	1,426,512	4,826,361	6,252,873	1,096,338	4,442,641	5,538,979
Minimum lease payments	9,903,709	14,611,141	24,514,850	8,433,546	14,117,546	22,551,092
Financial charges for future periods	(1,884,098)	(1,717,790)	(3,601,888)	(1,294,217)	(1,292,929)	(2,587,146)
Present value of minimum lease payments	8,019,611	12,893,351	20,912,962	7,139,329	12,824,617	19,963,946

9.2 Particulars of advances (Gross)

	2019	2018
	(Rupees in '000)	
In local currency	409,278,021	428,995,587
In foreign currencies	88,965,548	56,949,245
	498,243,569	485,944,832



9.3 Advances include Rs. 7,257.916 million (2018: Rs. 5,235.392 million) which have been placed under non - performing status as detailed below:

Category of Classification	2019		2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	82,730	456	10,715	998
Substandard	377,335	84,250	44,963	10,869
Doubtful	1,014,818	503,459	1,621,874	796,947
Loss	3,696,404	3,681,349	2,496,394	2,481,635
	<u>5,171,287</u>	<u>4,269,514</u>	<u>4,173,946</u>	<u>3,290,449</u>
Overseas				
Overdue by:				
181 to 365 days	913,445	758,714	–	–
> 365 days	1,173,184	1,173,184	1,061,446	1,061,446
	<u>2,086,629</u>	<u>1,931,898</u>	<u>1,061,446</u>	<u>1,061,446</u>
Total	<u>7,257,916</u>	<u>6,201,412</u>	<u>5,235,392</u>	<u>4,351,895</u>

9.4 Particulars of provision against advances

Note	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	4,351,895	3,378,284	7,730,179	4,399,564	3,337,610	7,737,174
Exchange adjustments	104,015	16,608	120,623	218,348	26,933	245,281
Charge for the year						
- Specific provision	2,092,790	–	2,092,790	354,961	–	354,961
- General provision as per regulations	–	25,191	25,191	–	5,003	5,003
- As per IFRS 9 in overseas branches	–	(30,774)	(30,774)	–	8,738	8,738
Reversals	(345,809)	–	(345,809)	(445,270)	–	(445,270)
	<u>1,746,981</u>	<u>(5,583)</u>	<u>1,741,398</u>	<u>(90,309)</u>	<u>13,741</u>	<u>(76,568)</u>
Amounts written off 9.5	(1,479)	–	(1,479)	(175,708)	–	(175,708)
Closing balance	<u>6,201,412</u>	<u>3,389,309</u>	<u>9,590,721</u>	<u>4,351,895</u>	<u>3,378,284</u>	<u>7,730,179</u>



9.4.1 Particulars of provision against advances

	2019			2018		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
In local currency	4,269,514	3,263,290	7,532,804	3,290,449	3,238,099	6,528,548
In foreign currencies	1,931,898	126,019	2,057,917	1,061,446	140,185	1,201,631
	<u>6,201,412</u>	<u>3,389,309</u>	<u>9,590,721</u>	<u>4,351,895</u>	<u>3,378,284</u>	<u>7,730,179</u>

9.4.2 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.

9.5	PARTICULARS OF WRITE OFFS	Note	2019 (Rupees in '000)	2018
9.5.1	Against Provisions	9.4	1,479	175,708
	Directly charged to Profit & Loss account		-	-
			<u>1,479</u>	<u>175,708</u>
9.5.2	Write Offs of Rs. 500,000 and above			
	- Domestic	9.6	815	175,694
	- Write Offs of below Rs. 500,000		664	14
			<u>1,479</u>	<u>175,708</u>

9.6 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

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 rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure I.

	Note	2019 (Rupees in '000)	2018
10. FIXED ASSETS			
Capital work - in - progress	10.1	1,597,551	1,433,875
Property and equipment	10.2	34,974,094	24,759,122
		<u>36,571,645</u>	<u>26,192,997</u>
10.1 Capital work - in - progress			
Civil works		652,132	498,060
Advance payment for purchase of equipments		68,212	31,768
Advance payment towards suppliers, contractors and property		854,366	883,137
Consultants' fee and other charges		22,841	20,910
		<u>1,597,551</u>	<u>1,433,875</u>



10.2 Property and Equipment

2019

	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets - building on leasehold land	Total
(Rupees in '000)								
At 01 January 2019								
Cost / Revalued amount	9,005,011	9,509,959	1,236,363	8,159,109	3,118,382	2,488,339	8,139,524	41,656,687
Accumulated depreciation	-	(469,567)	(497,787)	(4,953,648)	(1,563,616)	(1,273,423)	-	(8,758,041)
Net book value	<u>9,005,011</u>	<u>9,040,392</u>	<u>738,576</u>	<u>3,205,461</u>	<u>1,554,766</u>	<u>1,214,916</u>	<u>8,139,524</u>	<u>32,898,646</u>
Year ended 31 December 2019								
Opening net book value	9,005,011	9,040,392	738,576	3,205,461	1,554,766	1,214,916	8,139,524	32,898,646
Additions	1,706,068	601,780	221,025	874,251	922,935	301,388	-	4,627,447
Additions to ROUs	-	-	-	-	-	-	1,454,522	1,454,522
Disposals	-	-	(3,587)	(5,747)	(130,139)	(4,235)	-	(143,708)
Depreciation charge	-	(319,955)	(111,769)	(1,002,311)	(555,540)	(477,883)	(1,395,355)	(3,862,813)
Other adjustments / transfers	13,359	(13,359)	-	-	-	-	-	-
Closing net book value	<u>10,724,438</u>	<u>9,308,858</u>	<u>844,245</u>	<u>3,071,654</u>	<u>1,792,022</u>	<u>1,034,186</u>	<u>8,198,691</u>	<u>34,974,094</u>
At 31 December 2019								
Cost / Revalued amount	10,724,438	10,098,380	1,422,561	8,844,776	3,394,955	2,766,206	9,594,046	46,845,362
Accumulated depreciation	-	(789,522)	(578,316)	(5,773,122)	(1,602,933)	(1,732,020)	(1,395,355)	(11,871,268)
Net book value	<u>10,724,438</u>	<u>9,308,858</u>	<u>844,245</u>	<u>3,071,654</u>	<u>1,792,022</u>	<u>1,034,186</u>	<u>8,198,691</u>	<u>34,974,094</u>
Rate of depreciation (percentage)	-	2.22% - 12.50%	10%	20%	20%	20%	-	

2018

	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets - building on leasehold land	Total
(Rupees in '000)								
At 01 January 2018								
Cost / Revalued amount	7,480,054	8,339,588	1,023,375	7,014,633	2,501,383	2,171,959	-	28,530,992
Accumulated depreciation	-	(167,255)	(429,692)	(4,292,119)	(1,301,819)	(895,410)	-	(7,086,295)
Net book value	<u>7,480,054</u>	<u>8,172,333</u>	<u>593,683</u>	<u>2,722,514</u>	<u>1,199,564</u>	<u>1,276,549</u>	<u>-</u>	<u>21,444,697</u>
Year ended 31 December 2018								
Opening net book value	7,480,054	8,172,333	593,683	2,722,514	1,199,564	1,276,549	-	21,444,697
Additions	1,524,957	1,160,898	242,007	1,401,781	825,451	345,249	-	5,500,343
Additions to ROUs	-	-	-	-	-	-	-	-
Disposals	-	-	(4,143)	(5,218)	(6,324)	(6,053)	-	(21,738)
Depreciation charge	-	(295,717)	(92,971)	(913,616)	(463,925)	(397,951)	-	(2,164,180)
Other adjustments / transfers	-	2,878	-	-	-	(2,878)	-	-
Closing net book value	<u>9,005,011</u>	<u>9,040,392</u>	<u>738,576</u>	<u>3,205,461</u>	<u>1,554,766</u>	<u>1,214,916</u>	<u>-</u>	<u>24,759,122</u>
At 31 December 2018								
Cost / Revalued amount	9,005,011	9,509,959	1,236,363	8,159,109	3,118,382	2,488,339	-	33,517,163
Accumulated depreciation	-	(469,567)	(497,787)	(4,953,648)	(1,563,616)	(1,273,423)	-	(8,758,041)
Net book value	<u>9,005,011</u>	<u>9,040,392</u>	<u>738,576</u>	<u>3,205,461</u>	<u>1,554,766</u>	<u>1,214,916</u>	<u>-</u>	<u>24,759,122</u>
Rate of depreciation (percentage)	-	2.22% - 12.50%	10%	20%	20%	20%	-	



10.3 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 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 2019 would have been as follows:

	2019 (Rupees in '000)	2018
Leasehold land	<u>4,788,144</u>	<u>4,788,144</u>
Buildings on leasehold land	<u>4,670,487</u>	<u>4,836,414</u>

10.4 The gross carrying amount of fully depreciated assets still in use is as follows:

Furniture and fixture	201,789	188,754
Electrical, office and computer equipment	3,154,857	2,727,543
Vehicles	450,511	547,077
	<u>3,807,157</u>	<u>3,463,374</u>

10.5 Details of disposal of fixed assets during the year:

Particulars	2019		
	Cost	Book value	Insurance claim
Habib Insurance Company Limited - (Related Party - Karachi)			
		(Rupees in '000)	
Electrical, office and computer equipment	<u>1,035</u>	<u>478</u>	<u>660</u>
Vehicles	<u>15,710</u>	<u>6,094</u>	<u>13,445</u>



	2019		
	Computer software	TRE Certificates (Rupees in '000)	Total
11. INTANGIBLE ASSETS			
At 01 January 2019			
Cost	870,366	34,750	905,116
Accumulated amortisation	(702,003)	(32,250)	(734,253)
Net book value	<u>168,363</u>	<u>2,500</u>	<u>170,863</u>
Year ended 31 December 2019			
Opening net book value	168,363	2,500	170,863
Additions: directly purchased	416,695	–	416,695
Amortisation charge	(218,718)	–	(218,718)
Closing net book value	<u>366,340</u>	<u>2,500</u>	<u>368,840</u>
At 31 December 2019			
Cost	1,287,061	34,750	1,321,811
Accumulated amortisation	(920,721)	(32,250)	(952,971)
Net book value	<u>366,340</u>	<u>2,500</u>	<u>368,840</u>
Rate of amortisation (percentage)	<u>50%</u>	<u>–</u>	<u>50%</u>
Useful life	<u>2 Years</u>	<u>–</u>	<u>2 Years</u>
		2018	
At 01 January 2018			
Cost	638,518	34,750	673,268
Accumulated amortisation	(567,433)	(32,250)	(599,683)
Net book value	<u>71,085</u>	<u>2,500</u>	<u>73,585</u>
Year ended 31 December 2018			
Opening net book value	71,085	2,500	73,585
Additions: directly purchased	231,848	–	231,848
Amortisation charge	(134,570)	–	(134,570)
Closing net book value	<u>168,363</u>	<u>2,500</u>	<u>170,863</u>
At 31 December 2018			
Cost	870,366	34,750	905,116
Accumulated amortisation	(702,003)	(32,250)	(734,253)
Net book value	<u>168,363</u>	<u>2,500</u>	<u>170,863</u>
Rate of amortisation (percentage)	<u>50%</u>	<u>–</u>	<u>50%</u>
Useful life	<u>2 Years</u>	<u>–</u>	<u>2 Years</u>

11.1 As at 31 December 2019, the cost of fully amortised intangible assets still in use amounted to Rs. 635.519 million (2018: Rs. 593.928 million).



12. OTHER ASSETS	Note	2019	2018
(Rupees in '000)			
Income / mark - up accrued in local currency - net of provision		19,900,665	10,391,416
Income / mark - up accrued in foreign currencies - net of provision		600,408	390,718
Advances, deposits, advance rent and other prepayments		583,324	1,213,235
Advance taxation (payments less provisions)		708,375	1,484,911
Non - banking assets acquired in satisfaction of claims	12.1	874,900	800,040
Mark to market gain on forward foreign exchange contracts		1,032,137	1,133,980
Acceptances		36,264,680	28,771,029
Stationery and stamps on hand		240,307	218,772
Receivable from SBP on encashment of Government Securities		41,680	325,478
Non - refundable deposits		35,845	43,455
ATM settlement account		239,233	965,926
Receivable against securities		54,247	34,359
Others		1,209,460	921,129
		<u>61,785,261</u>	<u>46,694,448</u>
Less: Provision held against other assets	12.2	<u>(7,383)</u>	<u>(7,279)</u>
Other Assets (net of provision)		61,777,878	46,687,169
Surplus on revaluation of non - banking assets acquired in satisfaction of claims		34,482	36,408
Other Assets - total		<u>61,812,360</u>	<u>46,723,577</u>
12.1 Market value of Non - banking assets acquired in satisfaction of claims		<u>1,013,291</u>	<u>885,443</u>
12.1.1 Non - banking assets acquired in satisfaction of claims			
Opening balance		836,448	826,331
Additions		80,000	56,764
Transferred to CWIP		-	(39,860)
Accumulated depreciation		(7,066)	(6,787)
Closing balance		<u>909,382</u>	<u>836,448</u>
12.2 Provision held against other assets			
Receivable against consumer loans		<u>7,383</u>	<u>7,279</u>
12.2.1 Movement in provision held against other assets			
Opening balance		7,279	6,486
Charge for the year		2,108	1,485
Reversals		(1,658)	(605)
		450	880
Amount written off		(346)	(87)
Closing balance		<u>7,383</u>	<u>7,279</u>
13. CONTINGENT ASSETS			
There were no contingent assets of the Group as at 31 December 2019 (2018: Nil).			



	Note	2019 (Rupees in '000)	2018
14. BILLS PAYABLE			
In Pakistan		<u>20,131,529</u>	<u>20,603,682</u>
15. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	15.1	42,657,650	33,445,797
Under renewable energy	15.2	3,946,903	3,885,244
Under long term financing for imported and locally manufactured plant and machinery	15.3	19,796,175	13,444,746
Under modernisation of small and medium enterprises	15.4	310,422	116,354
Under women entrepreneurship	15.5	19,159	8,476
Under financing facility for storage of agricultural produce	15.6	2,869	26,967
		66,733,178	50,927,584
Repurchase agreement borrowings	15.7	153,365,059	56,714,334
Borrowings from financial institutions	15.8	7,742,380	–
Total secured		227,840,617	107,641,918
Unsecured			
Call borrowings		–	1,500,000
Borrowings from financial institutions		–	9,550,019
Overdrawn nostro accounts		904,417	346,421
Total unsecured		904,417	11,396,440
		228,745,034	<u>119,038,358</u>
15.1	These carry mark - up rates ranging from 1% to 2% (2018: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.		
15.2	These carry mark - up rate of 2% to 3% (2018: 2%) per annum having maturity periods over ten years.		
15.3	These carry mark - up rates ranging from 2% to 6% (2018: 2% to 6%) per annum having maturity periods upto ten years.		
15.4	These carry mark - up rate of 2% (2018: 2%) per annum having maturity periods upto five years.		
15.5	These carry mark - up rate of Nil (2018: Nil) per annum having maturity periods upto five years.		
15.6	These carry mark - up rate of 2% (2018: 3.50%) per annum having maturity periods upto three months.		
15.7	These repurchase agreement borrowings are secured against market treasury bills. These carry effective mark - up rates ranging from 13.10% to 13.45% (2018: 10.10% to 10.35%) per annum, having maturity periods upto one week.		
15.8	These carry mark - up rate of 2.57% to 2.62% (2018: Nil) per annum having maturity periods upto three months.		



15.9 Particulars of borrowings with respect to currencies	2019	2018
	(Rupees in '000)	
In local currency	220,098,237	109,152,837
In foreign currencies	8,646,797	9,885,521
	<u>228,745,034</u>	<u>119,038,358</u>

16. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	280,876,055	34,758,774	315,634,829	259,924,538	27,655,719	287,580,257
Savings deposits	222,230,042	38,657,119	260,887,161	190,726,381	35,939,386	226,665,767
Term deposits	162,116,200	33,990,552	196,106,752	128,918,633	27,556,178	156,474,811
Current deposits - remunerative	96,456,401	771,529	97,227,930	82,817,947	550,054	83,368,001
Others	11,695,770	8,186,073	19,881,843	10,802,035	8,189,454	18,991,489
	773,374,468	116,364,047	889,738,515	673,189,534	99,890,791	773,080,325
Financial institutions						
Current deposits	1,717,690	1,234,067	2,951,757	1,284,400	358,311	1,642,711
Savings deposits	4,298,015	16	4,298,031	11,834,313	15	11,834,328
Term deposits	1,750,000	114,123	1,864,123	289,001	454,768	743,769
Current deposits - remunerative	4,578,433	192,643	4,771,076	7,179,534	2,285,052	9,464,586
Others	6,622	-	6,622	86,148	-	86,148
	12,350,760	1,540,849	13,891,609	20,673,396	3,098,146	23,771,542
	<u>785,725,228</u>	<u>117,904,896</u>	<u>903,630,124</u>	<u>693,862,930</u>	<u>102,988,937</u>	<u>796,851,867</u>
				2019		2018
				(Rupees in '000)		

16.1 Composition of deposits

- Individuals	582,960,377	501,490,801
- Government (Federal and Provincial)	29,895,314	19,258,183
- Public Sector Entities	36,377,740	46,636,750
- Banking Companies	3,888,823	127,149
- Non - Banking Financial Institutions	10,002,786	23,644,393
- Private Sector	240,505,084	205,694,591
	<u>903,630,124</u>	<u>796,851,867</u>

16.2 This includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 549,470 million as per balances held on 31 December 2018.



	Note	2019 (Rupees in '000)	2018
17. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	17.1	3,994,400	3,996,000
Term Finance Certificates (TFCs) - VI - (Unquoted)	17.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	17.3	3,998,400	4,000,000
		14,992,800	14,996,000

17.1 Term Finance Certificates - V (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	March 2016
Maturity date	March 2026
Rating	AA
Profit payment frequency	semi - annually
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Mark - up	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap
Call option	On or after five years with prior SBP approval
Lock - in - clause	Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non - Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and /or have them immediately written off (either partially or in full).

17.2 Term Finance Certificates - VI (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA-
Profit payment frequency	semi - annually
Redemption	No fixed or final redemption date
Mark - up	Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap
	The issuer will have full discretion over the amount and timing of profit distribution, and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock - in - clause	No profit may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non - Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).



17.3 Term Finance Certificates - VII (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AA
Profit payment frequency	semi - annually
Redemption	6th - 108th month: 0.02%; per each semi-annual period; 114th and 120th month: 49.82% each
Mark - up	6-Months KIBOR (ask side) + 1.00% per annum.
Call option	On or after five years with prior SBP approval
Lock - in - clause	Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non - Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).

18. DEFERRED TAX LIABILITIES

	2019			
	At 01 January 2019	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2019
	(Rupees in '000)			
Taxable Temporary Differences on				
Accelerated tax depreciation	1,042,970	(82,064)	-	960,906
Surplus on revaluation of fixed assets / non - banking assets	1,023,644	(39,183)	-	984,461
Remeasurement of defined benefit plan	246,397	(80,768)	-	165,629
Surplus on revaluation of available for sale investments	(690,676)	-	1,519,733	829,057
	1,622,335	(202,015)	1,519,733	2,940,053
Deductible Temporary Differences on				
Provision against diminution in the value of investments	(181,518)	(496,386)	-	(677,904)
Provision against loans and advances, off balance sheet, etc.	(5,555)	(726,018)	-	(731,573)
Impairment as per IFRS 9	(78,217)	(70,870)	-	(149,087)
Provision for compensated absences	(278)	(14)	-	(292)
Recognised tax losses	(4,035)	1,172	-	(2,863)
Surplus on revaluation of held for trading investments	(7,671)	7,671	-	-
Intangible assets	(440)	(187)	-	(627)
	(277,714)	(1,284,632)	-	(1,562,346)
	1,344,621	(1,486,647)	1,519,733	1,377,707



	2019 (Rupees in '000)	2018
19.1 Provision against off - balance sheet obligations		
Opening balance	116,600	160,838
Exchange adjustment against IFRS 9 in overseas branches	9,738	12,263
Charge for the year	30,897	13,827
Reversals	(27,866)	(70,328)
	<u>3,031</u>	<u>(56,501)</u>
Closing balance	<u>129,369</u>	<u>116,600</u>

19.1.1 The provision against off-balance sheet obligations includes provision in respect of letter of guarantees and shipping guarantee.

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

	2019 (% per annum)	2018
Discount rate	<u>12.25%</u>	<u>12.75%</u>
Expected rate of increase in salary in future years	<u>11.25%</u>	<u>11.75%</u>

20. SHARE CAPITAL

20.1 Authorized Capital

2019	2018		2019	2018
Number of shares			(Rupees in '000)	
<u>1,500,000,000</u>	<u>1,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>15,000,000</u>	<u>15,000,000</u>

20.2 Issued, subscribed and paid up capital

2019	2018		2019	2018
Number of shares				
30,000,000	30,000,000	Fully paid in cash	300,000	300,000
<u>1,081,425,416</u>	<u>1,081,425,416</u>	Issued as bonus shares	<u>10,814,254</u>	<u>10,814,254</u>
<u>1,111,425,416</u>	<u>1,111,425,416</u>		<u>11,114,254</u>	<u>11,114,254</u>

20.3 As of statement of financial position date 180,881,503 (2018: 198,396,189) ordinary shares of Rs. 10/- each were held by the related parties.



	Note	2019 (Rupees in '000)	2018
21. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of:			
- Investments	21.1	2,436,773	(1,862,121)
- Fixed Assets	21.2	5,495,269	5,605,295
- Non - banking assets acquired in satisfaction of claims	21.3	34,482	36,408
		7,966,524	3,779,582
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities	21.1	829,984	(689,778)
- Fixed Assets	21.2	1,049,269	1,087,778
- Non - banking assets acquired in satisfaction of claims	21.3	5,540	6,214
		1,884,793	404,214
		6,081,731	3,375,368
21.1 Investments			
Available for sale securities	8.1	2,374,823	(1,975,384)
Unrealised surplus on equity accounting		62,485	111,230
Non - controlling interest		(535)	2,033
		2,436,773	(1,862,121)
Less: related deferred tax		829,984	(689,778)
		1,606,789	(1,172,343)
21.2 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at 01 January		5,605,295	5,715,321
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(110,026)	(110,026)
Surplus on revaluation of fixed assets as at 31 December		5,495,269	5,605,295
Less: related deferred tax liability on:			
- revaluation as at 01 January		1,087,778	1,126,287
- incremental depreciation charged during the year		(38,509)	(38,509)
		1,049,269	1,087,778
		4,446,000	4,517,517



	Note	2019 (Rupees in '000)	2018
21.3 Surplus on revaluation of non - banking assets acquired in satisfaction of claims			
Surplus on revaluation as at 01 January		36,408	38,334
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,926)	(1,926)
Surplus on revaluation as at 31 December		34,482	36,408
Less: related deferred tax liability on:			
- revaluation as at 01 January		6,214	6,888
- incremental depreciation charged during the year		(674)	(674)
		5,540	6,214
		<u>28,942</u>	<u>30,194</u>
22. NON - CONTROLLING INTEREST			
Opening balance		106,678	120,479
Loss attributable to non - controlling interest		(3,736)	(5,186)
Loss on equity attributable to non - controlling interest		2,568	(8,615)
Closing balance		<u>105,510</u>	<u>106,678</u>
23. CONTINGENCIES AND COMMITMENTS			
- Guarantees	23.1	81,086,627	66,873,212
- Commitments	23.2	346,877,061	217,907,411
- Other contingent liabilities	23.3	4,673,685	4,716,420
		<u>432,637,373</u>	<u>289,497,043</u>
23.1 Guarantees:			
Financial guarantees		16,237,352	9,633,948
Performance guarantees		64,849,275	57,239,264
		<u>81,086,627</u>	<u>66,873,212</u>
23.2 Commitments:			
Documentary credits and short term trade - related transactions			
- letters of credit		145,745,358	109,275,067
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	197,844,773	103,620,742
- forward lending	23.2.2	2,214,998	3,916,624
Commitments for acquisition of:			
- operating fixed assets		1,071,932	1,094,978
		<u>346,877,061</u>	<u>217,907,411</u>



	2019	2018
	(Rupees in '000)	
23.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	106,704,798	70,584,095
Sale	91,139,975	33,036,647
	<u>197,844,773</u>	<u>103,620,742</u>

The maturities of above contracts are spread over the periods upto one year.

23.2.2 Commitments in respect of forward lending	<u>2,214,998</u>	<u>3,916,624</u>
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23.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

	2019	2018
	(Rupees in '000)	
23.3 Claims against the Bank not acknowledged as debts	<u>4,673,685</u>	<u>4,716,420</u>

23.4 Other contingent liabilities

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2018 (Tax Year 2019). The income tax assessments of the Bank are complete upto tax year 2016.

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 disallowing certain expenses. Subsequently, amended order was received from ACIR based on a rectification application filed by the Bank resulting an impact of Rs. 482.233 million. After filing of appeal with Commissioner Inland Revenue (Appeals) by the Bank, orders have been passed by CIR (Appeals) allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Deputy Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2014 (Accounting Year 2013) by disallowing certain expenses resulting in an impact of Rs. 150.769 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2015 (Accounting Year 2014) by disallowing certain expenses resulting in an impact of Rs. 301.855 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2016 (Accounting Year 2015) by disallowing certain expenses resulting in an impact of Rs. 207.679 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Deputy Commissioner Inland Revenue has passed order for the period January 2013 to December 2015 levying Federal Excise Duty on certain items resulting in an impact of Rs. 80.766 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals).

Commissioner (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. The Bank has filed an appeal before Appellate Tribunal (Punjab Revenue Authority).

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 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 ITAT against the above referred orders.



Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Years 2014 to 2018 by disallowing certain expenses resulting in an impact of Rs. 93.443 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

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

24. DERIVATIVE 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.

24.1 Product Analysis

Counter Parties	2019					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
	(Rupees in '000)					
Banks						
Hedging	6,661,765	26,468	129,746,798	(917,715)	136,408,563	(891,247)
Other Entities						
Hedging	61,436,210	156,206	-	-	61,436,210	156,206
Total						
Hedging	<u>68,097,975</u>	<u>182,674</u>	<u>129,746,798</u>	<u>(917,715)</u>	<u>197,844,773</u>	<u>(735,041)</u>
	2018					
	(Rupees in '000)					
Banks						
Hedging	15,866,132	39,714	77,523,611	365,635	93,389,743	405,349
Other Entities						
Hedging	9,482,464	113,887	748,535	(152)	10,230,999	113,735
Total						
Hedging	<u>25,348,596</u>	<u>153,601</u>	<u>78,272,146</u>	<u>365,483</u>	<u>103,620,742</u>	<u>519,084</u>



24.2 Maturity Analysis

	2019				
	Number of Contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	233	72,985,102	(770,198)	272,735	(497,463)
1 to 3 months	445	73,198,078	(840,319)	238,992	(601,327)
3 to 6 months	396	37,979,403	(132,541)	260,852	128,311
6 months to 1 year	258	13,682,190	(24,120)	259,558	235,438
	1,332	197,844,773	(1,767,178)	1,032,137	(735,041)

	2018				
	(Rupees in '000)				
Upto 1 month	144	39,021,458	(171,195)	569,452	398,257
1 to 3 months	173	52,299,327	(284,138)	218,057	(66,081)
3 to 6 months	119	9,420,641	(135,670)	185,144	49,474
6 months to 1 year	136	2,879,316	(23,893)	161,327	137,434
	572	103,620,742	(614,896)	1,133,980	519,084

25. MARK - UP / RETURN / INTEREST EARNED

	2019	2018
	(Rupees in '000)	
On loans and advances	50,319,475	28,604,184
On investments	53,049,254	31,658,888
On deposits with financial institutions	671,961	288,716
On securities purchased under resale agreements	1,291,640	183,322
On call money lendings	284,877	8,137
	105,617,207	60,743,247

26. MARK - UP / RETURN / INTEREST EXPENSED

Deposits	49,247,608	25,133,435
Borrowings from SBP	1,166,339	929,798
Subordinated debt	1,944,179	911,973
Cost of foreign currency swaps	1,637,026	529,108
Repurchase agreement borrowings	9,404,347	2,015,395
Mark-up expense on lease liability against right-of-use assets	734,780	-
Other borrowings	278,719	318,987
	64,412,998	29,838,696

27. FEE AND COMMISSION INCOME

Branch banking customer fees	1,086,265	671,923
Consumer finance related fees	44,287	44,797
Card related fees (debit and credit cards)	626,717	612,990
Credit related fees	192,168	187,074
Commission on trade	3,496,324	2,695,221
Commission on guarantees	411,148	381,930
Commission on cash management	196,473	177,864
Commission on home remittances	54,728	43,556
Others	27,200	9,758
	6,135,310	4,825,113



	Note	2019 (Rupees in '000)	2018
28. (LOSS) / GAIN ON SECURITIES			
Realised	28.1	(32,469)	19,993
Unrealised - held for trading		–	(30,309)
		(32,469)	(10,316)
28.1 Realised (loss) / gain on:			
Federal Government Securities		100	(1,897)
Shares		(33,325)	21,740
Non Government Debt Securities		–	150
Mutual funds		756	–
		(32,469)	19,993
29. OTHER INCOME			
Gain on sale of fixed assets - net		377,019	130,801
Recovery of expenses from customers	29.1	271,455	275,938
Lockers rent		10,085	8,157
Others		4,407	899
		662,966	415,795
29.1 Includes courier, SWIFT, postage and other charges recovered from customers.			
	Note	2019	2018
		(Rupees in '000)	
30. OPERATING EXPENSES			
Total compensation expenses	30.1	12,274,480	10,262,471
Property expense			
Rent & taxes		364,198	1,571,815
Insurance		16,710	20,347
Utilities cost		1,047,549	882,300
Security (including guards)		872,477	853,001
Repair & maintenance (including janitorial charges)		240,711	212,036
Depreciation		2,200,259	700,455
Amortisation		7,609	7,609
		4,749,513	4,247,563
Information technology expenses			
Software maintenance		4,417	2,784
Hardware maintenance		466,988	393,428
Depreciation		251,689	262,187
Amortisation		218,718	134,571
Network charges		390,911	316,671
		1,332,723	1,109,641



	Note	2019 (Rupees in '000)	2018
Other operating expenses			
Directors' fees and allowances		45,650	42,925
Fees and allowances to Shariah Board		9,819	8,096
Insurance		359,245	314,428
Legal & professional charges		182,329	165,170
Outsourced services costs	30.2	1,435,776	1,194,990
Travelling & conveyance		243,983	217,729
NIFT & other clearing charges		130,658	118,071
Depreciation		1,417,931	1,208,325
Repair and maintenance		1,203,325	1,148,946
Training & development		45,691	47,145
Postage & courier charges		216,585	192,951
Communication		281,620	240,247
Stationery & printing		898,969	548,482
Marketing, advertisement & publicity		264,693	299,101
Donations	30.3	110,700	159,761
Auditors remuneration	30.4	7,100	7,137
Commission and brokerage		613,649	325,278
Entertainment and staff refreshment		307,465	277,308
Vehicle running expenses		866,462	630,959
Subscriptions and publications		174,822	104,265
CNIC verification charges		131,145	66,578
Security charges		278,742	229,872
Others		203,216	246,751
		9,429,575	7,794,515
		27,786,291	23,414,190
30.1 Total compensation expense			
Fees and allowances etc.		438,741	272,472
Managerial remuneration		7,545,602	6,344,315
Charge for defined benefit plan		403,923	313,225
Contribution to defined contribution plan		530,179	447,838
Rent & house maintenance		2,249,588	1,930,223
Utilities		562,517	483,367
Medical		395,208	362,756
Charge for employees compensated absences		135,164	92,542
Social security		1,681	3,005
Staff indemnity		11,877	12,728
		12,274,480	10,262,471

30.2 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 32.693 million (2018: Rs. 22.384 million) paid to a company incorporated outside Pakistan. Material outsourcing arrangements are as follows:

S.No.	Name of material outsourced activity	Name of Service Provider	Nature of Service
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



	Note	2019 (Rupees in '000)	2018
30.3			
The detail of donations is given below:			
Al-Sayyeda Benevolent Trust		3,000	3,000
Bank AL Habib Staff Benefit Trust		–	50,000
Childlife Foundation		–	5,000
Habib Education Trust		3,000	13,000
Habib Medical Trust		3,000	3,000
Habib Poor Fund		3,000	3,000
Institute of Management Sciences, Bahauddin Zakariya University		–	1,000
Jinnah Foundation (Memorial) Trust		2,000	–
Panah Trust		500	–
Patients' Aid Foundation		85,000	52,828
Rahmatbai Habib Food and Clothing Trust		3,000	3,000
Rahmatbai Habib Widows and Orphans Trust		3,000	3,000
The Citizens Foundation		5,200	4,800
The Supreme Court of Pakistan and the Prime Minister of Pakistan Diamer-Bhasha and Mohmand Dams Fund		–	18,133
		110,700	159,761
30.4 Auditors' remuneration			
Audit fee		2,813	3,011
Half yearly review		825	825
Special certifications		2,501	2,301
Gratuity fund		91	91
Out of pocket expenses		870	909
		7,100	7,137
31. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		93,244	3,517
32. PROVISIONS AND WRITE OFFS - NET			
Reversal against balances with other banks		–	(9)
Provisions for diminution in value of investments		1,654,478	352,946
Provision / (reversal) against loans and advances - net	9.4	1,741,398	(76,568)
Provision / (reversal) against off - balance sheet items	19.1	3,031	(56,501)
Provision against other assets	12.2.1	450	880
		3,399,357	220,748
33. TAXATION			
Current		8,763,573	5,812,657
Prior years		571,907	(178)
Deferred		(1,486,647)	40,681
		7,848,833	5,853,160



	Note	2019	2018
(Rupees in '000)			
33.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>19,040,463</u>	<u>14,305,815</u>
Tax at the applicable rate of 35% (2018: 35%)		6,664,162	5,007,035
Tax effects of:			
Expenses that are not deductible in determining taxable income		115,977	327,357
Tax effect of super tax	33.1.1	1,468,844	570,545
Others	33.1.2	(400,150)	(51,777)
		<u>7,848,833</u>	<u>5,853,160</u>
33.1.1	The Finance Supplementary (Second Amendment) Act 2019 has reversed the phase-wise reduction in rate of Super Tax for banking companies from 4% to 3% and further levied additional super tax charge at 4% for Tax Year 2018 (Accounting Year 2017), which was previously not chargeable. The aggregate super tax charge amount to Rs. 1,468.844 million (including additional super tax charge of Rs. 571.907 million pertaining to Tax Year 2018).		
33.1.2	Includes Rs. 490 million being the tax effect of unrecognised deductible temporary differences of prior years.		
		2019	2018
		(Rupees in '000)	
34. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY			
Profit for the year - attributable to equity holders of the Holding Company		<u>11,195,366</u>	<u>8,457,841</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>10.07</u>	<u>7.61</u>
	Note	2019	2018
		(Rupees in '000)	
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	113,838,856	74,432,185
Balances with other banks	6	9,526,278	8,010,940
Overdrawn nostros	15	(904,417)	(346,421)
		<u>122,460,717</u>	<u>82,096,704</u>



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

	2019		
	Subordinated debt	Lease liability	Dividend
	(Rupees in '000)		
Balance as at 01 January 2019	14,996,000	–	415,647
Changes from financing cash flows			
Receipts against subordinated debt	–	–	–
Payments against subordinated debt	(3,200)	–	–
Payment against lease liability	–	(2,012,087)	–
Dividend paid	–	–	(2,767,686)
Total changes from financing cash flows	(3,200)	(2,012,087)	(2,767,686)
Other changes			
Addition to right-of-use-assets	–	9,594,025	–
Mark-up expense on lease liability against right-of-use assets	–	734,780	–
Cash dividend (Rs. 2.5 per share)	–	–	2,778,564
	–	10,328,805	2,778,564
Balance as at 31 December 2019	14,992,800	8,316,718	426,525
	2018		
	Subordinated debt	Lease liability	Dividend
	(Rupees in '000)		
Balance as at 01 January 2018	10,997,600	–	337,665
Changes from financing cash flows			
Receipts against subordinated debt	4,000,000	–	–
Payments against subordinated debt	(1,600)	–	–
Payment against lease liability	–	–	–
Dividend paid	–	–	(3,256,294)
Total changes from financing cash flows	3,998,400	–	(3,256,294)
Other changes			
Addition to right-of-use-assets	–	–	–
Mark-up expense on lease liability against right-of-use assets	–	–	–
Cash dividend (Rs. 3 per share)	–	–	3,334,276
	–	–	3,334,276
Balance as at 31 December 2018	14,996,000	–	415,647



	2019	2018
	(Number)	
36. STAFF STRENGTH		
Permanent	11,343	10,449
Temporary / on contractual basis	222	221
Group's own staff at end of the year	11,565	10,670
Outsourced	2,596	2,551
Total staff strength	14,161	13,221
36.1 Domestic	14,112	13,176
Offshore	49	45
	14,161	13,221

37. DEFINED BENEFIT PLAN

37.1 General description

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

Number of years of eligible service completed:

Less than 5 years
 5 years or more but less than 10 years
 10 years or more but less than 15 years
 15 years or more

Amount of gratuity payable:

Nil
 1/3rd of basic salary for each year served
 2/3rd of basic salary for each year served
 Full basic salary for each year served

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 and loss account in subsequent periods.

37.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 11,073 (2018: 10,325).

37.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2019 and the significant assumptions used for actuarial valuation were as follows:

	2019	2018
Discount Rate	12.25%	12.75%
Expected rate of return on plan assets	23.73%	9.81%
Expected rate of salary increase : Year 1	11.25%	11.75%
Year 2	11.25%	11.75%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate



37.4 Reconciliation of payable to defined benefit plan	Note	2019	2018
		(Rupees in '000)	
Present value of obligations		3,590,184	2,993,002
Fair value of plan assets		(3,116,957)	(2,289,010)
Payable		473,227	703,992
37.5 Movement in defined benefit obligations			
Obligation at the beginning of the year		2,993,002	2,435,705
Current service cost		319,391	264,747
Interest cost		389,264	219,159
Benefits paid during the year		(120,225)	(57,610)
Remeasurement loss		8,752	131,001
Obligation at the end of the year		3,590,184	2,993,002
37.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		2,289,010	1,857,934
Interest income on plan assets		304,732	170,681
Contribution by the Bank - net		403,923	313,225
Actual benefits paid during the year		(120,225)	(57,610)
Remeasurement gain on plan assets	37.8.2	239,517	4,780
Fair value at the end of the year		3,116,957	2,289,010
37.7 Movement in payable under defined benefit schemes			
Opening balance		703,992	577,771
Charge for the year		403,923	313,225
Contribution by the Bank		(403,923)	(313,225)
Remeasurement (gain) / loss recognised in Other Comprehensive Income during the year	37.8.2	(230,765)	126,221
Closing Balance		473,227	703,992
37.8 Charge for defined benefit plan			
37.8.1 Cost recognised in profit and loss			
Current service cost		319,391	264,747
Net interest on defined benefit liability		84,532	48,478
		403,923	313,225



	2019 (Rupees in '000)	2018 (Rupees in '000)
37.8.2 Re-measurements recognised in OCI during the year		
(Gain) / loss on obligation		
- Financial assumptions	(9,703)	3,962
- Experience assumptions	18,455	127,039
	8,752	131,001
Actuarial gain on plan assets	(239,517)	(4,780)
Total Remeasurement (gain) / loss recognised in OCI	(230,765)	126,221
37.9 Components of plan assets		
Cash and Cash equivalents - net	265,219	7,928
Unquoted investments		
Government securities	2,851,738	2,281,082
Total fair value of plan assets	3,116,957	2,289,010
37.10 Sensitivity analysis		
		2019 (Rupees in '000)
1% increase in discount rate		3,250,738
1% decrease in discount rate		3,987,794
1% increase in expected rate of salary increase		4,005,677
1% decrease in expected rate of salary increase		3,230,434
		2020 (Rupees in '000)
37.11 Expected contributions to be paid to the funds in the next financial year		424,170
37.12 Expected charge for the next financial year		424,170
37.13 Maturity profile		
		2019 (Rupees in '000)
The weighted average duration of the obligation is 10.20 years.		
Distribution of timing of benefit payments		
within the next 12 months (next annual reporting period)		186,229
between 2 and 5 years		1,378,800
between 5 and 10 years		3,549,199
		5,114,228



37.14 Funding Policy

The Bank will fund the yearly contribution to the defined benefit plan each year, as per the amount calculated by the valuer.

37.15 Significant risk

Asset volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly fixed income bonds. Almost 55.40% of the total Investments (Rs. 1.727 billion) is invested PIB's. This gives rise to significant reinvestment risk.

The remaining fund is invested in Treasury Bills. The T Bills exposure is almost 36.09% (Rs. 1.125 billion).

The asset class is volatile with reference to the yield on this class. This risk should be viewed together with change in the bond yield risk.

Changes in bond yields

There are two dimensions to the changes in Bond yields: first, as described above; second, the valuation of the Gratuity Liability is discounted with reference to these bond yields. So any increase in Bond yields will lower the Gratuity Liability and vice versa, but, it will also lower the asset values.

Inflation risk

The salary inflation is the major risk that the gratuity fund liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability. But viewed with the fact that asset values will also decrease, the salary inflation does, as an overall affect, increases the net liability of the Bank.

Life expectancy / Withdrawal rate

The Gratuity is paid off at the maximum of age 60. The Life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the Gratuity. Thus, the risk of life expectancy is almost negligible. However, had a post retirement benefit been given by the Bank like monthly pension, post retirement medical etc., this would have been a significant risk which would have been quite difficult to value even by using advance mortality improvement models.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions. In this case, it is not a significant risk.

Other Risks

Though, not imminent and observable, over long term there are some risks that may be crystallise. This includes:

Model Risk

The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the Gratuity Fund are also marked to market. This two-tier valuation gives rise to the model risk.



Retention risk

The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.

Final Salary Risk

The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.

Operational Risk related to a separate entity

Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank.

Generally, the protocols, processes and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit Funds. This gives rise to some specific operational risks.

Compliance Risk

The risk that retirement benefits offered by the Bank does not comply with minimum statutory requirements.

Legal / Political Risk

The risk that the legal / political environment changes and the Bank is required to offer additional or different retirement benefits than what the Bank projected.

38. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 4.10.

	2019
	(Rupees in '000)
Contributions made during the year :	
Employer's Contribution	<u>530,179</u>
Employees' Contribution	<u>530,179</u>

The number of employees covered under the defined contribution plan are 10,290 (2018: 9,330).

39. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation Expense

	2019						
	Directors			Members Shariah Board	Chief Executive	Key Management Personnel	Other Risk Takers / Controllers
	Chairman	Executives (other than CE)	Non- Executives				
	(Rupees in '000)						
Fees and allowances etc.	27,500	–	18,150	–	–	–	–
Managerial remuneration	–	27,000	–	6,520	47,000	285,577	1,093,039
Charge for defined benefit plan	–	6,353	–	–	19,793	38,648	106,639
Contribution to defined contribution plan	–	2,150	–	103	3,733	19,399	84,896
Rent and house maintenance	–	8,600	–	2,470	14,933	88,590	353,733
Utilities	–	2,162	–	618	4,482	22,147	88,433
Medical	–	–	–	108	–	1,105	29,016
Others	–	500	–	–	417	4,655	20,708
Total	27,500	46,765	18,150	9,819	90,358	460,121	1,776,464
Number of persons	1	1	10	3	1	36	828
	2018						
	(Rupees in '000)						
Fees and allowances etc.	25,000	–	17,925	–	–	–	–
Managerial remuneration	–	24,000	–	5,420	37,000	220,703	989,617
Charge for defined benefit plan	–	10,393	–	–	18,448	23,223	80,962
Contribution to defined contribution plan	–	1,900	–	–	2,933	13,408	74,924
Rent and house maintenance	–	7,600	–	2,054	11,733	67,186	318,072
Utilities	–	1,912	–	514	3,593	16,796	79,518
Medical	–	–	–	108	–	918	27,570
Others	–	488	–	–	334	4,344	14,091
Total	25,000	46,293	17,925	8,096	74,041	346,578	1,584,754
Number of persons	1	1	7	3	1	31	790



Chief Executive, Executive Director, Members Shariah Board, Key Management Personal and Other Risk Takers / Controllers are entitled to Group's maintained cars with fuel 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 provided with drivers, 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 with fuel, security guard services, payment of utility bills, club and entertainment bills, travelling bills, appropriate office, staff, and administrative support.

39.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2019						
		Meeting Fees and Allowances Paid						
		For Board Committees						
S.No.	Name of Director	For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IT Committee	Total Amount Paid
(Rupees in '000)								
1.	Mr. Ali Raza D. Habib	150	—	—	—	—	—	150
2.	Mr. Anwar Haji Karim	600	1,200	—	600	—	—	2,400
3.	Ms. Farhana Mowjee Khan	450	—	300	300	—	—	1,050
4.	Syed Mazhar Abbas	600	1,050	450	—	450	450	3,000
5.	Mr. Safar Ali Lakhani	600	1,200	300	600	600	—	3,300
6.	Syed Hasan Ali Bukhari	600	1,200	600	—	600	—	3,000
7.	Mr. Murtaza H. Habib	600	—	—	—	600	—	1,200
8.	Mr. Arshad Nasar	600	1,200	600	—	—	600	3,000
9.	Mr. Adnan Afridi	450	—	—	300	—	—	750
10.	Mr. Manzoor Ahmed	150	—	—	150	—	—	300
		4,800	5,850	2,250	1,950	2,250	1,050	18,150



2018

Meeting Fees and Allowances Paid

For Board Committees

S.No.	Name of Director	For Board Meetings	Human Resource & Remuneration Committee				IT Committee	Total Amount Paid
			Audit Committee	Risk Management Committee	Credit Risk Management Committee			
(Rupees in '000)								
1.	Mr. Anwar Haji Karim	675	1,200	225	525	–	–	2,625
2.	Syed Mazhar Abbas	525	1,050	675	–	525	525	3,300
3.	Mr. Safar Ali Lakhani	675	1,200	450	525	525	–	3,375
4.	Syed Hasan Ali Bukhari	675	1,200	675	–	525	–	3,075
5.	Mr. Murtaza H. Habib	675	–	225	–	150	–	1,050
6.	Mr. Arshad Nasar	675	1,200	675	–	225	525	3,300
7.	Mr. Manzoor Ahmed	675	–	–	525	–	–	1,200
		4,575	5,850	2,925	1,575	1,950	1,050	17,925

39.3 Remuneration paid to Shariah Board Members

Items	2019			2018		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
(Rupees in '000)						
Managerial Remuneration	2,800	2,000	1,720	2,400	1,600	1,420
Contribution to defined contribution plan	–	–	103	–	–	–
Rent & house maintenance	1,120	800	550	960	640	454
Utilities	280	200	138	240	160	114
Medical	36	36	36	36	36	36
Total	4,236	3,036	2,547	3,636	2,436	2,024
Number of persons	1	1	1	1	1	1





40. FAIR VALUE MEASUREMENTS

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)
Foreign Securities	Market prices / Mashreqbank PSC
Listed securities	Prices quoted at Pakistan Stock Exchange Limited
Mutual funds	Net asset values declared by respective funds
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 Group's accounting policies as stated in notes 4.14 and 4.5.

40.1 Fair value of financial assets

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).



41. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities.

42. SEGMENT INFORMATION

42.1 Segment Details with respect to Business Activities

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

	2019			Total
	Commercial banking	Retail banking	Retail brokerage	
	(Rupees in '000)			
Profit and loss account				
Mark - up / return / profit	96,225,098	9,374,956	17,153	105,617,207
Inter segment revenue - net	12,160	31,667,850	–	31,680,010
Non mark - up / return / interest income	3,267,748	6,245,947	49,866	9,563,561
Total income	99,505,006	47,288,753	67,019	146,860,778
Segment direct expenses	(58,032,921)	(34,636,374)	(71,653)	(92,740,948)
Inter segment expense allocation	(31,667,850)	–	(12,160)	(31,680,010)
Total expenses	(89,700,771)	(34,636,374)	(83,813)	(124,420,958)
Provisions	(3,390,779)	(8,578)	–	(3,399,357)
Profit before tax	6,413,456	12,643,801	(16,794)	19,040,463
Statement of financial position				
Cash & bank balances	113,797,069	9,455,888	112,177	123,365,134
Investments	586,246,738	–	263,816	586,510,554
Net inter segment lending	223,111	581,041,519	–	581,264,630
Lending to financial institutions	1,857,575	–	–	1,857,575
Advances - performing	450,240,662	37,355,664	18	487,596,344
- non - performing	955,129	101,375	–	1,056,504
Others	91,089,423	7,561,769	101,653	98,752,845
Total assets	1,244,409,707	635,516,215	477,664	1,880,403,586
Borrowings	228,728,417	–	16,617	228,745,034
Subordinated debt	14,992,800	–	–	14,992,800
Deposits	327,974,035	575,656,089	–	903,630,124
Net inter segment borrowing	581,041,519	–	223,111	581,264,630
Others	33,348,455	56,352,185	137,667	89,838,307
Total liabilities	1,186,085,226	632,008,274	377,395	1,818,470,895
Equity	58,324,481	3,507,941	100,269	61,932,691
Total equity & liabilities	1,244,409,707	635,516,215	477,664	1,880,403,586
Contingencies & commitments	226,672,893	159,092	–	226,831,985



2018

	Commercial banking	Retail banking	Retail brokerage	Total
(Rupees in '000)				
Profit and loss account				
Mark - up / return / profit	54,591,204	6,140,894	11,149	60,743,247
Inter segment revenue - net	9,104	17,719,736	–	17,728,840
Non mark - up / return / interest income	3,969,559	3,316,928	47,766	7,334,253
Total income	58,569,867	27,177,558	58,915	85,806,340
Segment direct expenses	(30,589,400)	(22,896,724)	(64,813)	(53,550,937)
Inter segment expense allocation	(17,719,736)	–	(9,104)	(17,728,840)
Total expenses	(48,309,136)	(22,896,724)	(73,917)	(71,279,777)
Provisions	(135,490)	(83,398)	(1,860)	(220,748)
Profit before tax	10,125,241	4,197,436	(16,862)	14,305,815
Statement of financial position				
Cash & bank balances	65,769,686	16,603,770	69,669	82,443,125
Investments	414,726,288	–	254,857	414,981,145
Net inter segment lending	220,503	429,972,610	–	430,193,113
Advances - performing	381,011,650	96,319,431	75	477,331,156
- non - performing	867,555	15,942	–	883,497
Others	58,291,565	14,705,082	90,790	73,087,437
Total assets	920,887,247	557,616,835	415,391	1,478,919,473
Borrowings	119,038,358	–	–	119,038,358
Subordinated debt	14,996,000	–	–	14,996,000
Deposits	295,361,066	501,490,801	–	796,851,867
Net inter segment borrowing	429,972,610	–	220,503	430,193,113
Others	25,505,112	42,235,934	104,039	67,845,085
Total liabilities	884,873,146	543,726,735	324,542	1,428,924,423
Equity	36,014,101	13,890,100	90,849	49,995,050
Total equity & liabilities	920,887,247	557,616,835	415,391	1,478,919,473
Contingencies & commitments	176,091,049	57,230	–	176,148,279



42.2 Segment details with respect to geographical locations

Geographical Segment Analysis

	2019				
	Pakistan	Middle East	Asia Pacific	Africa	Total
	(Rupees in '000)				
Profit and loss account					
Mark - up / return / profit	103,286,729	1,203,762	1,030,976	95,740	105,617,207
Non mark - up / return / interest income	9,227,657	194,062	141,368	474	9,563,561
Total income	112,514,386	1,397,824	1,172,344	96,214	115,180,768
Segment direct expenses	(91,090,853)	(731,221)	(812,685)	(106,189)	(92,740,948)
Provisions	(2,452,029)	(808,646)	(102,920)	(35,762)	(3,399,357)
Profit before tax	18,971,504	(142,043)	256,739	(45,737)	19,040,463
Statement of financial position					
Cash & bank balances	123,256,298	70,099	35,937	2,800	123,365,134
Investments	569,950,898	8,398,048	6,547,783	1,613,825	586,510,554
Net inter segment lendings	1,607,355	8,675,968	439,579	2,377	10,725,279
Lending to financial institutions	1,857,575	-	-	-	1,857,575
Advances - performing	453,147,497	19,935,668	14,513,179	-	487,596,344
- non - performing	1,056,504	-	-	-	1,056,504
Others	83,409,465	556,284	14,756,839	30,257	98,752,845
Total assets	1,234,285,592	37,636,067	36,293,317	1,649,259	1,309,864,235
Borrowings	221,002,654	7,742,380	-	-	228,745,034
Subordinated debt	14,992,800	-	-	-	14,992,800
Deposits & other accounts	861,594,984	23,867,406	18,010,982	156,752	903,630,124
Net inter segment borrowing	6,037,213	1,605,050	2,169,415	913,601	10,725,279
Others	74,723,228	494,784	14,608,357	11,938	89,838,307
Total liabilities	1,178,350,879	33,709,620	34,788,754	1,082,291	1,247,931,544
Equity	55,934,713	3,926,447	1,504,563	566,968	61,932,691
Total equity & liabilities	1,234,285,592	37,636,067	36,293,317	1,649,259	1,309,864,235
Contingencies & commitments	213,556,869	13,101,824	173,292	-	226,831,985



	2018				
	Pakistan	Middle East	Asia Pacific	Africa	Total
	(Rupees in '000)				
Profit and loss account					
Mark - up / return / profit	58,842,304	1,097,667	715,416	87,860	60,743,247
Non mark - up / return / interest income	6,927,043	246,825	156,390	3,995	7,334,253
Total income	65,769,347	1,344,492	871,806	91,855	68,077,500
Segment direct expenses	(52,416,956)	(552,869)	(502,390)	(78,722)	(53,550,937)
Provisions	(255,732)	(21)	35,018	(13)	(220,748)
Profit before tax	13,096,659	791,602	404,434	13,120	14,305,815
Statement of financial position					
Cash & bank balances	82,324,184	78,482	38,518	1,941	82,443,125
Investments	404,160,290	6,998,398	2,452,177	1,370,280	414,981,145
Net inter segment lendings	4,214,459	7,377,491	649,553	8,594	12,250,097
Lending to financial institutions	–	–	–	–	–
Advances - performing	448,135,269	17,098,469	11,764,345	333,073	477,331,156
- non - performing	883,497	–	–	–	883,497
Others	61,765,204	1,068,593	10,223,583	30,057	73,087,437
Total assets	1,001,482,903	32,621,433	25,128,176	1,743,945	1,060,976,457
Borrowings	116,431,434	2,606,924	–	–	119,038,358
Subordinated debt	14,996,000	–	–	–	14,996,000
Deposits & other accounts	762,176,923	20,882,948	13,681,767	110,229	796,851,867
Net inter segment borrowings	6,873,102	4,264,711	–	1,112,284	12,250,097
Others	56,592,801	1,002,978	10,241,938	7,368	67,845,085
Total liabilities	957,070,260	28,757,561	23,923,705	1,229,881	1,010,981,407
Equity	44,412,643	3,863,872	1,204,471	514,064	49,995,050
Total equity & liabilities	1,001,482,903	32,621,433	25,128,176	1,743,945	1,060,976,457
Contingencies & commitments	168,396,131	7,601,831	150,563	–	176,148,525

43. 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 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 10.5, 20.3 and 39 are summarised as follows:

	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key Management personnel	Associates	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	957,449	-	-	-	964,259	-
Investment made during the year	-	-	525,000	-	-	-	21,000	-
Investment adjusted / redeemed / disposed off during the year	-	-	(10,284)	-	-	-	(27,810)	-
Closing balance	-	-	1,472,165	-	-	-	957,449	-
Advances								
Opening balance	1,313	53,257	1,359,059	-	977	51,929	1,775,142	-
Addition during the year	55,443	363,717	33,451,951	-	34,176	51,761	32,726,863	-
Repaid during the year	(55,269)	(340,348)	(31,795,754)	-	(33,840)	(50,433)	(33,142,946)	-
Closing balance	1,487	76,626	3,015,256	-	1,313	53,257	1,359,059	-
Operating fixed assets								
Right of use	-	-	7,076	-	-	-	-	-
Other Assets								
Interest / mark - up accrued	-	55	10,667	-	-	32	4,216	-
L/C acceptances	-	-	350,867	-	-	-	532,718	-
Other receivable	-	-	1,575	-	-	-	28	-
Subordinated debt								
Opening balance	-	-	-	-	-	-	-	-
Received during the year	-	-	44,000	-	-	-	-	-
Closing balance	-	-	44,000	-	-	-	-	-
Deposits and other accounts								
Opening balance	587,452	816,406	4,876,833	536,801	821,526	580,986	4,021,911	1,412,440
Received during the year	11,221,419	2,996,758	150,071,628	29,846,047	3,185,597	2,384,155	101,140,451	33,145,306
Withdrawn during the year	(10,853,793)	(3,189,001)	(151,411,505)	(29,869,118)	(3,419,671)	(2,148,735)	(100,285,529)	(34,020,945)
Closing balance	955,078	624,163	3,536,956	513,730	587,452	816,406	4,876,833	536,801
Other Liabilities								
Interest / mark - up payable	3,799	4,118	15,309	2,216	652	2,240	20,861	6,897
Payable to staff retirement fund	-	-	-	473,226	-	-	-	703,992
L/C acceptances	-	-	350,867	-	-	-	532,718	-
Unrealised loss on forward exchange contracts	-	-	16,187	-	-	-	-	-
Other liabilities	-	19	19,093	-	-	-	-	-
Contingencies and Commitments	-	-	3,385,253	-	-	-	729,458	-
Other Transactions - Investor Portfolio Securities								
Opening balance	-	-	201,000	8,132,000	-	-	21,000	3,827,000
Increased during the year	30,000	-	1,534,940	8,487,000	-	-	416,000	15,445,000
Decreased during the year	(30,000)	-	(986,100)	(12,382,000)	-	-	(236,000)	(11,140,000)
Closing balance	-	-	749,840	4,237,000	-	-	201,000	8,132,000



43.1 RELATED PARTY TRANSACTIONS

	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Director	Key Management personnel	Associates	Other related parties
	(Rupees in '000)							
Income								
Mark - up / return / interest earned	-	5,160	267,442	-	21	3,279	85,012	-
Fee and commission income	23	758	17,227	-	-	-	5,251	-
Dividend income	-	-	56,530	-	-	-	39,550	-
Net loss on sale / redemption of securities and units of mutual funds	-	-	-	-	-	-	(881)	(15)
Bank charges	-	-	-	-	20	43	1,908	-
Other income	1	-	3,896	169	-	-	1,213	152
Expense								
Mark - up / return / interest expensed	80,855	42,642	421,247	77,219	35,858	34,017	201,493	60,453
Operating expenses	-	-	6,466	-	-	-	951	-
Salaries and allowances	-	514,341	-	-	-	431,429	-	-
Bonus	-	77,547	-	-	-	64,067	-	-
Contribution to defined contribution plan	-	26,282	-	-	-	19,713	-	-
Contribution to defined benefit plan	-	70,610	-	-	-	55,548	-	-
Staff provident fund	-	-	-	530,179	-	-	-	315,472
Staff gratuity fund	-	-	-	403,923	-	-	-	445,591
Directors' fees	44,600	-	-	-	41,725	-	-	-
Donation	-	-	6,000	-	-	-	53,000	-
Rent paid	-	-	-	-	-	-	-	-
Insurance premium paid	-	-	130,949	-	-	-	140,457	-
Insurance claims settled	-	-	34,375	-	-	-	24,719	-





44. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2019 (Rupees in '000)	2018
Minimum Capital Requirement (MCR):		
Paid - up capital	<u>11,114,254</u>	<u>11,114,254</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>53,214,684</u>	43,614,511
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,690,557</u>	6,750,000
Total Eligible Tier 1 Capital	<u>59,905,241</u>	50,364,511
Eligible Tier 2 Capital	<u>16,643,063</u>	14,381,722
Total Eligible Capital (Tier 1 + Tier 2)	<u>76,548,304</u>	<u>64,746,233</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>443,518,148</u>	408,712,722
Market Risk	<u>12,343,837</u>	8,590,756
Operational Risk	<u>74,991,311</u>	61,558,534
Total	<u>530,853,296</u>	<u>478,862,012</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>10.024%</u>	9.108%
Tier 1 Capital Adequacy Ratio	<u>11.285%</u>	10.518%
Total Capital Adequacy Ratio	<u>14.420%</u>	<u>13.521%</u>

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.

Minimum Capital Adequacy Ratio (CAR)

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

	2019	2018
Required CAR	<u>12.500%</u>	<u>11.900%</u>
CAR on stand - alone basis	<u>14.353%</u>	<u>13.425%</u>
CAR on consolidated basis	<u>14.420%</u>	<u>13.521%</u>

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



	2019 (Rupees in '000)	2018
Leverage Ratio (LR):		
Eligible Tier - 1 Capital	59,905,242	50,364,511
Total Exposures	1,498,187,417	1,231,115,634
Leverage Ratio	<u>3.999%</u>	<u>4.091%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	363,806,793	360,946,772
Total Net Cash Outflow	132,953,270	111,556,296
Liquidity Coverage Ratio	<u>273.635%</u>	<u>323.556%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	808,044,723	707,901,854
Total Required Stable Funding	606,312,286	482,005,370
Net Stable Funding Ratio	<u>133.272%</u>	<u>146.866%</u>

44.1 The full disclosures on the **CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS** as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at <http://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-grouplevel2019>.

45. 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.

45.1 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 SMEs portfolios is also determined as per Prudential Regulations. The Bank maintains additional general provision in line with its prudent policies and as per IFRS 9 for overseas branches. Particulars of provisions against advances are given in note 9.4.

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.

45.1.1 Investment in debt securities

	Gross investments		Non - performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
Credit risk by industry sector			(Rupees in '000)			
Power (electricity), gas, water, sanitary	5,750,733	7,123,218	-	-	-	-
Financial	570,572,181	401,216,997	-	-	270,855	36,075
Iron and steel	1,000,000	1,000,000	-	-	-	-
	<u>577,322,914</u>	<u>409,340,215</u>	<u>-</u>	<u>-</u>	<u>270,855</u>	<u>36,075</u>
Credit risk by public / private sector						
Public / Government	564,697,508	402,803,870	-	-	225,505	30,736
Private	12,625,406	6,536,345	-	-	45,350	5,339
	<u>577,322,914</u>	<u>409,340,215</u>	<u>-</u>	<u>-</u>	<u>270,855</u>	<u>36,075</u>



45.1.2 Advances

	Gross advances		Non - performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
Credit risk by industry sector	(Rupees in '000)					
Agriculture, forestry, hunting and fishing	11,203,672	7,669,900	196,750	118,289	114,416	110,498
Mining and quarrying	110,030	101,775	-	-	-	-
Textile	141,981,518	115,842,236	1,926,502	1,712,414	1,702,741	1,651,175
Chemical and pharmaceuticals	19,178,166	16,877,195	-	-	-	-
Cement	4,504,098	4,670,145	-	-	-	-
Sugar	9,733,115	7,165,035	-	-	-	-
Footwear and leather garments	2,457,991	2,641,656	-	-	-	-
Automobile and transportation equipment	4,548,316	5,009,017	20,000	20,000	20,000	20,000
Electronics and electrical appliances	5,076,193	6,292,076	-	-	-	-
Construction	7,305,727	6,679,441	240,170	118,523	146,758	109,540
Power (electricity), gas, water, sanitary	51,903,018	49,937,869	-	-	-	-
Wholesale and retail trade	72,659,722	81,002,624	1,446,628	561,183	1,259,444	512,703
Transport, storage and communication	12,131,252	13,197,311	52,611	2,669	15,835	2,669
Financial	12,017,703	6,570,225	101,949	101,949	87,808	87,190
Insurance	567,307	460,310	-	-	-	-
Services (other than financial services)	12,232,116	11,134,742	71,800	179,374	36,350	90,059
Individuals	21,013,245	21,132,921	89,824	55,887	58,834	49,164
Food and allied	60,942,702	77,828,360	-	-	-	-
Iron and steel	27,083,285	25,454,077	-	-	-	-
Oil refinery / marketing	5,308,267	8,694,281	-	-	-	-
Paper and board	2,687,071	3,825,174	-	-	-	-
Plastic products	5,908,391	4,989,532	-	-	-	-
Others	7,690,664	8,768,930	3,111,682	2,365,104	2,759,226	1,718,897
	498,243,569	485,944,832	7,257,916	5,235,392	6,201,412	4,351,895
Credit risk by public / private sector						
Public / Government	64,482,124	92,605,354	-	-	-	-
Private	433,761,445	393,339,478	7,257,916	5,235,392	6,201,412	4,351,895
	498,243,569	485,944,832	7,257,916	5,235,392	6,201,412	4,351,895



45.1.3 Contingencies and Commitments

Credit risk by industry sector	2019	2018
	(Rupees in '000)	
Agriculture, forestry, hunting and fishing	776,904	1,299,904
Mining and quarrying	1,274	694
Textile	40,895,042	31,410,588
Chemical and pharmaceuticals	6,468,137	3,744,241
Cement	2,282,578	5,259,368
Sugar	209,010	1,303,477
Footwear and leather garments	1,359,686	1,007,490
Automobile and transportation equipment	7,199,853	5,590,869
Electronics and electrical appliances	4,188,959	3,721,999
Construction	8,137,417	7,996,339
Power (electricity), gas, water, sanitary	3,611,333	2,514,168
Wholesale and retail trade	44,790,286	33,158,445
Transport, storage and communication	926,449	1,512,973
Financial	9,487,746	8,509,860
Insurance	14,321	261,587
Services (other than financial services)	38,066,278	25,235,347
Individuals	159,092	57,230
Food and allied	22,135,184	16,496,673
Iron and steel	14,736,453	10,204,385
Oil refinery / marketing	3,133,887	3,966,669
Paper and board	1,391,654	3,306,228
Plastic products	6,832,281	6,678,504
Others	10,028,161	2,911,241
	<u>226,831,985</u>	<u>176,148,279</u>
Credit risk by public / private sector		
Public / Government	35,815,701	25,899,406
Private	191,016,284	150,248,873
	<u>226,831,985</u>	<u>176,148,279</u>

45.1.4 Concentration of Advances

The Bank top 10 exposures on the basis of total (funded and non - funded exposures) aggregated to Rs. 139,796 million (2018: Rs. 137,619 million) are as following:

	2019	2018
	(Rupees in '000)	
Funded	93,419,738	108,399,337
Non Funded	46,376,271	29,219,369
Total Exposure	<u>139,796,009</u>	<u>137,618,706</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 146,750 million (2018: Rs. 155,769 million). Provision against top 10 exposures amounts to be Nil (2018: Nil).



45.1.5 Advances - Province / Region - wise Disbursement & Utilization

Province / Region	2019						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	195,104,300	192,857,427	12,264	1,185,522	62,647	983,896	2,544
Sindh	188,567,708	481,735	180,055,998	2,103,571	5,920,715	3,750	1,939
KPK including FATA	3,862,092	3,500	2,931	3,743,439	-	112,222	-
Balochistan	559,379	-	111,193	1,583	446,603	-	-
Islamabad	35,436,568	341	-	514,838	-	34,921,389	-
AJK including Gilgit - Baltistan	581,097	-	-	3,588	-	3,576	573,933
Total	424,111,144	193,343,003	180,182,386	7,552,541	6,429,965	36,024,833	578,416

Province / Region	2018						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	197,208,901	196,672,008	3,246	368,437	9,430	146,541	9,239
Sindh	191,514,269	2,950,296	185,137,288	1,602,236	1,819,843	4,478	128
KPK including FATA	3,410,710	-	-	3,410,710	-	-	-
Balochistan	340,388	-	40,576	-	299,812	-	-
Islamabad	36,011,996	49,824	-	219,645	-	35,742,527	-
AJK including Gilgit - Baltistan	542,354	-	-	-	-	-	542,354
Total	429,028,618	199,672,128	185,181,110	5,601,028	2,129,085	35,893,546	551,721

45.2 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 deals, 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. Portfolio risks arising in banking book is also measured through Value at Risk (VAR).



45.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	113,838,856	-	113,838,856	74,432,185	-	74,432,185
Balances with other banks	9,526,278	-	9,526,278	8,010,940	-	8,010,940
Lendings to financial institutions	1,857,575	-	1,857,575	-	-	-
Investments	586,510,554	-	586,510,554	414,717,697	263,448	414,981,145
Advances	488,652,848	-	488,652,848	478,214,653	-	478,214,653
Fixed assets	36,571,645	-	36,571,645	26,192,997	-	26,192,997
Intangible assets	368,840	-	368,840	170,863	-	170,863
Deferred tax assets	-	-	-	-	-	-
Other assets	61,812,360	-	61,812,360	46,723,577	-	46,723,577
	<u>1,299,138,956</u>	<u>-</u>	<u>1,299,138,956</u>	<u>1,048,462,912</u>	<u>263,448</u>	<u>1,048,726,360</u>

45.2.2 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.

	2019			Net foreign currency exposure
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	
	(Rupees in '000)			
United States Dollar	130,167,939	127,477,029	5,165,055	7,855,965
Great Britain Pound	1,836,022	11,037,651	9,284,201	82,572
Japanese Yen	15,247	953	(15,868)	(1,574)
Euro	4,139,554	5,349,188	1,205,940	(3,694)
Other currencies	754,274	625,752	(74,502)	54,020
	<u>136,913,036</u>	<u>144,490,573</u>	<u>15,564,826</u>	<u>7,987,289</u>



	2018			Net foreign currency exposure
	Foreign currency assets	Foreign currency liabilities (Rupees in '000)	Off-balance sheet items	
United States Dollar	90,158,664	108,516,154	24,394,249	6,036,759
Great Britain Pound	1,187,791	10,844,118	9,545,889	(110,438)
Japanese Yen	18,181	3,185	(15,889)	(893)
Euro	2,492,355	5,949,687	3,337,750	(119,582)
Other currencies	262,339	523,082	285,318	24,575
	<u>94,119,330</u>	<u>125,836,226</u>	<u>37,547,317</u>	<u>5,830,421</u>

	2019		2018	
	Banking book	Trading book (Rupees in '000)	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	1,038	–	1,000	–

45.2.3 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. The Bank invests mainly in blue chip securities.

	2019		2018	
	Banking book	Trading book (Rupees in '000)	Banking book	Trading book
Impact of 5% change in equity prices on				
– Profit and loss account	–	–	–	13,000
– Other comprehensive income	230,165	–	256,995	–

45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

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 Group 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.

45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

		2019										
Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
On - balance sheet financial instruments												
(Rupees in '000)												
Assets												
Cash and balances with treasury banks	0.68%	113,838,856	10,152,165	-	-	-	-	-	-	-	-	103,686,691
Balances with other banks	10.77%	9,526,278	8,015,527	-	-	-	-	-	-	-	-	1,510,751
Lendings to financial institutions	10.43%	1,857,575	(15,051)	1,872,626	-	-	-	-	-	-	-	-
Investments	12.84%	586,510,554	9,579,116	41,315,249	(1,222,040)	319,369,135	83,883,472	47,705,813	55,287,646	22,843,478	-	7,748,685
Advances	10.80%	488,652,848	278,546,671	101,685,423	54,936,699	13,138,908	10,333,141	7,723,868	9,572,013	8,000,584	4,709,616	5,925
Other assets	-	59,335,127	-	-	-	-	-	-	-	-	-	59,335,127
		1,259,721,238	306,278,428	144,873,298	53,714,659	332,508,043	94,216,613	55,429,681	64,859,659	30,844,062	4,709,616	172,287,179
Liabilities												
Bills payable	-	20,131,529	-	-	-	-	-	-	-	-	-	20,131,529
Borrowings	9.68%	228,745,034	187,985,960	10,403,899	6,043,994	1,470,712	3,395,138	3,594,897	6,842,894	8,997,966	9,574	-
Deposits and other accounts	10.38%	903,630,124	450,364,049	21,948,126	19,137,128	49,697,169	5,291,864	4,915,071	13,769,205	18,361	13,995	338,475,156
Subordinated debt	14.76%	14,992,800	-	3,994,400	10,998,400	-	-	-	-	-	-	-
Other liabilities	-	54,830,031	-	-	-	-	-	-	-	-	-	54,830,031
		1,222,329,518	638,350,009	36,346,425	36,179,522	51,167,881	8,687,002	8,509,968	20,612,099	9,016,327	23,569	413,436,716
On - balance sheet gap		37,391,720	(332,071,581)	108,526,873	17,535,137	281,340,162	85,529,611	46,919,713	44,247,560	21,827,735	4,686,047	(241,149,537)
Off - balance sheet financial instruments												
Documentary credits and short term trade related transactions		145,745,358	39,075,909	59,634,787	12,898,478	15,932,547	14,580,990	3,490,782	131,865	-	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		106,704,798	33,362,935	34,471,904	25,668,967	13,200,992	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(91,139,975)	(42,027,617)	(37,025,513)	(12,086,845)	-	-	-	-	-	-	-
Forward commitments to extend credit		2,214,998	487,000	810,000	500,000	417,998	-	-	-	-	-	-
Off - balance sheet gap		17,779,821	(8,177,682)	(1,743,609)	14,082,122	13,618,990	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		(301,173,354)	166,418,051	44,515,737	310,891,699	100,110,601	50,410,495	44,379,425	21,827,735	4,686,047	(241,149,537)	
Cumulative Yield / Interest Risk Sensitivity Gap		(301,173,354)	(134,755,303)	(90,239,566)	220,652,133	320,762,734	371,173,229	415,552,654	437,380,389	442,066,436	200,916,899	



2018

Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
On - balance sheet financial instruments												
(Rupees in '000)												
Assets												
Cash and balances with treasury banks	1.34%	74,432,185	8,923,044	-	-	-	-	-	-	-	-	65,509,141
Balances with other banks	7.89%	8,010,940	6,716,756	-	-	-	-	-	-	-	-	1,294,184
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	9.21%	414,981,145	252,104,504	55,116,782	12,117,455	17,455,568	44,665,477	5,057,361	16,825,248	4,647,589	-	6,991,161
Advances	8.30%	478,214,653	300,150,350	89,159,571	41,701,545	12,764,122	9,770,632	7,680,514	6,545,627	6,381,249	4,055,796	5,247
Other assets	-	42,926,756	-	-	-	-	-	-	-	-	-	42,926,756
		1,018,565,679	567,894,654	144,276,353	53,819,000	30,219,690	54,436,109	12,737,875	23,370,875	11,028,838	4,055,796	116,726,489
Liabilities												
Bills payable	-	20,603,682	-	-	-	-	-	-	-	-	-	20,603,682
Borrowings	6.12%	119,038,358	88,206,607	10,684,031	3,496,597	1,028,718	2,195,859	2,382,771	4,222,445	6,821,330	-	-
Deposits and other accounts	7.50%	796,851,867	401,076,820	27,318,831	14,616,667	34,792,700	4,460,048	2,910,645	3,347,939	16,223	11,388	308,300,606
Subordinated debt	11.15%	14,996,000	-	3,996,000	11,000,000	-	-	-	-	-	-	-
Other liabilities	-	42,968,824	-	-	-	-	-	-	-	-	-	42,968,824
		994,458,731	489,283,427	41,998,862	29,113,264	35,821,418	6,655,907	5,293,416	7,570,384	6,837,553	11,388	371,873,112
On - balance sheet gap		24,106,948	78,611,227	102,277,491	24,705,736	(5,601,728)	47,780,202	7,444,459	15,800,491	4,191,285	4,044,408	(255,146,623)
Off - balance sheet financial instruments												
Documentary credits and short term trade related transactions		109,275,067	32,689,676	43,897,997	12,988,277	8,573,759	3,763,433	7,230,060	-	131,865	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		70,584,095	31,361,221	31,146,185	5,890,828	2,185,861	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(33,036,647)	(12,559,677)	(16,371,559)	(3,410,457)	(694,954)	-	-	-	-	-	-
Forward commitments to extend credit		3,916,624	47,000	575,000	1,189,290	938,860	875,420	291,054	-	-	-	-
Off - balance sheet gap		41,464,072	18,848,544	15,349,626	3,669,661	2,429,767	875,420	291,054	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			130,149,447	161,525,114	41,363,674	5,401,798	52,419,055	14,965,573	15,800,491	4,323,150	4,044,408	(255,146,623)
Cumulative Yield / Interest Risk Sensitivity Gap			130,149,447	291,674,561	333,038,235	338,440,033	390,859,088	405,824,661	421,625,152	425,948,302	429,992,710	174,846,087





45.2.5.1 Reconciliation of Financial Assets and Liabilities

	2019	2018
	(Rupees in '000)	
Assets as per Statement of financial position	1,299,138,956	1,048,726,360
Less:		
Fixed assets	36,571,645	26,192,997
Intangible assets	368,840	170,863
Advances, deposits, advance rent and other prepayments	583,324	1,213,235
Advance taxation (payments less provisions)	708,375	1,484,911
Non banking assets acquired against claims	909,382	836,448
Stationery and stamps on hand	240,307	218,772
Non-refundable deposits	35,845	43,455
	2,477,233	3,796,821
Interest Rate Sensitive Assets	1,259,721,238	1,018,565,679
Liabilities as per Statement of financial position	1,237,206,265	998,731,310
Less:		
Deferred tax liabilities	1,377,707	1,344,621
Unearned commission income	241,742	204,609
Branch adjustment accounts	2,336,825	717,339
Provisions against off balance sheet obligations	129,369	116,600
Provision for compensated absences	722,300	585,739
Workers' welfare fund	1,752,086	1,303,671
Lease liability against right - of - use assets	8,316,718	-
	13,499,040	2,927,958
Interest Rate Sensitive Liabilities	1,222,329,518	994,458,731

45.3 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. Bank classifies operational loss / near miss events into seven loss event types, which are Internal Fraud, External Fraud, Employment Practice & Workplace Safety, Client, Product & Business Practice, Damage to Physical Assets, Business Disruption & System Failure, and Execution, Delivery & Process Management.

Operational risk is managed through the Operational Risk Policy, Audit Policy, Compliance Policy & Programme, Information Technology (I.T.) Policy, I.T. Governance Framework, I.T. Security Policy, Human Resource Policy, Consumer Protection Framework, KYC / CDD Policy, AML / CFT Policy, Fraud Prevention Policy, Consumer Grievance Handling Policy and Outsourcing Policy approved by the Board, along with the operational manuals and procedures issued from time to time; system of internal controls; Business Continuity Plan, Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Operational risk related matters are discussed in the operations committee, compliance committee of management and IT steering committee. 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.

Business continuity plan of the Bank pays special attention to identification of critical business processes including those where there is dependence on external vendors or third parties, identification of alternative mechanisms for timely resumption of services, with special focus on critical business processes, location of off-site backup and regular review and testing of the plan.

Bank has put in place an IT Project Management Framework. It has completed the performance stress testing of the core banking application and its optimization. Software development processes have also been re-engineered / optimized. Bank has successfully achieved CMMI Maturity Level 3 certification.

Bank has taken various measures to strengthen IT Security, which includes development of Cyber Security Action Plan / Strategy, development of vulnerability assessment and patch management programs, external network compromise assessment, installation of anti malware security software, subscribing to IT security threat intelligence service to pro-actively detect cyber criminal activities like phishing pages and social media fraud, implementation of virtual patching solution on critical payment systems and associated servers, regular external penetration testing of applications, and deployment of database activity monitoring solution on databases of financial applications.

45.3.1 Operational Risk-Disclosures Basel II 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. Key Risk Indicators have also been developed along with thresholds which are being closely monitored for breaches. Risk Evaluation exercise is carried out for new products, processes and systems or any significant change in the existing product, processes and systems as per the operational risk policy of the Bank.

45.4 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 mobilization 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.

45.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 08 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 2019, the Bank's LCR stood at 282% against the SBP's minimum requirement of 100%.

45.4.2 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.

45.4.3 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.

45.4.4 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.

45.4.5 Liquidity Stress Testing

As per SBP BSD Circular No. 01 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.



45.4.6 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.

45.4.7 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.

45.4.8 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.

45.4.9 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.

45.4.10 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.

45.4.11 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.

45.4.12 Other Inflows & Outflows

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

45.4.13 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's NSFR stood at 133% as on 31 December 2019.

45.5 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

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.

	Total	2019												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	113,838,856	113,838,856	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	9,526,278	2,526,278	-	2,000,000	5,000,000	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,857,575	(485)	(2,913)	(3,399)	(8,254)	1,872,626	-	-	-	-	-	-	-	-
Investments	586,510,554	9,321,405	(567,932)	(537,587)	(2,034,140)	(3,693,400)	32,486,728	(9,475,557)	175,227,737	144,043,685	85,625,852	48,406,326	56,572,033	51,135,404
Advances	488,652,848	62,593,575	10,135,948	12,181,250	23,916,330	64,885,943	71,316,745	85,592,125	20,899,895	12,435,127	38,611,034	32,280,480	30,610,066	23,194,330
Fixed assets	36,571,645	15,111,331	-	-	344,364	338,691	335,467	991,873	967,618	913,846	3,189,098	2,669,891	3,637,163	8,072,303
Intangible assets	368,840	-	-	-	26,988	26,894	25,225	66,218	55,250	52,291	113,474	-	-	2,500
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	61,812,360	14,829,345	2,935,711	6,300,087	6,935,173	7,537,061	7,631,313	9,879,817	5,542,526	130,651	26,835	16,464	29,222	18,155
	1,299,138,956	218,220,305	12,500,814	19,940,351	34,180,461	70,967,815	111,795,478	87,054,476	202,693,026	157,575,600	127,566,293	83,373,161	90,848,484	82,422,692
Liabilities														
Bills payable	20,131,529	20,131,529	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	228,745,034	908,853	153,421,371	75,452	825,020	12,860,661	23,518,085	12,824,411	657,941	812,771	3,395,138	3,594,897	6,842,894	9,007,540
Deposits and other accounts	903,630,124	716,856,370	18,256,147	15,008,415	38,718,273	11,392,152	10,555,974	19,137,128	24,264,133	25,433,036	5,291,864	4,915,071	13,769,205	32,356
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,992,800	-	-	-	-	-	800	800	800	800	3,200	3,200	6,400	14,976,800
Deferred tax liabilities	1,377,707	507,823	-	-	35,771	34,277	34,277	102,366	88,402	89,499	211,187	152,884	26,655	94,566
Other liabilities	68,329,071	23,238,417	2,905,133	2,056,776	4,825,818	6,967,803	5,383,357	9,820,091	5,008,867	291,837	985,826	1,120,752	1,916,645	3,807,749
	1,237,206,265	761,642,992	174,582,651	17,140,643	44,404,882	31,254,893	39,492,493	41,884,796	30,020,143	26,627,943	9,887,215	9,786,804	22,561,799	27,919,011
Net assets														
	61,932,691	(543,422,687)	(162,081,837)	2,799,708	(10,224,421)	39,712,922	72,302,985	45,169,680	172,672,883	130,947,657	117,679,078	73,586,357	68,286,685	54,503,681
Share capital	11,114,254													
Reserves	16,467,282													
Surplus on revaluation of assets	6,081,731													
Unappropriated profit	28,163,914													
Non - controlling interest	105,510													
	61,932,691													



	Total	2018												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	74,432,185	74,432,185	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	8,010,940	8,010,940	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	414,981,145	5,616,239	124,734,196	405,816	124,846,693	51,309,316	723,481	3,292,501	14,130,840	4,006,795	46,949,926	6,751,129	18,791,230	13,422,983
Advances	478,214,653	63,178,239	8,392,413	8,647,207	29,435,782	39,031,046	103,253,127	66,725,645	21,817,641	16,952,341	32,321,586	32,754,170	34,035,989	21,669,467
Fixed assets	26,192,997	13,338,254	-	-	202,360	195,352	196,371	584,585	570,997	553,472	2,013,340	1,437,645	1,718,084	5,382,537
Intangible assets	170,863	-	-	-	13,788	12,823	11,148	31,258	30,672	28,529	40,145	-	-	2,500
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	46,723,577	12,262,295	1,641,352	2,211,230	7,646,221	6,429,791	5,297,278	5,196,886	4,720,775	77,377	1,115,376	47,967	48,926	28,103
	1,048,726,360	176,838,152	134,767,961	11,264,253	162,144,844	96,978,328	109,481,405	75,830,875	41,270,925	21,618,514	82,440,373	40,990,911	54,594,229	40,505,590
Liabilities														
Bills payable	20,603,682	20,603,682	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	119,038,358	355,042	60,053,814	190,440	1,879,372	8,575,489	22,924,766	8,308,312	534,528	594,190	2,195,859	2,382,771	4,222,445	6,821,330
Deposits and other accounts	796,851,867	642,903,256	30,112,138	5,717,339	30,644,692	6,843,037	20,475,794	14,616,667	15,437,140	19,355,560	4,460,048	2,910,645	3,347,939	27,612
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,996,000	-	-	-	-	-	800	800	800	800	3,200	3,200	6,400	14,980,000
Deferred tax liabilities	1,344,621	313,611	-	(967)	32,038	30,245	30,245	90,463	88,903	82,633	301,833	160,431	57,295	157,891
Other liabilities	45,896,782	16,550,523	1,620,060	2,159,210	5,488,714	6,267,973	4,266,587	4,886,782	3,203,484	57,247	1,089,286	132,180	174,736	-
	998,731,310	680,726,114	91,786,012	8,066,022	38,044,816	21,716,744	47,698,192	27,903,024	19,264,855	20,090,430	8,050,226	5,589,227	7,808,815	21,986,833
Net assets														
	49,995,050	(503,887,962)	42,981,949	3,198,231	124,100,028	75,261,584	61,783,213	47,927,851	22,006,070	1,528,084	74,390,147	35,401,684	46,785,414	18,518,757
Share capital	11,114,254													
Reserves	14,757,530													
Surplus on revaluation of assets	3,375,368													
Unappropriated profit	20,641,220													
Non - controlling interest	106,678													
	49,995,050													



45.6 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

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.

	Total	2019								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	113,838,856	113,838,856	-	-	-	-	-	-	-	-
Balances with other banks	9,526,278	9,526,278	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,857,575	(15,051)	1,872,626	-	-	-	-	-	-	-
Investments	586,510,554	(3,259,311)	28,501,889	(9,495,557)	327,185,814	85,430,770	48,739,400	57,062,681	49,755,633	2,589,235
Advances	488,652,848	108,827,103	136,202,688	85,592,125	33,335,022	38,611,034	32,280,480	30,610,066	17,252,868	5,941,462
Fixed assets	36,571,645	637,584	1,060,272	6,583,184	2,146,926	3,277,664	2,669,891	3,637,163	3,465,261	13,093,700
Intangible assets	368,840	26,950	52,043	66,104	107,313	113,018	-	-	-	3,412
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	61,812,360	29,811,664	15,237,052	9,969,220	5,767,552	31,790	19,120	29,222	18,154	928,586
	1,299,138,956	259,394,073	182,926,570	92,715,076	368,542,627	127,464,276	83,708,891	91,339,132	70,491,916	22,556,395
Liabilities										
Bills payable	20,131,529	20,131,529	-	-	-	-	-	-	-	-
Borrowings	228,745,034	155,230,696	36,378,746	12,824,411	1,470,712	3,395,138	3,594,897	6,842,894	8,997,966	9,574
Deposits and other accounts	903,630,124	153,745,880	92,514,051	89,703,053	120,263,094	132,310,530	131,933,736	147,844,463	35,301,322	13,995
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,992,800	-	800	800	1,600	3,200	3,200	6,400	7,976,800	7,000,000
Deferred tax liabilities	1,377,707	(585,158)	(29,884)	1,067,350	15,649	172,658	269,460	200,932	(248,539)	515,239
Other liabilities	68,329,071	25,476,926	12,351,160	9,820,091	5,300,703	985,826	1,120,752	8,047,228	2,946,918	2,279,467
	1,237,206,265	353,999,873	141,214,873	113,415,705	127,051,758	136,867,352	136,922,045	162,941,917	54,974,467	9,818,275
Net assets	61,932,691	(94,605,800)	41,711,697	(20,700,629)	241,490,869	(9,403,076)	(53,213,154)	(71,602,785)	15,517,449	12,738,120
Share capital	11,114,254									
Reserves	16,467,282									
Surplus on revaluation of assets	6,081,731									
Unappropriated profit	28,163,914									
Non - controlling interest	105,510									
	61,932,691									



	Total	2018								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	74,432,185	74,432,185	-	-	-	-	-	-	-	-
Balances with other banks	8,010,940	8,010,940	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	414,981,145	250,094,030	52,025,918	3,283,527	24,214,138	46,054,271	6,696,000	18,798,576	12,284,459	1,530,226
Advances	478,214,653	109,653,641	142,284,173	66,725,645	38,769,982	32,321,586	32,754,170	34,035,989	16,290,062	5,379,405
Fixed assets	26,192,997	604,022	864,926	877,618	1,405,967	7,134,964	1,437,646	1,718,084	1,258,405	10,891,365
Intangible assets	170,863	13,788	23,971	31,258	59,201	40,145	-	-	-	2,500
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	46,723,577	22,670,486	11,763,852	5,252,061	4,908,501	1,144,700	52,922	48,926	28,036	854,093
	1,048,726,360	465,479,092	206,962,840	76,170,109	69,357,789	86,695,666	40,940,738	54,601,575	29,860,962	18,657,589
Liabilities										
Bills payable	20,603,682	20,603,682	-	-	-	-	-	-	-	-
Borrowings	119,038,358	62,478,668	31,500,255	8,308,312	1,128,718	2,195,859	2,382,771	4,222,445	6,821,330	-
Deposits and other accounts	796,851,867	133,707,469	91,282,160	78,579,995	98,756,028	119,594,039	118,044,636	124,878,264	31,997,888	11,388
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,996,000	-	800	800	1,600	3,200	3,200	6,400	7,980,000	7,000,000
Deferred tax liabilities	1,344,621	167,129	61,537	92,648	(226,288)	983,508	141,136	59,867	(486,037)	551,121
Other liabilities	45,896,782	19,190,765	10,534,560	4,886,782	3,260,731	1,089,286	132,180	5,628,018	-	1,174,460
	998,731,310	236,147,713	133,379,312	91,868,537	102,920,789	123,865,892	120,703,923	134,794,994	46,313,181	8,736,969
Net assets	49,995,050	229,331,379	73,583,528	(15,698,428)	(33,563,000)	(37,170,226)	(79,763,185)	(80,193,419)	(16,452,219)	9,920,620
Share capital	11,114,254									
Reserves	14,757,530									
Surplus on revaluation of assets	3,375,368									
Unappropriated profit	20,641,220									
Non - controlling interest	106,678									
	49,995,050									





46. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 3.5 (2018: Rs. 2.5) per share.

47. GENERAL

47.1 Captions, as prescribed by BPRD Circular No.2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the statement of financial position and profit and loss account.

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

47.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements wherever necessary to facilitate comparison and better presentation.

48. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on 29 January 2020.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ARSHAD NASAR
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



Annexure I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 DECEMBER 2019**

(Rupees in '000)

S. No.	Name and address of the borrower(s)	Name of individuals / partners / directors (with CNIC Nos.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest / Mark-up Written off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Others than Interest / Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Electro Appliances Plot No. R-435, Shop # 2, 11 - C, U.P. More, North Karachi, Karachi.	Mrs. Dinar Nazim (CNIC: 42301 - 0837699 - 8)	Nazim Mustafa	1,329	1,074	-	2,403	329	1,074	-	1,403
2.	Hafeez Sons International 9 / B-1, Sir Syed Road, Sahiwal.	Abdul Hafeez Gorija (CNIC: 36502 - 1362466 - 7) Tayyab Hafeez Gorija (CNIC: 36502 - 2743390 - 9) Shahzad Hafeez Gorija (CNIC: 36502 - 7362612 - 7) Karamat Hafeez Gorija (CNIC: 42201 - 2649383 - 5)	Sheikh Ghulam Hussain Abdul Hafeez Gorija Abdul Hafeez Gorija Abdul Hafeez Gorija	-	2,654	-	2,654	-	2,654	-	2,654
3.	Sohail Khattak House # 93-94, Near Global School, Shah Town Phase 3, Steel Town, Bin Qasim, Karachi.	Sohail Khattak (CNIC: 42401 - 1761374 - 5)	Mohsin Ali Khan	335	135	136	606	335	135	136	606
4.	Muhammad Waseem House # A 266, Block I North Nazimabad, Near Farooq-e-Azam Mosque, Karachi.	Muhammad Waseem (CNIC: 42101 - 8489026 - 5)	Sheikh Abdul Khaliq	815	428	150	1,393	815	428	150	1,393
			Total	2,479	4,291	286	7,056	1,479	4,291	286	6,056



Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 83 (2018: 71) Islamic banking branches and 142 (2018: 132) Islamic banking windows at the end of the year.

	Note	2019 (Rupees in '000)	2018
ASSETS			
Cash and balances with treasury banks		4,553,339	3,814,608
Balances with other banks		7,297,026	5,164,063
Due from financial institutions	1	1,857,575	—
Investments	2	21,669,565	15,158,233
Islamic financing and related assets - net	3	50,689,875	49,690,533
Fixed assets		402,062	326,841
Intangible assets		—	—
Due from Head Office		—	—
Other assets		7,595,621	4,124,660
Total Assets		94,065,063	78,278,938
LIABILITIES			
Bills payable		45,838	21,052
Due to financial institutions		9,718,686	6,438,783
Deposits and other accounts	4	67,981,321	57,230,315
Due to Head Office		3,282,835	2,199,047
Subordinated debt		—	—
Other liabilities	5	3,773,952	5,289,933
		(84,802,632)	(71,179,130)
NET ASSETS		9,262,431	7,099,808
REPRESENTED BY			
Islamic Banking Fund		6,800,000	6,200,000
Reserves		—	—
Deficit on revaluation of assets		(88,942)	(28,940)
Unremitted profit	6	2,551,373	928,748
		9,262,431	7,099,808
CONTINGENCIES AND COMMITMENTS	7		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2019 is as follows:

	Note	2019 (Rupees in '000)	2018
Profit / return earned	8	8,056,283	3,827,474
Profit / return expensed	9	(4,055,827)	(1,755,450)
Net Profit / return		4,000,456	2,072,024
Other income			
Fee and commission income		229,655	175,282
Dividend income		4,353	6,510
Foreign exchange income		67,924	49,751
Income / (loss) from derivatives		–	–
Gain / (loss) on securities		–	–
Other income		93,109	43,622
Total other income		395,041	275,165
Total income		4,395,497	2,347,189
Other expenses			
Operating expenses		(1,786,510)	(1,349,860)
Other charges		–	(58)
Total other expenses		(1,786,510)	(1,349,918)
Profit before provisions		2,608,987	997,271
Provisions and write offs - net		(57,614)	(68,523)
Profit for the year		2,551,373	928,748

1. Due from Financial Institutions

	2019 (Rupees in '000)	2018
In local currency		
Bai Muajjal Receivable from the State Bank of Pakistan	1,857,575	–

1.1 Securities held as collateral against amounts due from financial institutions

	2019			2018		
	Held by Bank	Further given as collateral	Total (Rupees in '000)	Held by Bank	Further given as collateral	Total
GoP Ijarah Sukuks	1,857,575	–	1,857,575	–	–	–

The GoP Ijarah Sukuks carry rates ranging from 10.39% to 10.49% (31 December 2018: Nil).



	2019				2018			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
2. Investments by segments	(Rupees in '000)							
Federal Government Securities								
- Ijarah Sukuks	2,000,000	-	(20,000)	1,980,000	4,152,910	-	(39,979)	4,112,931
- Neelum Jhelum Hydropower Co Ltd. Sukuk	4,468,750	-	-	4,468,750	5,156,250	-	-	5,156,250
- Bai Muajjal with Government of Pakistan	10,133,361	-	-	10,133,361	2,386,820	-	-	2,386,820
	16,602,111	-	(20,000)	16,582,111	11,695,980	-	(39,979)	11,656,001
Shares								
- Listed Companies	97,442	(57,567)	9,399	49,274	97,442	(41,345)	3,596	59,693
Non Government Debt Securities								
- Listed	1,454,215	-	(94,777)	1,359,438	1,635,901	-	7,444	1,643,345
- Unlisted	1,984,707	-	-	1,984,707	1,734,101	-	-	1,734,101
	3,438,922	-	(94,777)	3,344,145	3,370,002	-	7,444	3,377,446
Units of mutual funds	1,200,000	(47,401)	16,436	1,169,035	100,000	(34,907)	-	65,093
Associate								
- First Habib Islamic Income Fund	525,000	-	-	525,000	-	-	-	-
Total Investments	21,863,475	(104,968)	(88,942)	21,669,565	15,263,424	(76,252)	(28,939)	15,158,233

	Note	2019		2018	
		(Rupees in '000)			
3. Islamic financing and related assets					
Ijarah	3.1	2,365,239		2,854,541	
Murabaha	3.2	8,255,703		10,034,698	
Diminishing Musharaka		13,499,915		15,868,804	
Islamic Long Term Financing Facility (ILTFF)		1,449,640		-	
Istisna		3,929,818		1,471,282	
Islamic Export Refinance - Istisna		1,685,500		1,523,700	
Musawamah		3,979,048		3,166,895	
Islamic Export Refinance - Musawamah		200,000		-	
Running Musharaka		2,845,780		4,271,620	
Islamic Export Refinance - Running Musharaka		2,318,300		1,000,000	
Staff Financing		431,960		210,540	
Advance against Musawamah		920,594		1,079,782	
Advance against Istisna		4,168,944		4,127,286	
Advance against Istisna - IERF		3,694,450		2,600,100	
Advance against Ijarah		52,940		305,071	
Advance against Diminishing Musharaka		815,069		884,300	
Advance against ILTFF		121,424		318,366	
Financing against Bills - Musawamah		10,900		-	
Gross Islamic financing and related assets		50,745,224		49,716,985	
Less: provision against Islamic financings					
- Specific		32,893		4,187	
- General		22,456		22,265	
		(55,349)		(26,452)	
Islamic financing and related assets - net of provision		50,689,875		49,690,533	



3.1 Ijarah

	2019						
	Cost			Accumulated depreciation			Book value as at 31 December 2019
	As at 01 January 2019	Additions / (deletions)	As at 31 December 2019	As at 01 January 2019	Charge for the year / (deletions)	As at 31 December 2019	
	(Rupees in '000)						
Plant & Machinery	1,252,766	132,311 (450,732)	934,345	477,305	280,914 (399,313)	358,906	575,439
Vehicles	2,543,137	704,429 (840,822)	2,406,744	809,693	509,992 (428,963)	890,722	1,516,022
Equipment	604,287	65,427 (61,831)	607,883	258,651	129,438 (53,984)	334,105	273,778
Total	4,400,190	902,167 (1,353,385)	3,948,972	1,545,649	920,344 (882,260)	1,583,733	2,365,239

	2018						
	Cost			Accumulated depreciation			Book value as at 31 December 2018
	As at 01 January 2018	Additions / (deletions)	As at 31 December 2018	As at 01 January 2018	Charge for the year / (deletions)	As at 31 December 2018	
	(Rupees in '000)						
Plant & Machinery	672,645	618,792 (38,671)	1,252,766	258,612	253,498 (34,805)	477,305	775,461
Vehicles	1,764,193	1,015,841 (236,897)	2,543,137	486,286	431,789 (108,382)	809,693	1,733,444
Equipment	684,191	75,669 (155,573)	604,287	243,934	144,806 (130,089)	258,651	345,636
Total	3,121,029	1,710,302 (431,141)	4,400,190	988,832	830,093 (273,276)	1,545,649	2,854,541

3.1.1 Future ijarah payments receivable

	2019				2018			
	Not later than 1 year	Later than 1 year and less than 5 years	Over 5 years	Total	Not later than 1 year	Later than 1 year and less than 5 years	Over 5 years	Total
	(Rupees in '000)							
Ijarah rental receivables	1,056,088	1,435,753	-	2,491,841	1,089,845	1,751,496	-	2,841,341

Note **2019** **2018**
(Rupees in '000)

3.2 Murabaha

Murabaha financing	3.2.1	6,907,752	8,791,829
Advances for Murabaha		1,347,951	1,242,869
		8,255,703	10,034,698
3.2.1 Murabaha receivable - gross			
Less: Deferred murabaha income	3.2.2	7,212,743	9,042,474
Profit receivable shown in other assets	3.2.4	(125,034)	(114,816)
Murabaha financings		(179,957)	(135,829)
		6,907,752	8,791,829



	2019	2018
	(Rupees in '000)	
3.2.2 The movement in Murabaha financing during the year is as follows:		
Opening balance	9,042,474	6,915,366
Sales during the year	31,056,039	26,626,295
Adjusted during the year	(32,885,770)	(24,499,187)
Closing balance	<u>7,212,743</u>	<u>9,042,474</u>
3.2.3 Murabaha sale price	32,129,388	32,839,758
Murabaha purchase price	<u>(31,122,793)</u>	<u>(32,199,766)</u>
	<u>1,006,595</u>	<u>639,992</u>
3.2.4 Deferred murabaha income		
Opening balance	(114,816)	(76,760)
Arising during the year	(1,048,539)	(1,188,147)
Less: Recognised during the year	1,038,321	1,150,091
Closing balance	<u>(125,034)</u>	<u>(114,816)</u>

4. Deposits and other accounts

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	21,427,120	1,213,985	22,641,105	19,262,833	1,020,390	20,283,223
Savings deposits	21,917,057	811,234	22,728,291	17,460,434	417,595	17,878,029
Term deposits	17,144,488	-	17,144,488	7,299,391	-	7,299,391
	<u>60,488,665</u>	<u>2,025,219</u>	<u>62,513,884</u>	<u>44,022,658</u>	<u>1,437,985</u>	<u>45,460,643</u>
Financial institutions						
Current deposits	4,306	-	4,306	25,342	-	25,342
Savings deposits	4,263,131	-	4,263,131	11,744,330	-	11,744,330
Term deposits	1,200,000	-	1,200,000	-	-	-
	<u>5,467,437</u>	<u>-</u>	<u>5,467,437</u>	<u>11,769,672</u>	<u>-</u>	<u>11,769,672</u>
	<u>65,956,102</u>	<u>2,025,219</u>	<u>67,981,321</u>	<u>55,792,330</u>	<u>1,437,985</u>	<u>57,230,315</u>

	2019	2018
	(Rupees in '000)	
4.1 Composition of deposits		
- Individuals	41,348,006	31,792,512
- Government / Public Sector Entities	1,001,499	751,507
- Banking Companies	3,872,049	23
- Non-Banking Financial Institutions	1,595,388	11,769,649
- Private Sector	20,164,379	12,916,624
	<u>67,981,321</u>	<u>57,230,315</u>



4.1.1 This includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act 2016, amounting to Rs 39,661 million as per balances held on 31 December 2018.

	2019	2018
	(Rupees in '000)	
5. Charity Fund		
Opening Balance	14,218	6,464
Additions during the period		
Received from customers on account of delayed payment	33,795	11,913
Charity accrued but not yet received	3,424	978
Dividend purification amount	212	252
Other Non - Shariah compliant income	3,230	-
Profit on charity saving account	1,835	461
	42,496	13,604
Payments / utilization during the period		
Health	(6,227)	(3,525)
Social Welfare	(7,013)	(2,325)
	(13,240)	(5,850)
Closing Balance	43,474	14,218
5.1 Detail of charity in excess of Rs.0.5 million in as follows:		
Friends of Cardiology Hospital, Multan	1,431	-
Green Crescent Trust	1,431	-
Edhi Foundation	1,431	-
Karachi Down Syndrome Program	1,431	-
Indus Hospital	1,431	-
Child Aid Association	1,075	-
IDA RIEU Welfare Association	859	-
Bait-ul-Sukoon	-	925
Dar-ul-Sukun	1,431	925
SIUT	1,431	1,500
	11,951	3,350
6. Islamic Banking Business Unappropriated Profit		
Opening Balance	928,748	422,821
Add: Islamic Banking profit for the period	2,551,373	928,748
Less: Remitted to Head Office	(928,748)	(422,821)
Closing Balance	2,551,373	928,748
7. Contingencies and Commitments		
Guarantees	2,719,414	2,573,724
Commitments	7,710,226	5,766,253
	10,429,640	8,339,977
8. Profit / Return Earned on Financing, Investments and Placement		
Profit earned on:		
Financing	5,205,830	2,875,422
Investments	2,252,959	896,725
Placements	597,494	55,327
	8,056,283	3,827,474



	2019	2018
	(Rupees in '000)	
9. Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	3,845,832	1,572,836
Due to Financial Institutions	154,464	97,311
Due to Head Office	55,531	85,303
	4,055,827	1,755,450

10. PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

10.1 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)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the special class of assets. In case of loss in a 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 Islamic Export Refinance Scheme.

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.

10.2 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
- Cement
- Financial
- Wheat
- Individuals
- Others (Domestic Whole Sale, Engineering Goods, Plastic Product, etc.)



10.3 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 Musharakah, Running Musharakah, 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, amortization of premium on sukuks 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% (2018: 50%) of net income and the depositors' profit sharing ratio was 50% (2018: 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.

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

	2019				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	5,332,255	2,057,735	38.59%	572,480	27.82%
FCY Pool	31,725	29,854	94.10%	3,790	12.70%
2018					
LCY Pool	2,459,420	1,026,633	41.74%	223,548	21.77%
FCY Pool	14,423	13,698	94.97%	726	5.30%
2019 (Percentage)					
				2018	

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

Profit rate earned	10.56%	6.80%
Profit rate distributed	6.66%	3.78%



Disclosure on Complaint Handling

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 2019, Customer Complaint Unit has been expanded to oversee the handling of all types of complaints received at the Bank.

In 2019, the Bank received 77,470 complaints, about 38% higher than the previous year. However, the complaints were investigated and closed within an average turnaround time of 4 working days.



Report of Shariah Board for the year ended December 31, 2019

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 Shari'ah principles and guidelines issued by the Shari'ah Board of the BAHL-IBD at all times. The Shari'ah Governance Framework issued by the State Bank of Pakistan, required from the Shari'ah Board (SB) to submit a report on the overall Shari'ah compliance environment of BAHL-IBD.

To form the opinion as expressed in this report, the Shari'ah Compliance Department carried out Shari'ah Reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, during the last year, Shari'ah Board reviewed the Internal Shari'ah Audit and External Shari'ah Audit Reports. Based on above, we are of the view that:

- I. BAHL-IBD has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.
- II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
- III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management.
- IV. BAHL-IBD has the basic mechanism to ensure Shari'ah Compliance in its overall operations. However Policy of Zero Tolerance in cases of Shari'ah non-compliance is yet to be formalized.
- V. The BOD appreciates the importance of Shari'ah Compliance in the products, processes and operations of the BAHL-IBD. 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 Shari'ah Compliance in their respective areas, particularly improvement is required in Foreign Trade Department.
- VI. The Management has provided adequate resources to Shari'ah Compliance Department and also committed to provide further staff enabling them to discharge their duties effectively and ensuring the Shari'ah Compliance environment in BAHL IBD.
- VII. Shari'ah Board appreciates that BAHL-IBD has transferred exposure of its own policies from Insurance to Takaful and efforts are being made to obtain Takaful coverage for assets acquired through financing activities.
- VIII. 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 Rs. 39.072 Million has been realized. Shari'ah Board has advised to transfer Shari'ah Non-compliance income to charity without delay.

Karachi: January 29, 2020

Mufti Muhammad Sarfaraz Nihal
Resident Shariah Board Member

Mufti Ismatullah Hamdullah
Chairman Shariah Board

Mufti Mohib UI Haq Siddiqui
Shariah Board Member



شریعی بورڈ رپورٹ بمطابق ۳۱ دسمبر ۲۰۱۹ء

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 سے متعلقہ دستاویزات اور ترتیب عمل کے کاغذات کے آزمائشی بنیادوں پر جائزے لیے۔ شریعی بورڈ نے پچھلے سال کے دوران شریعی کمپلائنس اور اندرونی و بیرونی شریعی آڈٹ کی رپورٹس کا جائزہ لیا اور ان کی بنیاد پر ہماری رائے یہ ہے کہ:

- ۱۔ اسلامی بینکاری کی خدمات فراہم کرتے ہوئے بینک الحیب اسلامک بینکنگ ڈویژن نے شریعی بورڈ کے فتاویٰ، احکامات اور ہدایات کو ملحوظ رکھا۔
- ۲۔ بینک الحیب اسلامک بینکنگ ڈویژن نے بینک دولت پاکستان اور اس کے شریعی بورڈ کے شریعی کمپلائنس کے حوالے سے جاری کردہ قوانین اور 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۔ بینک الحیب اسلامک بینکنگ ڈویژن میں شرعی اصولوں کی پاسداری کے حوالے سے بنیادی طریقہ کار رائج ہے۔ مزید برآں انتظامیہ شریعی اصولوں کی عدم پاسداری کو برداشت نہ کرنے کی باقاعدہ پالیسی مرتب کرے۔
- ۵۔ بورڈ آف ڈائریکٹرز، بینک الحیب اسلامک بینکنگ ڈویژن کی پراڈکٹس، طریقہ ہائے کار اور تعامل میں شریعت کی پاسداری کی اہمیت کو سراہتے ہیں۔ اسلامک بینکنگ کے عملے اور اعلیٰ انتظامیہ کی آگاہی کا معیار بہتر کرنے کی ضرورت ہے تاکہ متعلقہ شعبوں میں شریعت کی پاسداری کی فہم بہتر ہو سکے۔ بیرونی تجارت کے شعبے میں شریعی کمپلائنس کی فہم کو خاص طور پر بہتر کرنے کی ضرورت ہے۔
- ۶۔ بینک کی انتظامیہ نے شریعی کمپلائنس ڈپارٹمنٹ کیلئے مناسب وسائل مہیا کیے ہیں اور یہ عزم کیا ہے کہ اس ڈپارٹمنٹ کو اپنی ذمہ داریوں سے عہدہ برآ ہونے اور شریعی کمپلائنس ماحول کو یقینی بنانے کیلئے مزید عملہ اور وسائل فراہم کریں گے۔
- ۷۔ شریعی بورڈ اس بات کو سراہتا ہے کہ بینک الحیب اسلامک بینکنگ نے اپنے اثاثوں کو ٹیکافل پر منتقل کر لیا ہے اور فائنانسنگ کے ذریعے حاصل کئے گئے اثاثوں کی ٹیکافل کو ترجیح کے لئے کوٹاں ہے۔
- ۸۔ بینک میں ایک مناسب وضع شدہ نظام ہے جو اس قابل ہے کہ کسی بھی غیر شرعی ذریعے یا طریقے سے حاصل کیے گئے منافع کو صدقہ کے اکاؤنٹ میں ڈالنے اور بطریق احسن صدقہ کی مد میں لگانے کو یقینی بنا سکے۔ اس سال صدقے کی مد میں 39.072 ملین روپے جمع ہوئے۔ شریعی بورڈ نے تجویزی ہے کہ غیر شرعی آمدن بلا تاخیر صدقہ کے اکاؤنٹ میں منتقل کر دی جائے۔

مفتی عصمت اللہ محمد اللہ
چیئر مین شریعی بورڈ

مفتی محب الحق صدیقی
ممبر شریعی بورڈ

مفتی محمد سرفراز نہال
ریزیڈنٹ شریعی بورڈ ممبر

کراچی مورخہ 29 جنوری 2020ء



بینک الحبیب اور اس کی ذیلی کمپنی آڈٹ شدہ مجموعی مالیاتی حسابات پر ڈائریکٹرز کی رپورٹ

بینک الحبیب کے ڈائریکٹرز کیلئے اس کی ذیلی کمپنی الحبیب کمپیٹل مارکیٹس (پرائیوٹ) لمیٹڈ کے آڈٹ شدہ مجموعی مالیاتی حسابات برائے ۳۱ دسمبر ۲۰۱۹ء کو ختم ہونے والے سال کیلئے پیش کرنا باعث مسرت ہے:

(000 روپے میں)

19,040,463

(7,848,833)

11,191,630

3,736

11,195,366

20,641,220

72,769

149,997

32,059,352

سالانہ منافع قبل از ٹیکس

ٹیکسیشن

سالانہ منافع بعد از ٹیکس

غیر اختیاری مفاد سے منسوب شدہ نقصان

شیر ہولڈرز سے منسوب شدہ منافع

گزشتہ غیر مختص شدہ منافع

فلسڈ اثاثہ جات کی ریویویشن کے اضافہ میں سے منتقلی۔ بعد از ٹیکس

دیگر جامع آمدنی

تخصیص کیلئے دستیاب منافع

تخصیص:

(1,116,874)

(2,778,564)

(3,895,438)

28,163,914

10.07 روپے

اسٹپوٹری ریزرو میں منتقلی

نقد منافع منقسمہ - ۲۰۱۸ء

غیر مختص شدہ منافع

فی شیر آمدنی (بعد از ٹیکس)۔ ہولڈنگ کمپنی

شیر ہولڈنگ کی ساخت

شیر ہولڈنگ کی ساخت برطابق ۳۱ دسمبر ۲۰۱۹ء بینک الحبیب لمیٹڈ کے مالیاتی حسابات کے ساتھ منسلک ہے۔

عباس ڈی۔ حبیب

چیرمین

بورڈ آف ڈائریکٹرز

منصور علی خان

چیف ایگزیکٹو

کراچی: ۲۹ جنوری ۲۰۲۰ء



بینک کی جانب سے منتخب کئے گئے ماہرین اور کسی بورڈ ممبر یا کلیدی ایگزیکٹو کے درمیان مفادات کا کوئی تضاد نہیں ہے۔
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 شیئرز میں سال کے دوران کوئی تجارت نہیں کی گئی، سوائے درج ذیل کے:

• 60,400 شیئرز 14 ایگزیکٹوز کی جانب سے فروخت کئے گئے۔

• 7,000 شیئرز 12 ایگزیکٹوز 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 اسٹینٹ جنرل مینجرز اور اس سے بالا عہدیداران کو بھی شامل کیا گیا ہے۔

عمومی

ہم اپنے کسٹمرز کے مسلسل اعتماد اور تائید، مقامی و غیر ملکی مالیاتی اداروں کے بھروسے اور تعاون، اور اسٹیٹ بینک آف پاکستان کے اُن کی رہنمائی پر، بے حد مشکور ہیں۔
ہم اپنے تمام اسٹاف ممبران کا بھی ان کے خلوص، لگن اور انتھک محنت پر ان کا شکریہ ادا کرتے ہیں۔

عباس ڈی۔ حبیب

چیئرمین

بورڈ آف ڈائریکٹرز

منصور علی خان

چیف ایگزیکٹو

کراچی: ۲۹ جنوری ۲۰۲۰ء



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 اسٹینڈرڈز اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرڈز، جو کہ پاکستان میں رائج ہیں، ان پر عمل کیا گیا اور ان سے اگر کسی حد تک روگردانی کی گئی تو اس کو واضح انداز میں بیان کیا گیا ہے۔

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 30 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۔

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

(ملین روپے میں)

2014	2015	2016	2017	2018	2019	
446,409	516,213	584,172	692,576	796,901	903,740	صارفین کے مجموعی ڈپازٹس
181,737	207,289	261,440	339,833	478,215	488,669	مجموعی ایڈوانسز
9,917	12,332	13,164	13,890	14,264	19,011	منافع قبل از ٹیکس
6,349	7,405	8,119	8,501	8,418	11,169	منافع بعد از ٹیکس
27,555	31,698	35,673	40,409	46,283	55,489	شیر ہولڈرز کی ایکویٹی
5.71	6.66	7.31	7.65	7.57	10.05	فی شیر آمدنی (روپے)
30	35	35	30	25	35	نقد منافع منقسمہ (%)

۸۔ پروویڈنٹ فنڈ اور گریجویٹ فنڈ کے آڈٹ شدہ مالیاتی حسابات کی بنیاد پر ان اسکیموں کی سرمایہ کاریوں کی مالیت برطانیہ ۳۱ دسمبر ۲۰۱۸ء درج ذیل ہیں:

(000 روپے میں)

6,144,979	پروویڈنٹ فنڈ
2,227,828	گریجویٹ فنڈ

۹۔ شیر ہولڈنگ کی ساخت اور اس سے متعلق اضافی معلومات صفحات 140، 141 اور 142 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 ۳۱ مارچ تک مکمل کیا جائے گا۔ مزید براں بورڈ کی کارکردگی کا جائزہ کم از کم ہر تیسرے سال ایک ایکسٹرنل انڈیپنڈنٹ جائزہ کار کے ذریعے لیا جائے گا۔ ہم نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کو بورڈ کی کارکردگی کی ایکسٹرنل انڈیپنڈنٹ جائزہ کے لئے نامزد کیا ہے۔



اس کے علاوہ رسک مینجمنٹ پالیسی، رسک ٹالرنس اسٹیٹمنٹ اور کنفرمی رسک مینجمنٹ پالیسی بینک کو درپیش ممکنہ رسک کا بندوبست کرنے میں مزید رہنمائی فراہم کرتی ہیں۔

رسک مینجمنٹ پرائیویٹ بینک آف پاکستان کی رہنمائیات 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، مچھوڑنے کی عدم موافقت، اثاثہ جات اور مالی ذمہ داریوں کی شرح حساسیت کا جائزہ، فارورڈ فارن ایکسچینج گپ پوزیشنز کا تجزیہ، ٹی ایف سیز اور سٹریٹجی پورٹ فولیو کی مزید مفصل رپورٹنگ؛ ایکویٹیز میں ڈیلنگ اور سٹیٹمنٹس کو بہتر بنانے کی طریقہ کار کی تشکیل؛ آف مارکیٹ فارن ایکسچینج ریٹس اور غیر ملکی زرمبادلہ کی آمدنی کی نگرانی، آپریشنل نقصانات کے اعداد و شمار کا حصول، 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 جائزہ کیلئے خود مختار طریقہ کار کا قیام شامل ہیں۔ بینک کے انٹرنل پرائز وائیڈ مر بوط رسک پروفائل کی جانچ، بازل فریم ورک، رسک کا جائزہ، اہم رسک انڈیکسز، انٹرنل کنٹریول ایڈیکویسی اسسٹمنٹ پروسس اور اسٹریٹجی ٹیسٹنگ اور ری کوری پلان استعمال کرتے ہوئے انجام دی جاتی ہے۔

ادارتی سماجی ذمہ داری

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

- سال کے دوران صحت، سماجی اور تعلیمی ترقی اور عوام کی فلاح و بہبود کے لئے عطیات کی صورت میں 110.7 ملین روپے کی فراہمی۔
- توانائی کا بہتر استعمال، غیر ضروری بجلی جلانے پر پابندی اور ماحول کو محفوظ اور صحت مند بنانے کیلئے انسدادِ تمباکو نوشی کے قانون پر عملدرآمد اور ”نواسموکنگ 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 تشہیر۔
- اسٹاف کے ساتھ خوشگوار تعلقات، مہرٹ 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 8.63 بلین روپے جمع کرائے گئے۔ مزید برآں 15.80 بلین روپے سے زیادہ کی اضافی رقم وڈہولڈنگ ٹیکسز، فیڈرل ایکسائز ڈیوٹی اور سرومز پریسیلٹیکس کی مدد میں بینک کے ذریعے منہا/ وصول کی گئی اور حکومت پاکستان/ صوبائی حکومتوں کو ادا کی گئی۔
- گزشتہ 5 سالوں کے دوران بینک نے پرائم منسٹر یوتھ بزنس لون پروگرام کے تحت -/51,887,500 روپے دیئے گئے۔

کارپوریٹ اور فنانشل رپورٹنگ پرائیویٹ بینک

1- 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۔

2- بینک کی جانب سے باقاعدہ حساب کتاب رکھا گیا ہے۔



مستقبل کا جائزہ

سال کے دوران پاکستان کی معیشت اہم تغیرات سے گزرتی رہی۔ بالخصوص ایکسیج ریٹس اور شرح سود نمایاں حد تک دوبارہ ایڈجسٹ ہوئیں، توانائی کے نرخ بڑھے اور پبلک سیکٹر کے ترقیاتی اخراجات میں کمی واقع ہوئی۔ معاشی بحالی کے چند اشارے بھی موجود ہیں جن میں کرنٹ اکاؤنٹ خسارے میں کمی، ایکسیج ریٹ میں استحکام اور ایکویٹی مارکیٹ میں نمایاں حد تک بحالی شامل ہے۔ اس کے ساتھ ساتھ جی ڈی پی گروتھ سٹگنڈ اور افراط زر اپنے ہدف سے زیادہ بڑھ گیا۔ اس کے باوجود ہم پر عزم ہیں کہ حکومت کی معاشی استحکام کی پالیسیوں سے ملک کو فائدہ پہنچنے کے ساتھ ساتھ طویل مدتی بنیاد پر بینکاری کے شعبے کو بھی فائدہ ہوگا۔ آئی ایم ایف پروگرام کے تحت اس امر کا یقین ہے کہ مالیاتی نظم و ضبط اور پالیسیوں میں مستقل مزاجی آئے گی جو کہ انویسٹرز اور کیپٹل مارکیٹ کیلئے باعث اطمینان ہوں گی۔ ”ٹیکس سسٹم“ کی خامیوں کو ختم کرنے کے نتیجے میں معیشت کو دستاویزی شکل دینے، زیر آمدنی میں اضافہ میں مدد ملے گی، تاہم اس میں کچھ وقت لگے گا۔ ہم پر اعتماد ہیں کہ اپنی محتاط پالیسیوں پر عمل پیرا رہتے ہوئے بینک انشاء اللہ ترقی کی جانب بڑھتا رہے گا۔

آڈیٹرز

موجودہ آڈیٹرز ای وائی فورڈ رھوڈز، چارٹرڈ اکاؤنٹینٹس، ریٹائر ہو رہے ہیں اور انہوں نے خود دوبارہ تقرری کیلئے پیش کیا ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے ۳۱ دسمبر ۲۰۲۰ء 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 سفارش کی ہے۔

رسک مینجمنٹ فریم ورک

بینک ہمیشہ اپنے حجم اور اس کے کاروبار کی نوعیت کے مطابق رسک مینجمنٹ فریم ورک کا حامل رہا ہے۔ یہ فریم ورک کئی سالوں میں تشکیل دیا گیا اور اس میں مزید بہتری لانے کا سلسلہ جاری ہے۔ بینک کا ایک اہم رہنما اصول، ڈیپازٹرز کی رقومات 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 پالیسی؛ بہتر کریڈٹ منظوری کا طریقہ کار؛ انٹرنل رسک ریٹنگ کا استعمال؛ مقرر کردہ دستاویزی ضروریات؛ پوسٹ ڈسبرمنٹ 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 ڈسبرمنٹ 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 اور ٹریڈری اینڈ انویسٹمنٹ پالیسی، سرمایہ کاریوں کیلئے سینئر انتظامیہ کی منظوری اور بینک کی ایسیٹ لائیکٹیٹی 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۔ انویسٹمنٹ پورٹ فولیو سے متعلق فیصلے زیادہ تر (ALCO) کی جانب سے لیے جاتے ہیں۔ بورڈ کی رسک مینجمنٹ کمیٹی بینک کے مارکیٹ اور لیکویڈٹی رسک، کیپٹل ایڈیکویٹی اور مر بوط رسک مینجمنٹ (جسے انٹرنل 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 اور آئی ٹی سیکورٹی پالیسی، ہیومن ریسورس پالیسی، کنزیومر پروٹیکشن فریم ورک اور بورڈ کی جانب سے منظور شدہ آؤٹ سورسنگ پالیسی کے ذریعے کیا جاتا ہے اور اس کے ساتھ فراڈ سے تحفظ کی پالیسی اور کنزیومر شکایات سے نمٹنے کی پالیسی کو بھی مد نظر رکھا جاتا ہے۔ آپریشنل مینولز 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 برانچوں اور ڈویژنز کے آڈٹ کے ذریعے کیا جاتا ہے۔ بورڈ کی آڈٹ کمیٹی بینک کے آپریشنل رسک کے انتظام کے سلسلے میں رہنمائی فراہم کرتی ہے۔



آئی ٹی کمیٹی		
ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب عباس ڈی۔ حبیب، چیئرمین	4	3
جناب کمیل آر۔ حبیب	4	4
جناب ارشد ناصر	4	4
سید مظہر عباس	4	3
جناب منصور علی خان	4	4

ڈائریکٹرز کا ٹریڈنگ پروگرام

سال کے دوران ہمارے ایک اور ڈائریکٹرز نے ڈائریکٹرز کا تربیتی پروگرام مکمل کیا۔

ڈائریکٹرز کی ری میوزیشن پالیسی

بورڈ آف ڈائریکٹرز نے ڈائریکٹرز کی ری میوزیشن کو متعین کرنے کے لئے پالیسی اور طریقہ کار مرتب کیا ہے جس کے مطابق:

- کوئی ڈائریکٹر اپنے ری میوزیشن کا خود تعین نہیں کرے گا۔ یہ تعین بینک کے آرٹیکلز آف ایسوسی ایشن کے مطابق شیئر ہولڈرز کی پیشگی منظوری سے مشروط ہے۔
- ری میوزیشن کا تعین مناسب، ذمہ داریوں اور مہارت کے عین مطابق ہونا چاہئے تاکہ ڈائریکٹرز مستقل طور پر اپنی ذمہ داریوں کو کامیابی سے ادا کر سکیں۔ تاہم یہ تعین ایسا نہ ہو جو ان کی آزادانہ کارکردگی پر کسی سمجھوتے کا موجب بن سکے۔

کریڈٹ ریٹنگ

الحمد للہ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے لمبی مدت کیلئے بینک کی ریٹنگز AA+ (ڈبل اے پلس) اور مختصر مدت کے لئے A1+ (اے ون پلس) برقرار رکھی ہیں۔ ہمارے انسٹیٹیوٹ، سہارڈینیٹڈ ٹرم فنانش سرٹیفکیٹس (TFCs) کی ریٹنگز AA (ڈبل اے) برائے TFC-2016 اور TFC-2018 اور AA- (ڈبل اے مائنس) برائے TFC-2017 (پریچپول) ہیں۔ یہ ریٹنگز کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ براء ہونے کی بہت مضبوط صلاحیت ہے۔



ہیومن ریورس اینڈری میونریشن کمیٹی			آڈٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
4	4	سید حسن علی بخاری، چیئرمین	8	8	جناب سفر علی لاکھانی، چیئرمین
3	4	سید مظہر عباس	7	8	سید مظہر عباس
3	4	جناب عباس ڈی۔ حبیب	8	8	جناب انور حاجی کریم
2	4	محترمہ فرحانہ ماؤجی خان*	8	8	سید حسن علی بخاری
4	4	جناب ارشد ناصر	8	8	جناب ارشد ناصر
2	4	جناب سفر علی لاکھانی**			

* محترمہ فرحانہ ماؤجی خان نے اپنے منتخب ہونے کے بعد ہیومن ریورس اینڈری میونریشن کمیٹی کے تمام اجلاسوں میں شرکت کی۔

** جناب سفر علی لاکھانی سال کے دوران ہیومن ریورس اینڈری میونریشن کمیٹی کے ممبر کی حیثیت سے سبکدوش ہوئے۔ انہوں نے اپنی رکنیت کے دوران ہیومن ریورس اینڈری میونریشن کمیٹی کے تمام اجلاسوں میں شرکت کی۔

رسک مینجمنٹ کمیٹی			کریڈٹ رسک مینجمنٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
2	4	جناب عدنان آفریدی، چیئرمین*	3	4	سید مظہر عباس، چیئرمین
4	4	جناب کمل آر۔ حبیب	4	4	جناب سفر علی لاکھانی
2	4	محترمہ فرحانہ ماؤجی خان*	4	4	جناب کمل آر۔ حبیب
4	4	جناب انور حاجی کریم	4	4	سید حسن علی بخاری
4	4	جناب سفر علی لاکھانی	4	4	جناب مرتضیٰ ایچ۔ حبیب
1	4	جناب منظور احمد**			
2	4	جناب منصور علی خان***			

* جناب عدنان آفریدی اور محترمہ فرحانہ ماؤجی خان نے اپنے منتخب ہونے کے بعد رسک مینجمنٹ کمیٹی کے تمام اجلاسوں میں شرکت کی۔

** جناب منظور احمد فروری ۲۰۱۹ء میں مستعفی ہو گئے۔ انہوں نے رسک مینجمنٹ کمیٹی کے واحد اجلاس میں شرکت کی جب وہ اس کے ممبر تھے۔

*** جناب منصور علی خان نے سال کے دوران رسک مینجمنٹ کمیٹی کے ممبر کی حیثیت سے سبکدوش ہوئے۔ انہوں نے رسک مینجمنٹ کمیٹی کے تمام اجلاسوں میں شرکت کی جب وہ اس کے ممبر تھے۔



بورڈ کے اجلاس

سال کے دوران بورڈ کے 4 اجلاس منعقد ہوئے اور ان میں ڈائریکٹرز کی شرکت درج ذیل رہی:

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب عباس ڈی۔ حبیب	4	3
جناب علی رضا ڈی۔ حبیب*	4	1
جناب انور حاجی کریم	4	4
جناب مرتضیٰ ایچ۔ حبیب	4	4
جناب گمیل آر۔ حبیب	4	4
سید مظہر عباس	4	4
جناب ارشد ناصر	4	4
جناب سفر علی لاکھانی	4	4
سید حسن علی بخاری	4	4
جناب منظور احمد*	4	1
محترمہ فرحانہ ماؤجی خان**	4	3
جناب عدنان آفریدی**	4	3
جناب منصور علی خان، چیف ایگزیکٹو	4	4
* سال کے دوران جناب علی رضا ڈی۔ حبیب اور جناب منظور احمد بالترتیب اپنے عہدوں سے سبکدوش اور مستعفی ہو گئے۔ اس سے قبل انہوں نے بورڈ کے منعقدہ واحد اجلاس میں شرکت کی۔		
** محترمہ فرحانہ ماؤجی خان اور جناب عدنان آفریدی نے منتخب ہونے کے بعد تمام اجلاسوں میں شرکت کی۔		

کمیٹی کے اجلاس

لٹھ کپینیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے تحت یہ ضروری ہے کہ بورڈ کی تمام کمیٹیوں یعنی آڈٹ کمیٹی، ہیومن ریسورس اینڈ ری میونریشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی، رسک مینجمنٹ کمیٹی اور آئی ٹی کمیٹی کی تشکیل کا اظہار کیا جائے۔

سال کے دوران آڈٹ کمیٹی کے 8 اجلاس اور ہیومن ریسورس اینڈ ری میونریشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی، رسک مینجمنٹ کمیٹی اور آئی ٹی کمیٹی کے 14 اجلاس منعقد ہوئے اور ان میں ممبران کی حاضری درج ذیل رہی:



بورڈ آف ڈائریکٹرز کی تشکیل

ڈائریکٹرز کی مجموعی تعداد درج ذیل ہے:

• مرد 09

• خاتون 01

10

بورڈ کی تشکیل درج ذیل ہے:

سید حسن علی بخاری جناب ارشد ناصر جناب سفر علی لاکھانی	انڈینڈسٹ ڈائریکٹرز
جناب عباس ڈی۔ حبیب جناب انور حاجی کریم سید مظہر عباس جناب مرضی ایچ۔ حبیب جناب عدنان آفریدی	نان۔ ایگزیکٹو ڈائریکٹرز
جناب گمیل آر۔ حبیب	ایگزیکٹو ڈائریکٹر
محترمہ فرحانہ ماڈجی خان	خاتون ڈائریکٹر۔ نان۔ ایگزیکٹو

جناب منصور علی خان بینک کے چیف ایگزیکٹو ہیں۔ بحیثیت بینک کے سی ای او وہ بینک کے ڈائریکٹر تصور کئے جاتے ہیں۔



حبیب ایسیٹ مینجمنٹ لمیٹڈ (ایچ اے ایم ایل) میں سرمایہ کاری

ہم آپ کو بھروسہ دیتے ہیں کہ ہم نے اسٹیٹ بینک آف پاکستان (ایس بی پی)، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور کمپنیشن کمیشن آف پاکستان (سی سی پی) سے حبیب ایسیٹ مینجمنٹ لمیٹڈ (ایچ اے ایم ایل) کے جاری شدہ اور ادا شدہ کیپٹل میں ہمارے پاس موجودہ 30 فیصد کے علاوہ باقی ماندہ 70 فیصد شیئرز، 7.25 روپے فی شیئر کے نرخ یعنی مجموعی طور پر -/152,250,000 روپے پران کے موجودہ شیئرز سے اُس کے حصول کیلئے اور ایچ اے ایم ایل میں -/450,000,000 روپے کی مزید اضافی ایکویٹی شامل کرنے کیلئے قانونی اجازت نامے وصول کر لئے ہیں۔ یہ تمام معاملات اور کارروائیاں آئندہ ہونے والے سالانہ اجلاس عام میں بینک کے شیئرز ہولڈرز کی اجازت سے مشروط ہیں۔

ایوارڈز اور اعزازات

ٹریڈ فنانس پروگرام (ٹی ایف پی) ایوارڈ 2019

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 2019“ حاصل کیا۔ یہ ٹی ایف پی ایوارڈ، ایشیاء اور پیسیفک ریجن میں بینک کے تجارتی معاونت کے کردار کو تسلیم کرتا ہے۔ بینک نے یہ ایوارڈ دوسری مرتبہ وصول کیا ہے۔

چارٹرڈ فنانشل اینالسٹ (سی ایف اے) سوسائٹی پاکستان ایوارڈ برائے سال 2018

بینک نے چارٹرڈ فنانشل اینالسٹ (سی ایف اے) سوسائٹی پاکستان کی جانب سے ”بیسٹ اسلامک ونڈ آف دی ایئر 2018“ اور رنر اپ ایوارڈ برائے ”بیسٹ بینک آف دی ایئر (لارج سائز بینکنگ) 2018“ وصول کئے۔ یہ ایوارڈز کسی بھی مالیاتی ادارے کی غیر معمولی کارکردگی کا اعتراف ہیں۔

ٹاپ 25 کمپنیز ایوارڈ برائے سال 2017

اللہ تعالیٰ کے فضل و کرم سے ہم بھروسہ آگاہ کرتے ہیں کہ بینک نے سال 2017ء کے لئے پاکستان اسٹاک ایکسچینج (پی ایس ایکس) کی جانب سے ”ٹاپ 25 کمپنیز ایوارڈ“ وصول کیا ہے۔ ایوارڈ کیلئے اہلیت کا معیار سرمائے کا بہتر استعمال، منافع جات، آزاد دستیاب شیئرز، شفافیت، کارپوریٹ گورننس اور سرمایہ کار سے تعلق اور لسٹنگ کمپنیز اور سیکیورٹیز ضوابط پر عملدرآمد تھا۔ الحمد للہ، بینک نے اس ایوارڈ کو ساتویں مرتبہ وصول کیا ہے۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں

سال کے دوران بورڈ آف ڈائریکٹرز میں درج ذیل تبدیلیاں کی گئیں:

- جناب علی رضا ڈی۔ حبیب بورڈ سے سبکدوش ہو گئے اور انہوں نے سال 2019ء میں اپنے آپ کو بطور ڈائریکٹر الیکشن کیلئے پیش نہیں کیا۔
- جناب منظور احمد، نامزد ڈائریکٹر، نیشنل انویسٹمنٹ ٹرسٹ (این آئی ٹی) فروری 2019ء میں بورڈ سے مستعفی ہو گئے۔
- جناب عدنان آفریدی، نامزد ڈائریکٹر، نیشنل انویسٹمنٹ ٹرسٹ (این آئی ٹی) اور محترمہ فرحانہ ماجدی خان ہمارے بورڈ کے نئے ممبران بنے، جن کو مارچ 2019ء میں بطور ڈائریکٹر منتخب کیا گیا۔

بورڈ کے ممبران، جناب علی رضا ڈی۔ حبیب کو ان کی بطور چیئر مین اور ڈائریکٹر 25 سال سے زائد عرصہ تک بورڈ میں گرانقدر خدمات سرانجام دینے پر زبردست خراج تحسین پیش کرتے ہیں۔ انہوں نے اس مدت کے دوران بینک کی ترقی اور کامیابی میں بھرپور کردار ادا کیا۔



ڈائریکٹرز کی رپورٹ

الحمد للہ بینک الحبیب نے اپنے آپریشن کے 28 سال مکمل کر لئے ہیں اور ڈائریکٹرز کیلئے 29 ویں سالانہ رپورٹ بشمول ۳۱ دسمبر ۲۰۱۹ء 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)

19,010,995

(7,842,259)

11,168,736

20,411,694

72,769

149,997

20,634,460

31,803,196

(1,116,874)

(2,778,564)

(3,895,438)

27,907,758

10.05 روپے

سالانہ منافع قبل از ٹیکس

ٹیکسیشن

سالانہ منافع بعد از ٹیکس

گزشتہ غیر مختص شدہ منافع

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

دیگر جامع آمدنی۔ بعد از ٹیکس

تخصیص کیلئے دستیاب منافع

تخصیص:

اسٹپنڈی ریزرو میں منتقلی

نقد منافع منقسمہ۔ ۲۰۱۸ء

غیر مختص شدہ منافع

بنیادی/معتدل فی شیئر آمدنی۔ بعد از ٹیکس

۳۱ دسمبر ۲۰۱۹ء کو ختم ہونے والے سال کے لئے ڈائریکٹرز نے 35% نقد منافع منقسمہ یعنی 3.50 روپے فی شیئر تجویز کیا ہے۔

کارکردگی کا جائزہ

الحمد للہ آپ کے بینک کی کارکردگی سال کے دوران اطمینان بخش رہی۔ ڈپازٹس ایک سال قبل کے 796.9 بلین روپے کے مقابلے میں بڑھ کر 903.7 بلین روپے ہو گئے جبکہ ایڈوانسز 478.2 بلین روپے سے بڑھ کر 488.7 بلین روپے ہو گئے۔ سال کے دوران بینک کا غیر ملکی تجارتی کاروباری حجم 1,458.5 بلین روپے رہا۔ سالانہ منافع قبل از ٹیکس 19.0 بلین روپے رہا جبکہ گزشتہ سال یہ منافع 14.3 بلین روپے تھا۔ جبکہ سالانہ منافع بعد از ٹیکس گزشتہ سال کے 8.4 بلین روپے کے مقابلے میں 11.2 بلین روپے رہا۔

سال کے دوران بینک نے 34 نئی برانچیں قائم کیں۔ بینک کا موجودہ نیٹ ورک 759 دفاتر پر مشتمل ہے جس میں 718 برانچیں ہیں۔ (بشمول 83 اسلامک بینکنگ برانچیں اور 3 اور سیز برانچیں، بحرین، ملائیشیا اور سیشلز) 37 ذیلی برانچیں اور 4 نمائندہ دفاتر، دہلی، اتھنول، بیجنگ اور نیروبی شامل ہیں۔ بینک کی جانب سے پاکستان اور بیرون ملک نیٹ ورک میں توسیع کا سلسلہ جاری رہے گا۔



بورڈ کی مجموعی کارکردگی پر چیئرمین کی جانب سے جائزہ رپورٹ

الحمد للہ، 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 چیئرمین ہولڈرز بینک کے اجلاس عام میں استعمال کرتے ہیں۔ ڈائریکٹرز نے روزمرہ کے امور مینجمنٹ کے سپرد کئے ہیں تاہم یہ سپردگی بورڈ کی آگاہی کے تحت ان کے کنٹرول اور ہدایت سے مشروط ہے۔ ڈائریکٹرز کیلئے ضروری ہے کہ وہ اپنی صلاحیتوں کے عین مطابق اپنی ذمہ داریاں اور فیصلے، آزادانہ طور پر بینک کے 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 2019 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: ۲۹ جنوری ۲۰۲۰ء



Branch Network

The Bank has a network of 755 branches including 37 sub-branches, 03 overseas branches and 83 Islamic Banking branches. The Bank also has 04 representative offices and 02 booths. The Bank has branches / sub-branches / representative offices in the following cities:

- | | | | | |
|----------------------------|--------------------|-------------------------|---------------------------|----------------------------|
| • Aadha | • Domala | • Karianwala | • Muzaffargarh | • Shikarpur |
| • Abbotabad | • Dureji | • Karkhana Bazar Vehari | • Nankhana Sahib | • Shorkot |
| • Adda Sheikhwan | • Ellahabad | • Kashmir | • Narowal | • Shujaband |
| • Ahmed Pur East | • Faisalabad | • Kassowal | • Nassarpur | • Sialkot |
| • Akbarpura | • Faqirwali | • Kasur | • Naukot | • Sibi |
| • Ali Pur, Islamabad | • Fateh Jang | • Khairpur | • Naushero Feroze | • Skardu |
| • Ali Pur Chatta | • Fatehpur | • Khairpur Nathanshah | • Nawabshah | • Sorab |
| • Alipur | • Fazil Pur | • Khanbela | • Nooriabad | • Sowari |
| • Arif Wala | • Feroza | • Khanewal | • Noushki | • Sujawal |
| • Attock | • Ferozewatoan | • Khanpur | • Nowshera | • Sukkur |
| • Badin | • Fort Abbas | • Khar, Bajaur Agency | • Okara | • Sultan Colony |
| • Bagh (A.K.) | • Gaggo Mandi | • Kharan | • Pabbi | • Sumandari |
| • Bahawalnagar | • Gambat | • Kharian | • Pakpattan | • Talagang |
| • Bahawalpur | • Garha Mor | • Khichiwala | • Panjgur | • Talbani |
| • Bampokha | • Gawadar | • Khipro | • Panu Aqil | • Tando Adam |
| • Bannu | • Ghakhar | • Khurrianwala | • Parachinar | • Tando Allahyar |
| • Basti Malook | • Gharo | • Khushab | • Pasni | • Tando Bagho |
| • Batkhela | • Ghotki | • Khuzdar | • Pasrur | • Tando Jam |
| • Battagram | • Gilgit | • Kohat | • Pattoki | • Tando Muhammad Khan |
| • Bhakkar | • Gojra | • Kot Addu | • Peshawar | • Tank |
| • Bhalwal | • Golarchi | • Kot Ghulam Muhammad | • Phalia, Mandi Bahauddin | • Taranada Muhammad Pannah |
| • Bhan Saeedabad | • Gujar Khan | • Kot Radha Kishan | • Phool Nagar | • Tarnol |
| • Bhera | • Gujranwala | • Kot Samaba | • Pir Mahal | • Taxila |
| • Bhiria Road | • Gujrat | • Kotla Arab Ali Khan | • Pishin | • Thari Mirwah |
| • Burewala | • Gulyana | • Kotli (A.K.) | • Pull Kharan | • Tharu Shah |
| • Chaksawari (A.K.) | • Hafizabad | • Kotri | • Pull Manda (A.K.) | • Thatta |
| • Chakwal | • Hala | • Kunri | • Qambar Ali Khan | • Tibba Sultanpur |
| • Charsadda | • Harapa | • Lahore | • Qasba Gujrat | • Timergara |
| • Chenab Nagar | • Haripur | • Lala Musa | • Qazi Ahmed | • Toba Tek Singh |
| • Chichawatni | • Haroonabad | • Larkana | • Qila Didar Singh | • Tootkay |
| • Chillas | • Hasan Abdal | • Layyah | • Quaidabad | • Turbat |
| • Chiniot | • Hasilpur | • Liaqatpur | • Quetta | • Ubauro |
| • Chishtian | • Hattar | • Liaquatatab Thal | • Rahim Yar Khan | • Uch Sharif |
| • Chitral | • Havellian | • Lodhran | • Raiwand | • Ugoki |
| • Chiwanda | • Hazro | • Loralai | • Rajava Sadat | • Umerkot |
| • Choa Saiden Shah | • Head Bakaini | • Mailsi | • Mangowal | • Usman Shah Huri |
| • Chowk Sarwar Shaheed | • Head Rajkan | • Malakwal | • Mandi Bahauddin | • Usta Muhammad |
| • Dadu | • Hingorja | • Mandi Bahauddin | • Mansehra | • Wah Cantt |
| • Dadyal (A.K.) | • Hub | • Mangowal | • Mardaan | • Warri |
| • Daharki | • Hyderabad | • Maroot | • Mastung | • Wazirabad |
| • Danyour | • Islamabad | • Mastung | • Mathanichangan Swabi | • Zafarwal |
| • Daragai, Malakand Agency | • Jacobabad | • Matli | • Mehhar | • Zahir Pir |
| • Dari Dholay Wali | • Jalalpur Jattan | • Mehar | • Mehrabpur | • Zhub |
| • Darya Khan Mari | • Jalalpur Pirwala | • Mian Channu | • Mian wali | |
| • Daska | • Jampur | • Mingora | • Mirpur (A.K.) | |
| • Daulat Nagar | • Jaranwala | • Mirpurkhas | • Mithi | |
| • Deh 75 Nusrat | • Jehlum | • More Eminabad | • Moro | |
| • Deh Gad | • Jhang | • Multan | • Multan, Khurd | |
| • Deh Noonari | • Joharabad | • Muridke | • Muslim Bagh | |
| • Deh Taib | • Kacha Pakka | • Mustafabad | • Muzaffarabad (A.K.) | |
| • Dehira | • Kahrur Pacca | | | |
| • Depalpur | • Kahuta | | | |
| • Dera Ghazi Khan | • Kalakot | | | |
| • Dera Ismail Khan | • Kalat | | | |
| • Dera Murad Jamali | • Kallar Syedan | | | |
| • Dhamtal | • Kamalia | | | |
| • Dhudhial | • Kamar Mushani | | | |
| • Digri | • Kamoke | | | |
| • Dina | • Kamra | | | |
| • Dinga | • Kandhkot | | | |
| | • Kandiaro | | | |
| | • Karachi | | | |

Overseas Branches

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

Representative Offices

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

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 Ninth Annual General Meeting of the Bank to be held on Wednesday, March 25, 2020 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2020.

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 بدھ ۲۵ مارچ ۲۰۲۰ء کو بینک الحیب لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے بینک کے انیسویں 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 _____ ۲۰۲۰ء 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 ۴۸ گھنٹے قبل جمع کرنا ضروری ہے۔

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