

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	<i>Chairman</i>
	Ali Raza D. Habib	
	Anwar Haji Karim	
	Arshad Nasar	
	Manzoor Ahmed*	
	Murtaza H. Habib	
	Qumail R. Habib	<i>Executive Director</i>
	Safar Ali Lakhani	
Syed Mazhar Abbas		
Syed Hasan Ali Bukhari		
	Mansoor Ali Khan	<i>Chief Executive</i>
Audit Committee	Safar Ali Lakhani	<i>Chairman</i>
	Syed Mazhar Abbas	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
	Arshad Nasar	<i>Member</i>
Human Resource & Remuneration Committee	Syed Hasan Ali Bukhari	<i>Chairman</i>
	Syed Mazhar Abbas	<i>Member</i>
	Abbas D. Habib	<i>Member</i>
	Safar Ali Lakhani	<i>Member</i>
	Arshad Nasar	<i>Member</i>
Credit Risk Management Committee	Syed Mazhar Abbas	<i>Chairman</i>
	Safar Ali Lakhani	<i>Member</i>
	Qumail R. Habib	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
	Murtaza H. Habib	<i>Member</i>
Risk Management Committee	Manzoor Ahmed*	<i>Chairman</i>
	Qumail R. Habib	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
	Safar Ali Lakhani	<i>Member</i>
	Mansoor Ali Khan	<i>Member</i>
IT Committee	Abbas D. Habib	<i>Chairman</i>
	Qumail R. Habib	<i>Member</i>
	Arshad Nasar	<i>Member</i>
	Syed Mazhar Abbas	<i>Member</i>
	Mansoor Ali Khan	<i>Member</i>

*Mr. Manzoor Ahmed resigned in February-2019.



Company Secretary	Mohammad Taqi Lakhani
Chief Financial Officer	Ashar Husain
Statutory Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Legal Advisor	LMA Ebrahim Hosain Barristers, Advocates & Corporate Legal Consultants
Registered Office	126-C, Old Bahawalpur Road, Multan
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi
Share Registrar	Central Depository Company of Pakistan Ltd. CDC House 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400.
Website	www.bankalhabib.com



CONTENTS

History	1
Review Report by the Chairman	4
Directors' Report	5
Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017	12
Independent Auditor's Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017	15
Statement on Internal Controls	16
Independent Auditor's Report to the Members	17
Unconsolidated Statement of Financial Position	22
Unconsolidated Profit and Loss Account	23
Unconsolidated Statement of Comprehensive Income	24
Unconsolidated Statement of Changes in Equity	25
Unconsolidated Cash Flow Statement	26
Notes to the Unconsolidated Financial Statements	27
Disclosure on Complaint Handling	112
Report of Shariah Board	113
Notice of Annual General Meeting	114
Pattern of Shareholding	120
Consolidated Financial Statements	123
شرعیہ بورڈ رپورٹ	223
ڈائریکٹرز کی رپورٹس	233
بورڈ کی مجموعی کارکردگی پر چیئرمین کی جانب سے جائزہ رپورٹ	234
Branch Network	235
E - Dividend Bank Mandate Form	
Form of Proxy	



HISTORY

1891

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

1896

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

1941

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

1947

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

1947-1973

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

1974

Habib Bank was nationalized along with other Pakistani banks.

1991

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

1992

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

2017

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



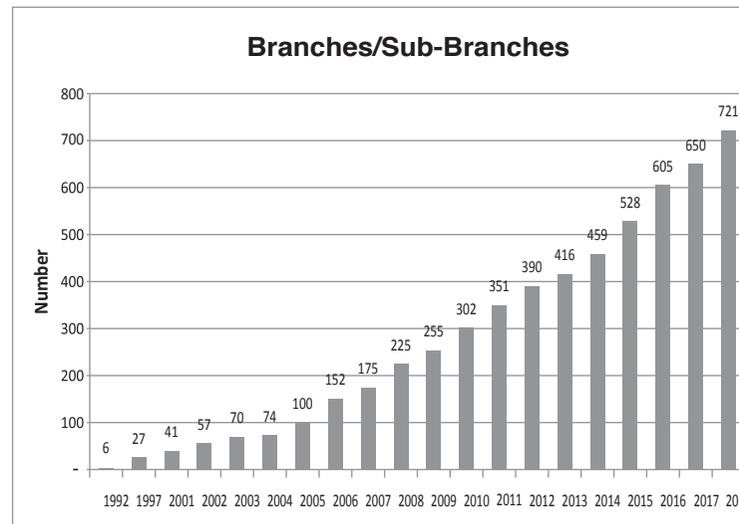
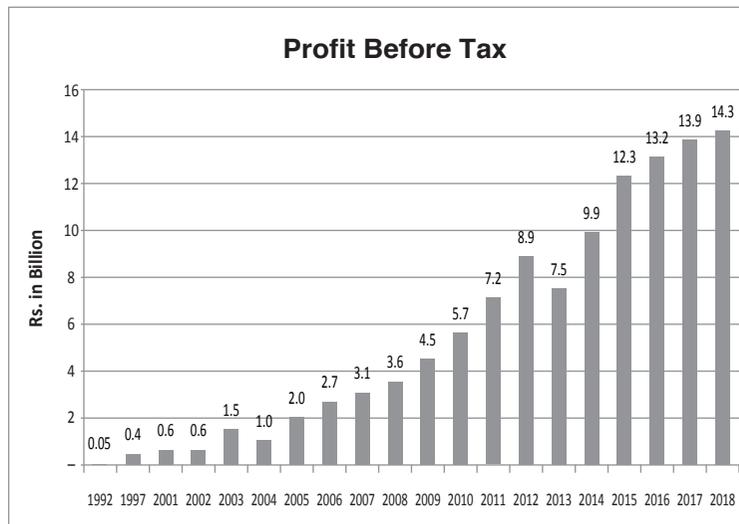
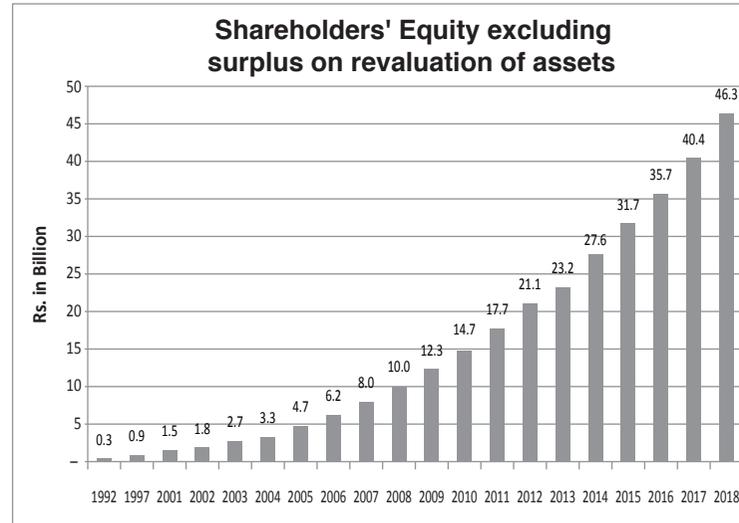
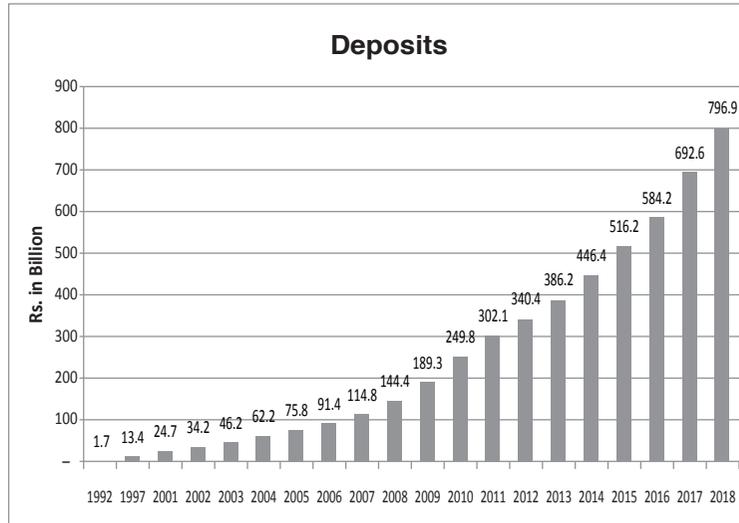
Performance 1992-2018 : Financials

(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%	–



Performance 1992-2018 : 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 2018 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 30, 2019

Abbas D. Habib
Chairman
Board of Directors



DIRECTORS' REPORT

Alhamdulillah, Bank AL Habib Limited has completed 27 years of its operation, and the Directors are pleased to present the Twenty-eighth Annual Report together with the audited financial statements of the Bank for the year ended December 31, 2018.

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

	(Rupees in '000)
Profit for the year before tax	14,263,667
Taxation	(5,846,011)
Profit for the year after tax	8,417,656
Unappropriated profit brought forward	16,179,355
Transfer from surplus on revaluation of fixed assets – net of tax	72,769
Other comprehensive income	(82,044)
	16,170,080
Profit available for appropriations	24,587,736
Appropriations:	
Transfer to Statutory Reserve	(841,766)
Cash dividend – 2017	(3,334,276)
	(4,176,042)
Unappropriated profit carried forward	20,411,694
Basic / Diluted earnings per share – after tax	Rs. 7.57

For the year ended December 31, 2018, the Directors propose a cash dividend of 25%, i.e., Rs. 2.50 per share.

Performance Review

Alhamdulillah, the performance of your Bank continued to be satisfactory during the year. Deposits rose to Rs. 796.9 billion against Rs. 692.6 billion a year earlier, while advances increased to Rs. 478.2 billion from Rs. 339.8 billion. Foreign Trade Business handled by the Bank during the year was Rs. 1,303.9 billion. Profit before tax for the year was Rs. 14.3 billion as compared to Rs. 13.9 billion last year, while profit after tax was Rs. 8.4 billion against Rs. 8.5 billion last year. By the grace of Allah, your Bank's total assets reached to Rs. 1.048 trillion.

During the year, the Bank opened 71 new branches (including one sub-branch), and converted 9 sub-branches into full-fledged branches, bringing our network to 725, which comprises 684 branches (including 71 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. Further, the Bank's wholly owned subsidiary, AL Habib Credit & Finance (Hong Kong) Limited, which had not commenced its business, had been deregistered during the year.

In December 2018, the Bank successfully completed its seventh issue of rated, unsecured, and subordinated Term Finance Certificates (TFCs) amounting to Rs. 4,000 million (inclusive of a "Green Shoe" option of Rs. 1,000 million), through private placement. This private placement was managed and arranged by your Bank. These TFCs have further enhanced the Bank's capital adequacy and will also support future growth in our operations.



AWARDS AND RECOGNITION

Best Bank of the Year 2017 (Mid Sized Banks)

Alhamdulillah, the Bank has received “Best Bank of the Year 2017 (Mid Sized Banks)” award by Chartered Financial Analyst (CFA) Society Pakistan. This award recognized the outstanding performance of any financial institution. This is the sixth time that your Bank has received this award from CFA Society Pakistan.

COMPOSITION OF BOARD OF DIRECTORS

Total number of Directors are as follows:

- Male 10
- Female None

The composition of 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. Ali Raza D. Habib Mr. Anwar Haji Karim Mr. Murtaza H. Habib Syed Mazhar Abbas Mr. Manzoor Ahmed
Executive Director	Mr. Qumail R. Habib

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

Board Meetings

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

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



Committee Meetings

The Listed Companies (Code of Corporate Governance) Regulations, 2017 requires to disclose the formation 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, nine meetings of the Audit Committee, five meetings of the Human Resource & Remuneration Committee, and four meetings of the 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	9	9	Syed Hasan Ali Bukhari Chairman	5	5
Syed Mazhar Abbas	9	8	Syed Mazhar Abbas	5	5
Mr. Anwar Haji Karim	9	9	Mr. Abbas D. Habib*	5	3
Syed Hasan Ali Bukhari	9	9	Mr. Safar Ali Lakhani*	5	3
Mr. Arshad Nasar	9	9	Mr. Arshad Nasar	5	5
			Mr. Anwar Haji Karim**	5	2
			Mr. Murtaza H. Habib**	5	2

* Mr. Abbas D. Habib and Mr. Safar Ali Lakhani attended all meetings of Human Resource & Remuneration Committee after their nomination.

** Mr. Anwar Haji Karim and Mr. Murtaza H. Habib ceased to be members of Human Resource & Remuneration Committee during the year. They attended all meetings of Human Resource & Remuneration Committee while they were its members.

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	4	Mr. Manzoor Ahmed, Chairman	4	4
Mr. Safar Ali Lakhani	4	4	Mr. Qumail R. Habib	4	4
Mr. Qumail R. Habib	4	4	Mr. Mansoor Ali Khan	4	3
Syed Hasan Ali Bukhari	4	4	Mr. Anwar Haji Karim	4	4
Mr. Murtaza H. Habib*	4	1	Mr. Safar Ali Lakhani	4	4
Mr. Arshad Nasar**	4	2			

* Mr. Murtaza H. Habib attended the meeting of the Credit Risk Management Committee after his nomination.

**Mr. Arshad Nasar ceased to be member of Credit Risk Management Committee during the year. He attended all meetings of the Credit Risk Management Committee while he was its member.



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

Directors Training Programme

Out of 10 Directors of the Bank, 7 have already attended the directors' training programme. During the year, no Directors were nominated to the directors' training programme.

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

Pakistan's economy maintained its growth momentum in 2018. GDP has been rising continuously and was the highest during the last 13 years, due to sustainable growth in agriculture, manufacturing, and services. CPEC projects have laid the groundwork of viable economic expansion through infrastructure improvements. The Governments' Economic Reforms aim to encourage exports, SMEs, Housing, Agriculture and Capital Markets, and are expected to contribute to sustainable economic growth. In addition, the Government has received support from friendly countries to augment the foreign exchange reserves of the country. At the same time, challenges relating to current account, fiscal consolidation, and regional geo-politics will need to be addressed on a long-term basis. Nevertheless, we are confident that, by the grace of Allah, the Bank will continue to grow and progress.

Auditors

The Listed Companies (Code of Corporate Governance) Regulations, 2017 requires all listed companies in the financial sector to change their external auditors after every five years. In the light of the Code, the present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retire and having completed five years as auditors, are not eligible for reappointment.

As suggested by the Audit Committee, the Board of Directors has recommended the appointment of EY Ford Rhodes, Chartered Accountants, as auditors of the Bank for the year ending December 31, 2019, at a fee to be mutually agreed.



Risk Management Framework

The Bank always had a risk management framework commensurate with the size of the Bank and the nature of its business. This framework has developed over the years and continues to be refined and improved. A key guiding principle of the Bank is to treat the depositors' money as a trust which must be protected. Therefore, the Bank aims to take business risks in a prudent manner, guided by a conservative outlook. Salient features of the Bank's risk management framework are summarized below:

- Credit risk is managed through the credit policies approved by the Board; a well-defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of credit facilities; and continuous assessment of credit worthiness of counterparties. The Bank has also established a mechanism for independent, post-disbursement review of large credit risk exposures. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.
- Market risk is managed through the market risk policy approved by the Board; approval of counterparty limits and dealer limits; senior management approval for investments; and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Bank, which is monitored on daily basis by the Treasury and the Middle Office. Risk Management Committee of the Board provides overall guidance in managing the Bank's market and liquidity risks, capital adequacy, and integrated risk management (also known as enterprise risk management).
- Operational risk is managed through the audit policy, the operational risk policy, the compliance policy & programme, 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 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. 159.8 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. 6.62 billion paid to the Government of Pakistan during the year; furthermore, an additional amount of over Rs. 12.71 billion was deducted/collected by the Bank on account of withholding taxes, federal excise duties and sales tax on services, and paid to the Government of Pakistan/Provincial Governments.

Statement on Corporate and Financial Reporting

1. The financial statements, prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account have been maintained by the Bank.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements; changes, if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored. The Board's endorsement of the management's evaluation related to Internal Control over Financial Reporting, along with endorsement of overall Internal Controls is given on page 16.
6. Going concern assumption is appropriate. There is no identifiable material uncertainty that raises doubt about the ability of the Bank to continue as a going concern.
7. Key operating and financial data for last six years are summarized below:

	(Rupees in million)					
	2018	2017	2016	2015	2014	2013
Total customer deposits	796,901	692,576	584,172	516,213	446,409	386,161
Total advances	478,215	339,833	261,440	207,289	181,737	167,579
Profit before tax	14,264	13,890	13,164	12,332	9,917	7,513
Profit after tax	8,418	8,501	8,119	7,405	6,349	5,155
Shareholders' Equity	46,283	40,409	35,673	31,698	27,555	23,227
Earnings per share * (Rs.)	7.57	7.65	7.31	6.66	5.71	4.64
Cash Dividend (%)	25	30	35	35	30	20
Stock Dividend (%)	—	—	—	—	—	10

*Earnings per share from 2013 had been recalculated based on the existing paid - up capital.



8. Value of investments of Provident Fund and Gratuity Fund Schemes based on latest audited financial statements as at December 31, 2017 was as follows:

	(Rupees in '000)
Provident Fund	5,082,559
Gratuity Fund	1,579,921

9. The pattern of shareholding and additional information regarding pattern of shareholding is given on pages 120, 121 & 122.
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.
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:
- 92,000 shares sold by an Executive.
 - 5,000 shares purchased by an Executive.

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

General

We wish to thank our customers, for their continued 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 30, 2019



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 10
 - Female None
2. The composition of 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. Ali Raza D. Habib Mr. Anwar Haji Karim Mr. Murtaza H. Habib Syed Mazhar Abbas Mr. Manzoor Ahmed
Executive Director	Mr. Qumail R. Habib

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 (excluding Nominee Director of National Investment Trust Limited, for whom relaxation has been allowed) have confirmed that none of them is serving as a director on more than five 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 company 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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
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. 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 of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. The Board arranged no Directors' Training program for its directors during the year. However, out of 10 Directors of the Bank, 7 have already attended the Directors' Training Program.
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. CFO and CEO 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	Mr. Safar Ali Lakhani	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. Manzoor Ahmed	Chairman
2	Mr. Qumail R. Habib	Member
3	Mr. Mansoor Ali 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	Nine meetings held in the year; at least two every quarter
Human Resource & Remuneration Committee	Five meetings held in the year; at least one every quarter
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 Bank is following the requirements and regulations laid down in section 208 of the Companies Act, 2017 except for the definition of "Related Party", the compliance of which is dependent on the clarification from Securities and Exchange Commission of Pakistan. The Bank has presented the details of all related party transaction as disclosed in the financial statement before the Audit Committee and upon their recommendation to the Board for review and approval.
17. 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 or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. 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.
19. We confirm that all other requirements of the regulations have been complied with.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 30, 2019



INDEPENDENT AUDITOR'S 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, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Bank AL Habib Limited ("the Bank"), for the year ended 31 December 2018 in accordance with the requirements of regulation 40 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 2018.

Karachi: January 30, 2019

KPMG Taseer Hadi & Co.
Chartered Accountants



STATEMENT ON INTERNAL CONTROLS

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

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

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

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

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

The Bank has endeavored to follow the guidelines issued by SBP on internal controls. Updation and review of ICFR exercise for the year 2018 as per SBP Guidelines on Internal Controls has been successfully completed. In accordance with SBP directives, the annual assessment report for the year 2018 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 2019.

ASHAR HUSAIN
Chief Financial Officer

ARIF SAEED KHAN
Head of Internal Audit

Karachi: January 30, 2019

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 30, 2019



INDEPENDENT AUDITOR'S REPORT

To the Members of Bank AL Habib Limited

Report on the Audit of the Unconsolidated 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 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information in which are incorporated the unaudited certified returns received from the branches except for twenty three branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of 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, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the 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 2018 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 Unconsolidated 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 unconsolidated financial statements of the current year. These matters were addressed in the context of our audit of the unconsolidated 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:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Provision against Loans and Advances	
	<p>Refer to note 8 to the unconsolidated financial statements and the accounting policies in note 4.7 to the unconsolidated financial statements.</p> <p>The Bank's advances to the customers represent 45.62% of its total assets. Advances are stated at net of provision amounts to Rs. 478.215 billion which includes provision of Rs. 7.730 billion.</p> <p>The provision against loans and advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and compliance with the Prudential Regulations issued by the State Bank of Pakistan.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Assessed the design and operating effectiveness of manual and automated controls over individual impairment provision including: <ul style="list-style-type: none"> • The accuracy of data input into the system used for credit grading and the approval of credit facilities; • The ongoing monitoring and identification of advances displaying indicators of impairment and whether they are migrating, on a timely basis, to watch list or to non - performing advances; • Identification of past due exposures. • For a risk based sample of Corporate and Retail exposures, challenged management's assessment by reviewing historical performance of the customers and formed our own view whether any impairment indicators are present; • Where management has identified as displaying indicators of impairment, assessed the number of day's overdue and assessed appropriateness of amount reported for provision in accordance with the Prudential Regulations; • Where the management has not identified as displaying indicators of impairment, reviewed the credit history, account movement, financial ratios, reports on security maintained and challenged the management's assessment based on our view of the credit; and



S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> For consumer and SME advances, analyzed the days past due report and factors used for calculation of provision required in accordance with the Prudential Regulations.
2	Impairment of Investments	
	<p>Refer to note 7 to the unconsolidated financial statements and the accounting policies in notes 4.6 and 4.16 to the unconsolidated financial statements.</p> <p>As at 31 December 2018, the Bank has investments classified as “Available-for-sale”, “Held for trading”, “Held to maturity”, “Associates” and “Subsidiary” amounting to Rs. 414.605 billion in aggregate representing 39.55% of the total assets of the Bank.</p> <p>We identified the valuation of investments including determination of impairment allowance on investments classified as ‘Available-for-sale’ as a key audit matter because of its significance in relation to the total assets of the Bank and judgment involved in assessing impairment allowance.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Obtained an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments including impairment allowance against investment classified as available-for-sale; Assessed, on a sample basis, whether available - for - sale investments were valued at fair value based on the last quoted market price and rates quoted by PSX, PKRV, Mutual Fund Association of Pakistan (MUFAP), etc.; and Assessed whether impairment indicators exists against investments classified as available-for-sale and assessed whether impairment is recorded for impaired investments.

Information Other than the Unconsolidated Financial Statements and Auditor’s Report Thereon

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

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 unconsolidated financial statements of the current year 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 unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement 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 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.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

Other Matter

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

Karachi: January 30, 2019

KPMG Taseer Hadi & Co.
Chartered Accountants



**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	31 December 2018	31 December 2017 <i>Restated</i>	01 January 2017 <i>Restated</i>
(Rupees in '000)				
ASSETS				
Cash and balances with treasury banks	5	74,432,172	60,096,155	50,600,041
Balances with other banks	6	7,989,939	4,691,917	2,866,455
Lendings to financial institutions		–	–	–
Investments	7	414,605,406	476,125,054	405,027,569
Advances	8	478,214,578	339,832,911	261,440,098
Fixed assets	9	26,183,149	22,482,946	18,776,218
Intangible assets	10	166,930	70,356	117,813
Deferred tax assets		–	–	–
Other assets	11	46,646,829	40,834,441	29,190,223
		1,048,239,003	944,133,780	768,018,417
LIABILITIES				
Bills payable	12	20,603,682	19,663,349	13,872,057
Borrowings	13	119,038,358	133,499,876	93,717,345
Deposits and other accounts	14	796,900,525	692,576,176	584,171,954
Liabilities against assets subject to finance lease		–	–	–
Subordinated debt	15	14,996,000	10,997,600	3,999,200
Deferred tax liabilities	16	1,350,203	2,528,998	4,131,830
Other liabilities	17	45,798,555	38,991,899	25,612,287
		998,687,323	898,257,898	725,504,673
NET ASSETS		49,551,680	45,875,882	42,513,744
REPRESENTED BY				
Share capital	18	11,114,254	11,114,254	11,114,254
Reserves		14,757,530	12,981,379	11,899,426
Surplus on revaluation of assets	19	3,268,202	5,467,293	6,840,799
Unappropriated profit		20,411,694	16,312,956	12,659,265
		49,551,680	45,875,882	42,513,744
CONTINGENCIES AND COMMITMENTS	20			

The annexed notes 1 to 44 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018	2017 <i>Restated</i>
		(Rupees in '000)	
Mark - up / return / interest earned	22	60,733,138	50,309,377
Mark - up / return / interest expensed	23	(29,839,393)	(24,386,577)
Net mark - up / interest income		30,893,745	25,922,800
NON MARK - UP / INTEREST INCOME			
Fee and commission income	24	4,115,250	3,152,802
Dividend income		444,530	448,177
Foreign exchange income		1,631,947	913,950
Income / (loss) from derivatives		—	—
(Loss) / gain on securities	25	(14,877)	2,739,373
Other income	26	940,383	864,136
Total non mark - up / interest income		7,117,233	8,118,438
Total income		38,010,978	34,041,238
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	27	(23,202,083)	(19,779,278)
Workers welfare fund		(294,534)	(286,537)
Other charges	28	(3,517)	(36,474)
Total non mark - up / interest expenses		(23,500,134)	(20,102,289)
Profit before provisions		14,510,844	13,938,949
Provisions and write offs - net	29	(247,177)	(48,539)
Extra ordinary / unusual items		—	—
PROFIT BEFORE TAXATION		14,263,667	13,890,410
Taxation	30	(5,846,011)	(5,389,376)
PROFIT AFTER TAXATION		8,417,656	8,501,034
		(Rupees)	
Basic and diluted earnings per share	31	7.57	7.65

The annexed notes 1 to 44 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017 <i>Restated</i>
	(Rupees in '000)	
Profit after taxation for the year	8,417,656	8,501,034
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	934,385	168,519
Movement in deficit on revaluation of investments - net of tax	(2,126,322)	(3,093,609)
	(1,191,937)	(2,925,090)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
Remeasurement loss on defined benefit obligations - net of tax	(82,044)	(108,080)
Movement in surplus on revaluation of operating fixed assets - net of tax	-	1,720,550
Movement in surplus on revaluation of non-banking assets - net of tax	-	(447)
	(82,044)	1,612,023
Total comprehensive income	7,143,675	7,187,967

The annexed notes 1 to 44 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017 <i>Restated</i>
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		14,263,667	13,890,410
Less: Dividend income		(444,530)	(448,177)
		13,819,137	13,442,233
Adjustments:			
Depreciation		2,169,169	1,902,078
Amortisation		141,403	102,866
Provision and write - offs		247,177	48,539
Gain on sale of fixed assets		(130,801)	(99,903)
Loss / (gain) on sale / redemption of securities - net		14,877	(2,739,373)
Charge for compensated absences		92,542	71,438
		2,534,367	(714,355)
		16,353,504	12,727,878
Increase in operating assets			
Held - for - trading securities		(37,594)	(174,394)
Advances		(138,305,099)	(78,146,364)
Other assets (excluding advance taxation)		(4,984,097)	(2,718,885)
		(143,326,790)	(81,039,643)
Increase / (decrease) in operating liabilities			
Bills payable		940,333	5,791,292
Borrowings from financial institutions		(14,624,466)	40,743,770
Deposits		104,324,349	108,404,222
Other liabilities		6,692,633	4,624,062
		97,332,849	159,563,346
		(29,640,437)	91,251,581
Income tax paid		(6,615,726)	(6,047,792)
Net cash flow (used in) / from operating activities		(36,256,163)	85,203,789
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		23,897,484	(85,368,472)
Net investments in held to maturity securities		33,604,368	12,418,884
Net investments in associates		58,119	(124,656)
Dividends received		452,944	443,320
Investments in operating fixed assets		(6,114,691)	(3,751,252)
Proceeds from sale of fixed assets		152,539	136,997
Exchange differences on translation of net investments in foreign branches		934,385	168,519
Net cash flow from / (used in) investing activities		52,985,148	(76,076,660)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from subordinated debt		3,998,400	6,998,400
Dividend paid		(3,256,294)	(3,842,714)
Net cash flow from financing activities		742,106	3,155,686
Increase in cash and cash equivalents		17,471,091	12,282,815
Cash and cash equivalents at beginning of the year	32	64,604,599	52,321,784
Cash and cash equivalents at end of the year	32	82,075,690	64,604,599

The annexed notes 1 to 44 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 684 branches (2017: 605 branches), 37 sub - branches (2017: 45 sub - branches) and 04 representative offices (2017: 03 representative offices). The branch network of the Bank includes 03 overseas branches (2017: 03 overseas branches) and 71 Islamic Banking branches (2017: 53 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 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 STATEMENT OF COMPLIANCE

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 SBP 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.

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 International Financial Reporting Standard (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.

SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by the 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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements; except as disclosed in notes 4.2 and 4.3.

SBP prescribed a new format for financial statements of banks effective from the year ended 31 December 2018. Accordingly, these unconsolidated financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these unconsolidated financial statements include:

- Recording of acceptances on-balance sheet item (previously disclosed as off-balance sheet item) (note 11 and 17).
- Inclusion of surplus / deficit on revaluation of assets as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions & write off - net (note 29).

In addition, Companies Act, 2017 also became effective for the financial statements for the year ended 31 December 2018. As the Bank's financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on the financial statements except that for disclosure of related parties transactions, as required by fourth schedule of Companies Act, 2017 the definition of related parties as given in IAS 24 - Related parties has been followed.



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 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Bank's unconsolidated financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including 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'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Bank is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has carried out an impact assessment as at 31 December 2017 which has been submitted to SBP. However, this assessment has not been updated to 31 December 2018 pending notification as to date the standard is applicable for banks.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.



- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Bank's unconsolidated financial statements.
- 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 1 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.
- 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 1 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.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Bank's unconsolidated financial statements.

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 these unconsolidated financial statements are in respect of the following:

	Note
Classification and provisioning against investments	4.6, 4.16 & 29
Classification and provisioning against loans and advances	4.7, 8 & 29
Useful lives of fixed and intangible assets, depreciation, amortisation and revaluation	4.8, 9 & 10
Non - banking assets acquired in satisfaction of claims	4.9 & 11
Accounting for defined benefit plan	4.12 & 34
Provisions against off - balance sheet obligations	4.17 & 17
Current and deferred taxation	4.15, 16 & 30

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 4.6, 4.8, 4.9 and 4.20.

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 4.1, 4.2 and 4.3.

4.1 SBP revised the format for presentation of banks financial statements for the year ended 31 December 2018. This requires a change in accounting policy for deficit / surplus on revaluation of assets which is now required to be shown as part of equity (notes 4.6, 4.8, 7, 9 and 19). Previously, it was shown below the equity. Furthermore, acceptances which were previously reported as an off-balance sheet item are now being reported on the balance sheet (notes 4.27, 11 and 17).

4.2 Surplus on revaluation of fixed assets - net of deferred tax

The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by SECP vide Circular No. 23 dated 04 October 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from 01 January 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in note 5.6 of the annual unconsolidated financial statements for the year ended 31 December 2017), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. Any deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but is to be taken to the profit and loss account as an impairment.



The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	31 December 2017	01 January 2017
	(Rupees in '000)	
Impact on Unconsolidated Statement of Financial Position		
Surplus on revaluation of fixed assets - net of deferred tax	397,965	249,427
Unappropriated profit	358,168	199,542
Statutory reserves	39,797	49,885

4.3 Impairment on financial assets

As per the accounting policy of the Bank, the provision against financial assets of overseas branches is made as per the requirement of the respective regulators. During the year, IFRS 9 'Financial Instruments' became applicable for overseas branches of the Bank. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9, while determining the provisioning requirements against financial assets. Under this standard, provision against financial assets is determined under expected credit loss model. Previously, this was determined under the incurred loss model. Accordingly, on adoption of IFRS 9, an additional provision of Rs. 205.540 million is recognised as at 31 December 2017 which was adjusted in the opening retained earnings as allowed under IFRS 9 and permitted by SBP. The impact of the said changes on these unconsolidated financial statements are as follows:

	31 December 2018	01 January 2018
	(Rupees in '000)	
Impact on Unconsolidated Statement of Financial Position		
Balance with other banks	2	9
Investments	36,075	53,415
Advances	140,185	104,514
Provision against off - balance sheet obligations	47,214	47,602
	<u>223,476</u>	<u>205,540</u>
Less: related deferred tax	(78,217)	(71,939)
	<u>145,259</u>	<u>133,601</u>

**31 December
2018
(Rupees in '000)**

Impact on Unconsolidated Profit and Loss account

- Profit after tax is higher by	<u>20,641</u>
	(Rupees)
- Earnings per share is higher by	<u>0.02</u>

There have been no impact on the unconsolidated cash flow statement.



4.4 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.

4.5 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.

4.6 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.

4.7 Advances

Loans and advances

These are stated net of provisions for non - performing advances. Provision for non - performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of IFRS 9 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. Advances are written-off when there are no realistic prospects of recovery.

Finance lease receivables

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

Ijarah finance

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

Murabaha

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

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 Musharaka Financing limit during the Musharaka 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.

4.8 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. 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 9.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed annually and adjusted, if appropriate. Depreciation is charged on prorata basis, i.e., full month charge in the month of purchase and no charge in the month of disposal.

During the year the Bank changed its accounting policy in respect of the accounting and presentation of revaluation of fixed assets. Previously, the Bank's accounting policy was in accordance with the provisions of the repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the Bank was not aligned with the accounting treatment and presentation of revaluation of fixed assets as prescribed in IAS 16 'Property, Plant and Equipment'. As required by the Companies Act, 2017, the Bank has changed the accounting policy to bring it in conformity with the accounting treatment and presentation of revaluation of fixed assets as specified in IAS 16 'Property, Plant and Equipment'. The detailed information and impact of this change in policy is provided in note 4.2 to these unconsolidated financial statements.

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.

Property and equipment - leased

Leases where the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are accounted for by recording the assets and related liability. These are stated at lower of fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 10. 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.



4.9 Non - banking assets acquired in satisfaction of claims

Non - banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of 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 property is charged to profit and loss account and not capitalised.

4.10 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'.

4.11 Subordinated debt

Subordinated debt are 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.

4.12 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.

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.

4.13 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.

4.14 Revenue recognition

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

4.15 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.

4.16 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. Provision for impairment against debt securities is made in accordance with the requirements of the Prudential Regulations of SBP. In case of unquoted equity securities, the breakup value of the security should be considered to determine impairment amount.

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.

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.

4.17 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.

4.18 Off setting

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

4.19 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.

4.20 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.

4.21 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.

4.22 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 2018.

4.23 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.

4.23.1 Business segments

Retail banking

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

4.23.2 Geographical segments

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

4.26 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.

4.27 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	2018 (Rupees in '000)	2017
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		16,653,027	14,444,792
Foreign currencies		1,566,662	1,552,703
		18,219,689	15,997,495
In transit:			
Local currency		106,914	292,100
Foreign currencies		26,856	127,482
		133,770	419,582
With State Bank of Pakistan in:			
Local currency current accounts	5.1	31,352,756	26,222,529
Local currency current account - Islamic Banking	5.1	2,556,444	1,720,508
Foreign currency deposit accounts			
Cash reserve account	5.1	2,916,100	2,329,803
Cash reserve / special cash reserve account - Islamic Banking		148,166	93,523
Special cash / reserve account	5.1	8,757,757	6,989,409
Local US Dollar collection account	5.2	84,470	47,692
		45,815,693	37,403,464
With National Bank of Pakistan in:			
Local currency current account		10,220,736	6,194,313
Prize bonds		42,284	81,301
		74,432,172	60,096,155

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 0.56% to 1.35% (2017: 0.06% to 0.37%) per annum.

5.2 This represents US Dollar collection account maintained with SBP.



	Note	2018 (Rupees in '000)	2017
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current account		335,200	359,946
In deposit account	6.1	5,361,894	1,000,912
		5,697,094	1,360,858
Outside Pakistan:			
In current account	6.2	2,254,412	1,720,902
In deposit account	6.3	38,435	1,610,157
		2,292,847	3,331,059
		7,989,941	4,691,917
Less: impairment against IFRS 9 in overseas branches		(2)	–
		7,989,939	4,691,917

6.1 These carry expected profit rates ranging from 2.50% to 8.13% (2017: 2.67% to 5.90%) per annum.

6.2 These carry interest rates ranging from 0.30% to 0.50% (2017: 0% to 0.30%) per annum.

6.3 These carry interest rates ranging from 0.55% to 3.42% (2017: 1% to 1.50%) per annum.

7. INVESTMENTS

	Note	2018				2017			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
7.1 Investments by type:		(Rupees in '000)							
Held-for-trading securities									
Shares		285,368	–	(21,920)	263,448	269,179	–	8,389	277,568
Available-for-sale securities	7.3 & 7.4								
Federal Government Securities		354,604,674	–	(1,276,704)	353,327,970	380,733,890	–	2,073,431	382,807,321
Shares		4,675,040	(487,788)	(494,239)	3,693,013	4,717,597	(136,827)	(734,971)	3,845,799
Non Government Debt Securities		4,901,380	–	8,370	4,909,750	2,959,515	–	21,265	2,980,780
Foreign Securities		1,548,752	–	(45,710)	1,503,042	1,467,670	–	13,719	1,481,389
Units of mutual funds		2,175,000	(34,906)	(160,193)	1,979,901	2,175,000	–	(70,655)	2,104,345
		367,904,846	(522,694)	(1,968,476)	365,413,676	392,053,672	(136,827)	1,302,789	393,219,634
Held-to-maturity securities	7.5								
Federal Government Securities		48,049,798	–	–	48,049,798	81,345,190	–	–	81,345,190
Non Government Debt Securities		86,213	–	–	86,213	119,900	–	–	119,900
Foreign Securities		–	–	–	–	275,289	–	–	275,289
		48,136,011	–	–	48,136,011	81,740,379	–	–	81,740,379
Associates	7.6	628,346	–	–	628,346	687,346	–	–	687,346
Subsidiaries	7.7	200,000	–	–	200,000	200,127	–	–	200,127
Impairment as per IFRS 9 in overseas branches	7.3	–	(36,075)	–	(36,075)	–	–	–	–
Total Investments		417,154,571	(558,769)	(1,990,396)	414,605,406	474,950,703	(136,827)	1,311,178	476,125,054



Note	2018				2017			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
7.2 Investments by segments:	(Rupees in '000)							
Federal Government Securities								
Market Treasury Bills	298,677,490	-	(89,876)	298,587,614	329,498,380	-	5,851	329,504,231
Pakistan Investment Bonds	81,918,316	-	(995,196)	80,923,120	115,274,430	-	1,949,932	117,224,362
Foreign Currency Bonds	4,658,020	-	(68,486)	4,589,534	3,725,500	-	94,313	3,819,813
Ijarah Sukuks	6,539,730	-	(39,980)	6,499,750	5,471,536	-	6,069	5,477,605
Sukuks	10,003,773	-	(83,166)	9,920,607	6,966,377	-	21,904	6,988,281
Term Finance Certificates - Unlisted	857,143	-	-	857,143	1,142,857	-	-	1,142,857
	402,654,472	-	(1,276,704)	401,377,768	462,079,080	-	2,078,069	464,157,149
Shares								
Listed Companies	4,856,172	(482,088)	(516,159)	3,857,925	4,940,017	(131,127)	(726,582)	4,082,308
Unlisted Companies	104,236	(5,700)	-	98,536	46,759	(5,700)	-	41,059
	4,960,408	(487,788)	(516,159)	3,956,461	4,986,776	(136,827)	(726,582)	4,123,367
Non Government Debt Securities								
Term Finance Certificates and Sukuks								
Listed								
Term finance certificates	952,788	-	926	953,714	302,729	-	2,869	305,598
Sukuks	1,635,901	-	7,444	1,643,345	817,588	-	18,396	835,984
	2,588,689	-	8,370	2,597,059	1,120,317	-	21,265	1,141,582
Unlisted								
Term finance certificates	199,980	-	-	199,980	100,000	-	-	100,000
Sukuks	2,198,924	-	-	2,198,924	1,859,097	-	-	1,859,097
	2,398,904	-	-	2,398,904	1,959,097	-	-	1,959,097
Foreign Securities								
Government securities	1,548,752	-	(45,710)	1,503,042	780,174	-	12,302	792,476
Non Government Debt securities	-	-	-	-	962,786	-	(3,221)	959,565
	1,548,752	-	(45,710)	1,503,042	1,742,960	-	9,081	1,752,041
Units of mutual funds	2,175,000	(34,906)	(160,193)	1,979,901	2,175,000	-	(70,655)	2,104,345
Associates								
Habib Sugar Mills Limited	182,690	-	-	182,690	182,690	-	-	182,690
Habib Asset Management Limited	81,000	-	-	81,000	60,000	-	-	60,000
First Habib Income Fund	150,000	-	-	150,000	150,000	-	-	150,000
First Habib Stock Fund	10,000	-	-	10,000	10,000	-	-	10,000
First Habib Cash Fund	150,000	-	-	150,000	150,000	-	-	150,000
First Habib Islamic Stock Fund	10,000	-	-	10,000	10,000	-	-	10,000
First Habib Islamic Income Fund	24,656	-	-	24,656	24,656	-	-	24,656
First Habib Asset Allocation Fund	20,000	-	-	20,000	100,000	-	-	100,000
	628,346	-	-	628,346	687,346	-	-	687,346
Subsidiaries								
AL Habib Capital Markets (Private) Limited	200,000	-	-	200,000	200,000	-	-	200,000
AL Habib Credit & Finance (Hong Kong) Limited 7.7.1	-	-	-	-	127	-	-	127
	200,000	-	-	200,000	200,127	-	-	200,127
Impairment as per IFRS 9 in overseas branches	-	(36,075)	-	(36,075)	-	-	-	-
Total Investments	417,154,571	(558,769)	(1,990,396)	414,605,406	474,950,703	(136,827)	1,311,178	476,125,054



	2018	2017
	(Rupees in '000)	
7.2.1 Investments given as collateral		
Market Treasury Bills		
Carrying value	56,804,498	85,665,688
Deficit	(31,410)	(4,887)
	56,773,088	85,660,801
7.3 Provision for diminution in value of investments		
Available for sale investments:		
Opening balance	136,827	5,700
IFRS 9 impairment adjustment in overseas branches	53,415	-
Revised opening balance	190,242	5,700
Exchange adjustments against IFRS 9 in overseas branches	13,721	-
Charge / reversals		
Charge for the year	385,867	131,127
Reversal of impairment as per IFRS 9 in overseas branches	(31,061)	-
	354,806	131,127
Closing Balance	558,769	136,827
7.4 Quality of Available for Sale Securities		
Details regarding quality of available for sale securities are as follows:		
	Cost	
	2018	2017
	(Rupees in '000)	
7.4.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	298,677,490	329,498,380
Pakistan Investment Bonds	38,436,394	37,599,811
Foreign Currency Bonds	2,206,078	1,764,860
Ijarah Sukuks	6,539,730	5,471,536
Sukuks	7,887,839	5,256,446
Term Finance Certificates - Unlisted	857,143	1,142,857
	354,604,674	380,733,890



		Cost			
		2018	2017		
		(Rupees in '000)			
7.4.2 Shares					
7.4.2.1 Listed Companies					
Automobile Assembler		199,842	199,842		
Cement		292,921	292,921		
Commercial Banks		150,024	250,058		
Fertilizer		1,298,222	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		1,581,736	1,581,736		
Technology & Communication		13,140	13,140		
Textile Composite		40,644	40,644		
		4,570,804	4,670,838		
		2018	2017		
7.4.2.2 Unlisted Companies		Cost	Breakup value	Cost	Breakup value
		(Rupees in '000)			
Khushhali Bank Limited	30,000	111,803	30,000	86,870	
Pakistan Export Finance Guarantee Agency Limited	5,700	-	5,700	-	
Society for Worldwide Interbank Financial					
Telecommunication (S.W.I.F.T)	18,536	-	9,829	-	
Pakistan Mortgage Refinance Company Limited	50,000	50,746	1,230	1,233	
		104,236	162,549	46,759	88,103
		Cost			
		2018	2017		
		(Rupees in '000)			
7.4.3 Non Government Debt Securities					
7.4.3.1 Listed					
AA+		635,901	817,588		
AA		152,788	152,849		
AA-		500,000	-		
A+		1,000,000	149,880		
A		300,000	-		
		2,588,689	1,120,317		
7.4.3.2 Unlisted					
AA		900,000	-		
AA-		450,000	900,000		
A+		687,711	839,198		
A		175,000	-		
A-		99,980	100,000		
		2,312,691	1,839,198		



7.4.4 Foreign Securities	2018		2017	
	Cost	Rating	Cost (Rupees in '000)	Rating
Government Securities				
Bahrain	277,724	B	220,834	BB+
Srilanka	1,271,028	B	559,340	B+
	<u>1,548,752</u>		<u>780,174</u>	
Non Government Debt Securities				
			Cost	
			2018	2017
			(Rupees in '000)	
Listed				
B+			-	687,496
7.4.5 Units of mutual funds			<u>2,175,000</u>	<u>2,175,000</u>
7.5 Particulars relating to Held to Maturity securities are as follows:				
Federal Government Securities - Government guaranteed				
Pakistan Investment Bonds	43,481,922		77,674,619	
Foreign Currency Bonds	2,451,942		1,960,640	
Sukuks	2,115,934		1,709,931	
	<u>48,049,798</u>		<u>81,345,190</u>	
Non Government Debt Securities - Unlisted				
A+			<u>86,213</u>	<u>119,900</u>
Foreign Securities				
Non Government Debt Securities - Listed			-	<u>275,289</u>
7.5.1	The market value of securities classified as held to maturity at 31 December 2018 amounted to Rs. 47,754 million (2017: Rs. 87,714 million).			



7.6 Associates

2018	2017	Name of companies / funds	Note	2018	2017
No. of ordinary shares / units				(Rupees in '000)	
9,415,312	9,415,312	Habib Sugar Mills Limited % of holding: 6.28% (2017: 6.28%) Par value per share: Rs. 5 Market value: Rs. 348.367 million (2017: Rs. 334.903 million) Chief Executive: Mr. Raeesul Hasan	7.6.2	182,690	182,690
9,000,000	6,900,000	Habib Asset Management Limited % of holding: 30% (2017: 30%) Par value per share: Rs. 10 Break - up value per share: Rs. 8.24 (2017: Rs. 10.18) based on audited financial statements for the year ended 30 June 2018 Chief Executive: Mr. Imran Azim	7.6.3	81,000	60,000
1,363,808	1,363,808	First Habib Income Fund Average cost per unit: Rs. 109.99 (2017: Rs. 109.99) Net asset value: Rs. 103.59 (2017: Rs. 104.33) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		150,000	150,000
100,000	100,000	First Habib Stock Fund Average cost per unit: Rs. 100 (2017: Rs. 100) Net asset value: Rs. 78.92 (2017: Rs. 85.49) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		10,000	10,000
1,392,189	1,392,189	First Habib Cash Fund Average cost per unit: Rs. 107.74 (2017: Rs. 107.74) Net asset value: Rs. 100.89 (2017: Rs. 103.01) 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 Average cost per unit: Rs. 99.08 (2017: Rs. 99.08) Net asset value: Rs. 79.53 (2017: Rs. 83.55) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		10,000	10,000
250,421	250,421	First Habib Islamic Income Fund Average cost per unit: Rs. 98.46 (2017: Rs. 98.46) Net asset value: Rs. 102.80 (2017: Rs. 101.31) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		24,656	24,656
200,149	1,000,746	First Habib Asset Allocation Fund Average cost per unit: Rs. 99.93 (2017: Rs. 99.93) Net Asset Value: Rs. 95.85 (2017: Rs. 100.10) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		20,000	100,000
				628,346	687,346

7.6.1 The above associates are incorporated in Pakistan.



8. ADVANCES

Note	Performing		Non Performing		Total	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	408,233,880	286,424,388	5,059,552	5,135,877	413,293,432	291,560,265
Islamic financing and related assets	49,708,261	34,858,102	8,724	957	49,716,985	34,859,059
Bills discounted and purchased	22,767,224	20,894,482	167,116	151,765	22,934,340	21,046,247
Advances - gross	480,709,365	342,176,972	5,235,392	5,288,599	485,944,757	347,465,571
Provision against advances						
- Specific	-	-	4,351,895	4,399,564	4,351,895	4,399,564
- General as per regulations	238,099	233,096	-	-	238,099	233,096
- General	3,000,000	3,000,000	-	-	3,000,000	3,000,000
- As per IFRS 9 in overseas branches	140,185	-	-	-	140,185	-
	3,378,284	3,233,096	4,351,895	4,399,564	7,730,179	7,632,660
Advances - net of provision	477,331,081	338,943,876	883,497	889,035	478,214,578	339,832,911

8.1 Includes net investment in finance lease as disclosed below:

	2018			2017		
	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	7,337,208	9,674,905	17,012,113	5,300,697	7,826,360	13,127,057
Residual value	1,096,338	4,442,641	5,538,979	456,654	3,347,055	3,803,709
Minimum lease payments	8,433,546	14,117,546	22,551,092	5,757,351	11,173,415	16,930,766
Financial charges for future periods	(1,294,217)	(1,292,929)	(2,587,146)	(765,289)	(813,454)	(1,578,743)
Present value of minimum lease payments	7,139,329	12,824,617	19,963,946	4,992,062	10,359,961	15,352,023

8.2 Particulars of advances (Gross)

	2018	2017
	(Rupees in '000)	
In local currency	428,995,512	300,654,190
In foreign currencies	56,949,245	46,811,381
	485,944,757	347,465,571



8.3 Advances include Rs. 5,235.392 million (2017: Rs. 5,288.599 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	10,715	998	25,472	356
Substandard	44,963	10,869	151,761	37,171
Doubtful	1,621,874	796,947	1,406,425	689,214
Loss	2,496,394	2,481,635	2,720,279	2,688,161
	<u>4,173,946</u>	<u>3,290,449</u>	<u>4,303,937</u>	<u>3,414,902</u>
Overseas				
Overdue by:				
> 365 days	1,061,446	1,061,446	984,662	984,662
Total	<u>5,235,392</u>	<u>4,351,895</u>	<u>5,288,599</u>	<u>4,399,564</u>

8.4 Particulars of provision against advances

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	4,399,564	3,233,096	7,632,660	4,882,330	2,944,839	7,827,169
Provision as per IFRS 9 in overseas branches	-	104,514	104,514	-	-	-
Revised opening balance	4,399,564	3,337,610	7,737,174	4,882,330	2,944,839	7,827,169
Exchange adjustments	218,348	26,933	245,281	51,940	-	51,940
Charge for the year						
- Specific provision	354,961	-	354,961	433,987	-	433,987
- General provision as per regulations	-	5,003	5,003	-	38,257	38,257
- General provision for loans and advances	-	-	-	-	250,000	250,000
- As per IFRS 9 in overseas branches	-	8,738	8,738	-	-	-
Reversals	(445,270)	-	(445,270)	(968,693)	-	(968,693)
	(90,309)	13,741	(76,568)	(534,706)	288,257	(246,449)
Amounts written off 8.5	(175,708)	-	(175,708)	-	-	-
Closing balance	<u>4,351,895</u>	<u>3,378,284</u>	<u>7,730,179</u>	<u>4,399,564</u>	<u>3,233,096</u>	<u>7,632,660</u>



8.4.1 Particulars of provision against advances

	2018			2017		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
In local currency	3,290,449	3,238,099	6,528,548	3,414,902	3,233,096	6,647,998
In foreign currencies	1,061,446	140,185	1,201,631	984,662	-	984,662
	<u>4,351,895</u>	<u>3,378,284</u>	<u>7,730,179</u>	<u>4,399,564</u>	<u>3,233,096</u>	<u>7,632,660</u>

8.4.2 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.

8.5 PARTICULARS OF WRITE OFFS

	Note	2018 (Rupees in '000)	2017
8.5.1 Against Provisions Directly charged to Profit & Loss account	8.4	175,708 -	- -
		<u>175,708</u>	<u>-</u>
8.5.2 Write Offs of Rs. 500,000 and above - Domestic - Write Offs of below Rs. 500,000	8.6	175,694 14	- -
		<u>175,708</u>	<u>-</u>

8.6 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	2018 (Rupees in '000)	2017
9. FIXED ASSETS			
Capital work - in - progress	9.1	1,433,875	1,046,851
Property and equipment	9.2	24,749,274	21,436,095
		<u>26,183,149</u>	<u>22,482,946</u>
9.1 Capital work - in - progress			
Civil works		498,060	443,461
Advance payment towards suppliers, contractors and property		914,905	592,442
Consultants' fee and other charges		20,910	10,948
		<u>1,433,875</u>	<u>1,046,851</u>



9.3 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 2018 would have been as follows:

	2018	2017
	(Rupees in '000)	
Leasehold land	<u>4,788,144</u>	<u>4,788,144</u>
Buildings on leasehold land	<u>4,836,414</u>	<u>4,991,562</u>

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

Furniture and fixture	188,231	158,769
Electrical, office and computer equipment	2,718,039	2,495,540
Vehicles	547,077	338,955
	<u>3,453,347</u>	<u>2,993,264</u>

9.5 Details of disposal of fixed assets during the year:

Particulars	Cost	Book value	Insurance claim
	(Rupees in '000)		
Habib Insurance Company Limited - (Related Party - Karachi)			
Furniture and fixtures	<u>227</u>	<u>203</u>	<u>130</u>
Electrical, office and computer equipment	<u>682</u>	<u>501</u>	<u>512</u>
Vehicles	<u>6,347</u>	<u>3,806</u>	<u>5,664</u>



10. INTANGIBLE ASSETS

2018
2017
(Rupees in '000)

Computer software

At 01 January,

Cost	632,194	584,394
Accumulated amortisation	(561,838)	(466,581)
Net book value	70,356	117,813

Year ended 31 December,

Opening net book value	70,356	117,813
Additions: directly purchased	230,368	47,800
Amortisation charge	(133,794)	(95,257)
Closing net book value	166,930	70,356

At 31 December,

Cost	862,562	632,194
Accumulated amortisation	(695,632)	(561,838)
Net book value	166,930	70,356
Rate of amortisation (percentage)	50%	50%
Useful life	2 Years	2 Years

10.1 As at 31 December 2018, the cost of fully amortised intangible assets still in use amounted to Rs. 590.600 million (2017: Rs. 451.997 million).

11. OTHER ASSETS

Note 2018
2017
Restated
(Rupees in '000)

Income / mark - up accrued in local currency - net of provision	10,391,678	8,867,043
Income / mark - up accrued in foreign currency - net of provision	390,718	291,588
Advances, deposits, advance rent and other prepayments	1,209,722	871,174
Advance taxation (payments less provisions)	1,457,872	605,891
Non - banking assets acquired in satisfaction of claims	11.1 806,254	794,885
Mark to market gain on forward foreign exchange contracts	1,133,980	1,856,764
Acceptances	28,771,029	25,082,185
Stationery and stamps on hand	218,772	149,672
Receivable from SBP on encashment of Government Securities	325,478	276,847
Non - refundable deposits	43,455	51,064
ATM settlement account	965,926	1,141,959
Receivable against securities	6,222	331,940
Others	902,808	488,469
	46,623,914	40,809,481
Less: Provision held against other assets	11.2 (7,279)	(6,486)
Other Assets (net of provision)	46,616,635	40,802,995
Surplus on revaluation of non - banking assets acquired in satisfaction of claims	30,194	31,446
Other Assets - total	46,646,829	40,834,441

11.1 Market value of Non - banking assets acquired in satisfaction of claims 885,443 801,537



	Note	2018 (Rupees in '000)	2017
11.1.1 Non - banking assets acquired in satisfaction of claims			
Opening Balance		826,331	189,437
Additions		56,764	617,220
Revaluation		–	25,569
Transferred to CWIP		(39,860)	–
Accumulated depreciation adjusted against revaluation		–	(5,377)
Accumulated depreciation		(6,787)	(518)
Closing Balance		<u>836,448</u>	<u>826,331</u>
11.2 Provision held against other assets			
Receivable against consumer loans		<u>7,279</u>	<u>6,486</u>
11.2.1 Movement in provision held against other assets			
Opening balance		6,486	3,752
Charge for the year		1,485	3,845
Reversals		(605)	(875)
		880	2,970
Amount written off		(87)	(236)
Closing balance		<u>7,279</u>	<u>6,486</u>
12. BILLS PAYABLE			
In Pakistan		<u>20,603,682</u>	<u>19,663,349</u>
13. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	13.1	33,445,797	27,980,020
Under renewable energy	13.2	3,885,244	3,884,507
Under long term financing for imported and locally manufactured plant and machinery	13.3	13,444,746	10,616,620
Under modernisation of small and medium enterprises	13.4	116,354	–
Under women entrepreneurship	13.5	8,476	–
Under financing facility for storage of agricultural produce	13.6	26,967	55,917
		50,927,584	42,537,064
Repurchase agreement borrowings	13.7	56,714,334	85,619,654
Total secured		107,641,918	128,156,718
Unsecured			
Call borrowings	13.8	1,500,000	–
Borrowings from financial institutions	13.9	9,550,019	5,159,685
Overdrawn nostro accounts		346,421	183,473
		11,396,440	5,343,158
Total unsecured		119,038,358	133,499,876



- 13.1** These carry mark - up rates ranging from 1% to 2% (2017: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.
- 13.2** These carry mark - up rate of 2% (2017: 2%) per annum having maturity periods upto ten years.
- 13.3** These carry mark - up rates ranging from 2% to 6% (2017: 2% to 6.50%) per annum having maturity periods upto ten years.
- 13.4** These carry mark - up rate of 2% (2017: Nil) per annum having maturity periods upto five years.
- 13.5** These carry mark - up rate of 0% (2017: Nil) per annum having maturity periods upto five years.
- 13.6** These carry mark - up rate of 3.50% (2017: 3.50%) per annum having maturity periods upto two years.
- 13.7** These repurchase agreement borrowings are secured against market treasury bills, which carry effective yield rates ranging from 10.10% to 10.35% (2017: 5.82% to 6%) per annum, having maturity periods upto one month.
- 13.8** These carry mark - up rate of 10.25% (2017: Nil) per annum having maturity periods upto one month.
- 13.9** These carry mark - up rates ranging from 0.50% to 3.48% (2017: 1.85% to 2.05%) per annum having maturity periods upto two months.

13.10 Particulars of borrowings with respect to currencies	2018	2017
	(Rupees in '000)	
In local currency	109,152,837	128,156,718
In foreign currencies	9,885,521	5,343,158
	119,038,358	133,499,876

14. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	259,924,538	27,655,719	287,580,257	227,849,411	22,741,768	250,591,179
Savings deposits	190,726,381	35,939,386	226,665,767	166,946,235	29,037,677	195,983,912
Term deposits	128,918,633	27,556,178	156,474,811	110,914,018	22,595,266	133,509,284
Current deposits - remunerative	82,817,947	550,054	83,368,001	76,136,632	541,752	76,678,384
Others	10,802,035	8,189,454	18,991,489	6,595,968	3,640,306	10,236,274
	673,189,534	99,890,791	773,080,325	588,442,264	78,556,769	666,999,033
Financial institutions						
Current deposits	1,284,400	358,311	1,642,711	3,039,338	265,131	3,304,469
Savings deposits	11,836,148	15	11,836,163	3,762,587	12	3,762,599
Term deposits	289,001	454,768	743,769	5,438,501	887,228	6,325,729
Current deposits - remunerative	7,226,357	2,285,052	9,511,409	10,220,046	1,964,300	12,184,346
Others	86,148	-	86,148	-	-	-
	20,722,054	3,098,146	23,820,200	22,460,472	3,116,671	25,577,143
	693,911,588	102,988,937	796,900,525	610,902,736	81,673,440	692,576,176



	2018 (Rupees in '000)	2017
14.1 Composition of deposits:		
- Individuals	501,490,801	438,133,277
- Government (Federal and Provincial)	19,258,183	18,436,912
- Public Sector Entities	46,636,750	40,716,117
- Banking Companies	127,149	694,750
- Non-Banking Financial Institutions	23,693,050	24,882,393
- Private Sector	205,694,592	169,712,727
	<u>796,900,525</u>	<u>692,576,176</u>

14.2 This includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 472,214 million as per balances held on 31 December 2017.

	Note	2018 (Rupees in '000)	2017
15 SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	15.1	3,996,000	3,997,600
Term Finance Certificates (TFCs) - VI - (Unquoted)	15.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	15.3	4,000,000	-
		<u>14,996,000</u>	<u>10,997,600</u>

15.1 Term Finance Certificates - V (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	March 2016
Maturity date	March 2026
Rating	AA
Profit payment frequency	six monthly
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 and /or have them immediately written off (either partially or in full).



15.2 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	Neither 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 and /or have them immediately written off (either partially or in full).

15.3 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%; 114th and 120th month: 49.98% each
Mark-up	6-Months KIBOR (ask side) + 1.00% per annum.
Call option	On or after five years
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 and /or have them immediately written off (either partially or in full).



16. DEFERRED TAX LIABILITIES

2018

	At 01 January 2018	Impairment impact of IFRS 9 in overseas branches	Revised balance as at 01 January 2018	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2018
	(Rupees in '000)					
Deductible Temporary Differences on						
Remeasurement of defined benefit plan	202,220	-	202,220	44,177	-	246,397
Provision against diminution in the value of investments	(46,464)	-	(46,464)	(135,054)	-	(181,518)
Provision against loans and advances, off balance sheet, etc.	(113,900)	-	(113,900)	108,345	-	(5,555)
Impairment as per IFRS 9 in overseas branches	-	(71,939)	(71,939)	(6,278)	-	(78,217)
	41,856	(71,939)	(30,083)	11,190	-	(18,893)
Taxable Temporary Differences on						
Accelerated tax depreciation	965,402	-	965,402	76,688	-	1,042,090
Surplus on revaluation of fixed assets / non - banking assets	1,062,827	-	1,062,827	(39,183)	-	1,023,644
Surplus on revaluation of held for trading investments	2,937	-	2,937	(10,608)	-	(7,671)
Surplus on revaluation of available for sale investments	455,976	-	455,976	-	(1,144,943)	(688,967)
	2,487,142	-	2,487,142	26,897	(1,144,943)	1,369,096
	2,528,998	(71,939)	2,457,059	38,087	(1,144,943)	1,350,203

2017

	At 01 January 2017	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2017
	(Rupees in '000)			
Deductible Temporary Differences on				
Remeasurement of defined benefit plan	144,023	58,197	-	202,220
Provision against diminution in the value of investments	(570)	(45,894)	-	(46,464)
Provision against loans and advances, off balance sheet etc.	(32,071)	(81,829)	-	(113,900)
	111,382	(69,526)	-	41,856
Taxable Temporary Differences on				
Accelerated tax depreciation	1,126,519	(161,117)	-	965,402
Surplus on revaluation of fixed assets / non - banking assets	770,977	(34,548)	326,398	1,062,827
Surplus on revaluation of held for trading investments	1,186	1,751	-	2,937
Surplus on revaluation of available for sale investments	2,121,766	-	(1,665,790)	455,976
	4,020,448	(193,914)	(1,339,392)	2,487,142
	4,131,830	(263,440)	(1,339,392)	2,528,998



	Note	2018	2017 <i>Restated</i>
(Rupees in '000)			
17. OTHER LIABILITIES			
Mark - up / return / interest payable in local currency		2,973,219	2,180,766
Mark - up / return / interest payable in foreign currencies		231,537	136,876
Unearned commission income		204,609	160,471
Accrued expenses		1,026,805	872,244
Acceptances		28,771,029	25,082,185
Unclaimed dividends		415,647	337,665
Mark to market loss on forward foreign exchange contracts		614,896	765,265
Branch adjustment account		717,339	176,040
Payable to defined benefit plan		703,992	577,771
Charity payable		14,218	6,464
Provision against off - balance sheet items	17.1	116,600	113,236
Security deposits against leases / ijarah		5,940,336	4,116,258
Provision for compensated absences	17.2	585,739	489,346
Special exporters' accounts in foreign currencies		41,936	70,926
Other security deposits		506,331	469,782
Workers' welfare fund		1,303,162	1,008,628
Payable to SBP / NBP		223,763	728,561
Payable to supplier against murabaha		44,886	258,944
Payable against purchase of securities		22,083	50,961
Insurance payable		490,757	363,581
Others		849,671	1,025,929
		45,798,555	38,991,899
17.1 Provision against off - balance sheet obligations			
Opening balance		113,236	102,257
IFRS 9 impairment adjustment in overseas branches		47,602	—
Revised opening balance		160,838	102,257
Exchange adjustment against IFRS 9 in overseas branches		12,263	—
Charge for the year		13,827	39,515
Reversals		(70,328)	(28,536)
		(56,501)	10,979
Closing balance		116,600	113,236
17.1.1 The provision against off-balance sheet obligations includes provision in respect of letter of guarantees and shipping guarantee.			
17.2 Provision for compensated absences has been determined on the basis of independent actuarial valuation. The significant assumptions used for actuarial valuation were as follows:			
		2018	2017
		(% per annum)	
Discount rate		12.75%	8.75%
Expected rate of increase in salary in future years		11.75%	7.75%



18. SHARE CAPITAL

18.1 Authorized Capital

2018	2017		2018	2017
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>

18.2 Issued, subscribed and paid up capital

2018	2017		2018	2017
Number of shares				
<u>30,000,000</u>	30,000,000	Fully paid in cash	<u>300,000</u>	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>

18.3 As of statement of financial position date 198,396,189 (2017: 198,796,105) ordinary shares of Rs. 10/- each were held by the related parties.

Note	2018	2017 <i>Restated</i>
	(Rupees in '000)	

19. SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of

- Available for sale securities	7.1	(1,968,476)	1,302,789
- Fixed Assets	19.1	5,605,295	5,715,321
- Non - banking assets acquired in satisfaction of claims	19.2	36,408	38,334
		3,673,227	7,056,444

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

- Available for sale securities		(688,967)	455,976
- Fixed Assets	19.1	1,087,778	1,126,287
- Non - banking assets acquired in satisfaction of claims	19.2	6,214	6,888
		405,025	1,589,151
		3,268,202	5,467,293

19.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at 01 January		5,715,321	3,726,875
Recognised during the year		-	2,101,377
Realised on disposal during the year - net of deferred tax		-	(14,910)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(110,026)	(98,021)
Surplus on revaluation of fixed assets as at 31 December		5,605,295	5,715,321
Less: related deferred tax liability on:			
- revaluation as at 01 January		1,126,287	837,941
- revaluation recognised during the year		-	322,703
- surplus realised on disposal during the year		-	(49)
- incremental depreciation charged during the year		(38,509)	(34,308)
		1,087,778	1,126,287
		4,517,517	4,589,034



	Note	2018	2017 Restated
(Rupees in '000)			
19.2 Surplus on revaluation of non - banking assets acquired in satisfaction of claims			
Surplus on revaluation as at 01 January		38,334	13,452
Recognised during the year		-	25,569
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,926)	(687)
Surplus on revaluation as at 31 December		36,408	38,334
Less: related deferred tax liability on:			
- revaluation as at 01 January		6,888	2,009
- revaluation recognised during the year		-	5,119
- incremental depreciation charged during the year		(674)	(240)
		6,214	6,888
		<u>30,194</u>	<u>31,446</u>
20. CONTINGENCIES AND COMMITMENTS			
- Guarantees	20.1	66,873,212	60,658,428
- Commitments	20.2	217,907,165	189,286,984
- Other contingent liability	20.3	4,716,420	4,718,920
		<u>289,496,797</u>	<u>254,664,332</u>
20.1 Guarantees:			
Financial guarantees		9,633,948	6,616,717
Performance guarantees		57,239,264	54,041,711
		<u>66,873,212</u>	<u>60,658,428</u>
20.2 Commitments:			
Documentary credits and short term trade - related transactions			
- letters of credit		109,275,067	107,446,195
Commitments in respect of:			
- forward foreign exchange contracts	20.2.1	103,620,742	71,165,412
- forward lending	20.2.2	3,916,624	9,565,312
Commitments for acquisition of:			
- operating fixed assets		1,094,732	1,110,065
		<u>217,907,165</u>	<u>189,286,984</u>
20.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		70,584,095	46,725,785
Sale		33,036,647	24,439,627
		<u>103,620,742</u>	<u>71,165,412</u>

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



	2018	2017
	(Rupees in '000)	
20.2.2 Commitments in respect of forward lending	<u>3,916,624</u>	<u>9,565,312</u>
20.2.2.1 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.		
20.3 Claims against the Bank not acknowledged as debts	<u>4,716,420</u>	<u>4,718,920</u>
20.4 Other contingent liabilities		

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2017 (Tax Year 2018). The income tax assessments of the Bank are complete upto tax year 2015.

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. 797.233 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. 662.616 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Deputy Commissioner Inland Revenue has finalized audit 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 audit 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.

Deputy Commissioner Inland Revenue have 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 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.

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

21. 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.



	Note	2018 (Rupees in '000)	2017
22. MARK - UP / RETURN / INTEREST EARNED			
On loans and advances		28,604,517	18,229,107
On investments		31,648,623	31,829,112
On deposits with financial institutions		288,539	175,195
On securities purchased under resale agreements		183,322	75,521
On call money lendings		8,137	442
		<u>60,733,138</u>	<u>50,309,377</u>
23. MARK - UP / RETURN / INTEREST EXPENSED			
Deposits		25,134,132	19,465,636
Borrowings from SBP		929,798	697,527
Subordinated debt		911,973	292,520
Cost of foreign currency swaps		529,108	534,588
Repurchase agreement borrowings		2,015,395	3,207,554
Other borrowings		318,987	188,752
		<u>29,839,393</u>	<u>24,386,577</u>
24. FEE & COMMISSION INCOME			
Branch banking customer fees		227,013	198,988
Card related fees (debit and credit cards)		457,563	428,680
Credit related fees		185,820	192,350
Commission on trade		2,632,642	1,873,873
Commission on guarantees		381,930	267,550
Commission on cash management		177,864	143,493
Commission on home remittances		43,556	42,626
Others		8,862	5,242
		<u>4,115,250</u>	<u>3,152,802</u>
25. (LOSS) / GAIN ON SECURITIES			
Realised	25.1	15,432	2,734,369
Unrealised - held for trading	7.1	(30,309)	5,004
		<u>(14,877)</u>	<u>2,739,373</u>
25.1 Realised gain on:			
Federal Government Securities		(1,897)	1,525,966
Shares		18,060	960,530
Non Government Debt Securities		150	(3,573)
Mutual funds		(881)	251,446
		<u>15,432</u>	<u>2,734,369</u>
26. OTHER INCOME			
Rent on property		2,100	2,100
Gain on sale of fixed assets - net		130,801	99,903
Recovery of expenses from customers		267,098	250,142
Lockers rent		8,157	6,460
Cheque book issuance / cheque return charges		269,354	249,330
Banking charges		254,165	174,717
Compensation received on delayed refund of tax		-	72,939
Others		8,708	8,545
		<u>940,383</u>	<u>864,136</u>



	Note	2018 (Rupees in '000)	2017
27. OPERATING EXPENSES			
Total compensation expenses	27.1	10,228,915	8,799,839
Property expense			
Rent & taxes		1,571,697	1,534,958
Insurance		20,347	19,927
Utilities cost		880,605	764,240
Security (including guards)		852,391	741,495
Repair & maintenance (including janitorial charges)		211,402	167,930
Depreciation		699,730	611,254
Amortisation		7,609	7,609
		4,243,781	3,847,413
Information technology expenses			
Software maintenance		2,784	1,017
Hardware maintenance		391,894	272,519
Depreciation		261,899	219,067
Amortisation		133,794	95,257
Network charges		316,670	276,278
		1,107,041	864,138
Other operating expenses			
Directors' fees and allowances		42,925	38,242
Fees and allowances to Shariah Board		8,096	6,465
Insurance		312,780	245,520
Legal & professional charges		164,108	177,064
Outsourced services costs	33	1,194,990	973,546
Travelling & conveyance		217,597	160,088
NIFT & other clearing charges		113,789	101,606
Depreciation		1,207,540	1,071,757
Repair and maintenance		1,148,946	940,731
Training & development		47,145	38,280
Postage & courier charges		192,913	154,991
Communication		239,381	199,573
Stationery & printing		548,145	422,755
Marketing, advertisement & publicity		275,545	238,200
Donations	27.2	159,761	124,229
Auditors Remuneration	27.3	6,596	4,551
Commission and brokerage		176,113	127,777
Entertainment and staff refreshment		300,288	247,587
Vehicle running expenses		622,930	424,847
Subscriptions and publications		100,807	67,495
CNIC verification charges		66,578	44,446
Security charges		229,872	197,850
Others		245,501	260,288
		7,622,346	6,267,888
		23,202,083	19,779,278

Total cost for the year included in other operating expenses relating to material outsourced activities is Rs. 22.384 million (2017: Rs. 17.007 million) paid to a company incorporated outside Pakistan.



Material Outsourcing Arrangements:

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

	2018	2017
	(Rupees in '000)	
27.1 Total compensation expense		
Fees and allowances etc.	237,254	210,578
Managerial Remuneration	6,328,019	5,419,069
Charge for defined benefit plan	313,225	255,158
Contribution to defined contribution plan	445,591	376,862
Rent & house maintenance	1,919,127	1,643,251
Utilities	480,592	410,723
Medical	361,961	322,997
Conveyance	34,871	32,195
Charge for employees compensated absences	92,542	71,438
Social security	3,005	9,469
Employees old age benefit institution	-	37,430
Staff indemnity	12,728	10,669
Grand Total	10,228,915	8,799,839
27.2 The detail of donations is given below:		
Al-Sayyeda Benevolent Trust	3,000	1,500
Alif Noon Parents Foundation	-	1,000
Bank AL Habib Staff Benefit Trust	50,000	50,000
Childlife Foundation	5,000	5,000
Habib Education Trust	13,000	1,500
Habib Medical Trust	3,000	1,500
Habib Poor Fund	3,000	1,500
Institute of Management Sciences, Bahauddin Zakariya University	1,000	1,000
Panah Trust	-	500
Patients' Aid Foundation	52,828	50,829
Rahmatbai Habib Food and Clothing Trust	3,000	1,500
Rahmatbai Habib Widows and Orphans Trust	3,000	1,500
The Citizens Foundation	4,800	4,400
The Supreme Court of Pakistan and the Prime Minister of Pakistan		
Diamer-Bhasha and Mohmand Dams Fund	18,133	-
The Society for Rehabilitation of Special Children	-	2,500
	159,761	124,229
27.3 Auditors' remuneration		
Audit fee	2,833	2,375
Half yearly review	825	750
Special certifications	2,301	475
Gratuity fund	91	83
Out of pocket expenses	546	868
	6,596	4,551
28. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	3,517	36,474



	Note	2018 (Rupees in '000)	2017
29. PROVISIONS & WRITE OFFS - NET			
Reversal against balances with other banks		(9)	–
Provisions for diminution in value of investments	7.3	354,806	131,127
Reversal against loans and advances - net	8.4	(76,568)	(246,449)
(Reversal) / provision against off - balance sheet items	17.1	(56,501)	10,979
Provision against other assets	11.2.1	880	2,970
Loss on closure of subsidiary		24,569	–
Loss on revaluation of fixed assets		–	149,912
		<u>247,177</u>	<u>48,539</u>
30. TAXATION			
Current		5,807,924	5,149,592
Prior years		–	503,224
Deferred		38,087	(263,440)
		<u>5,846,011</u>	<u>5,389,376</u>
30.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>14,263,667</u>	<u>13,890,410</u>
Tax at the applicable rate of 35% (2017: 35%)		4,992,283	4,861,644
Tax effects of:			
Expenses that are not deductible in determining taxable income		327,357	31,612
Tax effect of super tax		570,545	503,224
Others		(44,174)	(7,104)
		<u>5,846,011</u>	<u>5,389,376</u>
30.1.1			
The Finance Act, 2018 has revised the applicability of super tax brought into effect through Finance Act, 2015 for rehabilitation of temporary displaced persons on the taxable income of respective years. Accordingly, the Bank has recognized super tax in the current period which is determined at the applicable tax rate of 4 percent on taxable income for the year.			
		2018 (Rupees in '000)	2017
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		<u>8,417,656</u>	<u>8,501,034</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
Basic and diluted earnings per share		<u>7.57</u>	<u>7.65</u>
		2018 (Rupees in '000)	2017
32. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	74,432,172	60,096,155
Balances with other banks	6	7,989,939	4,691,917
Overdrawn nostros	13	(346,421)	(183,473)
		<u>82,075,690</u>	<u>64,604,599</u>



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

	Liabilities					Equity			Total
	Bills payable	Borrowings	Deposits and other accounts	Subordinated debt (Rupees in '000)	Other liabilities	Share capital	Reserves	Unappropriated profit	
Balance as at 01 January 2018	19,663,349	133,499,876	692,576,176	10,997,600	38,991,899	11,114,254	12,981,379	16,312,956	936,137,489
Changes from financing cash flows									
Receipts from subordinated debt - net	-	-	-	3,998,400	-	-	-	-	3,998,400
Dividend paid	-	-	-	-	(16,396)	-	-	(3,239,898)	(3,256,294)
Total changes from financing cash flows	-	-	-	3,998,400	(16,396)	-	-	(3,239,898)	742,106
Other changes									
Liability - related									
Changes in bills payable	940,333	-	-	-	-	-	-	-	940,333
Changes in borrowings	-	(14,461,518)	-	-	-	-	-	-	(14,461,518)
Changes in deposits and other accounts	-	-	104,324,349	-	-	-	-	-	104,324,349
Changes in other liabilities	-	-	-	-	6,949,273	-	-	-	6,949,273
- Cash based	-	-	-	-	6,949,273	-	-	-	6,949,273
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	(126,221)	-	-	-	(126,221)
Transfer of profit to reserve	-	-	-	-	-	-	841,766	(841,766)	-
Profit for the year	-	-	-	-	-	-	-	8,417,656	8,417,656
Other adjustments	-	-	-	-	-	-	-	(237,254)	(237,254)
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	934,385	-	934,385
	940,333	(14,461,518)	104,324,349	-	6,823,052	-	1,776,151	7,338,636	106,741,003
Balance as at 31 December 2018	20,603,682	119,038,358	796,900,525	14,996,000	45,798,555	11,114,254	14,757,530	20,411,694	1,043,620,598



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

	Liabilities					Equity			Total
	Bills payable	Borrowings	Deposits and other accounts	Subordinated debt	Other liabilities (Rupees in '000)	Share capital	Reserves	Unappropriated profit	
Balance as at 01 January 2017	13,872,057	93,717,345	584,171,954	3,999,200	25,612,287	11,114,254	11,899,426	12,659,265	757,045,788
Changes from financing cash flows									
Receipts from subordinated debt - net	-	-	-	6,998,400	-	-	-	-	6,998,400
Dividend paid	-	-	-	-	(8,890)	-	-	(3,833,824)	(3,842,714)
Total changes from financing cash flows	-	-	-	6,998,400	(8,890)	-	-	(3,833,824)	3,155,686
Other changes									
Liability - related									
Changes in bills payable	5,791,292	-	-	-	-	-	-	-	5,791,292
Changes in borrowings	-	39,782,531	-	-	-	-	-	-	39,782,531
Changes in deposits and other accounts	-	-	108,404,222	-	-	-	-	-	108,404,222
Changes in other liabilities									
- Cash based	-	-	-	-	13,554,779	-	-	-	13,554,779
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	(166,277)	-	-	-	(166,277)
Transfer of profit to reserve	-	-	-	-	-	-	913,434	(913,434)	-
Profit for the year	-	-	-	-	-	-	-	8,501,034	8,501,034
Other adjustments	-	-	-	-	-	-	-	(100,085)	(100,085)
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	168,519	-	168,519
	5,791,292	39,782,531	108,404,222	-	13,388,502	-	1,081,953	7,487,515	175,936,015
Balance as at 31 December 2017	19,663,349	133,499,876	692,576,176	10,997,600	38,991,899	11,114,254	12,981,379	16,312,956	936,137,489



	2018	2017
	(Number)	
33. STAFF STRENGTH		
Permanent	10,421	9,354
Temporary / on contractual basis	221	223
Bank's own staff at end of the year	<u>10,642</u>	<u>9,577</u>
Outsourced	2,549	2,339
Total staff strength	<u><u>13,191</u></u>	<u><u>11,916</u></u>
33.1		
Domestic	13,146	11,873
Offshore	45	43
	<u><u>13,191</u></u>	<u><u>11,916</u></u>

34. DEFINED BENEFIT PLAN

34.1 General description

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

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

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.

34.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 10,325 (2017: 9,300).

34.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2018 and the significant assumptions used for actuarial valuation were as follows:

	2018	2017
Discount Rate	12.75%	8.75%
Expected rate of return on plan assets	9.81%	9.96%
Expected rate of salary increase : Year 1	11.75%	10.00%
Year 2	11.75%	7.75%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate



34.4 Reconciliation of payable to defined benefit plan	Note	2018	2017
		(Rupees in '000)	
Present value of obligations		2,993,002	2,435,705
Fair value of plan assets		(2,289,010)	(1,857,934)
Payable		703,992	577,771
34.5 Movement in defined benefit obligations			
Obligation at the beginning of the year		2,435,705	1,938,013
Current service cost		264,747	218,742
Interest cost		219,159	184,787
Benefits paid during the year		(57,610)	(56,040)
Remeasurement loss		131,001	150,203
Obligation at the end of the year		2,993,002	2,435,705
34.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		1,857,934	1,526,519
Interest income on plan assets		170,681	148,370
Contribution by the Bank - net		313,225	255,159
Actual benefits paid during the year		(57,610)	(56,040)
Remeasurement gain / (loss) on plan assets	34.8.2	4,780	(16,074)
Fair value at the end of the year		2,289,010	1,857,934
34.7 Movement in payable under defined benefit scheme			
Opening balance		577,771	411,494
Charge for the year		313,225	255,159
Contribution by the Bank		(313,225)	(255,159)
Remeasurement loss recognised in			
Other Comprehensive Income during the year	34.8.2	126,221	166,277
Closing Balance		703,992	577,771
34.8 Charge for defined benefit plan			
34.8.1 Cost recognised in profit and loss			
Current service cost		264,747	218,742
Net interest on defined benefit liability		48,478	36,417
		313,225	255,159



	2018 (Rupees in '000)	2017
34.8.2 Re-measurements recognised in OCI during the year		
Loss / (gain) on obligation		
- Financial assumptions	3,962	43,110
- Experience assumptions	127,039	107,093
	131,001	150,203
Actuarial loss on plan assets	(4,780)	16,074
Total Remeasurement loss recognised in OCI	126,221	166,277
34.9 Components of plan assets		
Cash and cash equivalents - net	7,928	265,180
Unquoted investments		
Government securities	2,281,081	1,517,295
Term Deposit	-	75,459
	2,281,081	1,592,754
Total fair value of plan assets	2,289,009	1,857,934
34.10 Sensitivity analysis		
		2018 (Rupees in '000)
1% increase in discount rate		2,711,664
1% decrease in discount rate		3,322,690
1% increase in expected rate of salary increase		3,337,524
1% decrease in expected rate of salary increase		2,694,834
		2019 (Rupees in '000)
34.11 Expected contributions to be paid to the funds in the next financial year		403,923
34.12 Expected charge for the next financial year		403,923
34.13 Maturity profile		
		2018 (Rupees in '000)
The weighted average duration of the obligation is 10.15 years.		
Distribution of timing of benefit payments		
within the next 12 months (next annual reporting period)		195,583
between 2 and 5 years		1,020,772
between 5 and 10 years		2,984,059
		4,200,414



34.14 Funding Policy

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

34.15 Significant risk

Asset volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly fixed income bonds. Almost 55% of the total Investments Rs. 1.23 billion is invested in 3-month T-bills. This gives rise to significant reinvestment risk.

The remaining fund is invested in PIB's of floating and fixed varieties. The fixed PIB exposure is almost 27% which is expected to mature in the range of 3-4 years. The rest of 23% is invested in the floating rate PIB's.

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.

There is no equity or corporate bond exposure. Thus, no equity or settlement 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.

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.

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



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.

35. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 4.12.

	2018 (Rupees in '000)
Contributions made during the year :	
Employer's Contribution	<u>445,591</u>
Employees' Contribution	<u>445,591</u>

The number of employees covered under the defined contribution plan are 9,302 (2017: 8,289).



36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Fee	–	–	42,925	34,075	–	–
Managerial remuneration	29,333	16,667	19,000	16,000	1,626,039	1,312,658
Charge for defined benefit plan	18,448	27,462	10,389	1,333	265,421	143,393
Contribution to defined contribution plan	2,933	1,667	1,900	1,600	113,252	89,927
Rent and house maintenance	11,733	6,667	7,600	6,400	505,361	408,262
Utilities	3,593	2,251	1,913	1,610	126,340	102,132
Medical	–	–	361	163	20,277	16,156
Bonus	7,667	4,733	5,000	4,000	352,697	270,692
Others	–	5	–	–	50,334	41,206
	73,707	59,452	89,088	65,181	3,059,721	2,384,426
Number of person(s)	1	1	10	11	626	495

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

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

Fees paid to non executive directors for attending meetings amounted to Rs. 17.925 million (2017: Rs. 9.075 million).

37. 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)
Non Government Debt Securities	Market prices
Foreign Securities	Market prices / Mashreqbank PSC
Listed securities	Market prices
Mutual funds	Net asset values
Unlisted equity investments	Break - up value as per latest available audited financial statements

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Bank's accounting policies as stated in notes 4.16 and 4.17.



37.1. 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 categorised:

	2018			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	–	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
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)



2017

On balance sheet financial instruments	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	378,089,463	–	378,089,463
Shares	4,082,308	–	–	4,082,308
Non-Government Debt Securities	305,599	835,983	–	1,141,582
Foreign Securities	–	1,481,389	–	1,481,389
Mutual funds	2,104,346	–	–	2,104,346
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	87,316,724	–	87,316,724
Associates				
Listed shares	334,903	–	–	334,903
Mutual funds	428,347	–	–	428,347
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	48,579,198	–	48,579,198
Forward sale of foreign exchange contracts	–	(23,677,714)	–	(23,677,714)

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



38. SEGMENT INFORMATION

38.1 Segment Details with respect to Business Activities

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

	2018		Total
	Commercial banking	Retail banking (Rupees in '000)	
Profit & Loss			
Net mark - up / return / profit	54,592,244	6,140,894	60,733,138
Inter segment revenue - net	–	17,751,646	17,751,646
Non mark - up / return / interest income	4,362,027	2,755,206	7,117,233
Total Income	58,954,271	26,647,746	85,602,017
Segment direct expenses	(30,401,420)	(22,938,107)	(53,339,527)
Inter segment expense allocation	(17,751,646)	–	(17,751,646)
Total expenses	(48,153,066)	(22,938,107)	(71,091,173)
Provisions	(163,779)	(83,398)	(247,177)
Profit before tax	10,637,426	3,626,241	14,263,667
Balance Sheet			
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
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



	2017		
	Commercial banking	Retail banking (Rupees in '000)	Total
Profit & Loss			
Net mark - up / return / profit	47,022,758	3,286,619	50,309,377
Inter segment revenue - net	–	13,099,909	13,099,909
Non mark-up / return / interest income	5,298,447	2,819,991	8,118,438
Total Income	52,321,205	19,206,519	71,527,724
Segment direct expenses	(29,133,594)	(15,355,272)	(44,488,866)
Inter segment expense allocation	(13,099,909)	–	(13,099,909)
Total expenses	(42,233,503)	(15,355,272)	(57,588,775)
Provisions	(13,281)	(35,258)	(48,539)
Profit before tax	10,074,421	3,815,989	13,890,410
Balance Sheet			
Cash & Bank balances	54,868,333	9,919,739	64,788,072
Investments	476,125,054	–	476,125,054
Net inter segment lending	–	409,802,120	409,802,120
Advances - performing	286,944,631	51,999,245	338,943,876
- non-performing	856,268	32,767	889,035
Others	53,682,409	9,705,334	63,387,743
Total Assets	872,476,695	481,459,205	1,353,935,900
Borrowings	133,499,876	–	133,499,876
Subordinated debt	10,997,600	–	10,997,600
Deposits & other accounts	254,442,899	438,133,277	692,576,176
Net inter segment borrowing	409,802,120	–	409,802,120
Others	23,754,057	37,430,189	61,184,246
Total liabilities	832,496,552	475,563,466	1,308,060,018
Equity	39,980,143	5,895,739	45,875,882
Total Equity & liabilities	872,476,695	481,459,205	1,353,935,900
Contingencies & Commitments	168,058,357	46,266	168,104,623



38.2 Segment details with respect to geographical locations

Geographical Segment Analysis

	2018				
	Pakistan	Middle East	Asia Pacific	Africa	Total
	(Rupees in '000)				
Profit & Loss					
Net mark - up / return / profit	58,832,195	1,097,667	715,416	87,860	60,733,138
Non mark - up / return / interest income	6,710,023	246,825	156,390	3,995	7,117,233
Total Income	65,542,218	1,344,492	871,806	91,855	67,850,371
Segment direct expenses	(52,205,546)	(552,869)	(502,390)	(78,722)	(53,339,527)
(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
Balance Sheet					
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
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



	2017				Total
	Pakistan	Middle East	Asia Pacific	Africa	
	(Rupees in '000)				
Profit & Loss					
Net mark - up / return / profit	48,885,856	939,102	416,975	67,444	50,309,377
Non mark - up / return / interest income	7,835,654	180,619	101,155	1,010	8,118,438
Total Income	56,721,510	1,119,721	518,130	68,454	58,427,815
Segment direct expenses	(43,700,253)	(461,124)	(268,398)	(59,091)	(44,488,866)
Provisions	(48,539)	—	—	—	(48,539)
Profit before tax	12,972,718	658,597	249,732	9,363	13,890,410
Balance Sheet					
Cash & Bank balances	64,492,837	260,654	30,958	3,623	64,788,072
Investments	467,161,716	5,790,558	2,056,070	1,116,710	476,125,054
Net inter segment lendings	2,451,630	7,329,417	1,137,297	9,368	10,927,712
Advances - performing	315,862,590	13,850,306	8,497,296	733,684	338,943,876
- non-performing	889,035	—	—	—	889,035
Others	63,081,983	170,759	109,666	25,335	63,387,743
Total Assets	913,939,791	27,401,694	11,831,287	1,888,720	955,061,492
Borrowings	132,756,879	742,997	—	—	133,499,876
Subordinated debt	10,997,600	—	—	—	10,997,600
Deposits & other accounts	663,372,455	20,638,792	8,428,891	136,038	692,576,176
Net inter segment borrowings	4,167,700	2,912,525	2,523,033	1,324,454	10,927,712
Others	61,025,920	123,746	29,366	5,214	61,184,246
Total liabilities	872,320,554	24,418,060	10,981,290	1,465,706	909,185,610
Equity	41,619,237	2,983,634	849,997	423,014	45,875,882
Total Equity & liabilities	913,939,791	27,401,694	11,831,287	1,888,720	955,061,492
Contingencies & Commitments	164,276,311	2,478,094	1,350,218	—	168,104,623



39. 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 9.5, 18.3 and 36 are summarised as follows:

	2018					2017				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key Management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	200,127	688,576	-	-	-	200,127	562,690	-
Investment made during the year	-	-	-	21,000	-	-	-	-	126,230	-
Investments adjusted / redeemed / disposed off during the year	-	-	(127)	(81,230)	-	-	-	-	(344)	-
Closing balance	-	-	200,000	628,346	-	-	-	200,127	688,576	-
Advances										
Opening balance	977	51,929	-	1,775,142	-	210	49,060	-	1,391,233	-
Addition during the year	34,176	51,761	6,894,120	32,726,863	-	24,105	88,844	8,646,598	36,708,154	-
Repaid during the year	(33,840)	(50,433)	(6,894,120)	(33,142,946)	-	(23,338)	(85,975)	(8,646,598)	(36,324,245)	-
Closing balance	1,313	53,257	-	1,359,059	-	977	51,929	-	1,775,142	-
Other Assets										
Interest / mark-up accrued	-	32	-	4,216	-	-	32	-	5,363	-
Receivable from subsidiary	-	-	-	-	-	-	-	20,751	-	-
L/C acceptances	-	-	-	532,718	-	-	-	-	650,794	-
Deposits and other accounts										
Opening balance	821,526	580,986	41,933	4,021,911	1,412,440	556,559	451,090	14,314	2,777,378	842,775
Received during the year	3,185,597	2,384,155	6,276,995	101,140,451	33,145,306	3,448,955	1,991,843	1,354,102	80,970,167	13,064,423
Withdrawn during the year	(3,419,671)	(2,148,735)	(6,271,184)	(100,285,529)	(34,020,945)	(3,183,988)	(1,861,947)	(1,326,483)	(79,725,634)	(12,494,758)
Closing balance	587,452	816,406	47,744	4,876,833	536,801	821,526	580,986	41,933	4,021,911	1,412,440
Other Liabilities										
Interest / mark-up payable	652	2,240	9	20,861	6,897	440	1,900	5	8,136	5,806
Payable to staff retirement fund	-	-	-	-	703,992	-	-	-	-	577,771
L/C acceptance	-	-	-	532,718	-	-	-	-	650,794	-
Other liabilities	-	-	630	-	-	-	-	272	-	-
Contingencies and Commitments	-	-	-	729,458	-	-	-	-	708,101	-
Other Transactions - Investor Portfolio Securities										
Opening balance	-	-	80,000	21,000	3,827,000	-	-	145,000	29,900	2,759,000
Increased during the year	-	-	370,000	416,000	15,445,000	-	-	80,000	70,300	3,775,000
Decreased during the year	-	-	(365,000)	(236,000)	(11,140,000)	-	-	(145,000)	(79,200)	(2,707,000)
Closing balance	-	-	85,000	201,000	8,132,000	-	-	80,000	21,000	3,827,000



39.1 RELATED PARTY TRANSACTIONS

	2018					2017				
	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	21	3,279	323	85,012	-	26	3,814	241	72,830	-
Fee and commission income	-	-	-	5,251	-	-	-	-	6,449	-
Dividend income	-	-	-	39,550	-	-	-	-	44,471	-
Net (loss) / gain on sale / redemption of securities and units of mutual funds	-	-	-	(881)	(15)	-	-	-	7	-
Bank charges	20	43	5	1,908	-	24	27	2	1,035	-
Other income	-	-	2,890	180	152	-	-	2,985	188	110
Expense										
Mark - up / return / interest expensed	35,858	34,017	701	201,493	60,453	35,191	22,293	1,863	168,698	74,987
Operating expenses	-	-	2,336	951	-	-	-	3,558	3,443	-
Salaries and allowances	-	419,104	-	-	-	-	355,517	-	-	-
Bonus	-	64,067	-	-	-	-	51,865	-	-	-
Contribution to defined contribution plan	-	18,893	-	-	-	-	13,645	-	-	-
Contribution to defined benefit plan	-	55,548	-	-	-	-	44,563	-	-	-
Staff provident fund	-	-	-	-	313,225	-	-	-	-	376,862
Staff gratuity fund	-	-	-	-	445,591	-	-	-	-	255,158
Directors' fees	41,725	-	-	-	-	33,550	-	-	-	-
Expense on closure of subsidiary	-	-	24,704	-	-	-	-	-	-	-
Donation	-	-	-	53,000	-	-	-	-	50,000	-
Rent paid	-	-	-	-	-	-	-	-	7,258	-
Insurance premium paid	-	-	-	138,950	-	-	-	-	185,951	-
Insurance claims settled	-	-	-	24,719	-	-	-	-	15,165	-



40. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2018	2017
	(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>43,278,088</u>	<u>40,019,419</u>
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,750,000</u>	<u>6,932,089</u>
Total Eligible Tier 1 Capital	<u>50,028,088</u>	<u>46,951,508</u>
Eligible Tier 2 Capital	<u>14,242,570</u>	<u>11,867,510</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>64,270,658</u>	<u>58,819,018</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>408,701,591</u>	<u>363,728,586</u>
Market Risk	<u>8,590,756</u>	<u>6,327,758</u>
Operational Risk	<u>61,440,341</u>	<u>55,930,746</u>
Total	<u>478,732,688</u>	<u>425,987,090</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>9.040%</u>	<u>9.395%</u>
Tier 1 Capital Adequacy Ratio	<u>10.450%</u>	<u>11.022%</u>
Total Capital Adequacy Ratio	<u>13.425%</u>	<u>13.808%</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:

	2018	2017
Required CAR	<u>11.900%</u>	<u>11.275%</u>
CAR on stand - alone basis	<u>13.425%</u>	<u>13.808%</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



	2018	2017
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	50,028,088	46,951,508
Total Exposures	1,230,510,528	1,102,747,671
Leverage Ratio	<u>4.066%</u>	<u>4.258%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	360,946,772	333,948,742
Total Net Cash Outflow	111,556,296	89,343,417
Liquidity Coverage Ratio	<u>323.556%</u>	<u>373.781%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	707,901,854	619,656,418
Total Required Stable Funding	482,005,370	330,145,360
Net Stable Funding Ratio	<u>146.866%</u>	<u>187.692%</u>

40.1 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 <http://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-banklevel>

41. 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.

41.1 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. Particulars of provisions against advances are given in note 8.4.

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.

41.1.1 Investment in debt securities

Credit risk by industry sector	Gross investments		Non - performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Power (electricity), Gas, Water, Sanitary	7,123,218	6,194,542	-	-	-	-
Financial	401,067,599	460,706,912	-	-	36,075	-
Iron and Steel	1,000,000	-	-	-	-	-
	<u>409,190,817</u>	<u>466,901,454</u>	<u>-</u>	<u>-</u>	<u>36,075</u>	<u>-</u>
Credit risk by public / private sector						
Public / Government	402,654,472	462,079,080	-	-	30,736	-
Private	6,536,345	4,822,374	-	-	5,339	-
	<u>409,190,817</u>	<u>466,901,454</u>	<u>-</u>	<u>-</u>	<u>36,075</u>	<u>-</u>



41.1.2 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	11,154,042	6,199,065	118,289	131,119	110,498	99,139
Mining and Quarrying	101,775	50,443	-	-	-	-
Textile	114,594,561	90,299,147	1,712,414	2,012,342	1,651,175	1,904,960
Chemical and Pharmaceuticals	16,384,271	10,180,340	-	1,960	-	196
Cement	4,666,132	2,763,567	-	-	-	-
Sugar	7,165,035	6,993,438	-	-	-	-
Footwear and Leather garments	2,645,468	2,039,466	-	-	-	-
Automobile and transportation equipment	7,230,288	3,762,529	20,000	20,000	20,000	20,000
Electronics and electrical appliances	3,172,097	2,145,856	-	-	-	-
Construction	6,959,064	5,590,968	118,523	109,942	109,540	109,942
Power (electricity), Gas, Water, Sanitary	49,693,353	21,436,303	-	-	-	-
Wholesale and Retail Trade	50,059,749	31,800,070	189,557	240,400	144,700	209,506
Exports / Imports	28,368,926	20,704,245	371,627	367,370	368,003	367,370
Transport, Storage and Communication	13,032,586	11,084,245	2,669	2,624	2,669	2,624
Financial	6,173,870	4,755,048	101,949	101,949	87,190	86,437
Insurance	380,639	440,006	-	-	-	-
Services (other than financial services)	49,482,148	35,836,900	9,007	12,202	4,503	6,288
Individuals	21,124,819	16,634,666	55,887	57,576	49,164	47,647
Food and Allied	22,488,374	17,162,087	-	-	-	-
Ghee and Edible Oil	12,524,352	11,125,726	-	-	-	-
Iron and steel	22,768,695	17,313,580	-	-	-	-
Oil Refinery / Marketing	9,465,585	5,868,464	-	-	-	-
Metal Products and Surgical Equipments	5,961,006	3,953,203	-	-	-	-
Paper and Board	3,793,547	2,594,455	-	-	-	-
Plastic products	4,664,196	2,605,156	-	-	-	-
Ship breaking and waste / scrap (junk) etc.	4,475,925	4,833,975	-	-	-	-
Others	7,414,254	9,292,623	2,535,470	2,231,115	1,804,453	1,545,455
	485,944,757	347,465,571	5,235,392	5,288,599	4,351,895	4,399,564
Credit risk by public / private sector						
Public / Government	92,605,354	53,281,877	-	-	-	-
Private	393,339,403	294,183,694	5,235,392	5,288,599	4,351,895	4,399,564
	485,944,757	347,465,571	5,235,392	5,288,599	4,351,895	4,399,564



41.1.3 Contingencies and Commitments

Credit risk by industry sector

	2018	2017
	(Rupees in '000)	
Agriculture, Forestry, Hunting and Fishing	774,217	344,874
Mining and Quarrying	8,967	40,032
Textile	31,001,747	29,405,842
Chemical and Pharmaceuticals	3,644,883	4,050,488
Cement	5,259,368	2,509,512
Sugar	1,303,477	1,119,807
Footwear and Leather garments	1,035,408	716,847
Automobile and transportation equipment	5,674,443	8,896,515
Electronics and electrical appliances	2,141,365	3,112,160
Construction	8,206,609	9,693,983
Power (electricity), Gas, Water, Sanitary	2,512,495	3,741,013
Wholesale and Retail Trade	20,164,413	13,236,537
Exports / Imports	14,544,942	11,334,667
Transport, Storage and Communication	1,460,276	1,328,366
Financial	8,514,860	12,822,711
Insurance	256,587	335,902
Services	23,934,586	20,926,144
Individuals	57,230	46,266
Paper and Board	1,927,028	1,455,306
Food and Allied	7,597,915	4,050,292
Ghee and Edible Oil	8,370,325	10,135,952
Iron and steel	8,749,177	12,281,089
Metal Products and Surgical equipments	3,413,603	2,898,970
Oil Refinery / Marketing	4,281,205	2,459,062
Plastic products	7,486,505	6,175,328
Ship breaking and waste / scrap (junk) etc.	568,122	1,047,819
Others	3,258,526	3,939,139
	176,148,279	168,104,623

Credit risk by public / private sector

Public / Government	25,899,406	22,583,388
Private	150,248,873	145,521,235
	176,148,279	168,104,623

41.1.4 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 137,619 million (2017: Rs. 96,027 million) are as following:

	2018	2017
	(Rupees in '000)	
Funded	108,399,337	62,808,978
Non Funded	29,219,369	33,218,207
Total Exposure	137,618,706	96,027,185

The sanctioned limits against these top 10 exposures aggregated to Rs. 155,769 million (2017: Rs. 110,876 million). Provision against top 10 exposures amounts to be nil (2017: nil).



41.1.5 Advances - Province / Region - wise Disbursement & Utilization

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

Province / Region	2017						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	143,013,131	141,185,609	1,431,807	366,947	18,138	-	10,630
Sindh	148,111,126	2,729,103	142,802,032	1,054,095	1,521,167	4,304	425
KPK including FATA	2,179,688	-	-	2,179,688	-	-	-
Balochistan	140,315	-	-	-	140,315	-	-
Islamabad	9,678,858	122,969	-	270,040	-	9,285,849	-
AJK including Gilgit - Baltistan	798,639	-	-	-	-	-	798,639
Total	303,921,757	144,037,681	144,233,839	3,870,770	1,679,620	9,290,153	809,694

41.2 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.



41.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	74,432,172	-	74,432,172	60,096,155	-	60,096,155
Balances with other banks	7,989,939	-	7,989,939	4,691,917	-	4,691,917
Investments	414,341,958	263,448	414,605,406	475,847,486	277,568	476,125,054
Advances	478,214,578	-	478,214,578	339,832,911	-	339,832,911
Fixed assets	26,183,149	-	26,183,149	22,482,946	-	22,482,946
Intangible assets	166,930	-	166,930	70,356	-	70,356
Other assets	46,646,829	-	46,646,829	40,834,441	-	40,834,441
	<u>1,047,975,555</u>	<u>263,448</u>	<u>1,048,239,003</u>	<u>943,856,212</u>	<u>277,568</u>	<u>944,133,780</u>

41.2.2 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.

	2018			Net foreign currency exposure
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	
	(Rupees in '000)			
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>



	2017			Net foreign currency exposure
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items (Rupees in '000)	
United States Dollar	71,686,364	79,988,234	12,504,917	4,203,047
Great Britain Pound	1,368,520	9,761,198	8,062,925	(329,753)
Japanese Yen	13,520	17,489	4,716	747
Euro	2,446,139	3,807,684	1,178,462	(183,083)
Other currencies	247,932	726,930	535,465	56,467
	<u>75,762,475</u>	<u>94,301,535</u>	<u>22,286,485</u>	<u>3,747,425</u>

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	1,000	–	3,000	–

41.2.3 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. Portfolio risks arising in banking and trading books are also measured through Value at Risk (VaR).

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
– Profit and loss account	–	13,000	–	14,000
– Other comprehensive income	252,000	–	275,000	–

41.2.4 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 Bank arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.



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

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

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

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

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

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

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	1,917,000	–	3,126,000	–



41.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

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
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



2017

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	0.37%	60,096,155	7,088,113	-	-	-	-	-	-	-	-	53,008,042
Balances with other banks	2.33%	4,691,917	3,476,132	-	-	-	-	-	-	-	-	1,215,785
Investments	7.22%	476,125,054	119,851,135	213,936,209	6,376,145	37,467,121	21,397,998	46,166,478	18,702,967	5,111,816	-	7,115,185
Advances	6.14%	339,832,911	206,773,265	47,603,608	38,734,881	14,257,731	7,679,187	6,959,889	6,444,930	7,490,697	3,888,723	-
Other assets	-	38,330,309	-	-	-	-	-	-	-	-	-	38,330,309
		919,076,346	337,188,645	261,539,817	45,111,026	51,724,852	29,077,185	53,126,367	25,147,897	12,602,513	3,888,723	99,669,321
Liabilities												
Bills payable	-	19,663,349	-	-	-	-	-	-	-	-	-	19,663,349
Borrowings	4.49%	133,499,876	118,241,757	917,711	178,081	600,401	1,628,183	1,828,824	3,544,831	6,060,481	499,607	-
Deposits and other accounts	4.69%	692,576,176	328,684,014	45,265,390	18,263,999	25,597,299	3,803,738	3,411,955	3,401,465	9,139	7,254	264,131,923
Subordinated debt	7.42%	10,997,600	-	3,997,600	7,000,000	-	-	-	-	-	-	-
Other liabilities	-	37,044,178	-	-	-	-	-	-	-	-	-	37,044,178
		893,781,179	446,925,771	50,180,701	25,442,080	26,197,700	5,431,921	5,240,779	6,946,296	6,069,620	506,861	320,839,450
On - balance sheet gap		25,295,167	(109,737,126)	211,359,116	19,668,946	25,527,152	23,645,264	47,885,588	18,201,601	6,532,893	3,381,862	(221,170,129)
Off - balance sheet financial instruments												
Commitments in respect of:												
Forward purchase of foreign exchange contracts		46,725,785	22,668,669	13,470,293	7,479,818	3,107,005	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(24,439,627)	(10,292,458)	(8,944,651)	(4,361,903)	(840,615)	-	-	-	-	-	-
Forward commitments to extend credit		9,565,312	437,460	2,583,191	1,321,790	2,050,000	2,747,101	425,770	-	-	-	-
Off - balance sheet gap		31,851,470	12,813,671	7,108,833	4,439,705	4,316,390	2,747,101	425,770	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(96,923,455)	218,467,949	24,108,651	29,843,542	26,392,365	48,311,358	18,201,601	6,532,893	3,381,862	(221,170,129)
Cumulative Yield / Interest Risk Sensitivity Gap			(96,923,455)	121,544,494	145,653,145	175,496,687	201,889,052	250,200,410	268,402,011	274,934,904	278,316,766	57,146,637



41.2.5.1 Reconciliation of Financial Assets and Liabilities

	2018	2017
	(Rupees in '000)	
Assets as per statement of financial position	1,048,239,003	944,133,780
Less:		
Fixed assets	26,183,149	22,482,946
Intangible assets	166,930	70,356
Advances, deposits, advance rent and other prepayments	1,209,722	871,174
Stationery and stamps on hand	218,772	149,672
Non-Refundable Deposits	43,455	51,064
Non Banking assets acquired against claims	836,448	826,331
Advance Taxation (payments less provision)	1,457,872	605,891
	3,766,269	2,504,132
Interest Rate Sensitive Assets	1,018,122,655	919,076,346
Liabilities as per Statement of financial position	998,687,323	898,257,898
Less:		
Deferred tax liabilities	1,350,203	2,528,998
Provision for compensated absences	585,739	489,346
Branch Adjustment accounts	717,339	176,040
Workers' Welfare Fund	1,303,162	1,008,628
Provisions against off balance sheet obligations	116,600	113,236
Unearned commission income	204,609	160,471
	2,927,449	1,947,721
Interest Rate Sensitive Liabilities	994,409,671	893,781,179

41.3 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 & program, I.T. and I.T. security policies, human resource policy, consumer protection framework, business continuity management policy 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.

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.

41.3.1 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. 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.

41.4 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.

41.4.1 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 2018, the Bank's LCR stood at 308% against the SBP's minimum requirement of 100% .

41.4.2 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.

41.4.3 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.

41.4.4 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.

41.4.5 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.



41.4.6 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.

41.4.7 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.

41.4.8 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.

41.4.9 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.

41.4.11 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.

41.4.12 Other Inflows & Outflows

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

41.4.13 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 147% as on 31 December 2018.



41.5 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	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													



Total	2017												
	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	60,096,155	60,096,155	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	4,691,917	4,691,917	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	476,125,054	9,173,045	43,912,977	(315,802)	75,184,434	150,865,769	60,129,485	575,268	37,504,651	2,692,742	21,952,573	46,604,847	20,379,827	7,465,238
Advances	339,832,911	36,934,825	5,480,564	6,493,044	19,047,597	37,558,873	35,643,550	85,933,374	15,264,762	9,965,900	20,246,993	21,186,138	26,407,807	19,669,484
Fixed assets	22,482,946	11,536,299	-	-	174,123	167,883	167,883	492,675	464,686	464,686	1,714,784	1,472,114	1,299,027	4,528,786
Intangible assets	70,356	-	-	-	7,576	7,291	7,291	17,366	12,044	12,044	6,744	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	40,834,441	8,918,826	1,958,671	2,296,921	8,778,016	6,666,292	4,828,839	3,140,963	3,238,328	180,696	160,072	604,191	39,988	22,638
	944,133,780	131,351,067	51,352,212	8,474,163	103,191,746	195,266,108	100,777,048	90,159,646	56,484,471	13,316,068	44,081,166	69,867,290	48,126,649	31,686,146

Liabilities

Bills payable	19,663,349	19,663,349	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	133,499,876	184,782	90,061,595	121,902	598,101	11,089,737	7,593,111	9,638,320	358,549	291,852	1,628,183	1,828,824	3,544,831	6,560,089
Deposits and other accounts	692,576,176	553,937,522	11,050,337	7,440,957	20,387,121	16,723,267	28,542,123	18,263,999	12,263,407	13,333,892	3,803,738	3,411,955	3,401,465	16,393
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	10,997,600	7,000,000	-	-	-	-	800	-	800	-	1,600	1,600	3,200	3,989,600
Deferred tax liabilities	2,528,998	1,563,596	-	-	28,832	27,048	27,048	79,669	73,324	73,324	269,330	232,759	(113,411)	267,479
Other liabilities	38,991,899	13,198,468	2,236,250	2,266,778	4,008,697	6,601,449	3,624,749	2,906,731	3,164,514	152,967	117,137	610,142	104,017	-
	898,257,898	595,547,717	103,348,182	9,829,637	25,022,751	34,441,501	39,787,831	30,888,719	15,860,594	13,852,035	5,819,988	6,085,280	6,940,102	10,833,561

Net assets

	45,875,882	(464,196,650)	(51,995,970)	(1,355,474)	78,168,995	160,824,607	60,989,217	59,270,927	40,623,877	(535,967)	38,261,178	63,782,010	41,186,547	20,852,585
Share capital	11,114,254													
Reserves	12,981,379													
Surplus on revaluation of assets	5,467,293													
Unappropriated profit	16,312,956													
	45,875,882													



41.6 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	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>									



	Total	2017								
		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	60,096,155	60,096,155	-	-	-	-	-	-	-	-
Balances with other banks	4,691,917	4,691,917	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	476,125,054	119,019,606	210,990,120	576,151	46,684,724	22,521,332	47,326,257	20,397,479	8,125,509	483,876
Advances	339,832,911	67,956,030	73,202,423	85,933,374	25,230,662	20,246,993	21,186,138	26,407,807	15,090,710	4,578,774
Fixed assets	22,482,946	461,959	701,741	850,156	1,073,998	1,825,770	6,499,236	1,299,027	1,050,136	8,720,923
Intangible assets	70,356	7,576	14,582	17,366	24,088	6,744	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	40,834,441	20,304,160	11,533,848	3,199,331	4,141,068	242,705	686,824	205,254	432,077	89,174
	944,133,780	272,537,403	296,442,714	90,576,378	77,154,540	44,843,544	75,698,455	48,309,567	24,698,432	13,872,747
Liabilities										
Bills payable	19,663,349	19,663,349	-	-	-	-	-	-	-	-
Borrowings	133,499,876	90,966,380	18,682,848	9,638,320	650,401	1,628,183	1,828,824	3,544,831	6,060,482	499,607
Deposits and other accounts	692,576,176	95,348,891	100,539,507	73,538,115	80,871,415	103,297,147	102,905,364	108,422,286	27,646,197	7,254
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	10,997,600	-	800	-	800	1,600	1,600	7,003,200	3,989,600	-
Deferred tax liabilities	2,528,998	125,840	56,107	85,690	(123,033)	491,244	1,497,391	(105,808)	(381,816)	883,383
Other liabilities	38,991,899	16,949,587	10,226,198	2,906,730	3,317,481	117,137	610,142	3,853,102	-	1,011,522
	898,257,898	223,054,047	129,505,460	86,168,855	84,717,064	105,535,311	106,843,321	122,717,611	37,314,463	2,401,766
Net assets	45,875,882	49,483,356	166,937,254	4,407,523	(7,562,524)	(60,691,767)	(31,144,866)	(74,408,044)	(12,616,031)	11,470,981
Share capital	11,114,254									
Reserves	12,981,379									
Surplus on revaluation of assets	5,467,293									
Unappropriated profit	16,312,956									
	45,875,882									



42. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 2.5 (2017: Rs. 3.0) per share.

43. GENERAL

43.1 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 financial statements, except for captions of the statement of financial position and profit and loss account.

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

43.3 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD circular no. 2 of 2018.

44. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue in the Board of Directors' meeting held on 30 January 2019.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



Annexure I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 DECEMBER 2018**

(Rupees in '000)

S. No.	Name and address of the borrowers	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Others than Interest/ Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Maqbool Cotton Products Head Office: Khanewal Road Multan	Sheikh Maqbool Elahi (CNIC: 36302-6936487-9)	Sheikh Muhammad Rafi	140,029	62,783	-	202,812	140,029	62,783	-	202,812
2.	Maqbool Cotton Factory Khanewal Road, Multan	Sheikh Maqbool Elahi (CNIC: 36302-6936487-9)	Sheikh Muhammad Rafi	8,605	2,602	-	11,207	8,605	2,602	-	11,207
3.	Abdullah Enterprises Near Daewoo Terminal, Behind Provincial Mohtasib Office, Khanewal Road, Multan	Sheikh Fazal Elahi (CNIC: 36302-7039576-7)	Sheikh Muhammad Rafi	23,466	3,690	-	27,156	23,466	3,690	-	27,156
4.	Umar Cotton Factory Mouza Sahib Ali, Tibba Sultanpur, Distt: Vehari.	Sheikh Maqbool Elahi (CNIC: 36302-6936487-9)	Sheikh Muhammad Rafi	3,594	1,088	-	4,682	3,594	1,088	-	4,682
5.	New Karachi Plastic 3-Ravi Road, Near Chowk Yadgar, Lahore.	Manzoor Hussain Sheikh (CNIC: 35202-3473688-3)	Qamar Ud Din	5,000	1,631	-	6,631	-	1,331	-	1,331
6.	Nadeem Cloth House Shop No. 95, Landa Market Madina Bazar, Sheikhpura.	Nadeem Abdul Razzaq (CNIC: 35404-1627106-7)	Muhammad Iqbal	2,500	980	-	3,480	-	680	-	680
7.	R.H. Enterprises M.R. 5/8, Ali Akber Street, Mithadar, Jodia Bazar, Karachi.	Muhammad Haroon (CNIC: 42301-0946322-9)	Muhammad Yousuf	855	2,164	-	3,019	-	2,163	-	2,163
			Total	184,049	74,938	-	258,987	175,694	74,337	-	250,031



Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 71 (2017: 53) Islamic banking branches and 132 (2017: 120) Islamic banking windows at the end of the year.

	Note	2018	2017 <i>Restated</i>
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		3,814,608	2,554,000
Balances with other banks		5,164,063	957,424
Due from financial institutions		—	—
Investments	1	15,158,233	11,333,912
Islamic financing and related assets - net	2	49,690,533	34,843,979
Fixed assets		326,841	248,825
Intangible assets		—	—
Due from Head Office		—	—
Other assets		4,124,660	3,279,140
Total Assets		78,278,938	53,217,280
LIABILITIES			
Bills payable		21,052	30,694
Due to financial institutions		6,438,783	4,301,041
Deposits and other accounts	3	57,230,315	37,867,256
Due to Head Office		2,199,047	1,319,226
Subordinated debt		—	—
Other liabilities	4	5,289,933	4,311,115
		(71,179,130)	(47,829,332)
NET ASSETS		7,099,808	5,387,948
REPRESENTED BY			
Islamic Banking Fund		6,200,000	5,000,000
Reserves		—	—
Deficit on revaluation of assets		(28,940)	(34,873)
Unremitted profit	5	928,748	422,821
		7,099,808	5,387,948
CONTINGENCIES AND COMMITMENTS	6		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2018 is as follows:

	Note	2018 (Rupees in '000)	2017
Profit / return earned	7	3,827,474	2,186,013
Profit / return expensed	8	(1,755,450)	(949,413)
Net Profit / return		2,072,024	1,236,600
Other income			
Fee and commission income		175,282	109,456
Dividend income		6,510	13,028
Foreign exchange income		49,751	30,469
Income / (loss) from derivatives		–	–
Gain / (loss) on securities		–	–
Other income		43,622	27,703
Total other income		275,165	180,656
Total income		2,347,189	1,417,256
Other expenses			
Operating expenses		(1,349,860)	(965,556)
Other charges		(58)	(43)
Total other expenses		(1,349,918)	(965,599)
Profit before provisions		997,271	451,657
Provisions and write offs - net		(68,523)	(28,836)
Profit for the year		928,748	422,821



	2018				2017			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
1. Investments by segments:	(Rupees in '000)							
Federal Government Securities								
- Ijarah Sukuks	4,152,910	-	(39,979)	4,112,931	5,480,894	-	(3,289)	5,477,605
- Neelum Jhelum Hydropower Co Ltd. Sukuk	5,156,250	-	-	5,156,250	3,575,000	-	-	3,575,000
- Bai Muajjal with Government of Pakistan	2,386,820	-	-	2,386,820	-	-	-	-
	11,695,980	-	(39,979)	11,656,001	9,055,894	-	(3,289)	9,052,605
Shares								
- Listed Companies	197,442	(76,252)	3,596	124,786	197,442	(19,100)	(49,980)	128,362
Non Government Debt Securities								
- Listed	1,635,901	-	7,444	1,643,345	817,587	-	18,396	835,983
- Unlisted	1,734,101	-	-	1,734,101	1,316,962	-	-	1,316,962
	3,370,002	-	7,444	3,377,446	2,134,549	-	18,396	2,152,945
Total Investments	15,263,424	(76,252)	(28,939)	15,158,233	11,387,885	(19,100)	(34,873)	11,333,912

	Note	2018 (Rupees in '000)	2017
2. Islamic financing and related assets			
Ijarah	2.1	2,854,541	2,132,197
Murabaha	2.2	10,034,698	8,475,325
Diminishing Musharaka		15,868,804	10,082,423
Istisna		1,471,282	1,644,298
Islamic Export Refinance - Istisna		1,523,700	3,634,300
Musawamah		3,166,895	3,245,401
Running Musharaka		4,271,620	2,223,124
Islamic Export Refinance - Running Musharaka		1,000,000	-
Staff Financing		210,540	-
Advance against Musawamah		1,079,782	-
Advance against Istisna		4,127,286	856,534
Advance against Istisna - IERF		2,600,100	-
Advance against Ijarah		305,071	500,808
Advance against Diminishing Musharaka		884,300	2,064,649
Advance against ILTFF		318,366	-
Gross Islamic financing and related assets		49,716,985	34,859,059
Less: provisions against Islamic financings			
- Specific		4,187	478
- General		22,265	14,602
		(26,452)	(15,080)
Islamic financing and related assets - net of provision		49,690,533	34,843,979



2.1 Ijarah

	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

	2017						
	Cost			Accumulated depreciation			Book value
	As at 01 January 2017	Additions / (deletions)	As at 31 December 2017	As at 01 January 2017	Charge for the year / (deletions)	As at 31 December 2017	As at 31 December 2017
	(Rupees in '000)						
Plant & Machinery	579,154	169,647 (76,156)	672,645	154,247	172,905 (68,540)	258,612	414,033
Vehicles	898,085	988,909 (122,801)	1,764,193	213,558	303,406 (30,678)	486,286	1,277,907
Equipment	497,887	380,420 (194,116)	684,191	269,042	148,813 (173,921)	243,934	440,257
Total	1,975,126	1,538,976 (393,073)	3,121,029	636,847	625,124 (273,139)	988,832	2,132,197

Future ijarah payments receivable

	2018				2017			
	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	1,089,845	1,751,496	-	2,841,341	796,578	1,253,490	-	2,050,068

Note **2018** **2017**
(Rupees in '000)

2.2 Murabaha

Murabaha financing	2.2.1	8,791,829	6,915,366
Advances for Murabaha		1,242,869	1,559,959
		10,034,698	8,475,325
2.2.1 Murabaha receivable - gross			
Less: Deferred murabaha income	2.2.2	9,042,474	7,058,608
Profit receivable shown in other assets	2.2.4	(114,816)	(76,760)
Murabaha financings		(135,829)	(66,482)
		8,791,829	6,915,366



	2018	2017
	(Rupees in '000)	
2.2.2 The movement in Murabaha financing during the year is as follows:		
Opening balance	6,915,366	3,562,011
Sales during the year	26,626,295	21,716,053
Adjusted during the year	<u>(24,499,187)</u>	<u>(18,219,456)</u>
Closing balance	<u>9,042,474</u>	<u>7,058,608</u>
2.2.3 Murabaha sale price	32,839,758	21,370,141
Murabaha purchase price	<u>(32,199,766)</u>	<u>(21,017,993)</u>
	<u>639,992</u>	<u>352,148</u>
2.2.4 Deferred murabaha income		
Opening balance	(76,760)	(35,087)
Arising during the year	(1,188,147)	(640,758)
Less: Recognised during the year	<u>1,150,091</u>	<u>599,085</u>
Closing balance	<u>(114,816)</u>	<u>(76,760)</u>

3. Deposits and other accounts

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	19,262,833	1,020,390	20,283,223	13,302,607	652,739	13,955,346
Savings deposits	17,460,434	417,595	17,878,029	10,876,959	268,683	11,145,642
Term deposits	<u>7,299,391</u>	<u>-</u>	<u>7,299,391</u>	<u>7,123,780</u>	<u>-</u>	<u>7,123,780</u>
	<u>44,022,658</u>	<u>1,437,985</u>	<u>45,460,643</u>	<u>31,303,346</u>	<u>921,422</u>	<u>32,224,768</u>
Financial institutions						
Current deposits	25,342	-	25,342	6,948	-	6,948
Savings deposits	11,744,330	-	11,744,330	3,607,040	-	3,607,040
Term deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,028,500</u>	<u>-</u>	<u>2,028,500</u>
	<u>11,769,672</u>	<u>-</u>	<u>11,769,672</u>	<u>5,642,488</u>	<u>-</u>	<u>5,642,488</u>
	<u>55,792,330</u>	<u>1,437,985</u>	<u>57,230,315</u>	<u>36,945,834</u>	<u>921,422</u>	<u>37,867,256</u>

	2018	2017
	(Rupees in '000)	
3.1 Composition of deposits		
- Individuals	31,792,512	20,115,442
- Government / Public Sector Entities	751,507	556,961
- Banking Companies	23	23
- Non-Banking Financial Institutions	11,769,649	5,642,466
- Private Sector	<u>12,916,624</u>	<u>11,552,364</u>
	<u>57,230,315</u>	<u>37,867,256</u>



3.1.1 This includes eligible deposits covered deposit protection mechanism as required by the Deposit Protection Act 2016, amounting to Rs 32,788 million as per balances held on 31 December 2017.

	2018	2017
	(Rupees in '000)	
4 Charity Fund		
Opening Balance	6,464	2,738
Additions during the year		
Received from customers on account of delayed payment	11,913	4,750
Charity accrued but not yet received	978	614
Dividend purification amount	252	330
Other Non - Shariah compliant income	-	610
Profit on charity saving account	461	160
	13,604	6,464
Payments / utilization during the year		
Health	(3,525)	(1,248)
Social Welfare	(2,325)	(1,490)
	(5,850)	(2,738)
Closing Balance	14,218	6,464
4.1 Detail of charity in excess of Rs.0.5 million in as follows:		
Bait-ul-Sukoon	925	-
Dar-ul-Sukun	925	-
Sindh Institute of Urology and Transplantation (SIUT)	1,500	-
Green Crescent Trust	-	750
	3,350	750
5. Islamic Banking Business Unappropriated Profit		
Opening Balance	422,821	108,178
Add: Islamic Banking profit for the year	928,748	422,821
Less: Remitted to Head Office	(422,821)	(108,178)
Closing Balance	928,748	422,821
6. Contingencies and Commitments		
Guarantees	2,573,724	1,465,177
Commitments	5,766,253	5,999,365
	8,339,977	7,464,542
7. Profit / Return Earned on Financing, Investments and Placement		
Profit earned on:		
Financing	2,875,422	1,542,064
Investments	896,725	622,503
Placements	55,327	21,446
	3,827,474	2,186,013
8. Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	1,572,836	853,614
Due to Financial Institutions	97,311	72,643
Due to Head Office	85,303	23,156
	1,755,450	949,413



9. PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

9.1 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 the 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.

9.2 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.)



9.3 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% (2017: 50%) of net income and the depositors' profit sharing ratio was 50% (2017: 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.

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

	2018				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	2,459,420	1,026,633	41.74%	223,548	21.77%
FCY Pool	14,423	13,698	95%	726	5.30%
2017					
LCY Pool	1,468,300	686,435	47%	101,035	14.70%
FCY Pool	5,588	5,309	95%	345	6.50%

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

	2018 (Percentage)	2017
Profit rate earned	6.80%	6.08%
Profit rate distributed	3.78%	3.12%



Disclosure on Complaint Handling

The Bank has a comprehensive Customer Grievances Handling Policy for ensuring quick and fair resolution of complaints. Customers may register their complaints or issues through a variety of channels, viz. the Call Center, website, emails, letters through drop-boxes installed in Branches or direct mail to Customer Services Division/CEO's Office. Complaints are promptly logged and acknowledgment sent to customer with a tracking reference number. Regular follow up is maintained for prompt and fair resolution and Senior Management kept updated at regular intervals. In case a complainant is not satisfied with the resolution provided he/she may escalate his complaint to Banking Mohtasib Pakistan. This process is communicated to customers through notices in Branches and the Website as well as in correspondence with them.

A large number of employees have completed the training on Complaints Handling and Fair Treatment of Customers making them more aware and better prepared for providing timely and satisfactory services to customers.

In 2018, the Bank received 56,272 complaints, about 21% higher than the previous year. However, the average turnaround time for resolution was reasonably satisfactory at 4 working days.



Report of Shariah Board for the year ended December 31, 2018

In the name of Allah, the Beneficent, the Merciful

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

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

- I. BAHL-IBD has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by its Shariah Board. However the Shariah Board is of the view that in future the Instructions/ Guidelines and Rulings issued by the Shariah Board should be complied without unreasonable delay.
- II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
- III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management.
- IV. BAHL-IBD has the basic mechanism to ensure Shariah Compliance in its overall operations. Further it is also required that Management should develop a formal mechanism of zero tolerance for Shariah non-compliance.
- V. The BOD appreciates the importance of Shariah compliance in the products, processes and operations of the BAHL-IBD. BAHL-IBD has arranged the Islamic Banking training for its Board of Directors and Executive Management in order to improve their understanding on the importance of shariah compliance in their respective areas. However, improvement is required in level of awareness of Islamic Banking staff.
- VI. The Management has provided adequate resources to Shariah Compliance Department and also committed to provide further staff enabling them to discharge their duties effectively and ensuring the Shariah Compliance environment in BAHL IBD.
- VII. Shariah Board appreciates that BAHL-IBD has arranged takaful for its assets 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 of Rs. 12.626 Million has been collected, furthermore Shariah Board has identified certain shariah non-compliant transactions, and the income of such transactions amounting Rs. 1.451 Million will be credited to charity.

Karachi: January 30th, 2019

Mufti Muhammad Sarfaraz Nihal
Resident Shariah Board Member

Mufti Muhammad Ismatullah Hamdullah
Chairman Shariah Board

Mufti Mohib Ul Haq Siddiqui
Shariah Board Member



Notice of Annual General Meeting

Notice is hereby given that the Twenty-eighth 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 27, 2019 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, 2018 together with the Reports of Chairman, Directors and Auditors.
2. To consider and approve payment of cash dividend @ 25%, i.e., Rs. 2.50 per share of Rs. 10/- each for the year ended December 31, 2018 as recommended by the Board of Directors.
3. To appoint auditors for the year 2019 and to fix their remuneration. Existing auditors KPMG Taseer Hadi & Co., Chartered Accountants, have retired. In compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017, and based on the recommendation of the Audit Committee, the Board recommends the appointment of EY Ford Rhodes, Chartered Accountants as auditors in place of the retiring auditors.
4. To elect Directors of the Bank in accordance with Section 159(1) of the Companies Act, 2017. The number of Directors to be elected pursuant to Section 159(1) of the Companies Act, 2017 has been fixed at 10 (ten) by the Board of Directors including one female Director in compliance with clause 7 of the Listed Companies (Code of Corporate Governance) Regulations, 2017.

The following are the retiring Directors, who may offer themselves for election:

Mr. Abbas D. Habib, Mr. Ali Raza D. Habib, Mr. Anwar Haji Karim, Mr. Murtaza H. Habib, Mr. Qumail R. Habib, Syed Mazhar Abbas, Mr. Safar A. Lakhani, Syed Hasan Ali Bukhari, Mr. Arshad Nasar, and Mr. Adnan Afridi* - NIT Nominee.

*Appointed by the Board, subject to approval of the State Bank of Pakistan, to fill the casual vacancy created by the resignation of Mr. Manzoor Ahmed.

5. To consider any other business of the Bank with the permission of the Chair.

Special Business

6. To consider and approve the remuneration payable to the Executive Director of the Bank.
7. To consider and approve the conversion terms of Term Finance Certificates of the Bank, issued in 2018 in the amount of Rs. 4,000,000,000/-, into Ordinary Shares of the Bank upon occurrence of a conversion event if so required by the State Bank of Pakistan.

Statements under Section 166(3) for Item No. 4, and under Section 134(3) of the Companies Act 2017 in respect of special business contained in Items Nos. 6 & 7, are annexed.

By order of the Board

MOHAMMAD TAQI LAKHANI
Company Secretary

Karachi: March 6, 2019

Notes:

1. Any member desirous to contest the election of Directors shall file the following with Company Secretary of the Bank at its Registered Office located at 126-C, Old Bahawalpur Road, Multan, not later than 14 days before the day of the above said meeting:
 - (a) His/Her intention to offer himself/herself for the election in terms of Section 159(3) of the Companies Act, 2017. He/She should also confirm that:
 - (i) He/She is not ineligible to become a director of the Bank under any applicable laws and regulations (including Pakistan Stock Exchange Regulations).
 - (ii) Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor, director or officer of a corporate brokerage house.



- (iii) He/She is not serving as a director in more than five listed companies simultaneously. Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company.
- (iv) In case of Independent Director, a declaration of Independence in terms of Section 166(2) of the Companies Act, 2017 as required under Listed Companies (Code of Corporate Governance) Regulations, 2017.

- (b) Consent to act as Director in Form 28 under Section 167 of the Companies Act, 2017.
- (c) Fit and Proper Test proforma, Affidavit, Declarations, and Questionnaire as per requirement of SBP's BPRD Circular No. 4 dated April 23, 2007, SBP's BPRD Circular No. 5 dated March 12, 2015 and SBP's BPRD Circular No. 9 dated October 18, 2018.

A copy of the relevant documents may be obtained from the office of the Company Secretary of the Bank or may be downloaded from the websites of Securities and Exchange Commission of Pakistan (SECP) and SBP.

- 2. In terms of the criteria prescribed by SBP, association of the following persons as Director is undesirable and against the public interest:
 - (a) a person who is/has been associated with any illegal activity, especially related to the banking business;
 - (b) a person who in his/her individual capacity or as proprietary concern or any partnership firm or any private unlisted/listed company has been in default of payment of dues owed to any financial institution and/or in default of payment of any taxes.

It should also be noted that under SBP regulations a person is not permitted to be a Director of more than one financial institution, and the Directors will not assume the charge of their respective offices until their appointments are approved in writing by SBP.

- 3. The share transfer book of the Bank will remain closed from March 18, 2019 to March 27, 2019 (both days inclusive). Transfers received in order at the office of our Share Registrar, Central Depository Company of Pakistan Ltd, located at CDC House, 99-B, Block B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi – 74400, by the close of business on March 15, 2019 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.
- 4. 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.
- 5. The CDC account/sub account holders are requested to bring with them their Computerized National Identity Cards (CNICs)/Passport along with participant(s) ID Number and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. The proxy shall also produce his/her original CNIC or Passport at the time of the meeting. In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted along with Proxy Form in the Bank.

6. **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) before March 18, 2019 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.

7. The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of cash dividend paid by the companies/banks. These tax rates are as follows:

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

To enable the Bank to make tax deduction on the amount of cash dividend @ 15% instead of 20% all shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of cash dividend i.e., March 27, 2019; otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

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

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

In case the required information is not provided to our Share Registrar latest by March 15, 2019, 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 15, 2019.

8. **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 2018 including Audited Financial Statements and Notice of Annual General Meeting are being e-mailed to the members who have provided their e-mail addresses for the said purpose. Other members of the Bank who wish to receive soft copy of Annual Report are requested to send their e-mail addresses to our Share Registrar through consent form. The said consent form for electronic transmission can be downloaded from the Bank's website: www.bankalhabib.com. Audited Financial Statements and reports are being placed on the aforesaid website.



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

9. **Consent for video-link facility**

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

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

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

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



Statement under Section 166(3) of the Companies Act, 2017

Item No. 4 of the Agenda

Statement under Section 166(3) of the Companies Act, 2017 in respect of Election of Independent Directors of the Bank:

Independent Directors will be elected through the process of election of directors in terms of Section 159 of the Companies Act, 2017 and they shall meet the criteria laid down under BPRD Circular No. 15 of 2016, dated December 28, 2016 issued by the SBP as well as the criteria laid down under Section 166 (2) of the Companies Act, 2017.

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

The statement is annexed to the Notice of the 28th Annual General Meeting of Bank AL Habib Limited at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

Item No. 6 of the Agenda

As recommended by the Board of Directors in their meeting held on January 30, 2019, it is intended to propose the following resolution to be passed as an Ordinary Resolution:

“RESOLVED that the remuneration of Mr. Qumail R. Habib, Executive Director shall not exceed Rs. 2,750,000/- per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment.”

Item No. 7 of the Agenda

In order to contribute towards its Tier 2 Capital, Bank AL Habib Limited has issued redeemable capital in the form of Term Finance Certificates (“TFCs”) amounting to Rs. 4,000,000,000/= (Rupees Four Billion), in accordance with the Basel III Capital Instructions issued by SBP vide BPRD Circular No. 6 dated August 15, 2013.

Pursuant to the Basel III Capital Instructions, if SBP determines that a Point of Non-Viability (“PONV”) has occurred, it may direct a bank to convert its Tier 2 Capital instruments (or any part thereof), including TFCs, into ordinary shares of the bank at such time or times and for such consideration and on such terms and conditions as may be determined by SBP, under and pursuant to and in accordance with the Basel III Capital Instructions and any other instructions issued by SBP.



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

Name of the persons to whom shares will be issued	The shares will be issued to the TFC Holders (at that time).
Price at which the proposed shares will be issued	At a price equivalent to market value of the shares of the Bank on the date of trigger of PONV as declared by SBP.
Purpose of the issue, utilization of the proceeds of the issue and benefits to the Bank and its shareholders with necessary details	To convert the outstanding TFC amount (in whole or part) into shares of the Bank.
Existing shareholding of the persons to whom the proposed shares will be issued	Not Applicable
Total shareholding of the persons after the proposed issue of shares	Not Applicable
Whether the persons have provided written consent for purchase of such shares	The terms of the Trust Deed for the TFC issue contain the details regarding such conversion.
Justification as to why proposed shares are to be issued otherwise than rights and not as rights shares	This is in accordance with the requirements of SBP vide its Circular No. 6 of Banking Policy and Regulation Department (“BPRD”) dated August 15, 2013.
Justification, with details of the latest available market price and break-up value per share, if such price differs from par value	Not Applicable
Details of the average market price during the last 3 (three) months and 6 (six) months preceding the Board announcement as well as the latest available market price	Not Applicable

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

“**RESOLVED** that the Term Finance Certificates (“TFCs”) of Bank AL Habib Limited in the amount of Rs. 4,000,000,000/= (Rupees Four Billion) issued pursuant to the terms of the Trust Deed dated November 28, 2018 for the purpose of Tier 2 Capital under Basel III Capital Instructions of the State Bank of Pakistan (“SBP”), may be converted into ordinary shares of the Bank subject to a maximum of 50,000,000 (Fifty Million) additional ordinary shares being issued upon such conversion, if so directed by SBP on the occurrence of a point of non-viability as determined by SBP, at a price equivalent to the market value of the shares of the Bank on the date of trigger of the point of non-viability as declared by SBP, in accordance with the applicable rules and regulations of SBP, and all such ordinary shares shall be issued other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017 and shall further be subject to the approval of Securities and Exchange Commission of Pakistan in accordance with Section 83(1)(b) of the Companies Act, 2017.

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

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

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



Pattern of Shareholding as at December 31, 2018

Number of Shareholders	Size of Shareholding				Total Shares Held
389	From	1	To	100	12,553
641	From	101	To	500	194,081
459	From	501	To	1,000	359,711
1,869	From	1,001	To	5,000	5,130,347
529	From	5,001	To	10,000	3,962,547
337	From	10,001	To	15,000	4,219,945
1,222	From	15,001	To	20,000	22,390,280
88	From	20,001	To	25,000	1,987,328
59	From	25,001	To	30,000	1,646,444
68	From	30,001	To	35,000	2,208,295
91	From	35,001	To	40,000	3,404,146
77	From	40,001	To	50,000	3,531,792
54	From	50,001	To	60,000	2,968,235
84	From	60,001	To	80,000	5,908,332
67	From	80,001	To	100,000	6,099,279
73	From	100,001	To	150,000	8,825,589
77	From	150,001	To	200,000	13,527,966
36	From	200,001	To	250,000	8,105,750
28	From	250,001	To	300,000	7,650,047
25	From	300,001	To	350,000	8,172,329
85	From	350,001	To	600,000	39,735,364
47	From	600,001	To	1,000,000	37,397,843
151	From	1,000,001	To	100,000,000	923,987,213
6,556					1,111,425,416

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,245	595,996,902	53.62
Investment & Insurance Companies	14	130,225,987	11.72
Joint Stock Companies	104	140,744,365	12.66
Financial Institutions	11	10,776,414	0.97
Modaraba & Mutual Funds	39	96,713,917	8.70
Foreign Companies	16	40,953,644	3.69
Pension Funds	26	14,016,105	1.26
Others	101	81,998,082	7.38
TOTAL	6,556	1,111,425,416	100.00



Pattern of Shareholding as at December 31, 2018 Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies		
Habib Insurance Co. Ltd.	1	2,290,000
Habib Sugar Mills Limited	1	24,136,691
Mutual Funds		
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	1,000
TRI. STAR MUTUAL FUND LTD.	1	1,904
SAFEWAY FUND (PVT) LTD.	1	5,001
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	1	7,000
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	13,000
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	18,000
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	1	25,000
CDC - TRUSTEE FAYSAL STOCK FUND	1	25,500
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	28,000
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	28,500
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	1	62,500
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	64,000
CDC - TRUSTEE ASKARI EQUITY FUND	1	70,000
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	102,000
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	167,832
CDC - TRUSTEE HBL EQUITY FUND	1	212,000
CDC - TRUSTEE APF-EQUITY SUB FUND	1	257,000
CDC - TRUSTEE ALLIED FINERGY FUND	1	330,000
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	370,500
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	373,900
MCBFSL - TRUSTEE JS VALUE FUND	1	445,450
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	568,500
CDC - TRUSTEE JS LARGE CAP. FUND	1	602,000
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1	662,150
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	684,489
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	868,000
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	875,000
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	882,000
CDC - TRUSTEE NAFA FINANCIAL SECTOR FUND	1	1,259,000
MCBFSL - TRUSTEE JS GROWTH FUND	1	1,532,000
CDC - TRUSTEE PICIC INVESTMENT FUND	1	1,869,500
CDC - TRUSTEE ABL STOCK FUND	1	2,140,000
CDC - TRUSTEE HBL - STOCK FUND	1	3,167,000
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	3,499,700
CDC - TRUSTEE PICIC GROWTH FUND	1	3,574,000
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	4,565,000
CDC - TRUSTEE NAFA STOCK FUND	1	6,758,150
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST National Bank of Pakistan, Trustee Dept.	1	60,599,329



Shareholders' Category	Number of Shareholders	Number of Shares Held
Directors		
Abbas D. Habib	1	42,450,257
Ali Raza D. Habib	1	10,406,595
Qumail R. Habib	1	17,522,296
Anwar Haji Karim	1	6,349,159
Murtaza H. Habib	1	13,698,691
Syed Mazhar Abbas	1	18,474
Syed Hasan Ali Bukhari	1	15,092
Arshad Nasar	1	500
Safar Ali Lakhani	1	116,840
Chief Executive Officer		
Mansoor Ali Khan	–	NIL
Directors' Spouses		
Mrs. Niamet Fatima W/o. Mr. Abbas D. Habib	1	4,818,197
Mrs. Razia A. Raza Habib W/o. Mr. Ali Raza D. Habib	1	4,630,917
Mrs. Shirin Lakhani W/o Mr. Safar Ali Lakhani	1	77,042
Executives	47	3,698,120
Joint Stock Companies and Corporations	103	116,607,674
Banks, Development Financial Institutions, Non - Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	50	79,293,364
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	6,186	492,194,722
Others (including foreign companies)	117	122,951,726
TOTAL	6,556	1,111,425,416



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



Bank AL Habib Limited and Its Subsidiary Companies Directors' Report on Audited Consolidated Financial Statements

The Directors are pleased to present the Audited Consolidated Financial Statements of Bank AL Habib Limited and the Bank's Subsidiaries AL Habib Capital Markets (Private) Limited and AL Habib Credit & Finance (Hong Kong) Limited (since deregistered) for the year ended December 31, 2018.

	(Rupees in '000)
Profit for the year before tax	14,305,815
Taxation	(5,853,160)
Profit for the year after tax	8,452,655
Share of Loss attributable to Non - controlling interest	5,186
Profit attributable to shareholders	8,457,841
Un - appropriated profit brought forward	16,368,696
Transfer from surplus on revaluation of fixed assets - net of tax	72,769
Other comprehensive income	(82,044)
Profit available for appropriation	24,817,262
Appropriations:	
Transfer to Statutory Reserve	(841,766)
Cash dividend – 2017	(3,334,276)
	(4,176,042)
Un-appropriated profit carried forward	20,641,220
Earnings per share (after tax) – Holding company	Rs. 7.61

Pattern of Shareholding

The pattern of shareholding as at December 31, 2018 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 30, 2019



INDEPENDENT AUDITOR'S REPORT

To the Members of Bank AL Habib Limited

Opinion

We have audited the annexed consolidated financial statements of **Bank AL Habib Limited** and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and 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 2018, 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 year. 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:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Provision against Loans and Advances	
	<p>Refer to note 8 to the consolidated financial statements and the accounting policies in note 4.8 to the consolidated financial statements.</p> <p>The Group's advances to the customers represent 45.60% of its total assets. Advances are stated at net of provision amounts to Rs. 478.215 billion which includes provision of Rs. 7.730 billion.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Assessed the design and operating effectiveness of manual and automated controls over individual impairment provision including: The accuracy of data input into the system used for credit grading and the approval of credit facilities;



S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The provision against loans and advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and compliance with the Prudential Regulations issued by the State Bank of Pakistan.</p>	<ul style="list-style-type: none"> • The ongoing monitoring and identification of advances displaying indicators of impairment and whether they are migrating, on a timely basis, to watch list or to non-performing advances; • Identification of past due exposures. • For a risk based sample of Corporate and Retail exposures, challenged management's assessment by reviewing historical performance of the customers and formed our own view whether any impairment indicators are present; • Where management has identified as displaying indicators of impairment, assessed the number of day's overdue and assessed appropriateness of amount reported for provision in accordance with the Prudential Regulations; • Where the management has not identified as displaying indicators of impairment, reviewed the credit history, account movement, financial ratios, reports on security maintained and challenged the management's assessment based on our view of the credit; and • For consumer and SME advances, analyzed the days past due report and factors used for calculation of provision required in accordance with the Prudential Regulations.



S. No.	Key Audit Matters	How the matter was addressed in our audit
2	Impairment of Investments	
	<p>Refer to note 7 to the consolidated financial statements and the accounting policies in notes 4.7 and 4.17 to the consolidated financial statements.</p> <p>As at 31 December 2018, the Group has investments classified as “Available-for-sale”, “Held for trading”, “Held to maturity” and “Associates” amounting to Rs. 414.981 billion in aggregate representing 39.57% of the total assets of the Group.</p> <p>We identified the valuation of investments including determination of impairment allowance on investments classified as ‘Available-for-sale’ as a key audit matter because of its significance in relation to the total assets of the Group and judgment involved in assessing impairment allowance.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments including impairment allowance against investment classified as available-for-sale; • Assessed, on a sample basis, whether available-for-sale investments were valued at fair value based on the last quoted market price and rates quoted by PSX, PKRV, Mutual Fund Association of Pakistan (MUFAP), etc.; and • Assessed whether impairment indicators exists against investments classified as available-for-sale and assessed whether impairment is recorded for impaired investments.

Information Other than the Consolidated Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report but does not include the consolidated financial statements and our auditor's 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, 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 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 year 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 Matter

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

Karachi: January 30, 2019

KPMG Taseer Hadi & Co.
Chartered Accountants



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	31 December 2018	31 December 2017 <i>Restated</i>	01 January 2017 <i>Restated</i>
ASSETS				
Cash and balances with treasury banks	5	74,432,185	60,096,169	50,600,061
Balances with other banks	6	8,010,940	4,732,856	2,910,200
Lendings to financial institutions		—	—	—
Investments	7	414,981,145	476,472,185	405,343,017
Advances	8	478,214,653	339,832,995	261,440,523
Fixed assets	9	26,192,997	22,491,548	18,785,378
Intangible assets	10	170,863	73,585	129,128
Deferred tax assets		—	—	—
Other assets	11	46,723,577	40,930,407	29,233,828
		1,048,726,360	944,629,745	768,442,135
LIABILITIES				
Bills payable	12	20,603,682	19,663,349	13,872,057
Borrowings	13	119,038,358	133,499,876	93,717,345
Deposits and other accounts	14	796,851,867	692,534,323	584,165,978
Liabilities against assets subject to finance lease		—	—	—
Subordinated debt	15	14,996,000	10,997,600	3,999,200
Deferred tax liabilities	16	1,344,621	2,521,855	4,127,981
Other liabilities	17	45,896,782	39,134,362	25,664,271
		998,731,310	898,351,365	725,546,832
NET ASSETS		49,995,050	46,278,380	42,895,303
REPRESENTED BY				
Share capital	18	11,114,254	11,114,254	11,114,254
Reserves		14,757,530	12,979,937	11,899,026
Surplus on revaluation of assets	19	3,375,368	5,561,413	6,916,652
Unappropriated profit		20,641,220	16,502,297	12,844,064
Equity attributable to the shareholders of the Holding company		49,888,372	46,157,901	42,773,996
Non - controlling interest	20	106,678	120,479	121,307
Total equity		49,995,050	46,278,380	42,895,303
CONTINGENCIES AND COMMITMENTS	21			

The annexed notes 1 to 45 and annexures I and II form an integral part of these consolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018	2017 <i>Restated</i>
(Rupees in '000)			
Mark - up / return / interest earned	23	60,743,247	50,320,755
Mark - up / return / interest expensed	24	(29,838,696)	(24,384,711)
Net mark - up / interest income		30,904,551	25,936,044
NON MARK - UP / INTEREST INCOME			
Fee and commission income	25	4,150,773	3,182,495
Dividend income		409,895	410,105
Foreign exchange income		1,631,947	913,950
Income / (loss) from derivatives		—	—
(Loss) / gain on securities	26	(10,316)	2,795,736
Share of profit from associates		61,819	33,171
Other income	27	939,712	862,475
Total non mark - up / interest income		7,183,830	8,197,932
Total income		38,088,381	34,133,976
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	28	(23,263,767)	(19,840,519)
Workers welfare fund		(294,534)	(286,938)
Other charges	29	(3,517)	(36,474)
Total non mark - up / interest expenses		(23,561,818)	(20,163,931)
Profit before provisions		14,526,563	13,970,045
Provisions and write offs - net	30	(220,748)	(67,830)
Extra ordinary / unusual items		—	—
PROFIT BEFORE TAXATION		14,305,815	13,902,215
Taxation	31	(5,853,160)	(5,396,957)
PROFIT AFTER TAXATION		8,452,655	8,505,258
Attributable to:			
Shareholders of the Holding company		8,457,841	8,505,576
Non - controlling interest		(5,186)	(318)
		8,452,655	8,505,258
(Rupees)			
Basic and diluted earnings per share attributable to equity holders of the Holding company	32	7.61	7.65

The annexed notes 1 to 45 and annexures I and II form an integral part of these consolidated financial statements.

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017 <i>Restated</i>
	(Rupees in '000)	
Profit after taxation for the year	8,452,655	8,505,258
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	935,827	167,477
Movement in deficit on revaluation of investments - net of tax	(2,121,891)	(3,075,852)
	(1,186,064)	(2,908,375)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
Remeasurement loss on defined benefit obligations - net of tax	(82,044)	(108,080)
Movement in surplus on revaluation of operating fixed assets - net of tax	-	1,763,813
Movement in surplus on revaluation of non - banking assets - net of tax	-	20,450
	(82,044)	1,676,183
Total comprehensive income	7,184,547	7,273,066
Attributable to:		
Shareholders of the Holding company	7,196,892	7,273,894
Non - controlling interest	(12,345)	(828)
	7,184,547	7,273,066

The annexed notes 1 to 45 and annexures I and II form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	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 2017 - as previously reported	11,114,254	11,037,478	244,933	126,500	540,000	-	-	13,043,606	36,106,771	114,215	36,220,986
Effect of retrospective change in accounting policy of surplus / (deficit) on revaluation of assets as part of equity - net of tax (note 2.5)	-	-	-	-	-	4,016,275	2,900,377	-	6,916,652	7,092	6,923,744
Effect of retrospective change in accounting policy of deficit on revaluation of fixed assets - net of tax (note 4.2)	-	(49,885)	-	-	-	-	-	(199,542)	(249,427)	-	(249,427)
Balance as at 01 January 2017 - restated	11,114,254	10,987,593	244,933	126,500	540,000	4,016,275	2,900,377	12,844,064	42,773,996	121,307	42,895,303
Profit after taxation	-	-	-	-	-	-	-	8,505,576	8,505,576	(318)	8,505,258
Other comprehensive income - net of tax	-	-	167,477	-	-	(3,075,342)	1,784,263	(108,080)	(1,231,682)	(510)	(1,232,192)
Transfer to statutory reserve	-	913,434	-	-	-	-	-	(913,434)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(64,160)	64,160	-	-	-
Transactions with owners, recorded directly in equity											
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	-	-	(3,889,989)	(3,889,989)	-	(3,889,989)
Balance as at 31 December 2017 - restated	11,114,254	11,901,027	412,410	126,500	540,000	940,933	4,620,480	16,502,297	46,157,901	120,479	46,278,380
Effect of change in accounting policy of impairment of financial assets (note 4.3)	-	-	-	-	-	-	-	(133,601)	(133,601)	-	(133,601)
Balance as at 01 January 2018 - restated	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)
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

The annexed notes 1 to 45 and annexures I and II form an integral part of these consolidated financial statements.

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017 <i>Restated</i>
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		14,305,815	13,902,215
Less: Dividend income		(409,895)	(410,105)
		13,895,920	13,492,110
Adjustments:			
Depreciation		2,170,967	1,903,603
Amortisation		142,180	103,987
Provision and write - offs		220,748	67,830
Gain on sale of fixed assets		(130,801)	(99,903)
Share of profit from associates		(61,819)	(33,171)
Loss / (gain) on sale / redemption of securities - net		10,316	(2,795,736)
Charge for compensated absences		92,542	71,438
		2,444,133	(781,952)
		16,340,053	12,710,158
Increase in operating assets			
Held - for - trading securities		(37,954)	(174,394)
Advances		(138,305,090)	(78,146,023)
Other assets (excluding advance taxation)		(4,960,398)	(2,768,542)
		(143,303,442)	(81,088,959)
Increase / (decrease) in operating liabilities			
Bills payable		940,333	5,791,292
Borrowings from financial institutions		(14,624,466)	40,743,770
Deposits		104,317,544	108,368,345
Other liabilities		6,648,397	4,714,539
		97,281,808	159,617,946
		(29,681,581)	91,239,145
Income tax paid		(6,623,696)	(6,056,522)
Net cash flow (used in) / from generated from operating activities		(36,305,277)	85,182,623
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		23,794,895	(85,211,840)
Net investments in held to maturity securities		33,733,418	12,289,835
Net investments in associates		98,551	(80,172)
Dividends received		418,309	404,989
Investments in operating fixed assets		(6,119,258)	(3,765,592)
Proceeds from sale of fixed assets		152,581	136,997
Exchange differences on translation of net investment in foreign operations		935,827	167,477
Net cash flow from / (used in) investing activities		53,014,323	(76,058,306)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from subordinated debt		3,998,400	6,998,400
Dividend paid		(3,256,294)	(3,842,714)
Net cash flow from financing activities		742,106	3,155,686
Increase in cash and cash equivalents		17,451,152	12,280,003
Cash and cash equivalents at beginning of the year	33	64,645,552	52,365,549
Cash and cash equivalents at end of the year	33	82,096,704	64,645,552

The annexed notes 1 to 45 and annexures I and II form an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding company

- Bank AL Habib Limited

Subsidiaries

- AL Habib Capital Markets (Private) Limited
- AL Habib Credit & Finance (Hong Kong) Limited (also see note 1.4)

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 684 branches (2017: 605 branches), 37 sub - branches (2017: 45 sub - branches) and 04 representative offices (2017: 03 representative offices). The branch network of the Bank includes 03 overseas branches (2017: 03 overseas branches) and 71 Islamic Banking branches (2017: 53 Islamic Banking branches).

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

1.4 During the period, the Bank has completed the process of deregistration of AL Habib Credit & Finance (Hong Kong) Limited (the Subsidiary) and consequently, the subsidiary ceased to exist as a legal entity effective 07 September 2018.

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 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

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 SBP 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.

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 No.10 dated 26 August 2002 till further instructions. Further, SECP has deferred the applicability of International Financial Reporting Standard (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.

SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by the 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.04 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 No.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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these financial statements; except as disclosed in notes 4.2 and 4.3.

SBP prescribed a new format for financial statements of banks effective from the year ended 31 December 2018. Accordingly, these consolidated financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these consolidated financial statements include:

- Recording of acceptances on - balance sheet item (previously disclosed as off - balance sheet item) (note 11 and 17).
- Inclusion of surplus / (deficit) on revaluation of assets as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions & write off - net (note 30).

In addition, Companies Act, 2017 also became effective for the financial statements for the year ended 31 December 2018. As the Group's consolidated financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on the consolidated financial statements except that for disclosure of related party transactions, as required by fourth schedule of Companies Act, 2017 the definition of related parties as given in IAS 24 - Related parties has been followed.

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 2019:



- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group's consolidated financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including 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'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has carried out an impact assessment as at 31 December 2017 which has been submitted to SBP. However, this assessment has not been updated to 31 December 2018 pending notification as to date the standard is applicable for banks.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's consolidated financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Group's consolidated financial statements.
- 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 1 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.

- 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 1 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.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Group's consolidated financial statements.

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 these consolidated financial statements are in respect of the following:

	Note
Classification and provisioning against investments	4.7, 4.17 & 30
Classification and provisioning against loans and advances	4.8, 8 & 30
Useful lives of fixed and intangible assets, depreciation, amortisation and revaluation	4.9, 9 & 10
Non - banking assets acquired in satisfaction of claims	4.10 & 11
Accounting for defined benefit plan	4.13 & 35
Provisions against off - balance sheet obligations	4.18 & 17
Current and deferred taxation	4.16, 16 & 31



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 4.7, 4.9, 4.10 and 4.21.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These accounting policies adopted in preparation of these consolidated financial statements are consistent with those of the previous financial year, except for changes explained in notes 4.1, 4.2 and 4.3.

4.1 SBP revised the format for presentation of Banks financial statements for the year ended 31 December 2018. This requires a change in accounting policy for deficit / surplus on revaluation of assets which is now required to be shown as part of equity (notes 4.7, 4.9, 7, 9 and 19). Previously, it was shown below the equity. Furthermore, acceptances which were previously reported as an off-balance sheet item are now being reported on the balance sheet (notes 4.28, 11 and 17).

4.2 Surplus on revaluation of fixed assets - net of deferred tax

The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by SECP vide Circular No. 23 dated 04 October 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from 01 January 2018.

Consequently, the Group has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Group's previous accounting policy (as described in note 5.7 of the annual consolidated financial statements for the year ended 31 December 2017), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. Any deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	31 December 2017	01 January 2017
	(Rupees in '000)	
Impact on Consolidated Statement of Financial Position		
Surplus on revaluation of fixed assets - net of deferred tax	397,965	249,427
Unappropriated profit	358,168	199,542
Statutory reserves	39,797	49,885

4.3 Impairment on financial assets

As per the accounting policy of the Bank, the provision against financial assets of overseas branches is made as per the requirement of the respective regulators. During the year, IFRS 9 'Financial Instruments' became applicable for overseas branches of the Bank. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9, while determining the provisioning requirements against financial assets. Under this standard, provision against financial assets is determined under expected credit loss model. Previously, this was determined under the incurred loss model. Accordingly, on adoption of IFRS 9, an additional provision of Rs. 205.540 million is recognised as at 31 December 2017 which was adjusted in the opening retained earnings as allowed under IFRS 9 and permitted by SBP. The impact of the said changes on these consolidated financial statements are as follows:



	31 December 2018	01 January 2018
	(Rupees in '000)	
Impact on Consolidated Statement of Financial Position		
Balance with other banks	2	9
Investments	36,075	53,415
Advances	140,185	104,514
Provision against off - balance sheet obligations	47,214	47,602
	<u>223,476</u>	<u>205,540</u>
Less: related deferred tax	(78,217)	(71,939)
	<u>145,259</u>	<u>133,601</u>
		31 December 2018
		(Rupees in '000)
Impact on Consolidated Profit and Loss account		<u>20,641</u>
- Profit after tax is higher by		(Rupees)
		<u>0.02</u>
- Earnings per share is higher by		<u>0.02</u>

There have been no impact on the consolidated cash flow statement.

4.4 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.

4.5 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.

4.6 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.

4.7 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

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

4.8 Advances

Loans and advances

These are stated net of provisions for non - performing advances. Provision for non - performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of IFRS 9 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. Advances are written - off when there are no realistic prospects of recovery.



Finance lease receivables

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

Ijarah finance

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

Murabaha

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

Inventory

The Bank values its inventories at lower of cost or 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 Musharaka Financing limit during the Musharaka 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.

4.9 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. 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 9.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed annually and adjusted, if appropriate. Depreciation is charged on prorata basis, i.e., full month charge in the month of purchase and no charge in the month of disposal.

During the year the Group changed its accounting policy in respect of the accounting and presentation of revaluation of fixed assets. Previously, the Group's accounting policy was in accordance with the provisions of the repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the Group was not aligned with the accounting treatment and presentation of revaluation of fixed assets as prescribed in IAS 16 'Property, Plant and Equipment'. As required by the Companies Act, 2017, the Group has changed the accounting policy to bring it in conformity with the accounting treatment and presentation of revaluation of fixed assets as specified in IAS 16 'Property, Plant and Equipment'. The detailed information and impact of this change in policy is provided in note 4.2 to these consolidated financial statements.

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.

Property and equipment - leased

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are accounted for by recording the assets and related liability. These are stated at lower of fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 10. 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.

4.10 Non - banking assets acquired in satisfaction of claims

Non - banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of 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 property is charged to profit and loss account and not capitalised.

4.11 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'.



4.12 Subordinated debt

Subordinated debt are 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.

4.13 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.

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.

4.14 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.

4.15 Revenue recognition

(a) Mark - up / return / interest on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark - up is recognised on receipt basis. Mark - up / return / interest on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of SBP.



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

4.16 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.

4.17 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. Provision for impairment against debt securities is made in accordance with the requirements of the Prudential Regulations of SBP. In case of unquoted equity securities, the breakup value of the security should be considered to determine impairment amount.



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.

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.

4.18 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.

4.19 Off setting

Financial assets and financial liabilities are only off - set and the net amount is reported in these consolidated 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 these consolidated financial statements.

4.20 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 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.

4.21 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.

4.22 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.



4.23 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 2018.

4.24 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.

4.24.1 Business segments

Retail banking

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

4.24.2 Geographical segments

The Group operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

4.25 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.

4.26 Provisions against liabilities

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

4.27 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.

4.28 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	2018 (Rupees in '000)	2017
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		16,653,040	14,444,806
Foreign currencies		1,566,662	1,552,703
		18,219,702	15,997,509
In transit:			
Local currency		106,914	292,100
Foreign currencies		26,856	127,482
		133,770	419,582
With State Bank of Pakistan in:			
Local currency current account	5.1	31,352,756	26,222,529
Local currency current account - Islamic Banking	5.1	2,556,444	1,720,508
Foreign currency deposit accounts			
Cash reserve account	5.1	2,916,100	2,329,803
Cash reserve / special cash reserve account - Islamic Banking		148,166	93,523
Special cash reserve account	5.1	8,757,757	6,989,409
Local US Dollar collection account	5.2	84,470	47,692
		45,815,693	37,403,464
With National Bank of Pakistan in:			
Local currency current account		10,220,736	6,194,313
National prize bonds		42,284	81,301
		74,432,185	60,096,169

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 0.56% to 1.35% (2017: 0.06% to 0.37%) per annum.

5.2 This represents US Dollar collection account maintained with SBP.

	Note	2018 (Rupees in '000)	2017
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current account		353,686	398,721
In deposit account	6.1	5,364,409	1,003,076
		5,718,095	1,401,797
Outside Pakistan:			
In current account	6.2	2,254,412	1,720,902
In deposit account	6.3	38,435	1,610,157
		2,292,847	3,331,059
		8,010,942	4,732,856
Less: impairment against IFRS 9 in overseas branches		(2)	-
		8,010,940	4,732,856



- 6.1 These carry expected profit rates ranging from 2.50% to 8.13% (2017: 2.67% to 5.90%) per annum.
- 6.2 These carry interest rates ranging from 0.30% to 0.50% (2017: 0% to 0.30%) per annum.
- 6.3 These carry interest rates ranging from 0.55% to 3.42% (2017: 1% to 1.50%) per annum.

7. INVESTMENTS

7.1 Investments by type:

	Note	2018				2017			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value (Rupees in '000)	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Held - for - trading securities									
Shares		285,368	-	(21,920)	263,448	269,179	-	8,389	277,568
Available - for - sale securities	7.3 & 7.4								
Federal Government Securities		354,754,071	-	(1,276,813)	353,477,258	380,733,890	-	2,073,431	382,807,321
Shares		4,781,741	(490,342)	(501,038)	3,790,361	4,845,471	(141,241)	(715,905)	3,988,325
Non Government Debt Securities		4,901,380	-	8,370	4,909,750	2,959,515	-	21,265	2,980,780
Foreign Securities		1,548,752	-	(45,710)	1,503,042	1,467,670	-	13,719	1,481,389
Units of mutual funds		2,175,000	(34,906)	(160,193)	1,979,901	2,175,000	-	(70,655)	2,104,345
		368,160,944	(525,248)	(1,975,384)	365,660,312	392,181,546	(141,241)	1,321,855	393,362,160
Held - to - maturity securities	7.5								
Federal Government Securities		48,049,798	-	-	48,049,798	81,474,239	-	-	81,474,239
Non Government Debt Securities		86,213	-	-	86,213	119,900	-	-	119,900
Foreign Securities		-	-	-	-	275,289	-	-	275,289
		48,136,011	-	-	48,136,011	81,869,428	-	-	81,869,428
Associates	7.6	957,449	-	-	957,449	963,029	-	-	963,029
Impairment as per IFRS 9 in overseas branches	7.3	-	(36,075)	-	(36,075)	-	-	-	-
Total Investments		417,539,772	(561,323)	(1,997,304)	414,981,145	475,283,182	(141,241)	1,330,244	476,472,185



	2018				2017			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
7.2 Investments by segments:	(Rupees in '000)							
Federal Government Securities								
Market Treasury Bills	298,826,887	-	(89,985)	298,736,902	329,627,429	-	5,851	329,633,280
Pakistan Investment Bonds	81,918,316	-	(995,196)	80,923,120	115,274,430	-	1,949,932	117,224,362
Foreign Currency Bonds	4,658,020	-	(68,486)	4,589,534	3,725,500	-	94,313	3,819,813
Ijarah Sukuks	6,539,730	-	(39,980)	6,499,750	5,471,536	-	6,069	5,477,605
Sukuks	10,003,773	-	(83,166)	9,920,607	6,966,377	-	21,904	6,988,281
Term Finance Certificates - Unlisted	857,143	-	-	857,143	1,142,857	-	-	1,142,857
	402,803,869	-	(1,276,813)	401,527,056	462,208,129	-	2,078,069	464,286,198
Shares								
Listed Companies	4,962,873	(484,642)	(522,958)	3,955,273	5,067,891	(135,541)	(707,516)	4,224,834
Unlisted Companies	104,236	(5,700)	-	98,536	46,759	(5,700)	-	41,059
	5,067,109	(490,342)	(522,958)	4,053,809	5,114,650	(141,241)	(707,516)	4,265,893
Non Government Debt Securities								
Term Finance Certificates and Sukuks								
Listed								
Term finance certificates	952,788	-	926	953,714	302,729	-	2,869	305,598
Sukuks	1,635,901	-	7,444	1,643,345	817,588	-	18,396	835,984
	2,588,689	-	8,370	2,597,059	1,120,317	-	21,265	1,141,582
Unlisted								
Term finance certificates	199,980	-	-	199,980	100,000	-	-	100,000
Sukuks	2,198,924	-	-	2,198,924	1,859,097	-	-	1,859,097
	2,398,904	-	-	2,398,904	1,959,097	-	-	1,959,097
Foreign Securities								
Government securities	1,548,752	-	(45,710)	1,503,042	780,174	-	12,302	792,476
Non Government Debt securities	-	-	-	-	962,786	-	(3,221)	959,565
	1,548,752	-	(45,710)	1,503,042	1,742,960	-	9,081	1,752,041
Units of mutual funds	2,175,000	(34,906)	(160,193)	1,979,901	2,175,000	-	(70,655)	2,104,345
Associates								
Habib Sugar Mills Limited	537,504	-	-	537,504	467,138	-	-	467,138
Habib Asset Management Limited	77,364	-	-	77,364	67,543	-	-	67,543
First Habib Income Fund	141,277	-	-	141,277	142,286	-	-	142,286
First Habib Stock Fund	7,892	-	-	7,892	8,549	-	-	8,549
First Habib Cash Fund	140,458	-	-	140,458	143,535	-	-	143,535
First Habib Islamic Stock Fund	8,027	-	-	8,027	8,433	-	-	8,433
First Habib Islamic Income Fund	25,743	-	-	25,743	25,370	-	-	25,370
First Habib Asset Allocation Fund	19,184	-	-	19,184	100,175	-	-	100,175
	957,449	-	-	957,449	963,029	-	-	963,029
Impairment as per IFRS 9 in overseas branches	-	(36,075)	-	(36,075)	-	-	-	-
Total Investments	417,539,772	(561,323)	(1,997,304)	414,981,145	475,283,182	(141,241)	1,330,244	476,472,185



2018 **2017**
(Rupees in '000)

7.2.1 Investments given as collateral

Market Treasury Bills

Carrying value	56,804,498	85,665,688
Deficit	(31,410)	(4,887)
	56,773,088	85,660,801

7.3 Provision for diminution in value of investments

Available for sale investments:

Opening balance	141,241	16,193
IFRS 9 impairment adjustment in overseas branches	53,415	-
Revised opening balance	194,656	16,193
Exchange adjustments against IFRS 9 in overseas branches	13,721	-
Charge / reversals		
Charge for the year	384,007	125,048
Reversal of impairment as per IFRS 9 in overseas branches	(31,061)	-
	352,946	125,048
Closing Balance	561,323	141,241

7.4 Quality of Available for Sale Securities

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

Cost

2018 **2017**
(Rupees in '000)

7.4.1 Federal Government Securities - Government guaranteed

Market Treasury Bills	298,826,887	329,498,380
Pakistan Investment Bonds	38,436,394	37,599,811
Foreign Currency Bonds	2,206,078	1,764,860
Ijarah Sukuks	6,539,730	5,471,536
Sukuks	7,887,839	5,256,446
Term Finance Certificates - Unlisted	857,143	1,142,857
	354,754,071	380,733,890



		Cost			
		2018	2017		
		(Rupees in '000)			
7.4.2 Shares					
7.4.2.1 Listed Companies					
Automobile Assembler		199,842	199,842		
Automobile Part & Accessories		-	25,480		
Cement		297,906	302,890		
Commercial Banks		164,774	266,903		
Fertilizer		1,314,489	1,313,136		
Food & Personal Care Products		23,211	23,211		
Insurance		29,975	29,975		
Securities Companies		108,969	108,918		
Oil & Gas Exploration Companies		24,701	17,805		
Oil & Gas Marketing Companies		793,159	792,102		
Paper & Board		38,264	38,265		
Pharmaceuticals		21,775	21,775		
Power Generation & Distribution		1,606,656	1,604,626		
Technology & Communication		13,140	13,140		
Textile Composite		40,644	40,644		
		4,677,505	4,798,712		
		2018	2017		
7.4.2.2 Unlisted Companies		Cost	Breakup value	Cost	Breakup value
		(Rupees in '000)			
Khushhali Bank Limited	30,000	111,803	30,000	86,870	
Pakistan Export Finance Guarantee Agency Limited	5,700	-	5,700	-	
Society for Worldwide Interbank Financial					
Telecommunication (S.W.I.F.T)	18,536	-	9,829	-	
Pakistan Mortgage Refinance Company Limited	50,000	50,746	1,230	1,233	
		104,236	162,549	46,759	88,103
		Cost			
		2018	2017		
		(Rupees in '000)			
7.4.3 Non Government Debt Securities					
7.4.3.1 Listed					
AA+		635,901	817,588		
AA		152,788	152,849		
AA-		500,000	-		
A+		1,000,000	149,880		
A		300,000	-		
		2,588,689	1,120,317		



	Cost	
	2018	2017
	(Rupees in '000)	
7.4.3.2 Unlisted		
AA	900,000	–
AA-	450,000	900,000
A+	687,711	839,198
A	175,000	–
A-	99,980	100,000
	<u>2,312,691</u>	<u>1,839,198</u>

	2018		2017	
	Cost	Rating	Cost	Rating
	(Rupees in '000)			
7.4.4 Foreign Securities				
Government Securities				
Bahrain	277,724	B	220,834	BB+
Srilanka	1,271,028	B	559,340	B+
	<u>1,548,752</u>		<u>780,174</u>	

	Cost	
	2018	2017
	(Rupees in '000)	
Non Government Debt Securities		
Listed		
B+	–	687,496
7.4.5 Units of mutual funds	<u>2,175,000</u>	<u>2,175,000</u>

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

Federal Government Securities - Government guaranteed

Market Treasury Bills	–	129,049
Pakistan Investment Bonds	43,481,922	77,674,619
Foreign Currency Bonds	2,451,942	1,960,640
Sukuks	2,115,934	1,709,931
	<u>48,049,798</u>	<u>81,474,239</u>

Non Government Debt Securities - Unlisted

A+	<u>86,213</u>	<u>119,900</u>
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Foreign Securities

Non Government Debt Securities - Listed	–	<u>275,289</u>
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7.5.1 The market value of securities classified as held to maturity as at 31 December 2018 amounted to Rs. 47,754 million (2017: Rs. 87,843 million).



7.6 Associates

2018	2017	Name of companies / funds	Note	2018	2017
No. of ordinary shares / units				(Rupees in '000)	
9,415,312	9,415,312	Habib Sugar Mills Limited % of holding: 6.28% (2017: 6.28%) Par value per share: Rs. 5 Market value: Rs. 348.367 million (2017: Rs. 334.903 million) Chief Executive: Mr. Raeesul Hasan	7.6.1	537,504	467,138
9,000,000	6,900,000	Habib Asset Management Limited % of holding: 30% (2017: 30%) Par value per share: Rs. 10 Break - up value per share: Rs. 8.24 (2017: Rs. 10.18) based on audited financial statements for the year ended 30 June 2018 Chief Executive: Mr. Imran Azim	7.6.2	77,364	67,543
1,363,808	1,363,808	First Habib Income Fund Average cost per unit: Rs. 109.99 (2017: Rs. 109.99) Net asset value: Rs. 103.59 (2017: Rs. 104.33) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		141,277	142,286
100,000	100,000	First Habib Stock Fund Average cost per unit: Rs. 100 (2017: Rs. 100) Net asset value: Rs. 78.92 (2017: Rs. 85.49) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		7,892	8,549
1,392,189	1,392,189	First Habib Cash Fund Average cost per unit: Rs. 107.74 (2017: Rs. 107.74) Net asset value: Rs. 100.89 (2017: Rs. 103.01) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		140,458	143,535
100,929	100,929	First Habib Islamic Stock Fund Average cost per unit: Rs. 99.08 (2017: Rs. 99.08) Net asset value: Rs. 79.53 (2017: Rs. 83.55) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		8,027	8,433
250,421	250,421	First Habib Islamic Income Fund Average cost per unit: Rs. 98.46 (2017: Rs. 98.46) Net asset value: Rs. 102.80 (2017: Rs. 101.31) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		25,743	25,370
200,149	1,000,746	First Habib Asset Allocation Fund Average cost per unit: Rs. 99.93 (2017: Rs. 99.93) Net Asset Value: Rs. 95.85 (2017: Rs. 100.10) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		19,184	100,175
				957,449	963,029



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

7.6.2 It includes Rs. 24.750 million (2017: 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.

	2018	2017
	(Rupees in '000)	
7.6.3 Movement of investments in associates		
Opening balance	963,029	830,393
Share of profit	61,819	33,171
Investment - net	(59,000)	124,657
Dividend received	(39,550)	(44,471)
Capital (gain) / loss	881	(7)
Unrealised gain	30,270	19,286
Closing balance	<u>957,449</u>	<u>963,029</u>

7.6.4 Summary of audited financial information of associates

Name of associates	Based on the financial information for the year ended	2018				
		Assets	Liabilities	Equity	Revenue	Profit / (loss)
(Rupees in '000)						
First Habib Cash Fund	30 June 2018	2,855,767	73,646	2,929,413	129,019	108,743
First Habib Income Fund	30 June 2018	996,410	31,054	965,356	68,288	47,691
First Habib Stock Fund	30 June 2018	141,381	3,981	137,400	8,184	(40,746)
Habib Asset Management Limited	30 June 2018	256,333	9,010	247,323	20,438	(56,733)
Habib Sugar Mills Limited	30 September 2018	10,460,111	2,356,141	8,103,970	7,974,143	901,276
First Habib Islamic Stock Fund	30 June 2018	118,641	3,295	115,346	5,795	(25,291)
First Habib Islamic Income Fund	30 June 2018	193,493	896	192,597	7,329	4,139
First Habib Asset Allocation Fund	30 June 2018	222,087	6,338	215,749	7,180	2,045
2017						
First Habib Cash Fund	30 June 2017	1,069,669	28,684	1,040,985	56,726	59,212
First Habib Income Fund	30 June 2017	1,110,412	23,221	1,087,191	71,470	53,331
First Habib Stock Fund	30 June 2017	215,171	7,665	207,506	42,253	37,017
Habib Asset Management Limited	30 June 2017	241,396	7,339	234,057	38,976	(21,669)
Habib Sugar Mills Limited	30 September 2017	9,142,609	2,159,274	6,983,335	7,407,465	557,417
First Habib Islamic Stock Fund	30 June 2017	159,097	5,423	153,674	23,925	20,225
First Habib Islamic Income Fund	30 June 2017	106,911	4,963	101,948	3,147	1,445
First Habib Asset Allocation Fund	-	-	-	-	-	-

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



8. ADVANCES

Note	Performing		Non Performing		Total	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	408,233,955	286,424,472	5,059,552	5,135,877	413,293,507	291,560,349
Islamic financing and related assets	49,708,261	34,858,102	8,724	957	49,716,985	34,859,059
Bills discounted and purchased	22,767,224	20,894,482	167,116	151,765	22,934,340	21,046,247
Advances - gross	480,709,440	342,177,056	5,235,392	5,288,599	485,944,832	347,465,655
Provision against advances						
- Specific	-	-	4,351,895	4,399,564	4,351,895	4,399,564
- General as per regulations	238,099	233,096	-	-	238,099	233,096
- General	3,000,000	3,000,000	-	-	3,000,000	3,000,000
- As per IFRS 9 in overseas branches	140,185	-	-	-	140,185	-
	3,378,284	3,233,096	4,351,895	4,399,564	7,730,179	7,632,660
Advances - net of provision	477,331,156	338,943,960	883,497	889,035	478,214,653	339,832,995

8.1 Includes net investment in finance lease as disclosed below:

	2018			2017		
	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	7,337,208	9,674,905	17,012,113	5,300,697	7,826,360	13,127,057
Residual value	1,096,338	4,442,641	5,538,979	456,654	3,347,055	3,803,709
Minimum lease payments	8,433,546	14,117,546	22,551,092	5,757,351	11,173,415	16,930,766
Financial charges for future periods	(1,294,217)	(1,292,929)	(2,587,146)	(765,289)	(813,454)	(1,578,743)
Present value of minimum lease payments	7,139,329	12,824,617	19,963,946	4,992,062	10,359,961	15,352,023

8.2 Particulars of advances (Gross)

	2018	2017
	(Rupees in '000)	
In local currency	428,995,587	300,654,274
In foreign currencies	56,949,245	46,811,381
	485,944,832	347,465,655



8.3 Advances include Rs. 5,235.392 million (2017: Rs. 5,288.599 million) which have been placed under non - performing status as detailed below:

Category of Classification	2018		2017	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	10,715	998	25,472	356
Substandard	44,963	10,869	151,761	37,171
Doubtful	1,621,874	796,947	1,406,425	689,214
Loss	2,496,394	2,481,635	2,720,279	2,688,161
	<u>4,173,946</u>	<u>3,290,449</u>	<u>4,303,937</u>	<u>3,414,902</u>
Overseas				
Overdue by:				
> 365 days	1,061,446	1,061,446	984,662	984,662
Total	<u>5,235,392</u>	<u>4,351,895</u>	<u>5,288,599</u>	<u>4,399,564</u>

8.4 Particulars of provision against advances

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	4,399,564	3,233,096	7,632,660	4,882,330	2,944,839	7,827,169
Provision as per IFRS 9 in overseas branches	-	104,514	104,514	-	-	-
Revised opening balance	<u>4,399,564</u>	<u>3,337,610</u>	<u>7,737,174</u>	<u>4,882,330</u>	<u>2,944,839</u>	<u>7,827,169</u>
Exchange adjustments	218,348	26,933	245,281	51,940	-	51,940
Charge for the year						
- Specific provision	354,961	-	354,961	433,987	-	433,987
- General provision as per regulations	-	5,003	5,003	-	38,257	38,257
- General provision for loans and advances	-	-	-	-	250,000	250,000
- As per IFRS 9 in overseas branches	-	8,738	8,738	-	-	-
Reversals	(445,270)	-	(445,270)	(968,693)	-	(968,693)
	(90,309)	13,741	(76,568)	(534,706)	288,257	(246,449)
Amounts written off 8.5	<u>(175,708)</u>	<u>-</u>	<u>(175,708)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>4,351,895</u>	<u>3,378,284</u>	<u>7,730,179</u>	<u>4,399,564</u>	<u>3,233,096</u>	<u>7,632,660</u>



8.4.1 Particulars of provision against advances

	2018			2017		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
In local currency	3,290,449	3,238,099	6,528,548	3,414,902	3,233,096	6,647,998
In foreign currencies	1,061,446	140,185	1,201,631	984,662	-	984,662
	<u>4,351,895</u>	<u>3,378,284</u>	<u>7,730,179</u>	<u>4,399,564</u>	<u>3,233,096</u>	<u>7,632,660</u>

8.4.2 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.

8.5 PARTICULARS OF WRITE OFFS:

	Note	2018 (Rupees in '000)	2017
8.5.1 Against Provisions	8.4	175,708	-
Directly charged to Profit & Loss account		-	-
		<u>175,708</u>	<u>-</u>
8.5.2 Write Offs of Rs. 500,000 and above			
- Domestic	8.6	175,694	-
- Write Offs of below Rs. 500,000		14	-
		<u>175,708</u>	<u>-</u>

8.6 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	2018 (Rupees in '000)	2017
9. FIXED ASSETS			
Capital work - in - progress	9.1	1,433,875	1,046,851
Property and equipment	9.2	24,759,122	21,444,697
		<u>26,192,997</u>	<u>22,491,548</u>
9.1 Capital work - in - progress			
Civil works		498,060	443,461
Advance payment towards suppliers, contractors and property		914,905	592,442
Consultants' fee and other charges		20,910	10,948
		<u>1,433,875</u>	<u>1,046,851</u>



9.3 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 2018 would have been as follows:

	2018	2017
	(Rupees in '000)	
Leasehold land	<u>4,788,144</u>	<u>4,788,144</u>
Buildings on leasehold land	<u>4,836,414</u>	<u>4,991,562</u>

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

Furniture and fixture	188,754	159,414
Electrical, office and computer equipment	2,727,543	2,505,875
Vehicles	547,077	338,955
	<u>3,463,374</u>	<u>3,004,244</u>

9.5 Details of disposal of fixed assets during the year:

Particulars	Cost	Book value	Insurance claim
Habib Insurance Company Limited - (Related Party - Karachi)			
Furniture and fixtures	<u>227</u>	<u>203</u>	<u>130</u>
Electrical, office and computer equipment	<u>682</u>	<u>501</u>	<u>512</u>
Vehicles	<u>6,347</u>	<u>3,806</u>	<u>5,664</u>



	2018		
	Computer software	TRE Certificates (Rupees in '000)	Total
10. INTANGIBLE ASSETS			
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>
		2017	
At 01 January 2017			
Cost	590,718	34,750	625,468
Accumulated amortisation	(471,055)	(25,285)	(496,340)
Net book value	<u>119,663</u>	<u>9,465</u>	<u>129,128</u>
Year ended 31 December 2017			
Opening net book value	119,663	9,465	129,128
Additions: directly purchased	47,800	–	47,800
Amortisation charge	(96,378)	(6,965)	(103,343)
Closing net book value	<u>71,085</u>	<u>2,500</u>	<u>73,585</u>
At 31 December 2017			
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>
Rate of amortisation (percentage)	<u>50%</u>	<u>–</u>	<u>50%</u>
Useful life	<u>2 Years</u>	<u>–</u>	<u>2 Years</u>

10.1 As at 31 December 2018, the cost of fully amortised intangible assets still in use amounted to Rs. 593.928 million (2017: Rs. 456.823 million).



11. OTHER ASSETS	Note	2018	2017 <i>Restated</i>
(Rupees in '000)			
Income / mark - up accrued in local currency - net of provision		10,391,416	8,867,043
Income / mark - up accrued in foreign currency - net of provision		390,718	291,588
Advances, deposits, advance rent and other prepayments		1,213,235	873,481
Advance taxation (payments less provisions)		1,484,911	628,458
Non - banking assets acquired in satisfaction of claims	11.1	806,254	794,885
Mark to market gain on forward foreign exchange contracts		1,133,980	1,856,764
Acceptances		28,771,029	25,082,185
Stationery and stamps on hand		218,772	149,672
Receivable from SBP on encashment of Government Securities		325,478	276,847
Non - refundable deposits		43,455	51,064
ATM settlement account		965,926	1,141,959
Receivable against securities		34,359	331,940
Others		921,129	559,561
		<u>46,700,662</u>	<u>40,905,447</u>
Less: Provision held against other assets	11.2	<u>(7,279)</u>	<u>(6,486)</u>
Other Assets (net of provision)		46,693,383	40,898,961
Surplus on revaluation of non - banking assets acquired in satisfaction of claims		30,194	31,446
Other Assets - total		<u>46,723,577</u>	<u>40,930,407</u>
11.1 Market value of Non - banking assets acquired in satisfaction of claims		<u>885,443</u>	<u>801,537</u>
11.1.1 Non - banking assets acquired in satisfaction of claims			
Opening Balance		826,331	189,437
Additions		56,764	617,220
Revaluation		-	25,569
Transferred to CWIP		(39,860)	-
Accumulated depreciation adjusted against revaluation		-	(5,377)
Accumulated depreciation		(6,787)	(518)
Closing Balance		<u>836,448</u>	<u>826,331</u>
11.2 Provision held against other assets			
Receivable against consumer loans		<u>7,279</u>	<u>6,486</u>
11.2.1 Movement in provision held against other assets			
Opening balance		6,486	3,752
Charge for the year		1,485	3,845
Reversals		(605)	(875)
		880	2,970
Amount written off		(87)	(236)
Closing balance		<u>7,279</u>	<u>6,486</u>



	Note	2018 (Rupees in '000)	2017
12. BILLS PAYABLE			
In Pakistan		20,603,682	19,663,349
13. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	13.1	33,445,797	27,980,020
Under renewable energy	13.2	3,885,244	3,884,507
Under long term financing for imported and locally manufactured plant and machinery	13.3	13,444,746	10,616,620
Under modernisation of small and medium enterprises	13.4	116,354	–
Under women entrepreneurship	13.5	8,476	–
Under financing facility for storage of agricultural produce	13.6	26,967	55,917
		50,927,584	42,537,064
Repurchase agreement borrowings	13.7	56,714,334	85,619,654
Total secured		107,641,918	128,156,718
Unsecured			
Call money lendings	13.8	1,500,000	–
Borrowings from financial institutions	13.9	9,550,019	5,159,685
Overdrawn nostro accounts		346,421	183,473
Total unsecured		11,396,440	5,343,158
		119,038,358	133,499,876
13.1	These carry mark - up rates ranging from 1% to 2% (2017: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.		
13.2	These carry mark - up rate of 2% (2017: 2%) per annum having maturity periods upto ten years.		
13.3	These carry mark - up rates ranging from 2% to 6% (2017: 2% to 6.5%) per annum having maturity periods upto ten years.		
13.4	These carry mark - up rate of 2% (2017: Nil) per annum having maturity periods upto five years.		
13.5	These carry mark - up rate of 0% (2017: Nil) per annum having maturity periods upto five years.		
13.6	These carry mark - up rate of 3.50% (2017: 3.50%) per annum having maturity periods upto two years.		
13.7	These repurchase agreement borrowings are secured against market treasury bills, which carry mark - up rates ranging from 10.10% to 10.35% (2017: 5.82% to 6%) per annum, having maturity periods upto one month.		
13.8	These carry mark - up rate of 10.25% (2017: Nil) per annum having maturity periods upto one month.		
13.9	These carry mark - up rates ranging from 0.5% to 3.48% (2017: 1.85% to 2.05%) per annum having maturity periods upto two months.		



13.10 Particulars of borrowings with respect to currencies	2018	2017
	(Rupees in '000)	
In local currency	109,152,837	128,156,718
In foreign currencies	9,885,521	5,343,158
	<u>119,038,358</u>	<u>133,499,876</u>

14. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	259,924,538	27,655,719	287,580,257	227,849,411	22,741,768	250,591,179
Savings deposits	190,726,381	35,939,386	226,665,767	166,946,235	29,037,677	195,983,912
Term deposits	128,918,633	27,556,178	156,474,811	110,914,018	22,595,266	133,509,284
Current deposits - remunerative	82,817,947	550,054	83,368,001	76,136,632	541,752	76,678,384
Others	10,802,035	8,189,454	18,991,489	6,595,968	3,640,306	10,236,274
	<u>673,189,534</u>	<u>99,890,791</u>	<u>773,080,325</u>	<u>588,442,264</u>	<u>78,556,769</u>	<u>666,999,033</u>
Financial institutions						
Current deposits	1,284,400	358,311	1,642,711	3,000,971	265,131	3,266,102
Savings deposits	11,834,313	15	11,834,328	3,762,460	12	3,762,472
Term deposits	289,001	454,768	743,769	5,438,501	887,228	6,325,729
Current deposits - remunerative	7,179,534	2,285,052	9,464,586	10,216,687	1,964,300	12,180,987
Others	86,148	-	86,148	-	-	-
	<u>20,673,396</u>	<u>3,098,146</u>	<u>23,771,542</u>	<u>22,418,619</u>	<u>3,116,671</u>	<u>25,535,290</u>
	<u>693,862,930</u>	<u>102,988,937</u>	<u>796,851,867</u>	<u>610,860,883</u>	<u>81,673,440</u>	<u>692,534,323</u>
			2018			2017
	(Rupees in '000)					

14.1 Composition of deposits:

- Individuals	501,490,801	438,133,277
- Government (Federal and Provincial)	19,258,183	18,436,912
- Public Sector Entities	46,636,750	40,716,117
- Banking Companies	127,149	694,750
- Non - Banking Financial Institutions	23,644,392	24,840,540
- Private Sector	205,694,592	169,712,727
	<u>796,851,867</u>	<u>692,534,323</u>

14.2 This includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 472,214 million as per balances held on 31 December 2017.



	Note	2018 (Rupees in '000)	2017
15 SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	15.1	3,996,000	3,997,600
Term Finance Certificates (TFCs) - VI - (Unquoted)	15.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	15.3	4,000,000	–
		<u>14,996,000</u>	<u>10,997,600</u>

15.1 Term Finance Certificates - V (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	March 2016
Maturity date	March 2026
Rating	AA
Profit payment frequency	six monthly
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 and /or have them immediately written off (either partially or in full).

15.2 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	Neither 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 and /or have them immediately written off (either partially or in full).



2017

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

Note **2018** **2017**
Restated
(Rupees in '000)

17. OTHER LIABILITIES

Mark - up / return / interest payable in local currency	2,973,237	2,180,766
Mark - up / return / interest payable in foreign currencies	231,537	136,876
Unearned commission income	204,609	160,471
Accrued expenses	1,031,360	875,502
Acceptances	28,771,029	25,082,185
Unclaimed dividends	415,647	337,665
Mark to market loss on forward foreign exchange contracts	614,896	765,265
Branch adjustment account	717,339	176,040
Payable to defined benefit plan	703,992	577,771
Charity payable	14,218	6,464
Provision against off - balance sheet items	17.1 116,600	113,236
Security deposits against leases / ijarah	5,940,336	4,116,258
Provision for compensated absences	17.2 585,739	489,346
Special exporters' accounts in foreign currencies	41,936	70,926
Other security deposits	506,331	469,782
Workers' welfare fund	1,303,671	1,009,137
Payable to SBP / NBP	223,763	728,561
Payable to supplier against murabaha	44,886	258,944
Payable against purchase of securities	22,083	50,961
Insurance payable	490,757	363,581
Payable against sale of marketable securities on behalf of customers	92,035	137,904
Others	850,781	1,026,721
	45,896,782	39,134,362



	2018 (Rupees in '000)	2017
17.1 Provision against off - balance sheet obligations		
Opening balance	113,236	102,257
IFRS 9 impairment adjustment in overseas branches	47,602	–
Revised opening balance	<u>160,838</u>	<u>102,257</u>
Exchange adjustment against IFRS 9 in overseas branches	12,263	–
Charge for the year	13,827	39,515
Reversals	(70,328)	(28,536)
	<u>(56,501)</u>	<u>10,979</u>
Closing balance	<u>116,600</u>	<u>113,236</u>

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

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

	2018 (% per annum)	2017
Discount rate	12.75%	8.75%
Expected rate of increase in salary in future years	11.75%	7.75%

18. SHARE CAPITAL

18.1 Authorized Capital

2018	2017		2018	2017
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>

18.2 Issued, subscribed and paid up capital

2018	2017		2018	2017
Number of shares				
30,000,000	30,000,000	Issued for 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>

18.3 As of statement of financial position date 198,396,189 (2017: 198,796,105) ordinary shares of Rs. 10/- each were held by the related parties.



	Note	2018	2017 <i>Restated</i>
		(Rupees in '000)	
19. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Investments	19.1	(1,862,121)	1,396,233
- Fixed Assets	19.2	5,605,295	5,715,321
- Non - banking assets acquired in satisfaction of claims	19.3	36,408	38,334
		3,779,582	7,149,888
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(689,778)	455,300
- Fixed Assets	19.2	1,087,778	1,126,287
- Non - banking assets acquired in satisfaction of claims	19.3	6,214	6,888
		404,214	1,588,475
		3,375,368	5,561,413
19.1 Investments			
Available for sale securities	7.1	(1,975,384)	1,321,855
Unrealised surplus on equity accounting		111,230	80,960
Non - controlling interest		2,033	(6,582)
		(1,862,121)	1,396,233
Less: related deferred tax		(689,778)	455,300
		(1,172,343)	940,933
19.2 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at 01 January		5,715,321	3,726,875
Recognised during the year		-	2,101,377
Realised on disposal during the year - net of deferred tax		-	(14,910)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(110,026)	(98,021)
Surplus on revaluation of fixed assets as at 31 December		5,605,295	5,715,321
Less: related deferred tax liability on:			
- revaluation as at 01 January		1,126,287	837,941
- revaluation recognised during the year		-	322,703
- surplus realised on disposal during the year		-	(49)
- incremental depreciation charged during the year		(38,509)	(34,308)
		1,087,778	1,126,287
		4,517,517	4,589,034



	Note	2018	2017 <i>Restated</i>
(Rupees in '000)			
19.3 Surplus on revaluation of non - banking assets acquired in satisfaction of claims			
Surplus on revaluation as at 01 January		38,334	13,452
Recognised during the year		-	25,569
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,926)	(687)
Surplus on revaluation of fixed assets as at 31 December		36,408	38,334
Less: related deferred tax liability on:			
- revaluation as at 01 January		6,888	2,009
- revaluation recognised during the year		-	5,119
- incremental depreciation charged during the year		(674)	(240)
		6,214	6,888
		<u>30,194</u>	<u>31,446</u>
20. NON - CONTROLLING INTEREST			
Opening balance		120,479	114,215
Accounting policy change		-	7,092
Revised opening balance		120,479	121,307
Loss attributable to non - controlling interest		(5,186)	(318)
Loss on equity attributable to non - controlling interest		(8,615)	(510)
Closing balance		<u>106,678</u>	<u>120,479</u>
21. CONTINGENCIES AND COMMITMENTS			
- Guarantees	21.1	66,873,212	60,658,428
- Commitments	21.2	217,907,411	189,287,814
- Other contingent liabilities	21.3	4,716,420	4,718,920
		<u>289,497,043</u>	<u>254,665,162</u>
21.1 Guarantees:			
Financial guarantees		9,633,948	6,616,717
Performance guarantees		57,239,264	54,041,711
		<u>66,873,212</u>	<u>60,658,428</u>
21.2 Commitments:			
Documentary credits and short term trade - related transactions			
- letters of credit		109,275,067	107,446,195
Commitments in respect of:			
- forward foreign exchange contracts	21.2.1	103,620,742	71,165,412
- forward lending	21.2.2	3,916,624	9,565,312
Commitments for acquisition of:			
- operating fixed assets		1,094,978	1,110,895
		<u>217,907,411</u>	<u>189,287,814</u>



	2018	2017
	(Rupees in '000)	
21.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	70,584,095	46,725,785
Sale	33,036,647	24,439,627
	<u>103,620,742</u>	<u>71,165,412</u>

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

21.2.2 Commitments in respect of forward lending	<u>3,916,624</u>	<u>9,565,312</u>
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21.2.2.1 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.

21.3 Claims against the Bank not acknowledged as debts	<u>4,716,420</u>	<u>4,718,920</u>
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21.4 Other contingent liabilities

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2017 (Tax Year 2018). The income tax assessments of the Bank are complete upto tax year 2015.

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 in an impact of Rs. 797.233 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. 662.616 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Deputy Commissioner Inland Revenue has finalized audit 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 audit 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.

Deputy Commissioner Inland Revenue have 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 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.

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

22. 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.



	Note	2018 (Rupees in '000)	2017
23. MARK - UP / RETURN / INTEREST EARNED			
On loans and advances		28,604,184	18,228,909
On investments		31,658,888	31,839,959
On deposits with financial institutions		288,716	175,924
On securities purchased under resale agreements		183,322	75,521
On call money lendings		8,137	442
		<u>60,743,247</u>	<u>50,320,755</u>
24. MARK - UP / RETURN / INTEREST EXPENSED			
Deposits		25,133,435	19,463,770
Borrowings from SBP		929,798	697,527
Subordinated debt		911,973	292,520
Cost of foreign currency swaps		529,108	534,588
Repurchase agreement borrowings		2,015,395	3,207,554
Other borrowings		318,987	188,752
		<u>29,838,696</u>	<u>24,384,711</u>
25. FEE & COMMISSION INCOME			
Branch banking customer fees		225,545	198,988
Card related fees (debit and credit cards)		457,563	428,680
Credit related fees		185,820	192,350
Commission on trade		2,669,633	1,903,566
Commission on guarantees		381,930	267,550
Commission on cash management		177,864	143,493
Commission on home remittances		43,556	42,626
Others		8,862	5,242
		<u>4,150,773</u>	<u>3,182,495</u>
26. (LOSS) / GAIN ON SECURITIES			
Realised	26.1	19,993	2,790,732
Unrealised - held for trading	7.1	(30,309)	5,004
		<u>(10,316)</u>	<u>2,795,736</u>
26.1 Realised gain on:			
Federal Government Securities		(1,897)	1,525,966
Shares		21,740	1,016,893
Non Government Debt Securities		150	(3,573)
Mutual funds		-	251,446
		<u>19,993</u>	<u>2,790,732</u>
27. OTHER INCOME			
Gain on sale of operating fixed assets - net		130,801	99,903
Recovery of expenses from customers		268,485	250,581
Lockers rent		8,157	6,460
Cheque book issuance / cheque return charges		269,354	249,330
Banking charges		254,165	174,717
Compensation received on delayed refund of tax		-	72,939
Others		8,750	8,545
		<u>939,712</u>	<u>862,475</u>



	Note	2018	2017
		(Rupees in '000)	
28. OPERATING EXPENSES			
Total compensation expenses	28.1	10,268,235	8,838,035
Property expense			
Rent & taxes		1,571,815	1,535,226
Insurance		20,347	19,927
Utilities cost		882,300	764,929
Security (including guards)		853,001	742,237
Repair & maintenance (including janitorial charges)		212,036	167,930
Depreciation		700,455	611,979
Amortisation		7,609	7,609
		4,247,563	3,849,837
Information technology expenses			
Software maintenance		2,784	2,138
Hardware maintenance		393,428	274,119
Depreciation		262,187	219,252
Amortisation		134,571	95,257
Network charges		316,671	276,278
		1,109,641	867,044
Other operating expenses			
Directors' fees and allowances		42,925	38,242
Fees and allowances to Shariah Board		8,096	6,465
Insurance		314,428	246,896
Legal & professional charges		165,170	178,832
Outsourced services costs	34	1,194,990	973,546
Travelling & conveyance		217,729	160,088
NIFT & other clearing charges		118,071	105,167
Depreciation		1,208,325	1,072,372
Repair and maintenance		1,148,946	941,593
Training & development		47,145	38,280
Postage & courier charges		192,951	155,039
Communication		240,247	200,164
Stationery & printing		548,482	423,062
Marketing, advertisement & publicity		276,076	238,251
Donations	28.2	159,761	124,229
Auditors Remuneration	28.3	7,137	5,691
Commission and brokerage		174,855	127,917
Entertainment and staff refreshment		300,333	247,647
Vehicle running expenses		625,195	426,736
Subscriptions and publications		104,265	70,382
CNIC verification charges		66,578	44,446
Security charges		229,872	197,850
Others		246,751	262,708
		7,638,328	6,285,603
		23,263,767	19,840,519

Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs. 22.384 million (2017: Rs. 17.007 million) paid to a company incorporated outside Pakistan.



Material Outsourcing Arrangements

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

	2018	2017
	(Rupees in '000)	
28.1 Total compensation expense		
Fees and allowances etc.	237,254	210,578
Managerial Remuneration	6,352,891	5,442,927
Charge for defined benefit plan	313,225	255,159
Contribution to defined contribution plan	447,838	379,088
Rent & house maintenance	1,928,169	1,652,171
Utilities	482,853	412,953
Medical	362,648	323,633
Conveyance	34,871	32,195
Charge for employees compensated absences	92,542	71,438
Social security	3,005	9,469
Employees old age benefit institution	211	37,755
Staff indemnity	12,728	10,669
Grand Total	10,268,235	8,838,035
28.2 The detail of donations is given below:		
Al - Sayyeda Benevolent Trust	3,000	1,500
Alif Noon Parents Foundation	-	1,000
Bank AL Habib Staff Benefit Trust	50,000	50,000
Childlife Foundation	5,000	5,000
Habib Education Trust	13,000	1,500
Habib Medical Trust	3,000	1,500
Habib Poor Fund	3,000	1,500
Institute of Management Sciences, Bahauddin Zakariya University	1,000	1,000
Panah Trust	-	500
Patients' Aid Foundation	52,828	50,829
Rahmatbai Habib Food and Clothing Trust	3,000	1,500
Rahmatbai Habib Widows and Orphans Trust	3,000	1,500
The Citizens Foundation	4,800	4,400
The Supreme Court of Pakistan and the Prime Minister of Pakistan		
Diamer - Bhasha and Mohmand Dams Fund	18,133	-
The Society for Rehabilitation of Special Children	-	2,500
	159,761	124,229
28.3 Auditors' remuneration		
Audit fee	3,231	3,320
Half yearly review	825	850
Special certifications	2,301	475
Gratuity fund	91	83
Out of pocket expenses	689	963
	7,137	5,691
29. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	3,517	36,474



	Note	2018 (Rupees in '000)	2017
30. PROVISIONS & WRITE OFFS - NET			
Reversal against balances with other banks		(9)	–
Provisions for diminution in value of investments	7.3	352,946	135,541
Reversal against loans and advances - net	8.4	(76,568)	(246,449)
(Reversal) / provision against off - balance sheet items	17.1	(56,501)	10,979
Provision against other assets	11.2.1	880	10,882
Write - off against intangible assets		–	6,965
Loss on revaluation of fixed assets		–	149,912
		<u>220,748</u>	<u>67,830</u>
31. TAXATION			
Current		5,812,657	5,155,877
Prior years		(178)	503,224
Deferred		40,681	(262,144)
		<u>5,853,160</u>	<u>5,396,957</u>
31.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>14,305,815</u>	<u>13,902,215</u>
Tax at the applicable rate of 35% (2017: 35%)		5,007,035	4,865,775
Tax effects of:			
Expenses that are not deductible in determining taxable income		327,357	31,612
Tax effect of super tax		570,545	503,224
Others		(51,777)	(3,654)
		<u>5,853,160</u>	<u>5,396,957</u>
31.1.1			
The Finance Act, 2018 has revised the applicability of super tax brought into effect through Finance Act, 2015 for rehabilitation of temporary displaced persons on the taxable income of respective years. Accordingly, the Bank has recognized super tax in the current period which is determined at the applicable tax rate of 4 percent on taxable income for the year.			
		2018 (Rupees in '000)	2017
32. 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>8,457,841</u>	<u>8,505,576</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
Basic earnings per share		<u>7.61</u>	<u>7.65</u>
	Note	2018 (Rupees in '000)	2017
33. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	74,432,185	60,096,169
Balances with other banks	6	8,010,940	4,732,856
Overdrawn nostros	13	(346,421)	(183,473)
		<u>82,096,704</u>	<u>64,645,552</u>



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

	Liabilities					Equity				Total
	Bills payable	Borrowings	Deposits and other accounts	Subordinated debt	Other liabilities (Rupees in '000)	Share capital	Reserves	Unappropriated profit	Non-controlling interest	
Balance as at 01 January 2018	19,663,349	133,499,876	692,534,323	10,997,600	39,134,362	11,114,254	12,979,937	16,502,297	120,479	936,546,477
Changes from financing cash flows										
Receipts from subordinated debt - net	-	-	-	3,998,400	-	-	-	-	-	3,998,400
Dividend paid	-	-	-	-	(16,396)	-	-	(3,239,898)	-	(3,256,294)
Total changes from financing cash flows	-	-	-	3,998,400	(16,396)	-	-	(3,239,898)	-	742,106
Other changes										
Liability - related										
Changes in bills payable	940,333	-	-	-	-	-	-	-	-	940,333
Changes in borrowings	-	(14,461,518)	-	-	-	-	-	-	-	(14,461,518)
Changes in deposits and other accounts	-	-	104,317,544	-	-	-	-	-	-	104,317,544
Changes in other liabilities										
- Cash based	-	-	-	-	6,905,037	-	-	-	-	6,905,037
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	(126,221)	-	-	-	-	(126,221)
Transfer of profit to reserve	-	-	-	-	-	-	841,766	(841,766)	-	-
Profit for the year	-	-	-	-	-	-	-	8,457,841	(5,186)	8,452,655
Other adjustments	-	-	-	-	-	-	-	(237,254)	(8,615)	(245,869)
Exchange differences on translation of net investment in foreign operations	-	-	-	-	-	-	935,827	-	-	935,827
	940,333	(14,461,518)	104,317,544	-	6,778,816	-	1,777,593	7,378,821	(13,801)	106,717,788
Balance as at 31 December 2018	20,603,682	119,038,358	796,851,867	14,996,000	45,896,782	11,114,254	14,757,530	20,641,220	106,678	1,044,006,371



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

	Liabilities					Equity				Total
	Bills payable	Borrowings	Deposits and other accounts	Subordinated debt	Other liabilities (Rupees in '000)	Share capital	Reserves	Unappropriated profit	Non-controlling interest	
Balance as at 01 January 2017	13,872,057	93,717,345	584,165,978	3,999,200	25,664,271	11,114,254	11,899,026	12,844,064	121,307	757,397,502
Changes from financing cash flows										
Receipts from subordinated debt - net	-	-	-	6,998,400	-	-	-	-	-	6,998,400
Dividend paid	-	-	-	-	(8,890)	-	-	(3,833,824)	-	(3,842,714)
Total changes from financing cash flows	-	-	-	6,998,400	(8,890)	-	-	(3,833,824)	-	3,155,686
Other changes										
Liability - related										
Changes in bills payable	5,791,292	-	-	-	-	-	-	-	-	5,791,292
Changes in borrowings	-	39,782,531	-	-	-	-	-	-	-	39,782,531
Changes in deposits and other accounts	-	-	108,368,345	-	-	-	-	-	-	108,368,345
Changes in other liabilities	-	-	-	-	13,645,258	-	-	-	-	13,645,258
- Cash based	-	-	-	-	13,645,258	-	-	-	-	13,645,258
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	(166,277)	-	-	-	-	(166,277)
Transfer of profit to reserve	-	-	-	-	-	913,434	(913,434)	-	-	-
Profit for the year	-	-	-	-	-	-	8,505,576	(318)	-	8,505,258
Other adjustments	-	-	-	-	-	-	(100,085)	(510)	-	(100,595)
Exchange differences on translation of net investment in foreign operations	-	-	-	-	-	-	167,477	-	-	167,477
	5,791,292	39,782,531	108,368,345	-	13,478,981	-	1,080,911	7,492,057	(828)	175,993,289
Balance as at 31 December 2017	19,663,349	133,499,876	692,534,323	10,997,600	39,134,362	11,114,254	12,979,937	16,502,297	120,479	936,546,477



	2018	2017
	(Number)	
34. STAFF STRENGTH		
Permanent	10,449	9,380
Temporary / on contractual basis	221	223
Group's own staff at end of the year	<u>10,670</u>	<u>9,603</u>
Outsourced	2,551	2,341
Total staff strength	<u><u>13,221</u></u>	<u><u>11,944</u></u>
34.1		
Domestic	13,176	11,901
Offshore	45	43
	<u><u>13,221</u></u>	<u><u>11,944</u></u>

35. DEFINED BENEFIT PLAN

35.1 General description

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

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

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.

35.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 10,325 (2017: 9,300).

35.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2018 and the significant assumptions used for actuarial valuation were as follows:

	2018	2017
Discount Rate	12.75%	8.75%
Expected rate of return on plan assets	9.81%	9.96%
Expected rate of salary increase : Year 1	11.75%	10.00%
Year 2	11.75%	7.75%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate



35.4 Reconciliation of payable to defined benefit plan	Note	2018	2017
		(Rupees in '000)	
Present value of obligations		2,993,002	2,435,705
Fair value of plan assets		(2,289,010)	(1,857,934)
Payable		703,992	577,771
35.5 Movement in defined benefit obligations			
Obligation at the beginning of the year		2,435,705	1,938,013
Current service cost		264,747	218,742
Interest cost		219,159	184,787
Benefits paid during the year		(57,610)	(56,040)
Remeasurement loss		131,001	150,203
Obligation at the end of the year		2,993,002	2,435,705
35.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		1,857,934	1,526,519
Interest income on plan assets		170,681	148,370
Contribution by the Bank - net		313,225	255,159
Actual benefits paid during the year		(57,610)	(56,040)
Remeasurement gain / (loss) on plan assets	35.8.2	4,780	(16,074)
Fair value at the end of the year		2,289,010	1,857,934
35.7 Movement in payable under defined benefit schemes			
Opening balance		577,771	411,494
Charge for the year		313,225	255,159
Contribution by the Bank		(313,225)	(255,159)
Remeasurement loss recognised in			
Other Comprehensive Income during the year	35.8.2	126,221	166,277
Closing Balance		703,992	577,771
35.8 Charge for defined benefit plan			
35.8.1 Cost recognised in profit and loss			
Current service cost		264,747	218,742
Net interest on defined benefit liability		48,478	36,417
		313,225	255,159



	2018 (Rupees in '000)	2017
35.8.2 Re-measurements recognised in OCI during the year		
Loss / (gain) on obligation		
- Financial assumptions	3,962	43,110
- Experience assumptions	127,039	107,093
	131,001	150,203
Actuarial loss on plan assets	(4,780)	16,074
Total Remeasurement loss recognised in OCI	126,221	166,277
35.9 Components of plan assets		
Cash and Cash equivalents - net	7,928	265,180
Unquoted investments		
Government securities	2,281,081	1,517,295
Term Deposit	-	75,459
	2,281,081	1,592,754
Total fair value of plan assets	2,289,009	1,857,934
35.10 Sensitivity analysis		
		2018 (Rupees in '000)
1% increase in discount rate		2,711,664
1% decrease in discount rate		3,322,690
1% increase in expected rate of salary increase		3,337,524
1% decrease in expected rate of salary increase		2,694,834
		2019 (Rupees in '000)
35.11 Expected contributions to be paid to the funds in the next financial year		403,923
35.12 Expected charge for the next financial year		403,923
35.13 Maturity profile		
		2018 (Rupees in '000)
The weighted average duration of the obligation is 10.15 years.		
Distribution of timing of benefit payments		
within the next 12 months (next annual reporting period)		195,583
between 2 and 5 years		1,020,772
between 5 and 10 years		2,984,059
		4,200,414



35.14 Funding Policy

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

35.15 Significant risk

Asset volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly fixed income bonds. Almost 55% of the total Investments (1.23 billion) is invested in 3-month T-bills. This gives rise to significant reinvestment risk.

The remaining fund is invested in PIB's of floating and fixed varieties. The fixed PIB exposure is almost 27% which is expected to mature in the range of 3-4 years. The rest of 23% is invested in the floating rate PIB's.

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.

There is no equity or corporate bond exposure. Thus, no equity or settlement 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.



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.

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

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.

36. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 4.13.

	2018 (Rupees in '000)
Contributions made during the year :	
Employer's Contribution	<u>447,838</u>
Employees' Contribution	<u>447,838</u>

The number of employees covered under the defined contribution plan are 9,330 (2017: 8,317).



37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Fee	–	–	42,925	34,075	–	–
Managerial remuneration	29,333	16,667	19,000	16,000	1,640,320	1,326,090
Charge for defined benefit plan	18,448	27,462	10,389	1,333	265,421	143,393
Contribution to defined contribution plan	2,933	1,667	1,900	1,600	114,680	91,270
Rent and house maintenance	11,733	6,667	7,600	6,400	511,073	413,635
Utilities	3,593	2,251	1,913	1,610	127,768	103,475
Medical	–	–	361	163	20,398	16,250
Bonus	7,667	4,733	5,000	4,000	352,697	270,692
Others	–	5	–	–	50,334	41,231
	73,707	59,452	89,088	65,181	3,082,691	2,406,036
Number of person(s)	1	1	10	11	631	500

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

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

Fees paid to non executive directors for attending meetings amounted to Rs. 17.925 million (2017: Rs. 9.075 million).

38. 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)
Non Government Debt Securities	Market prices
Foreign Securities	Market prices / Mashreqbank PSC
Listed securities	Market prices
Mutual funds	Net asset values
Unlisted equity investments	Break - up value as per latest available audited financial statements

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Group's accounting policies as stated in notes 4.17 and 4.18 .



38.1 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).

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:

	2018			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	–	353,477,258	–	353,477,258
Shares	4,439,914	–	–	4,439,914
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
Associates				
Listed shares	537,504	–	–	537,504
Mutual funds	342,581	–	–	342,581
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)



	2017			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	–	378,089,463	–	378,089,463
Shares	4,224,834	–	–	4,224,834
Non - Government Debt Securities	305,599	835,983	–	1,141,582
Foreign Securities	–	1,481,389	–	1,481,389
Mutual funds	2,104,346	–	–	2,104,346
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	87,316,724	–	87,316,724
Associates				
Listed shares	467,138	–	–	467,138
Mutual funds	428,348	–	–	428,348
Off - balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	48,579,198	–	48,579,198
Forward sale of foreign exchange contracts	–	(23,677,714)	–	(23,677,714)

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



39. SEGMENT INFORMATION

39.1 Segment details with respect to business activities

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

	2018			Total
	Commercial banking	Retail banking	Retail brokerage	
	(Rupees in '000)			
Profit & Loss				
Net mark - up / return / profit	54,591,204	6,140,894	11,149	60,743,247
Inter segment revenue - net	9,104	17,751,646	–	17,760,750
Non mark - up / return / interest income	4,380,858	2,755,206	47,766	7,183,830
Total Income	58,981,166	26,647,746	58,915	85,687,827
Segment direct expenses	(30,397,594)	(22,938,107)	(64,813)	(53,400,514)
Inter segment expense allocation	(17,751,646)	–	(9,104)	(17,760,750)
Total expenses	(48,149,240)	(22,938,107)	(73,917)	(71,161,264)
Provisions	(135,490)	(83,398)	(1,860)	(220,748)
Profit before tax	10,696,436	3,626,241	(16,862)	14,305,815
Balance Sheet				
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



2017

	Commercial banking	Retail banking	Retail brokerage	Total
	(Rupees in '000)			
Profit & Loss				
Net mark - up / return / profit	47,020,679	3,286,619	13,457	50,320,755
Inter segment revenue - net	5,949	13,099,909	—	13,105,858
Non mark - up / return / interest income	5,296,622	2,819,991	81,319	8,197,932
Total Income	52,323,250	19,206,519	94,776	71,624,545
Segment direct expenses	(29,130,667)	(15,355,272)	(62,703)	(44,548,642)
Inter segment expense allocation	(13,099,909)	—	(5,949)	(13,105,858)
Total expenses	(42,230,576)	(15,355,272)	(68,652)	(57,654,500)
Provisions	(7,341)	(35,258)	(25,231)	(67,830)
Profit before tax	10,085,333	3,815,989	893	13,902,215
Balance Sheet				
Cash & Bank balances	54,826,480	9,919,739	82,806	64,829,025
Investments	476,192,388	—	279,797	476,472,185
Net inter segment lending	186,102	409,802,120	—	409,988,222
Advances - performing	286,944,631	51,999,245	84	338,943,960
- non - performing	856,268	32,767	—	889,035
Others	53,658,632	9,705,334	131,574	63,495,540
Total Assets	872,664,501	481,459,205	494,261	1,354,617,967
Borrowings	133,499,876	—	—	133,499,876
Subordinated debt	10,997,600	—	—	10,997,600
Deposits & other accounts	254,401,046	438,133,277	—	692,534,323
Net inter segment borrowing	409,802,120	—	186,102	409,988,222
Others	23,754,666	37,430,189	134,711	61,319,566
Total liabilities	832,455,308	475,563,466	320,813	1,308,339,587
Equity	40,209,193	5,895,739	173,448	46,278,380
Total Equity & liabilities	872,664,501	481,459,205	494,261	1,354,617,967
Contingencies & Commitments	168,058,357	46,266	—	168,104,623



39.2 Segment details with respect to geographical locations

Geographical Segment Analysis

	2018				
	Pakistan	Middle East	Asia Pacific	Africa	Total
	(Rupees in '000)				
Profit & Loss					
Net mark - up / return / profit	58,842,304	1,097,667	715,416	87,860	60,743,247
Non mark - up / return / interest income	6,776,620	246,825	156,390	3,995	7,183,830
Total Income	65,618,924	1,344,492	871,806	91,855	67,927,077
Segment direct expenses	(52,266,533)	(552,869)	(502,390)	(78,722)	(53,400,514)
(Provisions) / reversals	(255,732)	(21)	35,018	(13)	(220,748)
Profit before tax	13,096,659	791,602	404,434	13,120	14,305,815
Balance Sheet					
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
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



	2017				Total
	Pakistan	Middle East	Asia Pacific	Africa	
	(Rupees in '000)				
Profit & Loss					
Net mark - up / return / profit	48,897,234	939,102	416,975	67,444	50,320,755
Non mark - up / return / interest income	7,915,148	180,619	101,155	1,010	8,197,932
Total Income	56,812,382	1,119,721	518,130	68,454	58,518,687
Segment direct expenses	(43,760,029)	(461,124)	(268,398)	(59,091)	(44,548,642)
Provisions	(67,830)	—	—	—	(67,830)
Profit before tax	12,984,523	658,597	249,732	9,363	13,902,215
Balance Sheet					
Cash & Bank balances	64,533,790	260,654	30,958	3,623	64,829,025
Investments	467,508,847	5,790,558	2,056,070	1,116,710	476,472,185
Net inter segment lendings	2,451,630	7,329,417	1,137,297	9,368	10,927,712
Advances - performing	315,862,674	13,850,306	8,497,296	733,684	338,943,960
- non-performing	889,035	—	—	—	889,035
Others	63,189,780	170,759	109,666	25,335	63,495,540
Total Assets	914,435,756	27,401,694	11,831,287	1,888,720	955,557,457
Borrowings	132,756,879	742,997	—	—	133,499,876
Subordinated debt	10,997,600	—	—	—	10,997,600
Deposits & other accounts	663,330,602	20,638,792	8,428,891	136,038	692,534,323
Net inter segment borrowings	4,167,700	2,912,525	2,523,033	1,324,454	10,927,712
Others	61,161,240	123,746	29,366	5,214	61,319,566
Total liabilities	872,414,021	24,418,060	10,981,290	1,465,706	909,279,077
Equity	42,021,735	2,983,634	849,997	423,014	46,278,380
Total Equity & liabilities	914,435,756	27,401,694	11,831,287	1,888,720	955,557,457
Contingencies & Commitments	164,277,141	2,478,094	1,350,218	—	168,105,453



40. RELATED PARTY TRANSACTIONS

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

Transactions with related parties of the Group are carried out on 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 9.5, 18.3 and 37 are summarised as follows:

	2018				2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key Management personnel	Associates	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	964,259	-	-	-	830,393	-
Investment made during the year	-	-	21,000	-	-	-	126,230	-
Investment adjusted / redeemed / disposed off during the year	-	-	(27,810)	-	-	-	7,636	-
Closing balance	-	-	957,449	-	-	-	964,259	-
Advances								
Opening balance	977	51,929	1,775,142	-	210	49,060	1,391,233	-
Addition during the year	34,176	51,761	32,726,863	-	24,105	88,844	36,708,154	-
Repaid during the year	(33,840)	(50,433)	(33,142,946)	-	(23,338)	(85,975)	(36,324,245)	-
Closing balance	1,313	53,257	1,359,059	-	977	51,929	1,775,142	-
Other Assets								
Interest / mark - up accrued	-	32	4,216	-	-	32	5,363	-
Others	-	-	28	-	-	-	49	-
L/C acceptances	-	-	532,718	-	-	-	650,794	-
Deposits and other accounts								
Opening balance	821,526	580,986	4,021,911	1,412,440	556,559	451,090	2,777,378	842,775
Received during the year	3,185,597	2,384,155	101,140,451	33,145,306	3,448,955	1,991,843	80,970,167	13,064,423
Withdrawn during the year	(3,419,671)	(2,148,735)	(100,285,529)	(34,020,945)	(3,183,988)	(1,861,947)	(79,725,634)	(12,494,758)
Closing balance	587,452	816,406	4,876,833	536,801	821,526	580,986	4,021,911	1,412,440
Other Liabilities								
Interest / mark - up payable	652	2,240	20,861	6,897	440	1,900	8,136	5,806
Payable to staff retirement fund	-	-	-	703,992	-	-	-	577,771
L/C acceptance	-	-	532,718	-	-	-	650,794	-
Other liabilities	-	-	-	-	-	-	-	-
Contingencies and Commitments	-	-	729,458	-	-	-	708,101	-
Other Transactions - Investor Portfolio Securities								
Opening balance	-	-	21,000	3,827,000	-	-	29,900	2,759,000
Increased during the year	-	-	416,000	15,445,000	-	-	70,300	3,775,000
Decreased during the year	-	-	(236,000)	(11,140,000)	-	-	(79,200)	(2,707,000)
Closing balance	-	-	201,000	8,132,000	-	-	21,000	3,827,000



40.1 RELATED PARTY TRANSACTIONS

	2018				2017			
	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	21	3,279	85,012	-	26	3,814	72,830	-
Fee and commission income	-	-	5,251	-	-	-	6,449	-
Dividend income	-	-	39,550	-	-	-	44,471	-
Net (loss) / gain on sale / redemption of securities and units of mutual funds	-	-	(881)	(15)	-	-	7	-
Bank charges	20	43	1,908	-	24	27	1,035	-
Other income	-	-	1,213	152	-	-	1,105	115
Expense								
Mark - up / return / interest expensed	35,858	34,017	201,493	60,453	35,191	22,293	168,698	74,987
Operating expenses	-	-	951	-	-	-	3,443	-
Salaries and allowances	-	431,429	-	-	-	368,317	-	-
Bonus	-	64,067	-	-	-	51,865	-	-
Contribution to defined contribution plan	-	19,713	-	-	-	13,645	-	-
Contribution to defined benefit plan	-	55,548	-	-	-	44,563	-	-
Staff provident fund	-	-	-	315,472	-	-	-	379,087
Staff gratuity fund	-	-	-	445,591	-	-	-	255,158
Directors' fees	41,725	-	-	-	33,550	-	-	-
Donation	-	-	53,000	-	-	-	50,000	-
Rent paid	-	-	-	-	-	-	7,258	-
Insurance premium paid	-	-	140,457	-	-	-	187,678	-
Insurance claims settled	-	-	24,719	-	-	-	15,165	-



41. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2018	2017
	(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>43,614,511</u>	<u>40,234,446</u>
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,750,000</u>	<u>6,951,348</u>
Total Eligible Tier 1 Capital	<u>50,364,511</u>	<u>47,185,794</u>
Eligible Tier 2 Capital	<u>14,381,722</u>	<u>11,974,952</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>64,746,233</u>	<u>59,160,746</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>408,712,722</u>	<u>363,881,022</u>
Market Risk	<u>8,590,756</u>	<u>6,327,758</u>
Operational Risk	<u>61,558,534</u>	<u>56,049,002</u>
Total	<u>478,862,012</u>	<u>426,257,782</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>9.108%</u>	<u>9.439%</u>
Tier 1 Capital Adequacy Ratio	<u>10.518%</u>	<u>11.070%</u>
Total Capital Adequacy Ratio	<u>13.521%</u>	<u>13.879%</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:

	2018	2017
Required CAR	<u>11.900%</u>	<u>11.275%</u>
CAR on stand - alone basis	<u>13.425%</u>	<u>13.808%</u>
CAR on consolidated basis	<u>13.521%</u>	<u>13.879%</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



	2018	2017
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier - 1 Capital	50,364,511	47,185,794
Total Exposures	1,231,115,634	1,149,241,733
Leverage Ratio	<u>4.091%</u>	<u>4.106%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	360,946,772	333,948,742
Total Net Cash Outflow	111,556,296	89,343,417
Liquidity Coverage Ratio	<u>323.556%</u>	<u>373.781%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	707,901,854	619,656,418
Total Required Stable Funding	482,005,370	330,145,360
Net Stable Funding Ratio	<u>146.866%</u>	<u>187.692%</u>

41.1 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 <http://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-grouplevel>

42. RISK MANAGEMENT

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

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

42.1 Credit Risk

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

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

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

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



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

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

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

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

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

Specific provisions on credit portfolio are determined in accordance with the Prudential Regulations. General provision on the consumer and SEs portfolios is also determined as per Prudential Regulations. The Bank maintains additional general provision in line with its prudent policies. Particulars of provisions against advances are given in note 8.4.

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.

42.1.1 Investment in debt securities

	Gross investments		Non - performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
Credit risk by industry sector	(Rupees in '000)					
Power (electricity), Gas, Water, Sanitary	7,123,218	6,194,542	-	-	-	-
Financial	401,216,997	460,835,961	-	-	36,075	-
Iron and Steel	1,000,000	-	-	-	-	-
	<u>409,340,215</u>	<u>467,030,503</u>	<u>-</u>	<u>-</u>	<u>36,075</u>	<u>-</u>
Credit risk by public / private sector						
Public / Government	402,803,870	462,208,129	-	-	30,736	-
Private	6,536,345	4,822,374	-	-	5,339	-
	<u>409,340,215</u>	<u>467,030,503</u>	<u>-</u>	<u>-</u>	<u>36,075</u>	<u>-</u>



42.1.2 Advances

	Gross advances		Non - performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
Credit risk by industry sector	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	11,154,042	6,199,065	118,289	131,119	110,498	99,139
Mining and Quarrying	101,775	50,443	-	-	-	-
Textile	114,594,561	90,299,147	1,712,414	2,012,342	1,651,175	1,904,960
Chemical and Pharmaceuticals	16,384,271	10,180,340	-	1,960	-	196
Cement	4,666,132	2,763,567	-	-	-	-
Sugar	7,165,035	6,993,438	-	-	-	-
Footwear and Leather garments	2,645,468	2,039,466	-	-	-	-
Automobile and transportation equipment	7,230,288	3,762,529	20,000	20,000	20,000	20,000
Electronics and electrical appliances	3,172,097	2,145,856	-	-	-	-
Construction	6,959,064	5,590,968	118,523	109,942	109,540	109,942
Power (electricity), Gas, Water, Sanitary	49,693,353	21,436,303	-	-	-	-
Wholesale and Retail Trade	50,059,749	31,800,070	189,557	240,400	144,700	209,506
Exports / Imports	28,368,926	20,704,245	371,627	367,370	368,003	367,370
Transport, Storage and Communication	13,032,586	11,084,245	2,669	2,624	2,669	2,624
Financial	6,173,870	4,755,048	101,949	101,949	87,190	86,437
Insurance	380,639	440,006	-	-	-	-
Services (other than financial services)	49,482,148	35,836,900	9,007	12,202	4,503	6,288
Individuals	21,124,894	16,634,750	55,887	57,576	49,164	47,647
Food and Allied	22,488,374	17,162,087	-	-	-	-
Ghee and Edible Oil	12,524,352	11,125,726	-	-	-	-
Iron and steel	22,768,695	17,313,580	-	-	-	-
Oil Refinery / Marketing	9,465,585	5,868,464	-	-	-	-
Metal Products and Surgical Equipments	5,961,006	3,953,203	-	-	-	-
Paper and Board	3,793,547	2,594,455	-	-	-	-
Plastic products	4,664,196	2,605,156	-	-	-	-
Ship breaking and waste / scrap (junk) etc.	4,475,925	4,833,975	-	-	-	-
Others	7,414,254	9,292,623	2,535,470	2,231,115	1,804,453	1,545,455
	485,944,832	347,465,655	5,235,392	5,288,599	4,351,895	4,399,564
Credit risk by public / private sector						
Public / Government	92,605,354	53,281,877	-	-	-	-
Private	393,339,478	294,183,778	5,235,392	5,288,599	4,351,895	4,399,564
	485,944,832	347,465,655	5,235,392	5,288,599	4,351,895	4,399,564



42.1.3 Contingencies and Commitments

Credit risk by industry sector	2018	2017
	(Rupees in '000)	
Agriculture, Forestry, Hunting and Fishing	774,217	344,874
Mining and Quarrying	8,967	40,032
Textile	31,001,747	29,405,842
Chemical and Pharmaceuticals	3,644,883	4,050,488
Cement	5,259,368	2,509,512
Sugar	1,303,477	1,119,807
Footwear and Leather garments	1,035,408	716,847
Automobile and transportation equipment	5,674,443	8,896,515
Electronics and electrical appliances	2,141,365	3,112,160
Construction	8,206,609	9,693,983
Power (electricity), Gas, Water, Sanitary	2,512,495	3,741,013
Wholesale and Retail Trade	20,164,413	13,236,537
Exports / Imports	14,544,942	11,334,667
Transport, Storage and Communication	1,460,276	1,328,366
Financial	8,514,860	12,822,711
Insurance	256,587	335,902
Services	23,934,586	20,926,144
Individuals	57,230	46,266
Paper and Board	1,927,028	1,455,306
Food and Allied	7,597,915	4,050,292
Ghee and Edible Oil	8,370,325	10,135,952
Iron and steel	8,749,177	12,281,089
Metal Products and Surgical equipments	3,413,603	2,898,970
Oil Refinery / Marketing	4,281,205	2,459,062
Plastic products	7,486,505	6,175,328
Ship breaking and waste / scrap (junk) etc.	568,122	1,047,819
Others	3,258,526	3,939,139
	176,148,279	168,104,623
Credit risk by public / private sector		
Public / Government	25,899,406	22,583,388
Private	150,248,873	145,521,235
	176,148,279	168,104,623

42.1.4 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non - funded exposures) aggregated to Rs. 137,619 million (2017: Rs. 96,027 million) are as following:

	2018	2017
	(Rupees in '000)	
Funded	108,399,337	62,808,978
Non Funded	29,219,369	33,218,207
Total Exposure	137,618,706	96,027,185

The sanctioned limits against these top 10 exposures aggregated to Rs. 155,769 million (2017: Rs. 110,876 million). Provision against top 10 exposures amounts to be nil (2017: nil).



42.1.5 Advances - Province / Region - wise Disbursement & Utilization

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

Province / Region	2017						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	143,013,131	141,185,609	1,431,807	366,947	18,138	-	10,630
Sindh	148,111,126	2,729,103	142,802,032	1,054,095	1,521,167	4,304	425
KPK including FATA	2,179,688	-	-	2,179,688	-	-	-
Balochistan	140,315	-	-	-	140,315	-	-
Islamabad	9,678,858	122,969	-	270,040	-	9,285,849	-
AJK including Gilgit - Baltistan	798,639	-	-	-	-	-	798,639
Total	303,921,757	144,037,681	144,233,839	3,870,770	1,679,620	9,290,153	809,694

42.2 Market Risk

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

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

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



42.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	74,432,185	-	74,432,185	60,096,169	-	60,096,169
Balances with other banks	8,010,940	-	8,010,940	4,732,856	-	4,732,856
Investments	414,717,697	263,448	414,981,145	476,194,617	277,568	476,472,185
Advances	478,214,653	-	478,214,653	339,832,995	-	339,832,995
Fixed assets	26,192,997	-	26,192,997	22,491,548	-	22,491,548
Intangible assets	170,863	-	170,863	73,585	-	73,585
Other assets	46,723,577	-	46,723,577	40,930,407	-	40,930,407
	<u>1,048,462,912</u>	<u>263,448</u>	<u>1,048,726,360</u>	<u>944,352,177</u>	<u>277,568</u>	<u>944,629,745</u>

42.2.2 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.

	2018			Net foreign currency exposure
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	
	(Rupees in '000)			
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>



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

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

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

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

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

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	1,920,000	–	3,126,000	–



42.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

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%	74,432,185	8,923,044	-	-	-	-	-	-	-	-	65,509,141
Balances with other banks	7.89%	8,010,940	6,716,756	-	-	-	-	-	-	-	-	1,294,184
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



2017

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	0.37%	60,096,169	7,088,113	-	-	-	-	-	-	-	-	53,008,056
Balances with other banks	2.23%	4,732,856	3,478,296	-	-	-	-	-	-	-	-	1,254,560
Investments	7.22%	476,472,185	119,993,661	214,065,258	6,376,145	37,467,121	21,397,998	46,166,478	18,702,967	5,111,816	-	7,190,741
Advances	6.14%	339,832,995	206,773,349	47,603,608	38,734,881	14,257,731	7,679,187	6,959,889	6,444,930	7,490,697	3,888,723	-
Other assets	-	38,401,401	-	-	-	-	-	-	-	-	-	38,401,401
		919,535,606	337,333,419	261,668,866	45,111,026	51,724,852	29,077,185	53,126,367	25,147,897	12,602,513	3,888,723	99,854,758
Liabilities												
Bills payable	-	19,663,349	-	-	-	-	-	-	-	-	-	19,663,349
Borrowings	4.49%	133,499,876	118,241,757	917,711	178,081	600,401	1,628,183	1,828,824	3,544,831	6,060,481	499,607	-
Deposits and other accounts	4.69%	692,534,323	328,680,529	45,265,390	18,263,999	25,597,299	3,803,738	3,411,955	3,401,465	9,138	7,254	264,093,556
Subordinated debt	7.42%	10,997,600	-	3,997,600	7,000,000	-	-	-	-	-	-	-
Other liabilities	-	37,186,132	-	-	-	-	-	-	-	-	-	37,186,132
		893,881,280	446,922,286	50,180,701	25,442,080	26,197,700	5,431,921	5,240,779	6,946,296	6,069,619	506,861	320,943,037
On - balance sheet gap		25,654,326	(109,588,867)	211,488,165	19,668,946	25,527,152	23,645,264	47,885,588	18,201,601	6,532,894	3,381,862	(221,088,279)
Off - balance sheet financial instruments												
Commitments in respect of:												
Forward purchase of foreign exchange contracts		46,725,785	22,668,669	13,470,293	7,479,818	3,107,005	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(24,439,627)	(10,292,458)	(8,944,651)	(4,361,903)	(840,615)	-	-	-	-	-	-
Forward commitments to extend credit		9,565,312	437,460	2,583,191	1,321,790	2,050,000	2,747,101	425,770	-	-	-	-
Off - balance sheet gap		31,851,470	12,813,671	7,108,833	4,439,705	4,316,390	2,747,101	425,770	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(96,775,196)	218,596,998	24,108,651	29,843,542	26,392,365	48,311,358	18,201,601	6,532,894	3,381,862	(221,088,279)
Cumulative Yield / Interest Risk Sensitivity Gap			(96,775,196)	121,821,802	145,930,453	175,773,995	202,166,360	250,477,718	268,679,319	275,212,213	278,594,075	57,505,796



42.2.5.1 Reconciliation of Financial Assets and Liabilities

	2018	2017
	(Rupees in '000)	
Assets as per Statement of financial position	1,048,726,360	944,629,745
Less:		
Fixed assets	26,192,997	22,491,548
Intangible assets	170,863	73,585
Advances, deposits, advance rent and other prepayments	1,213,235	873,481
Stationery and stamps on hand	218,772	149,672
Non-Refundable Deposits	43,455	51,064
Non Banking assets acquired against claims	836,448	826,331
Advance Taxation (payments less provisions)	1,484,911	628,458
Interest Rate Sensitive Assets	3,796,821	2,529,006
	1,018,565,679	919,535,606
Liabilities as per Statement of financial position	998,731,310	898,351,365
Less:		
Deferred tax liabilities	1,344,621	2,521,855
Provision for compensated absences	585,739	489,346
Branch Adjustment accounts	717,339	176,040
Workers' Welfare Fund	1,303,671	1,009,137
Provisions against off balance sheet obligations	116,600	113,236
Unearned commission income	204,609	160,471
Interest Rate Sensitive Liabilities	2,927,958	1,948,230
	994,458,731	893,881,280

42.3 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 & program, I.T. and I.T. security policies, human resource policy, consumer protection framework, business continuity management policy 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.

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.

42.3.1 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.

42.4 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.

42.4.1 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 2018, the Bank's LCR stood at 308% against the SBP's minimum requirement of 100% .



42.4.2 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.

42.4.3 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.

42.4.4 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.

42.4.5 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.

42.4.6 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.



42.4.7 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.

42.4.8 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.

42.4.9 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.

42.4.10 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.

42.4.11 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.

42.4.12 Other Inflows & Outflows

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

42.4.13 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 147% as on 31 December 2018.



42.5 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	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													



Total

2017

	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
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(Rupees in '000)

Assets

Cash and balances with treasury banks	60,096,169	60,096,169	-	-	-	-	-	-	-	-	-	-	-	
Balances with other banks	4,732,856	4,732,856	-	-	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments	476,472,185	9,391,126	43,912,977	(315,802)	75,184,434	150,994,818	60,129,485	575,268	37,504,651	2,692,742	21,952,573	46,604,847	20,379,827	7,465,239
Advances	339,832,995	36,934,825	5,480,564	6,493,044	19,047,681	37,558,873	35,643,550	85,933,374	15,264,762	9,965,900	20,246,993	21,186,138	26,407,807	19,669,484
Fixed assets	22,491,548	11,536,299	-	-	174,189	167,950	167,950	492,873	464,884	464,884	1,715,575	1,472,907	1,300,440	4,533,597
Intangible assets	73,585	-	-	-	7,606	7,321	7,321	17,457	12,135	12,135	7,110	-	-	2,500
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	40,930,407	9,014,544	1,958,671	2,296,921	8,778,265	6,666,292	4,828,839	3,140,963	3,238,328	180,696	160,072	604,191	39,988	22,637
	944,629,745	131,705,819	51,352,212	8,474,163	103,192,175	195,395,254	100,777,145	90,159,935	56,484,760	13,316,357	44,082,323	69,868,083	48,128,062	31,693,457

Liabilities

Bills payable	19,663,349	19,663,349	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	133,499,876	184,782	90,061,595	121,902	598,101	11,089,737	7,593,111	9,638,320	358,549	291,852	1,628,183	1,828,824	3,544,831	6,560,089
Deposits and other accounts	692,534,323	553,895,669	11,050,337	7,440,957	20,387,121	16,723,267	28,542,123	18,263,999	12,263,407	13,333,892	3,803,738	3,411,955	3,401,465	16,393
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	10,997,600	7,000,000	-	-	-	-	800	-	800	-	1,600	1,600	3,200	3,989,600
Deferred tax liabilities	2,521,855	1,563,596	-	-	28,832	27,048	27,048	79,669	73,324	66,181	269,330	232,759	(113,411)	267,479
Other liabilities	39,134,362	13,340,343	2,236,250	2,266,778	4,008,697	6,602,043	3,624,750	2,906,731	3,164,514	152,967	117,137	610,142	104,010	-
	898,351,365	595,647,739	103,348,182	9,829,637	25,022,751	34,442,095	39,787,832	30,888,719	15,860,594	13,844,892	5,819,988	6,085,280	6,940,095	10,833,561

Net assets

	46,278,380	(463,941,920)	(51,995,970)	(1,355,474)	78,169,424	160,953,159	60,989,313	59,271,216	40,624,166	(528,535)	38,262,335	63,782,803	41,187,967	20,859,896
Share capital	11,114,254													
Reserves	12,979,937													
Surplus on revaluation of assets	5,561,413													
Unappropriated profit	16,502,297													
Non - controlling interest	120,479													
	46,278,380													



42.6 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	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									
	<u>49,995,050</u>									



	Total	2017								
		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	60,096,169	60,096,169	-	-	-	-	-	-	-	-
Balances with other banks	4,732,856	4,732,856	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	476,472,185	119,019,606	211,119,169	718,676	46,668,415	22,521,332	47,326,257	20,397,479	8,125,509	575,742
Advances	339,832,995	67,956,036	73,202,438	85,933,395	25,230,704	20,246,993	21,186,138	26,407,807	15,090,710	4,578,774
Fixed assets	22,491,548	461,995	701,812	850,263	1,074,212	1,826,198	6,500,029	1,300,440	1,052,046	8,724,553
Intangible assets	73,585	7,606	14,643	17,457	24,270	7,109	-	-	-	2,500
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	40,930,407	20,343,478	11,534,329	3,199,331	4,163,635	242,705	686,824	205,254	432,077	122,774
	944,629,745	272,617,746	296,572,391	90,719,122	77,161,236	44,844,337	75,699,248	48,310,980	24,700,342	14,004,343
Liabilities										
Bills payable	19,663,349	19,663,349	-	-	-	-	-	-	-	-
Borrowings	133,499,876	90,966,380	18,682,848	9,638,320	650,401	1,628,183	1,828,824	3,544,831	6,060,482	499,607
Deposits and other accounts	692,534,323	95,344,706	100,535,322	73,533,930	80,867,230	103,289,613	102,897,830	108,414,334	27,644,104	7,254
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	10,997,600	-	800	-	800	1,600	1,600	7,003,200	3,989,600	-
Deferred tax liabilities	2,521,855	125,840	56,107	85,690	(130,176)	491,244	1,497,391	(105,808)	(381,816)	883,383
Other liabilities	39,134,362	17,091,541	10,226,198	2,906,730	3,317,990	117,137	610,142	3,853,102	-	1,011,522
	898,351,365	223,191,816	129,501,275	86,164,670	84,706,245	105,527,777	106,835,787	122,709,659	37,312,370	2,401,766
Net assets	46,278,380	49,425,930	167,071,116	4,554,452	(7,545,009)	(60,683,440)	(31,136,539)	(74,398,679)	(12,612,028)	11,602,577
Share capital	11,114,254									
Reserves	12,979,937									
Surplus on revaluation of assets	5,561,413									
Unappropriated profit	16,502,297									
Non - controlling interest	120,479									
	46,278,380									



43. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 2.5 (2017: Rs. 3.0) per share.

44. GENERAL

44.1 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 financial statements, except for captions of the statement of financial position and profit and loss account.

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

44.3 Corresponding figures

Comparative information has been re-classified, re - arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD circular no. 2 of 2018.

45. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on 30 January 2019.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



Annexure I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 DECEMBER 2018**

(Rupees in '000)

S. No.	Name and address of the borrowers	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Others than Interest/ Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Maqbool Cotton Products Head Office: Khanewal Road Multan	Sheikh Maqbool Elahi (CNIC: 36302-6936487-9)	Sheikh Muhammad Rafi	140,029	62,783	-	202,812	140,029	62,783	-	202,812
2.	Maqbool Cotton Factory Khanewal Road, Multan	Sheikh Maqbool Elahi (CNIC: 36302-6936487-9)	Sheikh Muhammad Rafi	8,605	2,602	-	11,207	8,605	2,602	-	11,207
3.	Abdullah Enterprises Near Daewoo Terminal, Behind Provincial Mohtasib Office, Khanewal Road, Multan	Sheikh Fazal Elahi (CNIC: 36302-7039576-7)	Sheikh Muhammad Rafi	23,466	3,690	-	27,156	23,466	3,690	-	27,156
4.	Umar Cotton Factory Mouza Sahib Ali, Tibba Sultanpur, Distt: Vehari.	Sheikh Maqbool Elahi (CNIC: 36302-6936487-9)	Sheikh Muhammad Rafi	3,594	1,088	-	4,682	3,594	1,088	-	4,682
5.	New Karachi Plastic 3-Ravi Road, Near Chowk Yadgar, Lahore.	Manzoor Hussain Sheikh (CNIC: 35202-3473688-3)	Qamar Ud Din	5,000	1,631	-	6,631	-	1,331	-	1,331
6.	Nadeem Cloth House Shop No. 95, Landa Market Madina Bazar, Sheikhpura.	Nadeem Abdul Razaq (CNIC: 35404-1627106-7)	Muhammad Iqbal	2,500	980	-	3,480	-	680	-	680
7.	R.H. Enterprises M.R. 5/8, Ali Akber Street, Mithadar, Jodia Bazar, Karachi.	Muhammad Haroon (CNIC: 42301-0946322-9)	Muhammad Yousuf	855	2,164	-	3,019	-	2,163	-	2,163
			Total	184,049	74,938	-	258,987	175,694	74,337	-	250,031



Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 71 (2017: 53) Islamic banking branches and 132 (2017: 120) Islamic banking windows at the end of the year.

	Note	2018	2017 <i>Restated</i>
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		3,814,608	2,554,000
Balances with other banks		5,164,063	957,424
Due from financial institutions		–	–
Investments	1	15,158,233	11,333,912
Islamic financing and related assets - net	2	49,690,533	34,843,979
Fixed assets		326,841	248,825
Intangible assets		–	–
Due from Head Office		–	–
Other assets		4,124,660	3,279,140
Total Assets		78,278,938	53,217,280
LIABILITIES			
Bills payable		21,052	30,694
Due to financial institutions		6,438,783	4,301,041
Deposits and other accounts	3	57,230,315	37,867,256
Due to Head Office		2,199,047	1,319,226
Subordinated debt		–	–
Other liabilities	4	5,289,933	4,311,115
		(71,179,130)	(47,829,332)
NET ASSETS		7,099,808	5,387,948
REPRESENTED BY			
Islamic Banking Fund		6,200,000	5,000,000
Reserves		–	–
Deficit on revaluation of assets		(28,940)	(34,873)
Unremitted profit	5	928,748	422,821
		7,099,808	5,387,948
CONTINGENCIES AND COMMITMENTS	6		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2018 is as follows:

	Note	2018 (Rupees in '000)	2017
Profit / return earned	7	3,827,474	2,186,013
Profit / return expensed	8	(1,755,450)	(949,413)
Net Profit / return		2,072,024	1,236,600
Other income			
Fee and commission income		175,282	109,456
Dividend income		6,510	13,028
Foreign exchange income		49,751	30,469
Income / (loss) from derivatives		–	–
Gain / (loss) on securities		–	–
Other income		43,622	27,703
Total other income		275,165	180,656
Total income		2,347,189	1,417,256
Other expenses			
Operating expenses		(1,349,860)	(965,556)
Other charges		(58)	(43)
Total other expenses		(1,349,918)	(965,599)
Profit before provisions		997,271	451,657
Provisions and write offs - net		(68,523)	(28,836)
Profit for the year		928,748	422,821



	2018				2017			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
1. Investments by segments:	(Rupees in '000)							
Federal Government Securities								
- Ijarah Sukuks	4,152,910	-	(39,979)	4,112,931	5,480,894	-	(3,289)	5,477,605
- Neelum Jhelum Hydropower Co Ltd. Sukuk	5,156,250	-	-	5,156,250	3,575,000	-	-	3,575,000
- Bai Muajjal with Government of Pakistan	2,386,820	-	-	2,386,820	-	-	-	-
	11,695,980	-	(39,979)	11,656,001	9,055,894	-	(3,289)	9,052,605
Shares								
- Listed Companies	197,442	(76,252)	3,596	124,786	197,442	(19,100)	(49,980)	128,362
Non Government Debt Securities								
- Listed	1,635,901	-	7,444	1,643,345	817,587	-	18,396	835,983
- Unlisted	1,734,101	-	-	1,734,101	1,316,962	-	-	1,316,962
	3,370,002	-	7,444	3,377,446	2,134,549	-	18,396	2,152,945
Total Investments	15,263,424	(76,252)	(28,939)	15,158,233	11,387,885	(19,100)	(34,873)	11,333,912

	Note	2018	2017
(Rupees in '000)			
2. Islamic financing and related assets			
Ijarah	2.1	2,854,541	2,132,197
Murabaha	2.2	10,034,698	8,475,325
Diminishing Musharaka		15,868,804	10,082,423
Istisna		1,471,282	1,644,298
Islamic Export Refinance - Istisna		1,523,700	3,634,300
Musawamah		3,166,895	3,245,401
Running Musharaka		4,271,620	2,223,124
Islamic Export Refinance - Running Musharaka		1,000,000	-
Staff Financing		210,540	-
Advance against Musawamah		1,079,782	-
Advance against Istisna		4,127,286	856,534
Advance against Istisna - IERF		2,600,100	-
Advance against Ijarah		305,071	500,808
Advance against Diminishing Musharaka		884,300	2,064,649
Advance against ILTFF		318,366	-
Gross Islamic financing and related assets		49,716,985	34,859,059
Less: provisions against Islamic financings			
- Specific		4,187	478
- General		22,265	14,602
		(26,452)	(15,080)
Islamic financing and related assets - net of provision		49,690,533	34,843,979



2.1 Ijarah

	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

	2017						
	Cost			Accumulated depreciation			Book value
	As at 01 January 2017	Additions / (deletions)	As at 31 December 2017	As at 01 January 2017	Charge for the year / (deletions)	As at 31 December 2017	As at 31 December 2017
	(Rupees in '000)						
Plant & Machinery	579,154	169,647 (76,156)	672,645	154,247	172,905 (68,540)	258,612	414,033
Vehicles	898,085	988,909 (122,801)	1,764,193	213,558	303,406 (30,678)	486,286	1,277,907
Equipment	497,887	380,420 (194,116)	684,191	269,042	148,813 (173,921)	243,934	440,257
Total	1,975,126	1,538,976 (393,073)	3,121,029	636,847	625,124 (273,139)	988,832	2,132,197

Future ijarah payments receivable

	2018				2017			
	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	1,089,845	1,751,496	-	2,841,341	796,578	1,253,490	-	2,050,068

Note **2018** **2017**
(Rupees in '000)

2.2 Murabaha

Murabaha financing	2.2.1	8,791,829	6,915,366
Advances for Murabaha		1,242,869	1,559,959
		10,034,698	8,475,325
2.2.1 Murabaha receivable - gross			
Less: Deferred murabaha income	2.2.2	9,042,474	7,058,608
Profit receivable shown in other assets	2.2.4	(114,816)	(76,760)
Murabaha financings		(135,829)	(66,482)
		8,791,829	6,915,366



	2018	2017
	(Rupees in '000)	
2.2.2 The movement in Murabaha financing during the year is as follows:		
Opening balance	6,915,366	3,562,011
Sales during the year	26,626,295	21,716,053
Adjusted during the year	(24,499,187)	(18,219,456)
Closing balance	<u>9,042,474</u>	<u>7,058,608</u>
2.2.3 Murabaha sale price	32,839,758	21,370,141
Murabaha purchase price	<u>(32,199,766)</u>	<u>(21,017,993)</u>
	<u>639,992</u>	<u>352,148</u>
2.2.4 Deferred murabaha income		
Opening balance	(76,760)	(35,087)
Arising during the year	(1,188,147)	(640,758)
Less: Recognised during the year	1,150,091	599,085
Closing balance	<u>(114,816)</u>	<u>(76,760)</u>

3. Deposits and other accounts

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	19,262,833	1,020,390	20,283,223	13,302,607	652,739	13,955,346
Savings deposits	17,460,434	417,595	17,878,029	10,876,959	268,683	11,145,642
Term deposits	<u>7,299,391</u>	-	<u>7,299,391</u>	<u>7,123,780</u>	-	<u>7,123,780</u>
	<u>44,022,658</u>	<u>1,437,985</u>	<u>45,460,643</u>	31,303,346	921,422	32,224,768
Financial institutions						
Current deposits	25,342	-	25,342	6,948	-	6,948
Savings deposits	11,744,330	-	11,744,330	3,607,040	-	3,607,040
Term deposits	-	-	-	2,028,500	-	2,028,500
	<u>11,769,672</u>	-	<u>11,769,672</u>	5,642,488	-	5,642,488
	<u>55,792,330</u>	<u>1,437,985</u>	<u>57,230,315</u>	<u>36,945,834</u>	<u>921,422</u>	<u>37,867,256</u>

	2018	2017
	(Rupees in '000)	
3.1 Composition of deposits		
- Individuals	31,792,512	20,115,442
- Government / Public Sector Entities	751,507	556,961
- Banking Companies	23	23
- Non-Banking Financial Institutions	11,769,649	5,642,466
- Private Sector	<u>12,916,624</u>	<u>11,552,364</u>
	<u>57,230,315</u>	<u>37,867,256</u>



3.1.1 This includes eligible deposits covered deposit protection mechanism as required by the Deposit Protection Act 2016, amounting to Rs 32,788 million as per balances held on 31 December 2017.

	2018	2017
	(Rupees in '000)	
4 Charity Fund		
Opening Balance	6,464	2,738
Additions during the year		
Received from customers on account of delayed payment	11,913	4,750
Charity accrued but not yet received	978	614
Dividend purification amount	252	330
Other Non - Shariah compliant income	-	610
Profit on charity saving account	461	160
	13,604	6,464
Payments / utilization during the year		
Health	(3,525)	(1,248)
Social Welfare	(2,325)	(1,490)
	(5,850)	(2,738)
Closing Balance	14,218	6,464
4.1 Detail of charity in excess of Rs.0.5 million in as follows:		
Bait-ul-Sukoon	925	-
Dar-ul-Sukun	925	-
Sindh Institute of Urology and Transplantation (SIUT)	1,500	-
Green Crescent Trust	-	750
	3,350	750
5. Islamic Banking Business Unappropriated Profit		
Opening Balance	422,821	108,178
Add: Islamic Banking profit for the year	928,748	422,821
Less: Remitted to Head Office	(422,821)	(108,178)
Closing Balance	928,748	422,821
6. Contingencies and Commitments		
Guarantees	2,573,724	1,465,177
Commitments	5,766,253	5,999,365
	8,339,977	7,464,542
7. Profit / Return Earned on Financing, Investments and Placement		
Profit earned on:		
Financing	2,875,422	1,542,064
Investments	896,725	622,503
Placements	55,327	21,446
	3,827,474	2,186,013
8. Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	1,572,836	853,614
Due to Financial Institutions	97,311	72,643
Due to Head Office	85,303	23,156
	1,755,450	949,413



9. PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

9.1 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 the 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.

9.2 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.)



9.3 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% (2017: 50%) of net income and the depositors' profit sharing ratio was 50% (2017: 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.

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

	2018		2017		
	Distributable Income (Rupees in '000)	Mudarib Share (Percentage)	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	2,459,420	1,026,633	41.74%	223,548	21.77%
FCY Pool	14,423	13,698	95%	726	5.30%
LCY Pool	1,468,300	686,435	47%	101,035	14.70%
FCY Pool	5,588	5,309	95%	345	6.50%

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

	2018 (Percentage)	2017
Profit rate earned	6.80%	6.08%
Profit rate distributed	3.78%	3.12%



Disclosure on Complaint Handling

The Bank has a comprehensive Customer Grievances Handling Policy for ensuring quick and fair resolution of complaints. Customers may register their complaints or issues through a variety of channels, viz. the Call Center, website, emails, letters through drop-boxes installed in Branches or direct mail to Customer Services Division/CEO's Office. Complaints are promptly logged and acknowledgment sent to customer with a tracking reference number. Regular follow up is maintained for prompt and fair resolution and Senior Management kept updated at regular intervals. In case a complainant is not satisfied with the resolution provided he/she may escalate his complaint to Banking Mohtasib Pakistan. This process is communicated to customers through notices in Branches and the Website as well as in correspondence with them.

A large number of employees have completed the training on Complaints Handling and Fair Treatment of Customers making them more aware and better prepared for providing timely and satisfactory services to customers.

In 2018, the Bank received 56,272 complaints, about 21% higher than the previous year. However, the average turnaround time for resolution was reasonably satisfactory at 4 working days.



Report of Shariah Board for the year ended December 31, 2018

In the name of Allah, the Beneficent, the Merciful

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

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

- I. BAHL-IBD has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by its Shariah Board. However the Shariah Board is of the view that in future the Instructions/ Guidelines and Rulings issued by the Shariah Board should be complied without unreasonable delay.
- II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
- III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management.
- IV. BAHL-IBD has the basic mechanism to ensure Shariah Compliance in its overall operations. Further it is also required that Management should develop a formal mechanism of zero tolerance for Shariah non-compliance.
- V. The BOD appreciates the importance of Shariah compliance in the products, processes and operations of the BAHL-IBD. BAHL-IBD has arranged the Islamic Banking training for its Board of Directors and Executive Management in order to improve their understanding on the importance of shariah compliance in their respective areas. However, improvement is required in level of awareness of Islamic Banking staff.
- VI. The Management has provided adequate resources to Shariah Compliance Department and also committed to provide further staff enabling them to discharge their duties effectively and ensuring the Shariah Compliance environment in BAHL IBD.
- VII. Shariah Board appreciates that BAHL-IBD has arranged takaful for its assets 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 of Rs. 12.626 Million has been collected, furthermore Shariah Board has identified certain shariah non-compliant transactions, and the income of such transactions amounting Rs. 1.451 Million will be credited to charity.

Karachi: January 30th, 2019

Mufti Muhammad Sarfaraz Nihal
Resident Shariah Board Member

Mufti Muhammad Ismatullah Hamdullah
Chairman Shariah Board

Mufti Mohib UI Haq Siddiqui
Shariah Board Member



شریعی بورڈ رپورٹ بمطابق ۳۱ دسمبر ۲۰۱۸ء

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 متعلقہ دستاویزات اور ترتیب عمل کے کاغذات کے آزمائشی بنیادوں پر جائزے لیے۔ شریعی بورڈ نے پچھلے سال کے دوران شریعی کمپلائنس اور شریعی آڈٹ کی رپورٹس کا جائزہ لیا اور ان کی بنیاد پر ردہماری 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۔ تاہم شریعی بورڈ کی رائے ہے کہ مستقبل میں شریعی بورڈ کی ہدایات، احکامات اور فتاویٰ جات پر بغیر کسی تاخیر کے عمل کیا جائے۔

۲۔ بینک الحیب اسلامک بینکنگ ڈویژن نے بینک دولت پاکستان اور اس کے شریعی بورڈ کی جاری کردہ ہدایات و احکامات کی پاسداری کی۔

۳۔ بینک الحیب اسلامک بینکنگ ڈویژن نے نفع نقصان کی تقسیم اور پول منیجمنٹ 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 ایسا مریوط نظام وضع کرے جس میں شریعی اصولوں کی عدم پاسداری کو برداشت نہ کرنا یقینی بنایا جائے۔

۵۔ بورڈ آف ڈائریکٹرز بینک کی پراڈکٹس، طریقہ ہائے کار اور تعامل میں شریعت کی پاسداری کی حوصلہ افزائی کرتے ہیں۔ بینک الحیب اسلامک بینکنگ ڈویژن نے اپنی بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ کی ٹریننگ کا بندوبست کیا ہے تاکہ ان کے متعلقہ شعبوں میں شریعت کی پاسداری کی اہمیت کے حوالے سے ان کی سمجھ بوجھ مزید بہتر ہو۔ بہر حال اسلامی بینکاری سے متعلقہ عملے کی آگاہی کو بہتر بنانے 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 عملد اور وسائل فراہم کریں گے۔

۷۔ شریعی بورڈ اس بات کو سراہتا ہے کہ بینک الحیب اسلامک بینکنگ نے اپنے اثاثوں کو تکافل پر منتقل کیا اور فائنانسنگ کے ذریعے حاصل کئے گئے اثاثوں کی تکافل کو ترجیح کے لئے کوشاں 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 12.626 ملین روپے جمع ہوئے، علاوہ ازیں شریعی بورڈ نے شریعی عدم پاسداری کی وجہ سے کچھ ٹرانزیکشن کی نشاندہی بھی کی ہے، اور ان کا منافع جو تقریباً 1.451 ملین روپے بنتے ہیں وہ صدقے کے اکاؤنٹ میں ڈال دیے جائیں گے۔

کراچی: ۳۰ جنوری ۲۰۱۹ء

مفتی عصمت اللہ محمد اللہ

چیئر مین شریعی بورڈ

مفتی حُجُب الحق صدیقی

ممبر شریعی بورڈ

مفتی محمد سرفراز نہال

ریزیڈنٹ شریعی بورڈ ممبر



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

بینک الحیب کے ڈائریکٹرز کیلئے اس کی ذیلی کمپنیوں الحیب کمپنیل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب کریڈٹ اینڈ فنانس (ہانگ کانگ) لمیٹڈ (بعد از ڈی رجسٹرڈ) کے آڈٹ شدہ مجموعی مالیاتی حسابات برائے ۳۱ دسمبر ۲۰۱۸ء کو ختم ہونے والے سال کیلئے پیش کرنا باعث مسرت ہے:

(000 روپے میں)

14,305,815
(5,853,160)
8,452,655
5,186
8,457,841
16,368,696
72,769
(82,044)
24,817,262
(841,766)
(3,334,276)
(4,176,042)
20,641,220
7.61 روپے

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

فکسڈ اثاثہ جات کی ریویلویشن کے اضافہ میں سے منتقلی۔ بعد از ٹیکس
دیگر جامع آمدنی
تخصیص کیلئے دستیاب منافع
تخصیص:

اسٹپوٹری ریزرو میں منتقلی
نقد منافع منقسمہ - ۲۰۱۷ء

غیر مختص شدہ منافع
فی شیر آمدنی (بعد از ٹیکس)۔ ہولڈنگ کمپنی

شیر ہولڈنگ کی ساخت

شیر ہولڈنگ کی ساخت برطابق ۳۱ دسمبر ۲۰۱۸ء بینک الحیب لمیٹڈ کے مالیاتی حسابات کے ساتھ منسلک ہے۔

عباس ڈی۔ حبیب
چیرمین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی: ۳۰ جنوری ۲۰۱۹ء



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: ۳۰ جنوری ۲۰۱۹



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

(ملین روپے میں)

2013	2014	2015	2016	2017	2018	
386,161	446,409	516,213	584,172	692,576	796,901	صارفین کے مجموعی ڈپازٹس
167,579	181,737	207,289	261,440	339,833	478,215	مجموعی ایڈوانسز
7,513	9,917	12,332	13,164	13,890	14,264	منافع قبل از ٹیکس
5,155	6,349	7,405	8,119	8,501	8,418	منافع بعد از ٹیکس
23,227	27,555	31,698	35,673	40,409	46,283	شیر ہولڈرز کی ایکویٹی
4.64	5.71	6.66	7.31	7.65	7.57	فی شیر آمدنی* (روپے)
20	30	35	35	30	25	نقد منافع منقسمہ (%)
10	-	-	-	-	-	اسٹاک منافع منقسمہ (%)

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

۸۔ پروویڈنٹ فنڈ اور گریجویٹ فنڈ کے آڈٹ شدہ مالیاتی حسابات کی بنیاد پر ان اسکیموں کی سرمایہ کاریوں کی مالیت بمطابق ۳۱ دسمبر ۲۰۱۷ء درج ذیل ہیں:

(000 روپے میں)

5,082,559	پروویڈنٹ فنڈ
1,579,921	گریجویٹ فنڈ

۹۔ شیر ہولڈنگ کی ساخت اور اس سے متعلق اضافی معلومات صفحات 120، 121 اور 122 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 برآں بورڈ کی کارکردگی کا جائزہ کم از کم ہر تیسرے سال ایک ایکسٹرنل انڈیپنڈنٹ جائزہ کار کے ذریعے لیا جائے گا۔

۱۱۔ ڈائریکٹرز، ای او، ای ایف او، انٹرنل آڈٹ کے سربراہ، کمپنی سیکریٹری اور ایگزیکٹوز اور ان کے شریک حیات اور نابالغ بچوں کی جانب سے بینک کے شیرز میں سال کے دوران کوئی تجارت نہیں کی گئی، سوائے درج ذیل کے:

- 92,000 شیرز ایک ایگزیکٹو کی جانب سے فروخت کئے گئے۔
- 5,000 شیرز ایک ایگزیکٹو کی جانب سے خریدے گئے۔

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



ادارتی سماجی ذمہ داری

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

- سال کے دوران صحت، سماجی اور تعلیمی ترقی اور عوام کی فلاح و بہبود کے لئے عطیات کی صورت میں 159.8 ملین روپے کی فراہمی۔
- توانائی کا بہتر استعمال اور ماحول کو محفوظ اور صحت مند بنانے کیلئے انسدادِ تمباکو نوشی کے قانون پر عملدرآمد اور ”نوا سموکنگ زون“ کا قیام۔
- کاروباری ضابطہ اخلاق اور انسدادِ بدعنوانی کے اقدامات کے تحت تمام اسٹاف ممبران کے لئے بینک کے ضابطہ اخلاق ”کوڈ آف کنڈکٹ“ پر لازمی عمل درآمد۔
- صارفین کے تحفظ کے اقدامات اور اس ضمن میں بینک کی پروڈکٹس اور خدمات پر لاگو شیڈول آف چارجز اور شرائط و ضوابط کی تشریح۔
- اسٹاف کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کا اعتراف، دورانِ ملازمت اور باقاعدہ تربیتی پروگراموں کے ذریعے اسٹاف کیلئے سیکھنے اور ترقی کے مواقع۔
- مذہب، ذات پات اور لسانی امتیاز کے بغیر ایک شفاف طریقہ کار کے ذریعے روزگار کی فراہمی، بشمول برائے خصوصی افراد۔
- دیہی علاقوں کیلئے بینک کے برانچ نیٹ ورک میں توسیع جس سے دیہی ترقی میں مدد ملے۔
- بینک کی جانب سے براہِ راست ٹیکسز کے ذریعے سال کے دوران قومی خزانے میں 6.62 بلین روپے جمع کرائے گئے۔ مزید برآں 12.71 بلین روپے سے زیادہ کی اضافی رقم وہ ہولڈنگ ٹیکسز، فیڈرل ایکسائز ڈیوٹیز اور سروسز پر سیلز ٹیکس کی مد میں بینک کے ذریعے منہا / وصول کی گئی اور حکومت پاکستان / صوبائی حکومتوں کو ادا کی گئی۔

کارپوریٹ اور فنانشل رپورٹنگ پراسٹیٹمنٹ

- ۱۔ بینک کی جانب سے تیار کئے گئے مالیاتی حسابات، اس کے تمام کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کے معاملات کو شفاف انداز میں واضح کرتے ہیں۔
- ۲۔ بینک کی جانب سے باقاعدہ حساب کتاب رکھا گیا ہے۔
- ۳۔ مالیاتی حسابات کی تیاری میں موزوں اور درست اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئی ہیں۔ اگر اس میں کوئی تبدیلی کی گئی تو اس کو واضح انداز میں بیان کیا گیا اور اکاؤنٹنگ کے تخمینہ جات موزوں ترین اور محتاط فیصلوں پر مبنی ہیں۔
- ۴۔ مالیاتی حسابات کی تیاری میں انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرز اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرز، جو کہ پاکستان میں رائج ہیں، ان پر عمل کیا گیا اور ان سے اگر کسی حد تک روگردانی کی گئی تو اس کو واضح انداز میں بیان کیا گیا ہے۔
- ۵۔ انٹرنل کنٹرولز کا جامع نظام تیار کیا گیا ہے اور یہ موثر طور پر نافذ العمل ہے اور اس کی نگرانی بھی کی جاتی ہے۔ بورڈ کی جانب سے فنانشل رپورٹنگ پر انٹرنل کنٹرولز سے متعلق انتظامیہ کی جانچ بشمول مجموعی انٹرنل کنٹرولز کی توثیق صفحہ 16 پر درج ہے۔
- ۶۔ بینک کے لئے ”چلتے ہوئے کاروباری ادارے“ کا تصور مناسب ہے۔ اس ضمن میں بے یقینی کا کوئی امکان موجود نہیں ہے جو بینک کے ”چلتے ہوئے کاروباری ادارے“ کے تصور پر شکوک پیدا کرے۔



رسک مینجمنٹ فریم ورک

بینک ہمیشہ اپنے حجم اور اس کے کاروبار کی نوعیت کے مطابق رسک مینجمنٹ فریم ورک کا حامل رہا ہے۔ یہ فریم ورک کئی سالوں میں تشکیل دیا گیا اور اس میں مزید بہتری لانے کا سلسلہ جاری ہے۔ بینک کا ایک اہم رہنما اصول، ڈپازٹرز کی 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 ریٹنگز کا استعمال؛ مقرر کردہ دستاویزی ضروریات؛ پوسٹ ڈسبرسمنٹ ایڈمنسٹریشن؛ کریڈٹ سہولتوں کا جائزہ و نگرانی، اور کسٹمرز کی کریڈٹ اہلیت کی مستقل جانچ پر مشتمل ہے۔ بینک نے بڑے کریڈٹ رسک کے پیش نظر خود مختار پوسٹ ڈسبرسمنٹ جائزے کے لئے بھی طریقہ کار تشکیل دیا ہے۔ کریڈٹ پورٹ فولیو سے متعلق فیصلے بنیادی طور پر سینٹرل کریڈٹ کمیٹی کرتی ہے۔ بورڈ کی کریڈٹ رسک مینجمنٹ کمیٹی مجموعی طور پر بینک کے کریڈٹ رسک کے انتظام کی رہنمائی کرتی ہے۔
- مارکیٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ مارکیٹ رسک پالیسی، کسٹمرز اور ڈیلرز کی لمٹس کی منظوری، سرمایہ کاروں کیلئے سینئر انتظامیہ کی منظوری اور بینک کی ایسیٹ لائیبیلٹی 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 ٹریژری اور مڈل آفس کے ذریعے روزانہ کی بنیاد پر کی جاتی ہے۔ بورڈ کی رسک مینجمنٹ کمیٹی بینک کے مارکیٹ اور لیکویڈٹی رسک، کیپٹل ایڈیکولسی اور مربوط رسک مینجمنٹ (جسے انٹراپرائز 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، کنزرویٹو پریکٹس فریم ورک اور بورڈ کی جانب سے منظور شدہ آڈٹ سورسنگ پالیسی کے ذریعے کیا جاتا ہے اور اس کے ساتھ فراڈ سے تحفظ کی پالیسی اور کنزرویٹو شکیات سے نمٹنے کی پالیسی کو بھی مد نظر رکھا جاتا ہے۔ آپریشنل مینونلز و طریقہ کار، انٹرنل کنٹرولز اور اہم ٹرانزیکشن کی حفاظت داری کے لئے دوہرے اختیارات کا انتظام؛ 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۔
- رسک مینجمنٹ پرائیٹ بینک آف پاکستان کی رہنما ہدایات پر عمل درآمد کرنے کی غرض سے بینک نے ایک علیحدہ سے رسک مینجمنٹ ڈویژن بشمول ایک مڈل آفس قائم کیا ہے جو کہ آزادانہ طور پر ٹریژری 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، میچورٹی 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 شیئرز پورٹ فولیو کی مزید مفصل رپورٹنگ؛ ایکویٹیز میں ڈیلنگ اور سیٹلمنٹس کو بہتر بنانے کے 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 انٹراپرائز و ایڈمرٹریٹس پروفائل کی جانچ، بازل فریم ورک، رسک کا جائزہ، اہم رسک انڈیکسز، انٹرنل کیپٹل ایڈیکولسی اسسمنٹ پروسس اور اسٹریٹجی ٹیسٹنگ اور ری کوری پلان استعمال کرتے ہوئے انجام دی جاتی ہے۔



ڈائریکٹرز کی ری میونریشن پالیسی

بورڈ آف ڈائریکٹرز نے ڈائریکٹرز کی ری میونریشن کو متعین کرنے کے لئے پالیسی اور طریقہ کار مرتب کیا ہے جس کے مطابق:

- کوئی ڈائریکٹر اپنے ری میونریشن 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 میونریشن کا تعین مناسب، ذمہ داریوں اور مہارت کے عین مطابق ہونا چاہیے 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۔

کرڈٹ ریٹنگ

الحمد للہ پاکستان کرڈٹ 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 انسکیورڈ، سبارڈینٹیڈ ٹرم فنڈس سرٹیفکیٹس کی ریٹنگز AA (ڈبل اے) برائے TFC-2016 اور TFC-2018 اور AA (ڈبل اے مائنس) برائے TFC-2017 (پریچول) ہیں۔ یہ ریٹنگز کرڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ براء ہونے کی بہت مضبوط صلاحیت ہے۔

مستقبل کا جائزہ

پاکستان کی معیشت نے 2018 میں اپنی شرح نمو کی رفتار کو برقرار رکھا ہے۔ جی ڈی پی میں مستقل طور پر اضافہ جاری رہا اور یہ گزشتہ 13 سالوں کی بلند ترین سطح پر پہنچ گیا جس کی بنیادی وجہ زراعت، مینوفیکچرنگ اور سروسز کے شعبوں میں مستقل و پائیدار ترقی تھی۔ سی پیک پروڈیکٹس نے انفراسٹرکچر میں بہتری کے ذریعے قابل قدر اور نمایاں معاشی ترقی کی بنیاد ڈال دی ہے۔ حکومت کی معاشی اصلاحات کا مقصد برآمدات، ایس ایم ایز، ہاؤسنگ، زراعت اور کیپٹل مارکیٹس کی حوصلہ افزائی کرنا ہے اور توقع ہے کہ اس سے مستحکم و پائیدار معاشی ترقی میں بھرپور معاونت فراہم ہو سکے گی۔ علاوہ ازیں حکومت کو دوست ممالک سے ملنے والی امداد سے ملک کے غیر ملکی زرمبادلہ کے ذخائر بڑھانے میں بھی مدد ملے گی۔ ساتھ ہی طویل مدتی بنیادوں پر کرنٹ اکاؤنٹ، مالیاتی استحکام اور خطے کی عمومی سیاسی صورتحال سے متعلق درپیش چیلنجوں سے نمٹنے کی ضرورت ہے۔ اس کے باوجود ہم پُر امید ہیں کہ اللہ تعالیٰ کے فضل و کرم سے بینک ترقی اور کامیابی کی جانب رواں دواں رہے گا۔

آڈیٹرز

لسٹڈ کمپنی (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 کے تحت فنانشل سیکٹرز میں موجود تمام لسٹڈ کمپنیوں کیلئے یہ ضروری ہے کہ ہر 5 سال بعد اپنے بیرونی آڈیٹرز کو تبدیل کریں۔ کوڈ کے ضوابط کی روشنی میں موجودہ آڈیٹرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، سبکدوش ہو رہے ہیں اور آڈیٹرز کی حیثیت سے اپنے 5 سال مکمل کر لینے کے سبب دوبارہ تقرری کے اہل نہیں رہے۔

آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے ای وائی فور ڈی روڈ کو باہمی طور پر طے کئے جانے والے معاوضے پران کی حیثیت بینک کے آڈیٹرز تقرری کے لئے شیئر ہولڈرز کو سفارش کی ہے۔



رسک مینجمنٹ کمیٹی			کریڈٹ رسک مینجمنٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
4	4	جناب منظور احمد (چیئرمین)	4	4	سید مظہر عباس (چیئرمین)
4	4	جناب گمیل آر۔ حبیب	4	4	جناب سفر علی لاکھانی
3	4	جناب منصور علی خان	4	4	جناب گمیل آر۔ حبیب
4	4	جناب انور حاجی کریم	4	4	سید حسن علی بخاری
4	4	جناب سفر علی لاکھانی	1	4	جناب مرتضیٰ ایچ۔ حبیب *
			2	4	جناب ارشد ناصر **

* جناب مرتضیٰ ایچ۔ حبیب نے اپنی نامزدگی کے بعد کریڈٹ رسک مینجمنٹ کمیٹی کے اجلاس میں شرکت کی۔

** جناب ارشد ناصر سال کے دوران کریڈٹ رسک مینجمنٹ کمیٹی کے رکن کی حیثیت سے سبکدوش ہوئے۔ انہوں نے اپنی رکنیت کے دوران کریڈٹ رسک مینجمنٹ کمیٹی کے تمام اجلاسوں میں شرکت کی۔

آئی ٹی کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
4	4	جناب عباس ڈی۔ حبیب (چیئرمین)
4	4	جناب گمیل آر۔ حبیب
4	4	جناب ارشد ناصر
4	4	سید مظہر عباس
4	4	جناب منصور علی خان

ڈائریکٹرز کا ٹریڈنگ پروگرام

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



بورڈ کے اجلاس

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

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب عباس ڈی۔ حبیب	5	5
جناب علی رضا ڈی۔ حبیب	5	-
جناب انور حاجی کریم	5	5
جناب مرتضیٰ ایچ۔ حبیب	5	5
جناب کمیل آر۔ حبیب	5	5
سید مظہر عباس	5	4
جناب ارشد ناصر	5	5
جناب سفر علی لاکھانی	5	5
سید حسن علی بخاری	5	5
جناب منظور احمد	5	5
جناب منصور علی خان، چیف ایگزیکٹو	5	5

کمیٹی کے اجلاس

لٹیکمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 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 9 اجلاس، ہیومن ریسورس اینڈ ری میونریشن کمیٹی کے 15 اجلاس اور 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:

ہیومن ریسورس اینڈ ری میونریشن کمیٹی			آڈٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
5	5	سید حسن علی بخاری (چیئرمین)	9	9	جناب سفر علی لاکھانی (چیئرمین)
5	5	سید مظہر عباس	8	9	سید مظہر عباس
3	5	جناب عباس ڈی۔ حبیب*	9	9	جناب انور حاجی کریم
3	5	جناب سفر علی لاکھانی*	9	9	سید حسن علی بخاری
5	5	جناب ارشد ناصر	9	9	جناب ارشد ناصر
2	5	جناب انور حاجی کریم**			
2	5	جناب مرتضیٰ ایچ۔ حبیب**			
* جناب عباس ڈی۔ حبیب اور جناب سفر علی لاکھانی نے اپنی نامزدگیوں کے بعد ہیومن ریسورس اینڈ ری میونریشن کمیٹی کے تمام اجلاسوں میں شرکت کی۔					
** جناب انور حاجی کریم اور جناب مرتضیٰ ایچ۔ حبیب سال کے دوران ہیومن ریسورس اینڈ ری میونریشن کمیٹی کے رکن کی حیثیت سے سبکدوش ہوئے انہوں نے اپنی رکنیت کے دوران ہیومن ریسورس اینڈ ری میونریشن کمیٹی کے تمام اجلاسوں میں شرکت کی۔					



سال کے دوران بینک نے 71 نئی برانچیں (بشمول ایک ذیلی برانچ) قائم کیں اور 9 ذیلی برانچوں کو مکمل برانچوں میں تبدیل کیا۔ بینک کا موجودہ نیٹ ورک 725 دفاتر پر مشتمل ہے جس میں 684 برانچیں (بشمول 71 اسلامک بینکنگ برانچیں اور 3 اور سیز برانچیں، بحرین، ملائیشیا اور سیشلز) 37 ذیلی برانچیں اور 4 نمائندہ دفاتر، دبئی، استنبول، بیجنگ اور نیروبی شامل ہیں۔ بینک کی جانب سے پاکستان اور بیرون ملک نیٹ ورک میں توسیع کا سلسلہ جاری رہے گا۔ مزید برآں بینک کی کُل ملکیتی ذیلی کمپنی، الحیب کریڈٹ اینڈ فنانس (ہانگ کانگ) لمیٹڈ جس نے اپنے کاروبار کا آغاز نہیں کیا، اُسے سال کے دوران (ڈی رجسٹرڈ) کیا گیا۔

دسمبر 2018 میں، بینک نے کامیابی کے ساتھ اپنا ریٹڈ، انسکیورڈ اور سبارڈینیٹڈ ٹرم فنانس سرٹیفکیٹس (ٹی ایف سیز) کا ساتواں ایٹو جس کی مالیت 4,000 ملین روپے (بشمول 1,000 ملین روپے کا ”دگرین شو“ آپشن)، پرائیویٹ پبلسمنٹ کے ذریعے مکمل کر لی ہے۔ اس پرائیویٹ پبلسمنٹ کا انتظام اور بندوبست آپ کے بینک کے ذریعے کیا گیا تھا۔ ان ٹی ایف سیز کے ذریعے بینک کے کیپٹل ایڈویسی میں اضافہ ہوا ہے اور اس سے ہمارے آپریشنز کے فروغ میں مزید معاونت ملے گی۔

اپوارڈز اور اعزازات

سال 2017 کے لئے بہترین بینک (مڈ سائز بینکنگس)

الحمد للہ، بینک نے چارٹرڈ فنانشل اینالسٹ (سی ایف اے) سوسائٹی پاکستان کی جانب سے ”بہترین بینک برائے سال 2017 (مڈ سائز بینکنگس)“ ایوارڈ حاصل کیا۔ یہ ایوارڈ کسی بھی مالیاتی ادارے کی غیر معمولی کارکردگی کی پہچان ہے۔ بینک نے سی ایف اے سوسائٹی پاکستان کی جانب سے اس ایوارڈ کو چھٹی مرتبہ وصول کیا۔

بورڈ آف ڈائریکٹرز کی تشکیل

ڈائریکٹرز کی مجموعی تعداد درج ذیل ہے:

- مرد 10
- خاتون کوئی نہیں

بورڈ کی تشکیل درج ذیل ہے:

انڈیپنڈنٹ ڈائریکٹرز	سید حسن علی بخاری جناب ارشد ناصر جناب سفر علی لاکھانی
نان-ایگزیکٹو ڈائریکٹرز	جناب عباس ڈی۔ حبیب جناب علی رضا ڈی۔ حبیب جناب انور حاجی کریم جناب مرتضیٰ ایچ۔ حبیب سید مظہر عباس جناب منظور احمد
ایگزیکٹو ڈائریکٹر	جناب کُمیل آر۔ حبیب

جناب منصور علی خان بینک کے چیف ایگزیکٹو ہیں اور اس وجہ سے انہیں ڈائریکٹر تصور کیا جاتا ہے۔



ڈائریکٹرز کی رپورٹ

الحمد للہ بینک الحیب نے اپنے آپریشن کے 27 سال مکمل کر لئے ہیں اور ڈائریکٹرز کیلئے 28 ویں سالانہ رپورٹ بشمول ۳۱ دسمبر ۲۰۱۸ء کو ختم ہونے والے سال کیلئے بینک کے آڈٹ شدہ مالیاتی حسابات پیش کرنا باعث مسرت ہے۔
آپریٹنگ نتائج اور ان کی تخصیص کے لئے بورڈ کی سفارشات درج ذیل ہیں:

('000 روپے میں)	
14,263,667	سالانہ منافع قبل از ٹیکس
(5,846,011)	ٹیکسیشن
8,417,656	سالانہ منافع بعد از ٹیکس
16,179,355	گزشتہ غیر مختص شدہ منافع
72,769	فلسڈ اثاثہ جات کی ری ویلیویشن کے اضافے میں سے منتقلی۔ بعد از ٹیکس
(82,044)	دیگر جامع آمدنی
16,170,080	
24,587,736	تخصیص کیلئے دستیاب منافع
	تخصیص:
(841,766)	اسٹپنڈی ریزرو میں منتقلی
(3,334,276)	نقد منافع منقسمہ۔ ۲۰۱۷ء
(4,176,042)	
20,411,694	غیر مختص شدہ منافع
روپے 7.57	بنیادی/معتدل فی شیئر آمدنی۔ بعد از ٹیکس

۳۱ دسمبر ۲۰۱۸ء کو ختم ہونے والے سال کے لئے ڈائریکٹرز نے 25% نقد منافع منقسمہ یعنی 2.50 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 692.6 بلین روپے کے مقابلے میں بڑھ کر 796.9 بلین روپے ہو گئے جبکہ ایڈوانسز 339.8 بلین روپے سے بڑھ کر 478.2 بلین روپے ہو گئے۔ سال کے دوران بینک کا غیر ملکی تجارتی کاروباری حجم 1,303.9 بلین روپے رہا۔ سالانہ منافع قبل از ٹیکس 14.3 بلین روپے رہا جبکہ گزشتہ سال یہ منافع 13.9 بلین روپے تھا۔ جبکہ سالانہ منافع بعد از ٹیکس گزشتہ سال کے 8.5 بلین روپے کے مقابلے میں 8.4 بلین روپے رہا۔ اللہ کے فضل و کرم سے بینک کے کل اثاثہ جات 1.048 ٹریلین روپے ہو گئے ہیں۔



بورڈ کی مجموعی کارکردگی پر چیئر مین 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 شیئر 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 تیکنیک 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 دیرپا 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 2018 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

چیئر مین

بورڈ آف ڈائریکٹرز

کراچی: ۳۰ جنوری ۲۰۱۹ء



Branch Network

The Bank has a network of 721 branches including 37 sub-branches, 03 overseas branches and 71 Islamic Banking branches. The Bank also has 03 representative offices. The Bank has branches / sub-branches / representative offices in the following cities:

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

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

website : www.bankalhabib.com

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



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 Eighth Annual General Meeting of the Bank to be held on Wednesday, March 27, 2019 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2019.

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 فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____
ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____ کو
یا ان کی غیر حاضری میں ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____
کو اپنے / ہمارے ایما پر بروز بدھ ۲۷ مارچ ۲۰۱۹ء کو بینک الحیب لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے بینک کے اٹھائیسویں 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 _____ ۲۰۱۹ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
رسیدی ٹکٹ پر دستخط

دستخط ممبر (رکن)

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

گواہان:

۱۔ دستخط _____ ۲۔ دستخط _____
نام _____ نام _____
پتہ _____ پتہ _____

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

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

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

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

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- 📱 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 📖 Online Quizzes



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