



هَذَا مِنْ فَضْلِ رَبِّي

Bank AL Habib
25 YEARS SILVER JUBILEE
1991-2016

VISION STATEMENT

TO BE OUR CUSTOMERS' MOST CONVENIENT
AND TRUSTED BANK

MISSION STATEMENT

TO MAKE BANKING SAFE, SIMPLE, AND PLEASANT



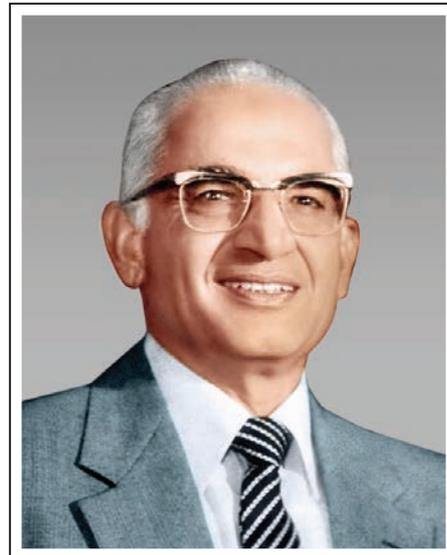
Habib Esmail (1878-1931)
(Founder of Habib Group)



Dawood Habib (1901-1950)
(Son)



Hamid D. Habib (1926-2000)
(Grandson)
First Chairman of the Board
Bank AL Habib Limited



Rashid D. Habib (1927-1994)
(Grandson)
*First Managing Director &
Chief Executive*
Bank AL Habib Limited



CORPORATE INFORMATION

Board of Directors	Ali Raza D. Habib	<i>Chairman</i>
	Abbas D. Habib	<i>Chief Executive & Managing Director</i>
	Anwar Haji Karim	
	Murtaza H. Habib	
	Qumail R. Habib	<i>Executive Director</i>
	Safar Ali Lakhani	
	Shahid Ghaffar	
	Syed Mazhar Abbas	
Syed Hasan Ali Bukhari		
Shameem Ahmed*		
Audit Committee	Shameem Ahmed*	<i>Chairman</i>
	Anwar Haji Karim	<i>Member</i>
	Syed Mazhar Abbas	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
	Safar Ali Lakhani	<i>Member</i>
Human Resource & Remuneration Committee	Syed Mazhar Abbas	<i>Chairman</i>
	Abbas D. Habib	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
	Murtaza H. Habib	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
Company Secretary	Mohammad Taqi Lakhani	
Statutory Auditors	KPMG Taseer Hadi & Co. Chartered Accountants	
Legal Advisor	Liaquat Merchant Associates Advocates and 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	

*Sadly, Mr. Shameem Ahmed passed away on February 5, 2016.



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HISTORY

1891

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

1896

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

1941

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

1947

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

1947-1973

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

1974

Habib Bank was nationalized along with other Pakistani banks.

1991

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

1992

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

2016

Bank AL Habib entered twenty-fifth year of its operation. As of December 31, 2015, the bank's assets were Rs. 639.7 billion, deposits were 516.2 billion, shareholders' funds were Rs. 31.7 billion, profit before tax was Rs. 12.3 billion, and its network comprised 531 branches, sub-branches, and representative offices. Overseas offices of the bank include branches in Bahrain, Malaysia, and Seychelles and representative offices in UAE, Turkey, and China.



Habib Esmail, founder of Habib Group, started his career in Bombay in 1891 at the age of 13 on a salary of Rs. 5 per month in a firm that dealt in copper and brass utensils. He worked day and night, arriving before the shop opened, staying till late in the night, and then walking home to save money on conveyance. No wonder that in the short span of five years, at the age of 18, he was made a partner in the firm. Even at that young age, he had established an excellent reputation for honesty, hard work, fair play, trustworthiness, and humility. These values continue to guide the activities of Habib Group to this day.

During the next 17 years, he captured major share of the local utensils business and diversified into export of copper, cotton, scrap iron, and manganese ore, selling to East Africa, Italy, France, and Great Britain. Being a person of great insight, he sent his representative to Europe in 1912 and established branch offices in Genoa and Vienna. Simultaneously, he initiated business relationships with Japan and China.

Habib Esmail's reputation for honesty and fair play was so well known that his customers and local merchants would leave their surplus funds with him for safe-keeping and investment, thus establishing the foundation of the family's banking business. In 1921, he started Habib & Sons with his four sons, namely, Ahmed Habib, Dawood Habib, Mohammad Ali Habib, and Ghulam Ali Habib. The firm traded in cotton, oil seeds, and bullion and acted as a merchant bank. It eventually became the flagship of the family and the parent firm of Habib Bank Limited.

Habib Bank Limited was established in Bombay in 1941 by the four sons of Habib Esmail. The bank had over 30 branches operating in India at the time of partition. Quaid-e-Azam Mohammad Ali Jinnah, Founder of Pakistan, reposed confidence in the bank by opening his personal account. On the creation of Pakistan in 1947 and at the request of the Quaid-e-Azam, Habib Family shifted all of its businesses including Habib Bank to Pakistan. The 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 when it was nationalized by the Government of Pakistan along with other Pakistani banks on January 1, 1974.

In 1991, the 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 under this policy. The new bank was required to open five branches within a short period of six months, which involved acquisition of premises, recruitment of people, development of systems and procedures, and installation of a computer-based banking system. With the guidance and dedication of founding members of the Bank, these challenges were met. Accordingly, Bank AL Habib Limited was incorporated in October 1991 and commenced operation in January 1992. Mr. Hamid D. Habib was the first Chairman of Bank AL Habib and Mr. Rashid D. Habib was its first Managing Director & Chief Executive. On their passing away, Mr. Ali Raza D. Habib was appointed Chairman and Mr. Abbas D. Habib was appointed Managing Director & Chief Executive.

Although established in 1991, Bank AL Habib embodies the same high standards of trust, integrity, and prudence which have characterized Habib Family's banking operations in Pakistan and abroad for about 75 years.

Bank AL Habib is now in the twenty-fifth year of its operation. During this period, from 1992 to 2015, the Bank's performance can be briefly described as follows:

- Assets have grown from Rs. 2.7 billion to Rs. 639.7 billion, making Bank AL Habib the seventh largest bank of the country.
- Deposits have grown from Rs. 1.7 billion to Rs. 516.2 billion. Market share in the country's banking sector deposits is about 5%.
- Loans and advances have grown from Rs. 607 million to Rs. 205.9 billion. Non-performing loans ratio of 2.7% is the lowest among peer banks and all such loans are more than fully covered by the specific and general provisions maintained by the Bank. The Bank handled over 10% of the country's foreign trade business.



- Shareholders' equity has grown from Rs. 325 million to Rs. 31.7 billion, which is net of cash dividends paid over the years.
- Profit before tax has grown from Rs. 51 million to Rs. 12.3 billion. Before-tax return on equity is over 38%.
- Profit after tax has grown from Rs. 25 million to Rs. 7.4 billion. After-tax return on equity is over 23%.
- Branch network has grown from 6 to 528, including sub-branches. The Bank also operates in six foreign countries, with branches in Bahrain, Malaysia, and Seychelles, and representative offices in UAE, Turkey, and China.

Over the years, Bank AL Habib has received several awards, both national and international. These include:

- **The Strongest Bank Balance Sheet in Pakistan**, from *The Asian Banker*, for the year 2013 – based on the strength, liquidity, and sustainability of the balance sheet.
- **Bank of the Year (Mid Size Banks) Award**, from *CFA Society of Pakistan*, for the years 2009, 2010, 2011, and 2012 – based on financial performance.
- **Top 25 Companies Award**, from *Karachi Stock Exchange*, for the years 2009, 2010, 2011, and 2012 – based on dividend payout, profitability, and compliance with listing regulations/ corporate governance.
- **Award of Recognition**, from *International Finance Corporation (IFC)*, for the years 2009 and 2010 – as the Most Active GTFP (Global Trade Finance Program) Issuing Bank in Middle East & North Africa (for “South-South” Trade in 2010).
- **Best Trade Partner Bank–Climate Smart Trade**, from *IFC*, in the year 2016.

The Pakistan Credit Rating Agency has maintained the Bank's Long Term Rating at “AA+” and Short Term Rating at “A1+”. The rating of our unsecured, subordinated Term Finance Certificates has also been maintained at “AA”. These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The Bank has launched innovative deposit schemes like **Young Savers Account**, **Senior Citizens Account**, **Monthly Saver Account**, **Current Plus Account**, **Apna Current Account**, **Foreign Currency Saver Account**, etc., to meet the needs of a wide range of potential depositors. Thus, **Young Savers Account** was targeted at children up to 18 years of age, to promote the habit of saving and financial discipline among them, which is essential for personal as well as national growth and self-reliance. **Senior Citizens Account**, on the other hand, was targeted at senior citizens over 60 years of age, to provide them monthly income in retirement. Both schemes became very popular among their target segments. **Senior Citizens Account** was quoted as an example in Philip Kotler's book *Marketing Management – A South Asian Perspective*, a world-famous text-book on marketing.

Guided by the values taught and practiced by Habib Esmail more than a century ago, Bank AL Habib has continued to grow and progress in all areas of its operation. A key element of the Bank's culture is to treat the customers' deposits as a trust which must be protected at all times.

Further details on the performance of the Bank during 1992-2015 are presented on pages 4-5.

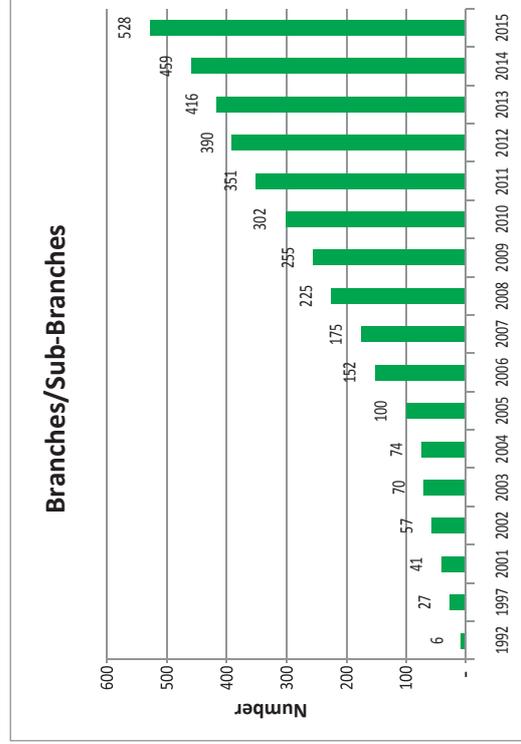
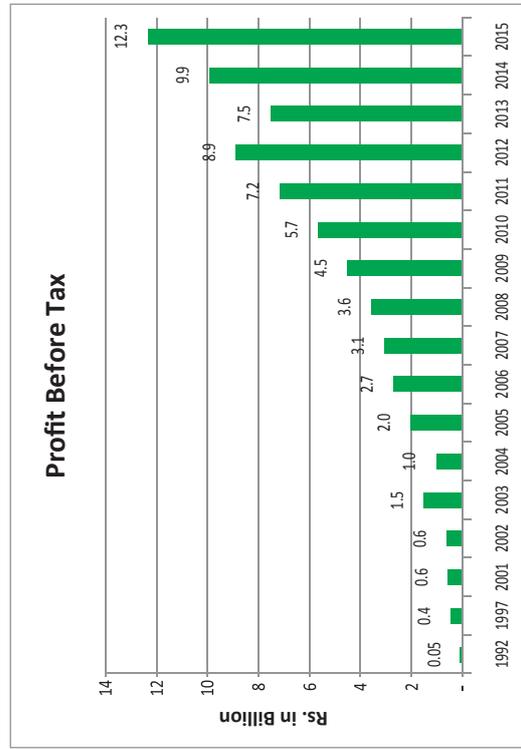
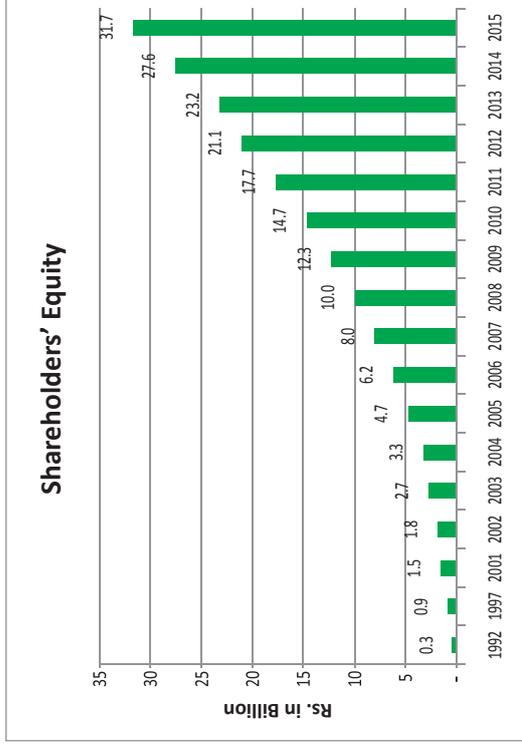
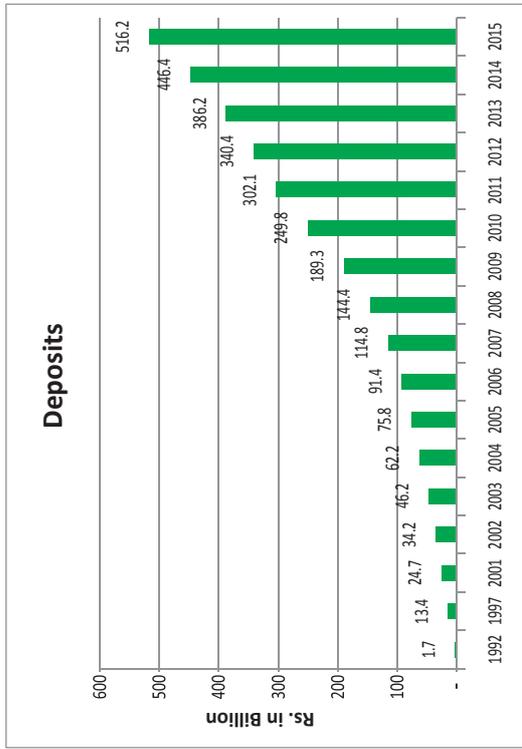


Performance 1992-2015 : Financials

Years	(Rupees in Million)									
	Assets	Deposits	Advances	Investments	Shareholders' Equity	Profit Before Tax	Profit After Tax	Cash Dividend	Stock Dividend	
1992	2,727	1,679	607	1,060	325	51	25	-	-	
1993	5,590	3,372	1,647	1,907	421	151	96	-	-	
1994	8,346	5,200	3,067	1,932	528	224	107	-	-	
1995	11,395	6,353	4,254	2,055	611	255	127	15.0%	-	
1996	11,248	8,573	5,664	2,489	718	341	153	15.0%	10.0%	
1997	16,515	13,445	7,372	7,440	851	442	199	20.0%	15.0%	
1998	16,897	13,226	7,564	6,999	1,016	445	203	10.0%	32.0%	
1999	19,870	14,113	10,925	4,601	1,169	373	153	-	20.0%	
2000	24,226	17,823	14,722	1,289	1,322	403	153	-	20.0%	
2001	29,025	24,697	15,902	5,664	1,532	551	246	5.0%	20.0%	
2002	49,437	34,240	23,775	18,831	1,822	620	290	-	25.0%	
2003	58,066	46,178	35,232	14,109	2,726	1,513	1,012	10.0%	25.0%	
2004	77,436	62,171	47,367	14,414	3,274	1,039	541	-	35.0%	
2005	91,502	75,796	55,304	19,758	4,746	2,022	1,464	15.0%	40.0%	
2006	114,998	91,420	70,796	21,023	6,186	2,689	1,761	15.0%	40.0%	
2007	141,234	114,819	79,224	35,287	8,014	3,052	2,211	15.0%	30.0%	
2008	177,324	144,390	100,197	48,234	9,967	3,579	2,425	12.5%	27.5%	
2009	249,807	189,280	105,985	111,018	12,287	4,512	2,856	20.0%	20.0%	
2010	301,552	249,774	125,773	137,168	14,706	5,656	3,602	20.0%	20.0%	
2011	384,282	302,099	114,872	222,959	17,723	7,155	4,533	25.0%	15.0%	
2012	453,106	340,393	147,869	249,754	21,058	8,878	5,455	30.0%	-	
2013	460,727	386,161	167,579	239,753	23,227	7,513	5,155	20.0%	10.0%	
2014	578,919	446,409	181,357	331,423	27,555	9,917	6,349	30.0%	-	
2015	639,712	516,213	205,859	354,824	31,698	12,332	7,405	35.0%	-	



Performance 1992-2015 : Charts





DIRECTORS' REPORT

Alhamdulillah, Bank AL Habib is now in the 25th year of its operation, and the Directors are pleased to present the Twenty-fifth Annual Report together with the audited financial statements of the Bank for the year ended December 31, 2015.

As we celebrate our Silver Jubilee, we fondly remember the founding members of the Bank, who are no longer with us, namely, (Late) Mr. Hamid D. Habib, our first Chairman, (Late) Mr. Rashid D. Habib, our first Managing Director & Chief Executive, (Late) Mr. Mohammad Usman Kushtiwala, Executive Director, and (Late) Mr. Mahmood S. Allarakhia, CFO and Company Secretary, amongst others, whose support and guidance laid a strong foundation for the Bank and made Bank AL Habib what it is today.

We also acknowledge the valuable contribution of our colleagues who have been with us all these years.

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

	(Rupees in '000)
Profit for the year before tax	12,331,659
Taxation	(4,926,747)
Profit for the year after tax	7,404,912
Unappropriated profit brought forward	7,679,490
Transfer from surplus on revaluation of fixed assets – net of tax	52,856
Other comprehensive income	(68,080)
	7,664,266
Profit available for appropriations	15,069,178
Appropriations:	
Transfer to Statutory Reserve	(1,480,982)
Cash dividend – 2014	(3,334,276)
	(4,815,258)
Unappropriated profit carried forward	10,253,920
Basic / Diluted earnings per share – after tax	Rs. 6.66

For the year ended December 31, 2015, the Directors propose a cash dividend of 35%.

Performance Review

Alhamdulillah, the performance of your Bank continued to be satisfactory during the year. Deposits rose to Rs. 516,213 million against Rs. 446,409 million a year earlier, while advances increased to Rs. 205,859 million from Rs. 181,357 million. Foreign Trade Business handled by the Bank during the year was Rs. 701,211 million. Profit before tax for the year was Rs. 12,332 million as compared to Rs. 9,917 million last year, while profit after tax was Rs. 7,405 million against Rs. 6,349 million last year.

During the year, the Bank opened 69 new branches and converted 3 sub-branches into full-fledged branches, bringing our network to 531, which comprises 423 branches (including 29 Islamic Banking Branches and 3 Overseas Branches, one each in Bahrain, Malaysia, and Seychelles), 105 sub-branches, and 3 Representative Offices, one each in Dubai, Istanbul, and Beijing. The Bank will continue to expand its network in Pakistan and abroad.



Board Meetings

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

Name of Director	Meetings Held	Meetings Attended
Mr. Ali Raza D. Habib, Chairman	6	3
Mr. Abbas D. Habib	6	6
Mr. Anwar Haji Karim	6	6
Mr. Murtaza H. Habib	6	6
Mr. Qumail R. Habib	6	6
Mr. Shameem Ahmed	6	4
Mr. S. Mazhar Abbas	6	6
Mr. Safar Ali Lakhani	6	6
Mr. S. Hasan Ali Bukhari	6	5
Mr. Shahid Ghaffar	6	5

Committee Meetings

Code of Corporate Governance requires formation of two committees of the Board, viz. Audit Committee and Human Resource & Remuneration Committee. During the year, 9 meetings of the Audit Committee and 4 meetings of the Human Resource & Remuneration 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. Shameem Ahmed, Chairman	9	8	Mr. S. Mazhar Abbas, Chairman	4	4
Mr. S. Mazhar Abbas	9	9	Mr. Abbas D. Habib	4	4
Mr. Anwar Haji Karim	9	9	Mr. Anwar Haji Karim	4	4
Mr. S. Hasan Ali Bukhari	9	7	Mr. Murtaza H. Habib	4	4
Mr. Safar Ali Lakhani	9	8	Mr. S. Hasan Ali Bukhari	4	4



Directors Training Programme

Two Directors completed the directors' training programme in 2015.

Credit Rating

Alhamdulillah, 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 rating of our unsecured, subordinated TFCs have also been maintained at **AA** (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

Future Outlook

The continuing fall in oil prices in the international market, the rise in inward remittances and foreign exchange reserves, and the moderate level of inflation, are factors which will benefit the economy. However, there are also challenges ahead, such as trade and fiscal deficits, energy situation, and geopolitical environment. Full impact of decline in interest rates in previous years is likely to be felt by the banking sector in 2016. We are, however, confident that, adhering to its usual prudent policies, the Bank will Inshallah continue to grow and progress.

Auditors

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the Bank for the year ending December 31, 2016, at a fee to be mutually agreed.

Risk Management Framework

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

- Credit risk is managed through the credit policies approved by the Board; a well-defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of credit facilities; and continuous assessment of credit worthiness of counterparties. The Bank has also established a mechanism for independent, post-disbursement review of large credit risk exposures. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.
- Market risk is managed through the market risk policy approved by the Board; approval of counterparty limits and dealer limits; senior management approval for investments; and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Bank, which is monitored on daily basis by the Treasury and the Middle Office. Risk Management Committee of the Board provides overall guidance in managing the Bank's market and liquidity risks, capital adequacy, and integrated risk management (also known as enterprise risk management).



- Operational risk is managed through the audit policy and the operational risk policy approved by the Board, along with the fraud prevention policy; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; a Business Continuity Plan, including a Disaster Recovery Plan for I.T.; and regular audit of the branches. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

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

Corporate Social Responsibility (CSR)

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

- corporate philanthropy amounting to Rs. 49.1 million by way of donations during the year for social and educational development and welfare of under-privileged people;
- energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and "No Smoking Zone", and providing a safe and healthy work environment;
- business ethics and anti-corruption measures, requiring all staff members to comply with the Bank's "Code of Conduct";
- consumer protection measures, requiring disclosure of the schedule of charges and terms and conditions that apply to the Bank's products and services;
- amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;
- employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc., including employment of special persons;
- expansion of the Bank's branch network to rural areas, which helps in rural development;
- contribution to the national exchequer by the Bank by way of direct taxes of about Rs. 5.16 billion paid to the Government of Pakistan during the year; furthermore, an additional amount of over Rs. 8.47 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 15.
6. There are no doubts upon the Bank's ability to continue as a going concern.
7. Key operating and financial data for last six years are summarized below:

(Rupees in million)

	2015	2014	2013	2012	2011	2010
Total customer deposits	516,213	446,409	386,161	340,393	302,099	249,774
Total advances	205,859	181,357	167,579	147,869	114,872	125,773
Profit before tax	12,332	9,917	7,513	8,878	7,155	5,656
Profit after tax	7,405	6,349	5,155	5,455	4,533	3,602
Shareholders' Equity	31,698	27,555	23,227	21,058	17,723	14,706
Earnings per share * (Rs)	6.66	5.71	4.64	4.91	4.08	3.24
Cash Dividend (%)	35	30	20	30	25	20
Stock Dividend (%)	–	–	10	–	15	20

*Earnings per share from 2010 to 2014 have been recalculated based on the existing paid-up capital.

8. Value of investments of Provident Fund and Gratuity Fund Schemes based on latest audited financial statements as at December 31, 2014 was as follows:

(Rupees in '000)

Provident Fund	2,797,558
Gratuity Fund	972,406

9. The pattern of shareholding and additional information regarding pattern of shareholding is given on pages 114, 115 & 116.
10. No trade in the shares of the Bank was carried out by the Directors, CEO, CFO, Head of Internal Audit, and Company Secretary, and their spouses and minor children, except that during the year one Executive sold 10,000 shares. For the purpose of this disclosure, the definition of "Executive" includes Assistant General Managers and above, in addition to officials already mentioned in the listing regulations.



Bank AL Habib
25^{YEARS} SILVER JUBILEE
1991-2016

General

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

On behalf of the Board of Directors

Karachi: January 27, 2016

SYED MAZHAR ABBAS
Director



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2015

This statement is being presented to comply with the Code of Corporate Governance (“the Code”) contained in listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges (now Pakistan Stock Exchange) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Bank.
3. All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Bank has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the Bank are well conversant with their duties and responsibilities. Two directors attended training programmes during the year.



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

On behalf of the Board of Directors

SYED MAZHAR ABBAS
Director

Karachi: January 27, 2016



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of **Bank AL Habib Limited** (“the Bank”) for the year ended 31 December 2015 to comply with the requirements of Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges (now Pakistan Stock Exchange) where the Bank is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2015.

Karachi: January 27, 2016

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, SBP has granted exemption to the Bank 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 2015 as per SBP Guidelines on Internal Controls has been successfully completed. In accordance with SBP directives, the annual assessment report for the year 2015 will be submitted by the Audit Committee of the Board to SBP during the year 2016. Evaluation and management of significant risks is an on-going process and we will make further efforts to improve our Internal Control System during 2016.

ASHAR HUSAIN
Chief Financial Officer

ARIF SAEED KHAN
Head of Internal Audit

Karachi: January 27, 2016

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

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

On behalf of the Board of Directors

Karachi: January 27, 2016

SYED MAZHAR ABBAS
Director



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of **Bank AL Habib Limited** ("the Bank") as at 31 December 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for fifteen branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - i) the unconsolidated statement of financial position and the unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change disclosed in note 5.1 to the accompanying financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2015 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: January 27, 2016

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq



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

	Note	2015 (Rupees in '000)	2014
ASSETS			
Cash and balances with treasury banks	8	38,577,738	34,201,813
Balances with other banks	9	3,185,669	4,345,042
Lendings to financial institutions	10	5,818,072	—
Investments - net	11	354,823,725	331,422,572
Advances - net	12	205,858,658	181,356,817
Operating fixed assets	13	15,764,284	13,898,321
Deferred tax assets - net		—	—
Other assets	14	15,684,322	13,694,264
		639,712,468	578,918,829
LIABILITIES			
Bills payable	15	8,665,462	7,984,808
Borrowings	16	62,592,299	78,455,452
Deposits and other accounts	17	516,213,178	446,409,004
Sub-ordinated loans	18	2,994,600	3,743,700
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net	19	3,632,598	2,780,536
Other liabilities	20	7,757,673	6,916,978
		601,855,810	546,290,478
NET ASSETS		37,856,658	32,628,351
REPRESENTED BY:			
Share capital	21	11,114,254	11,114,254
Reserves		10,329,659	8,760,911
Unappropriated profit		10,253,920	7,679,490
		31,697,833	27,554,655
Surplus on revaluation of assets - net of tax	22	6,158,825	5,073,696
		37,856,658	32,628,351
CONTINGENCIES AND COMMITMENTS	23		

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

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



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

	Note	2015 (Rupees in '000)	2014
Mark-up / return / interest earned	25	50,293,226	44,001,196
Mark-up / return / interest expensed	26	(25,476,349)	(24,936,885)
Net mark-up / return / interest income		24,816,877	19,064,311
Provision against non-performing loans and advances - net	12.6	(1,763,279)	(552,989)
Provision for diminution in the value of investments	11.4	(196,992)	–
Bad debts written-off directly	12.7	(34)	–
		(1,960,305)	(552,989)
Net mark-up / return / interest income after provisions		22,856,572	18,511,322
NON MARK-UP / INTEREST INCOME			
Fees, commission and brokerage income		2,286,952	1,950,797
Dividend income		601,701	364,618
Income from dealing in foreign currencies		707,484	854,437
Gain on sale / redemption of securities - net	27	217,254	294
Unrealised gain / (loss) on revaluation of investments classified as held for trading		–	–
Other income	28	697,475	637,546
Total non mark-up / interest income		4,510,866	3,807,692
		27,367,438	22,319,014
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	(14,695,040)	(12,189,767)
Other provisions / write-offs	30	(38,535)	(9,249)
Other charges	31	(302,204)	(202,884)
Total non mark-up / interest expenses		(15,035,779)	(12,401,900)
Extra-ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		12,331,659	9,917,114
Taxation – Current		(4,503,771)	(3,497,316)
– Prior years		(500,484)	–
– Deferred		77,508	(70,856)
	32	(4,926,747)	(3,568,172)
PROFIT AFTER TAXATION		7,404,912	6,348,942
		(Rupees)	
Basic and diluted earnings per share	33	6.66	5.71

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

ABBAS D. HABIB
 Chief Executive and
 Managing Director

SYED MAZHAR ABBAS
 Director

ANWAR HAJI KARIM
 Director

SYED HASAN ALI BUKHARI
 Director



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

	Note	2015 (Rupees in '000)	2014
Profit after taxation for the year		7,404,912	6,348,942
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss account</i>			
Exchange differences on translation of net investment in foreign branches		87,766	(78,284)
<i>Items that will never be reclassified to profit or loss subsequently</i>			
Remeasurement of defined benefit plan	36.6	(104,739)	48,215
Related tax charge		36,659	(16,875)
		(68,080)	31,340
Comprehensive income transferred to equity		7,424,598	6,301,998
<i>Components of comprehensive income not reflected in equity</i>			
Surplus on revaluation of available for sale securities		2,071,459	2,796,294
Related tax charge		(929,570)	(803,378)
		1,141,889	1,992,916
Surplus on revaluation of operating fixed assets		—	1,327,022
Related tax charge		—	(254,864)
		—	1,072,158
Total comprehensive income		8,566,487	9,367,072

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

ABBAS D. HABIB
 Chief Executive and
 Managing Director

SYED MAZHAR ABBAS
 Director

ANWAR HAJI KARIM
 Director

SYED HASAN ALI BUKHARI
 Director



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

	Note	2015 (Rupees in '000)	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		12,331,659	9,917,114
Less: Dividend income		(601,701)	(364,618)
		11,729,958	9,552,496
Adjustments for:			
Depreciation		1,180,653	992,133
Amortisation		85,328	78,006
Provision against non-performing loans and advances - net		1,763,279	552,989
Provision for diminution in the value of investments		196,992	-
Gain on sale of operating fixed assets		(56,372)	(74,655)
Gain on sale / redemption of securities - net		(217,254)	(294)
Charge for compensated absences		49,654	35,390
Provision against off-balance sheet items		38,535	9,249
		3,040,815	1,592,818
		14,770,773	11,145,314
Increase in operating assets			
Lendings to financial institutions		(5,818,072)	-
Advances - net		(26,265,120)	(14,330,446)
Other assets		(1,997,209)	(7,027,117)
		(34,080,401)	(21,357,563)
Increase / (decrease) in operating liabilities			
Bills payable		680,654	1,811,706
Borrowings		(15,201,573)	48,308,542
Deposits		69,804,174	60,248,242
Other liabilities - (excluding provision for taxation)		794,360	894,535
		56,077,615	111,263,025
		36,767,987	101,050,776
Income tax paid		(5,158,034)	(2,949,897)
Net cash generated from operating activities		31,609,953	98,100,879
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(21,697,501)	(88,873,004)
Net investments in associates		388,069	-
Dividend received		601,243	369,708
Investments in operating fixed assets		(3,202,040)	(1,861,998)
Sale proceeds from disposal of operating fixed assets		130,172	98,158
Net cash used in investing activities		(23,780,057)	(90,267,136)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of sub-ordinated loans		(749,100)	(2,742,200)
Dividend paid		(3,290,430)	(1,995,695)
Net cash used in financing activities		(4,039,530)	(4,737,895)
Exchange differences on translation of net investment in foreign branches		87,766	(78,284)
Increase in cash and cash equivalents		3,878,132	3,017,564
Cash and cash equivalents at beginning of the year		37,879,971	34,862,407
Cash and cash equivalents at end of the year	34	41,758,103	37,879,971

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

ABBAS D. HABIB
Chief Executive and
Managing Director

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



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

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Unappro- priated Profit	Total
				Special Reserve	General Reserve		
				(Rupees in '000)			
Balance as at 01 January 2014	10,103,868	6,662,862	240,045	126,500	540,000	5,554,207	23,227,482
Total comprehensive income for the year ended 31 December 2014:							
Profit after tax	-	-	-	-	-	6,348,942	6,348,942
Other comprehensive income	-	-	(78,284)	-	-	31,340	(46,944)
	-	-	(78,284)	-	-	6,380,282	6,301,998
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	45,947	45,947
Transfer to statutory reserve	-	1,269,788	-	-	-	(1,269,788)	-
Transactions with owners, recorded directly in equity:							
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(2,020,772)	(2,020,772)
Issue of bonus shares in the ratio of 10 shares for 100 shares held	1,010,386	-	-	-	-	(1,010,386)	-
Balance as at 31 December 2014	11,114,254	7,932,650	161,761	126,500	540,000	7,679,490	27,554,655
Total comprehensive income for the year ended 31 December 2015:							
Profit after tax	-	-	-	-	-	7,404,912	7,404,912
Other comprehensive income	-	-	87,766	-	-	(68,080)	19,686
	-	-	87,766	-	-	7,336,832	7,424,598
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	52,856	52,856
Transfer to statutory reserve	-	1,480,982	-	-	-	(1,480,982)	-
Transaction with owners, recorded directly in equity:							
Cash divided (Rs. 3 per share)	-	-	-	-	-	(3,334,276)	(3,334,276)
Balance as at 31 December 2015	11,114,254	9,413,632	249,527	126,500	540,000	10,253,920	31,697,833

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

ABBAS D. HABIB
*Chief Executive and
 Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



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

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

- 2.1 These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 04, dated 17 February 2006.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS).
- 2.3 The financial results of the Islamic Banking branches have been consolidated in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 44.
- 2.4 These are separate financial statements of the Bank in which investments in subsidiaries and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

3. STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated financial statements of the Bank have been prepared, in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and IFAS issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations / directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or regulations / directives issued by SECP and SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.
- 3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosures" has not



been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for the certain investments, land and buildings and derivative financial instruments which are revalued as referred to in notes 5.4, 5.6, 5.14 and 5.15 below.

5. SIGNIFICANT ACCOUNTING POLICIES

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

New, amended and revised standards and interpretations of IFRSs

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

5.2 Cash and cash equivalents

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

5.3 Repurchase / resale agreements

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



Sale under repurchase obligation

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

Purchase under resale obligation

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

Bai Muajjal

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

5.4 Investments

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

Held for trading

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

Held to maturity

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

Available for sale

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

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

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

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

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

Provision for diminution in the values of securities (except for debt securities) is made after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such



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

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

5.5 Advances

Loans and advances

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

Finance lease receivables

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

Ijarah finance

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

Murabaha

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

Istisna

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

Diminishing Musharika

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

Musawama

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

5.6 Operating fixed assets

Tangible operating assets - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount. Buildings are initially measured at cost and upon revaluation, are carried at revalued amount less accumulated depreciation and impairment, if any. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to



profit and loss account on straight line basis so as to charge the assets over their expected useful lives at the rates specified in note 13.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed annually and adjusted, if appropriate. Depreciation is charged on prorata basis, i.e., full month charge in the month of purchase and no charge in the month of disposal.

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

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

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

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

Tangible operating assets - leased

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

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 13.3. Intangible assets are amortised on prorata basis i.e. full month amortisation in the month of purchase and no amortisation in the month of disposal.

Capital work in progress

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

Impairment

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



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

5.7 Employees' benefits

Defined benefit plan

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

Defined contribution plan

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

Compensated absences

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

5.8 Provisions against liabilities

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

5.9 Provisions against off-balance sheet obligations

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

5.10 Sub-ordinated loans

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

5.11 Revenue recognition

- (a) Mark-up / interest / return on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark-up is recognised on receipt basis. Mark-up / interest / return on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of SBP.
- (b) Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.



- (c) The rentals from ijarah are recognised as income over the term of the contract net of depreciation expense relating to the ijarah assets.
- (d) Income from murabaha is accounted for on a time proportionate basis over the period of murabaha transaction.
- (e) Dividend income is recognised when the right to receive is established.
- (f) Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.
- (g) Fee, commission and brokerage income are recognised as services are performed.

5.12 Taxation

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

Current

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

Deferred

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

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

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

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

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

5.13 Currency translation

Functional and presentation currency

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



Transactions and balances in foreign currencies

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

Foreign operations

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

Commitments

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

5.14 Financial instruments

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

5.15 Derivative financial instruments

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

5.16 Off - setting

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

5.17 Dividends and appropriations to reserves

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

5.18 Segment reporting

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



5.18.1 Business segments

Retail banking

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

Commercial banking

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

5.18.2 Geographical segments

The Bank operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

5.19 Earnings per share

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

5.20 Clients' assets

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

6. ACCOUNTING JUDGMENTS AND ESTIMATES

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

	Note
Classification of investments and provision for diminution in the value of investments	5.4 & 11
Provision against non - performing advances	5.5 & 12
Useful lives of assets and methods of depreciation and amortisation	5.6 & 13
Employees' benefits	5.7, 20 & 36
Provisions against off - balance sheet obligations	5.9 & 20
Current and deferred taxation	5.12 & 19



Change in accounting estimates

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

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

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

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

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

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) (effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Bank's unconsolidated financial statements.



- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Bank's unconsolidated financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
 - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
 - IFRS 7 'Financial Instruments-Disclosures' is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
 - IAS 19 'Employee Benefits' is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
 - IAS 34 'Interim Financial Reporting' is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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



	Note	2015 (Rupees in '000)	2014
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		9,727,193	7,299,888
Foreign currencies		837,409	915,477
		10,564,602	8,215,365
In transit:			
Local currency		27,610	12,500
Foreign currencies		62,107	239,827
		89,717	252,327
With SBP in:			
Local currency current accounts	8.1	13,513,411	15,325,359
Local currency current account-Islamic Banking	8.1	598,802	342,928
Foreign currency deposit accounts			
Cash reserve account	8.1	1,924,616	1,592,657
Cash reserve / special cash reserve account -Islamic Banking		29,956	24,317
Special cash reserve account	8.1	5,773,848	4,777,971
Local US Dollar collection account	8.2	15,750	19,588
		21,856,383	22,082,820
With National Bank of Pakistan (NBP) in:			
Local currency current accounts		6,034,612	3,618,592
National prize bonds		32,424	32,709
		38,577,738	34,201,813

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

8.2 This represents US Dollar collection account maintained with SBP.

	Note	2015 (Rupees in '000)	2014
9. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		573,130	1,088,902
Deposit account	9.1	500,000	600,000
Savings accounts	9.2	215,743	996,298
		1,288,873	2,685,200
Outside Pakistan			
Current accounts		1,724,248	1,027,760
Deposit accounts	9.3	172,548	632,082
		1,896,796	1,659,842
		3,185,669	4,345,042



- 9.1 This carries profit rate of 5.50% (2014: 8% to 8.50%) per annum.
- 9.2 These carry expected profit rates ranging from 2.25% to 5% (2014: 5% to 7.39%) per annum.
- 9.3 These carry interest rates ranging from 0.05% to 0.30% (2014: 0.05% to 0.35%) per annum.

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

- 10.1 The rate of return on this product is 6% (2014: Nil) per annum having maturity upto one year.
- 10.2 This represents unsecured lendings carrying mark-up at a rate of 6.50% (2014: Nil) per annum having maturity period upto one month.
- 10.3 **Securities held as collateral against repurchase agreement lendings**

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

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



11. INVESTMENTS

		2015			2014			
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total	
		(Rupees in '000)						
11.1	Investments by type							
		Note						
	Available for Sale Securities	11.5						
	Market Treasury Bills		96,543,319	39,361,572	135,904,891	101,974,927	56,253,740	158,228,667
	Pakistan Investment Bonds		60,095,104	–	60,095,104	36,503,076	–	36,503,076
	Foreign Currency Bonds		4,580,708	–	4,580,708	2,289,589	–	2,289,589
	Sukuk Bonds		6,447,026	–	6,447,026	4,833,911	–	4,833,911
	Fully paid-up ordinary shares - Listed		4,018,649	–	4,018,649	3,062,421	–	3,062,421
	Fully paid-up ordinary shares - Unlisted		45,529	–	45,529	39,570	–	39,570
	Term finance certificates - Listed		302,972	–	302,972	321,695	–	321,695
	Term finance certificates - Unlisted		2,946,686	–	2,946,686	2,832,620	–	2,832,620
	Units of mutual funds		1,550,000	–	1,550,000	1,551,763	–	1,551,763
			176,529,993	39,361,572	215,891,565	153,409,572	56,253,740	209,663,312
	Held to Maturity Securities	11.2						
	Pakistan Investment Bonds		130,462,425	–	130,462,425	115,678,511	–	115,678,511
	Foreign Currency Bonds		1,879,702	–	1,879,702	970,913	–	970,913
	Sukuk Bonds		696,890	–	696,890	701,047	–	701,047
	Term finance certificates - Listed		–	–	–	86,826	–	86,826
			133,039,017	–	133,039,017	117,437,297	–	117,437,297
	Associates	11.12						
	Habib Sugar Mills Limited		182,690	–	182,690	180,977	–	180,977
	Habib Asset Management Limited		60,000	–	60,000	60,000	–	60,000
	First Habib Income Fund		150,000	–	150,000	250,000	–	250,000
	First Habib Stock Fund		10,000	–	10,000	50,000	–	50,000
	First Habib Cash Fund		150,000	–	150,000	300,000	–	300,000
	First Habib Islamic Balanced Fund		10,000	–	10,000	25,000	–	25,000
			562,690	–	562,690	865,977	–	865,977
	Subsidiaries	11.13						
	AL Habib Capital Markets (Pvt.) Ltd.		200,000	–	200,000	200,000	–	200,000
	AL Habib Credit & Finance (Hong Kong) Limited		127	–	127	127	–	127
			200,127	–	200,127	200,127	–	200,127
	Investments at cost		310,331,827	39,361,572	349,693,399	271,912,973	56,253,740	328,166,713
	Less: Provision for diminution in the value of investments	11.4	(202,692)	–	(202,692)	(5,700)	–	(5,700)
	Investments (net of provisions)		310,129,135	39,361,572	349,490,707	271,907,273	56,253,740	328,161,013
	Surplus on revaluation of available for sale securities-net	22.2	5,213,270	119,748	5,333,018	3,191,316	70,243	3,261,559
	Total Investments		315,342,405	39,481,320	354,823,725	275,098,589	56,323,983	331,422,572

11.2 The aggregate market value of held to maturity securities as at 31 December 2015 amounted to Rs. 144,551 million (2014: Rs. 125,053 million).



	Note	2015 (Rupees in '000)	2014
11.3 Investments by segment			
<i>Federal Government Securities</i>			
Market Treasury Bills	11.6	135,904,891	158,228,667
Pakistan Investment Bonds	11.7	190,557,529	152,181,587
Foreign Currency Bonds	11.10	5,830,634	2,755,580
Sukuk Bonds	11.8	4,248,850	3,219,971
		336,541,904	316,385,805
<i>Fully paid-up ordinary shares</i>			
Listed companies	11.5.5	4,018,649	3,062,421
Unlisted companies	11.11	45,529	39,570
		4,064,178	3,101,991
<i>Term finance certificates, sukuks and bonds</i>			
<i>Term Finance Certificates</i>			
Term finance certificates - Listed		302,972	408,521
Term finance certificates - Unlisted		2,946,686	2,832,620
	11.9	3,249,658	3,241,141
Sukuk Bonds	11.8	2,895,066	2,314,987
Foreign Currency Bonds	11.10	629,776	504,922
		6,774,500	6,061,050
<i>Others</i>			
Units of mutual funds	11.5.9	1,550,000	1,551,763
Associates	11.12	562,690	865,977
Subsidiaries	11.13	200,127	200,127
		2,312,817	2,617,867
Investments at cost		349,693,399	328,166,713
Less: Provision for diminution in the value of investments	11.4	(202,692)	(5,700)
Investments (net of provisions)		349,490,707	328,161,013
Surplus on revaluation of available for sale securities - net	22.2	5,333,018	3,261,559
Total Investments		354,823,725	331,422,572



	Note	2015 (Rupees in '000)	2014
11.4 Particulars of provision for diminution in the value of investments			
Available for sale investments:			
Opening balance		5,700	5,700
Charge for the year		196,992	-
Closing balance	11.4.1	202,692	5,700

11.4.1 Particulars of provision in respect of type and segment

Available for sale investments:

Listed companies:

Pakistan Oilfields Limited
Pakistan Petroleum Limited

133,241	-
63,751	-
196,992	-

Unlisted company:

Pakistan Export Finance Guarantee Agency Limited

5,700	5,700
202,692	5,700

11.5 Quality of available for sale securities

Name of security	Face value Rs. / USD	2015 2014		2015 2014		2015 2014	
		Rating*		Cost		Carrying value	
(Rupees in '000)							
11.5.1 Market Treasury Bills	-	Unrated	Unrated	135,904,891	158,228,667	136,211,678	158,462,190
11.5.2 Pakistan Investment Bonds	-	Unrated	Unrated	60,095,104	36,503,076	64,245,955	38,443,902
11.5.3 Foreign Currency Bonds							
Government of Pakistan Bonds	USD 100	B-	B-	1,338,682	945,547	1,390,228	1,024,596
Government of Pakistan Bonds	USD 100	B-	B-	623,277	586,509	628,942	613,176
Government of Pakistan Bonds	USD 100	B-	B-	588,574	252,611	590,426	256,453
Government of Pakistan Bonds	USD 100	B-	-	536,822	-	530,178	-
Government of Pakistan Bonds	USD 100	B-	-	529,239	-	537,389	-
Government of Pakistan Bonds	USD 100	B-	-	334,338	-	323,002	-
Government of Sri Lanka Bonds	USD 100	-	B+	-	100,606	-	100,726
Kingdom of Bahrain	USD 100	BBB-	-	209,482	-	214,216	-
Bank of Ceylon	USD 100	BB-	BB-	211,134	203,811	210,368	210,050
Bank of Ceylon	USD 100	BB-	BB-	209,160	200,505	203,022	201,959
				4,580,708	2,289,589	4,627,771	2,406,960



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

11.5.5 Fully paid-up ordinary shares - Listed

2015	2014	Name of security	Rs.	2015	2014	2015	2014		
No. of shares									
754,800	727,100	Allied Bank Limited	Rs.10	AA+	AA+	45,121	42,503	71,147	82,584
196,640	147,190	Attock Petroleum Limited	Rs.10	Unrated	Unrated	89,332	64,850	99,327	79,421
4,454,500	3,154,500	Fauji Fertilizer Bin Qasim Limited	Rs.10	Unrated	Unrated	189,579	126,318	234,663	142,615
3,224,800	3,224,800	Fauji Fertilizer Company Limited	Rs.10	Unrated	Unrated	364,507	364,507	380,462	377,656
294,000	294,000	First Habib Modaraba	Rs.5	AA+	AA+	2,607	2,607	2,940	2,690
15,027,415	10,102,415	Habib Metropolitan Bank Limited	Rs.10	AA+	AA+	340,597	197,587	457,885	376,820
7,627,500	7,627,500	Hub Power Company Limited	Rs.10	AA+	AA+	466,114	466,114	782,582	597,691
52,862	52,862	International Industries Limited	Rs.10	Unrated	Unrated	357	357	3,251	3,295
5,623,556	5,623,556	International Steels Limited	Rs.10	Unrated	Unrated	89,228	89,228	137,271	143,120
6,420,500	3,960,000	Kot Addu Power Company Limited	Rs.10	AA+	AA+	441,480	242,202	520,061	312,602
2,094,500	1,594,500	Lalpir Power Limited	Rs.10	AA	AA	51,894	37,626	62,290	47,676
396,110	396,110	MCB Bank Limited	Rs.10	AAA	AAA	99,902	99,902	85,896	121,071
119,067	119,067	Meezan Bank Limited	Rs.10	AA	AA	3,028	3,028	5,447	5,596
4,780,500	3,096,000	Nishat Chunian Power Limited	Rs.10	A+	A+	195,514	99,828	263,167	153,407
17,500	17,500	Packages Limited	Rs.10	AA	AA	1,429	1,429	10,187	11,870
4,407,500	4,407,500	Pakgen Power Limited	Rs.10	AA	AA	108,544	108,544	129,713	119,135
949,075	587,075	Pakistan Oilfields Limited	Rs.10	Unrated	Unrated	387,612	297,555	121,130	222,713
1,643,941	1,406,941	Pakistan Petroleum Limited	Rs.10	Unrated	Unrated	264,000	297,841	136,497	248,353
914,500	914,500	Pakistan State Oil Company Limited	Rs.10	AA	AA+	295,077	295,077	297,917	327,309
22,500	22,500	Shell Pakistan Limited	Rs.10	Unrated	Unrated	2,189	2,189	5,135	5,825
16,541,450	11,580,450	Soneri Bank Limited	Rs.10	AA-	AA-	164,418	108,098	250,272	142,787
3,183,000	3,183,000	Standard Chartered Bank (Pakistan) Limited	Rs.10	AAA	AAA	61,701	61,701	69,708	75,119
1,199,643	-	Habib Bank Limited	Rs.10	AAA	-	227,160	-	240,074	-
1,055,000	575,000	United Bank Limited	Rs.10	AA+	AA+	127,259	53,330	163,472	101,608
					4,018,649	3,062,421	4,530,494	3,700,963	

11.5.6 Fully paid-up ordinary shares - Unlisted

2015	2014	Name of security	Rs.	2015	2014	2015	2014		
No. of shares / certificates									
3,000,000	3,000,000	Khushhali Bank Limited	Rs.10	A+	A	30,000	30,000	30,000	30,000
		Pakistan Export Finance Guarantee							
569,958	569,958	Agency Limited	Rs.10	Unrated	Unrated	5,700	5,700	-	-
39	24	S.W.I.F.T	-	Unrated	Unrated	9,829	3,870	9,829	3,870
					45,529	39,570	39,829	33,870	



11.5.7	Term finance certificates - Listed			Face value Rs.	2015 2014 Rating*		2015 2014 Cost		2015 2014 Carrying value	
	2015	2014	Name of security		(Rupees in '000)					
	No. of certificates									
	-	33,800	Allied Bank Limited - II	Rs.5,000	-	AA	-	168,662	-	165,515
	30,625	30,625	Bank Alfalah Limited - V	Rs.5,000	AA-	AA-	152,972	153,033	155,764	152,201
	30,000	-	Soneri Bank Limited	Rs.5,000	A+	-	150,000	-	150,000	-
							302,972	321,695	305,764	317,716
11.5.8	Term finance certificates - Unlisted									
	2015	2014	Name of security	Face value Rs.	2015 2014 Rating*		2015 2014 Cost		2015 2014 Carrying value	
	No. of certificates									
	150	150	Askari Bank Limited - IV	Rs.1,000,000	AA-	AA-	149,760	149,820	149,760	149,820
	60,000	60,000	Askari Bank Limited - V	Rs.5,000	AA-	AA-	299,880	300,000	299,880	300,000
	20,000	20,000	Bank Alfalah Limited - IV	Rs.5,000	AA-	AA-	99,760	99,800	99,760	99,800
	56,600	56,600	Standard Chartered Bank (Pakistan) Limited	Rs.5,000	AAA	AAA	283,000	283,000	283,000	283,000
	80,000	-	Habib Bank Limited	Rs.5,000	AAA	-	400,000	-	400,000	-
	400,000	400,000	WAPDA	Rs.5,000	AAA	AAA	1,714,286	2,000,000	1,714,286	2,000,000
							2,946,686	2,832,620	2,946,686	2,832,620
11.5.9	Units of mutual funds									
	2015	2014	Name of security	Face value Rs.	2015 2014 Rating*		2015 2014 Cost		2015 2014 Carrying value	
	No. of units									
	48,615,258	64,217,346	NIT Government Bond Fund	Rs.10	AA-	AA-	550,000	600,000	506,654	698,948
	17,422,393	21,076,617	NIT Income Fund	Rs.10	A+	A+	200,000	200,000	187,430	232,623
	11,032,727	15,044,628	NIT Unit Trust	Rs.10	AM2	4 Star	550,000	750,000	697,710	993,397
	25,047,082	-	NIT Islamic Equity Fund	Rs.10	AM2	-	250,000	-	246,964	-
	-	20,523	PIML Income Fund	Rs.100	-	A+	-	1,763	-	2,221
							1,550,000	1,551,763	1,638,758	1,927,189
							215,891,565	209,663,312	221,021,891	212,919,171

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

11.6 Market Treasury Bills

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

11.7 Pakistan Investment Bonds

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



11.8 Sukuk Bonds

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

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

11.9 Term Finance Certificates

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



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

*These Term Finance Certificates are subordinated.

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

11.10 Foreign Currency Bonds

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



11.11 Ordinary shares of unlisted companies

<u>2015</u>	<u>2014</u>	<u>Name of companies</u>	Note	<u>2015</u>	<u>2014</u>
No. of ordinary shares/units				(Rupees in '000)	
3,000,000	3,000,000	Khushhali Bank Limited Par value per share: Rs. 10 Break-up value per share: Rs. 19.27 (2014: Rs. 16.12) based on audited financial statements for the year ended 31 December 2014 Chief Executive: Mr. Ghalib Nishtar		30,000	30,000
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited Par value per share: Rs. 10 Break-up value per share: Rs. 0.16 (2014: Rs. 0.16) based on audited financial statements for the year ended 31 December 2011 Chief Executive: Mr. S. M. Zaeem		5,700	5,700
39	24	Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T) allocated shares based on the financial contribution from network based serviced by the Bank.		9,829	3,870
				45,529	39,570

11.12 Associates

<u>2015</u>	<u>2014</u>	<u>Name of companies</u>		<u>2015</u>	<u>2014</u>
No. of ordinary shares / units					
9,415,312	9,366,312	Habib Sugar Mills Limited % of holding: 6.28% (2014: 6.24%) Par value per share: Rs. 5 Market value: Rs. 357.876 million (2014: Rs. 424.481 million) Chief Executive: Mr. Raeesul Hasan	11.12.2	182,690	180,977
6,900,000	6,900,000	Habib Asset Management Limited % of holding: 30% (2014: 30%) Par value per share: Rs. 10 Break-up value per share: Rs. 11.23 (2014: Rs. 12.20) based on audited financial statements for the year ended 30 June 2015 Chief Executive: Mr. Imran Azim	11.12.3	60,000	60,000
1,357,163	2,696,602	First Habib Income Fund Average cost per unit: Rs. 110.52 (2014: Rs. 92.71) Net asset value: Rs. 105.16 (2014: Rs. 105.59) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		150,000	250,000



	Note	2015 (Rupees in '000)	2014
12. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		178,184,494	154,858,191
– Outside Pakistan		14,648,449	10,192,449
		192,832,943	165,050,640
Net investment in finance lease			
– In Pakistan	12.2	4,297,187	2,471,578
– Outside Pakistan		–	–
		4,297,187	2,471,578
Ijarah financing under IFAS 2	12.3	695,688	488,315
Murabaha	12.4	2,882,976	2,074,925
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		3,222,616	3,524,136
– Payable outside Pakistan		10,340,898	14,363,222
		13,563,514	17,887,358
Advances - gross		214,272,308	187,972,816
Provision against non-performing loans and advances			
– Specific provision	12.5	(5,537,371)	(4,032,817)
– General provision against small enterprises and consumer advances (as per SBP regulations)	12.6.1	(126,279)	(83,182)
– General provision	12.6.2	(2,750,000)	(2,500,000)
		(8,413,650)	(6,615,999)
Advances - net of provisions		205,858,658	181,356,817



	2015	2014
	(Rupees in '000)	
12.1 Particulars of advances - gross		
12.1.1 In local currency	183,810,020	144,818,934
In foreign currencies	30,462,288	43,153,882
	214,272,308	187,972,816
12.1.2 Short term (for upto one year)	170,101,477	156,434,442
Long term (for over one year)	44,170,831	31,538,374
	214,272,308	187,972,816

12.2 Net investment in finance lease

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

12.3 Ijarah financing under IFAS 2

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



12.3.1 Future Ijarah payments receivable

	2015	2014
	(Rupees in '000)	
Not later than one year	287,100	208,254
Later than one year and not later than five years	378,456	300,953
	<u>665,556</u>	<u>509,207</u>
12.4 Murabaha - gross	2,963,501	2,164,480
Less: Deferred murabaha income	(28,252)	(34,321)
Profit receivable shown in other assets	(52,273)	(55,234)
	<u>2,882,976</u>	<u>2,074,925</u>

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

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

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



12.6 Particulars of provision against non-performing loans and advances

	Note	2015			2014		
		Specific	General	Total (Rupees in '000)	Specific	General	Total
Opening balance		4,032,817	2,583,182	6,615,999	3,543,124	2,540,071	6,083,195
Charge for the year							
– Specific provision		1,732,123	–	1,732,123	777,214	–	777,214
– General provision for small enterprises and consumer portfolio	12.6.1	–	43,097	43,097	–	43,111	43,111
– General provision for loans and advances	12.6.2	–	250,000	250,000	–	–	–
Reversals		(261,941)	–	(261,941)	(267,336)	–	(267,336)
		1,470,182	293,097	1,763,279	509,878	43,111	552,989
Exchange adjustment		34,593	–	34,593	(19,705)	–	(19,705)
Amount written-off	12.7	(221)	–	(221)	(480)	–	(480)
Closing balance		5,537,371	2,876,279	8,413,650	4,032,817	2,583,182	6,615,999

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

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

12.6.3 Particulars of provision against non-performing loans and advances

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

12.7 Particulars of write-offs

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



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

12.8 Particulars of Loans and Advances to Directors, Associated Companies, Subsidiaries etc.	Note	2015 (Rupees in '000)	2014
(i) Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		2,316,512	1,998,328
Loans granted during the year		968,243	879,739
Repayments		(609,611)	(561,555)
Balance at end of the year		2,675,144	2,316,512
(ii) Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of the year		1,517,483	1,282,655
Loans granted during the year		22,453,719	24,168,997
Repayments		(22,993,161)	(23,934,169)
Balance at end of the year		978,041	1,517,483
(iii) Debts due by subsidiary companies, controlled firms and other related parties			
Balance at beginning of the year		-	19,720
Loans granted during the year		10,948,669	8,833,507
Repayments		(10,948,669)	(8,853,227)
Balance at end of the year		-	-
13. OPERATING FIXED ASSETS			
Capital work-in-progress	13.1	703,896	298,001
Property and equipment	13.2	15,000,956	13,502,575
Intangible assets	13.3	59,432	97,745
		15,764,284	13,898,321
13.1 Capital work-in-progress			
Civil works		184,829	48,554
Advance payment towards suppliers, contractors and property		472,987	215,577
Consultants' fee and other charges		46,080	33,870
		703,896	298,001

13.2 Property and equipment



	2015		Accumulated Depreciation			Book Value	Rate of depreciation %
	As at 01 January 2015	Revaluation surplus	Additions / (deletions) / transfers*	As at 31 December 2015	Charge / (deletions) / adjustments*	As at 31 December 2015	
	(Rupees in '000)						
<i>Owned</i>							
Leasehold land	4,136,026	(3,905)	261,635 (6,650)	4,387,106	-	4,387,106	-
Buildings on leasehold land	6,099,369	-	459,687 (1,440) 3,091	6,560,707	195,745 (72) 272	6,256,768	2.22 - 10
Improvements to leasehold buildings	1,247,511	-	291,303 (66,462) (3,091)	1,469,261	94,069 (22,130) (272)	1,168,970	5 - 20
Furniture and fixtures	549,638	-	137,844 (12,781)	674,701	51,840 (10,546)	342,713	10
Electrical, office and computer equipments	4,009,362	-	1,183,408 (165,302)	5,027,468	542,224 (157,105)	1,907,037	20
Vehicles	1,536,276	-	422,862 (130,348)	1,828,790	296,775 (119,330)	938,362	20
	17,578,182	(3,905)	2,756,739 (382,983)	19,948,033	1,180,653 (309,183)	15,000,956	

2014

	Cost / Revalued Amount				Accumulated Depreciation				Book Value	
	As at 01 January 2014	Revaluation surplus	Additions / (deletions)	Reversal of accumulated depreciation	As at 31 December 2014	As at 01 January 2014	Charge / (deletions)	Reversal of accumulated depreciation	As at 31 December 2014	Rate of depreciation %
	(Rupees in '000)									
<i>Owned</i>										
Leasehold land	3,424,233	598,839	121,487 (8,533)	-	4,136,026	-	-	-	4,136,026	-
Buildings on leasehold land	5,415,149	728,183	419,540	(463,503)	6,099,369	395,844	175,653	(463,503)	5,991,375	2.22 - 10
Improvements to leasehold buildings	1,043,817	-	207,859 (4,165)	-	1,247,511	175,090	54,234 (700)	-	228,624	5
Furniture and fixtures	495,599	-	65,995 (11,956)	-	549,638	255,507	45,374 (10,187)	-	290,694	10
Electrical, office and computer equipments	3,562,847	-	578,511 (131,996)	-	4,009,362	2,404,829	461,604 (131,121)	-	2,735,312	20
Vehicles	1,318,503	-	330,590 (112,817)	-	1,536,276	561,671	255,268 (103,956)	-	712,983	20
	15,260,148	1,327,022	1,723,982 (269,467)	(463,503)	17,578,182	3,792,941	992,133 (245,964)	(463,503)	4,075,607	13,502,575



13.2.1 Details of disposal of fixed assets during the year:

Particulars	Cost	Book value (Rupees in '000)	Sale price	Mode of disposal	Particulars of purchaser
Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000					
Leasehold land	6,650	6,650	14,000	Negotiation	Mr. Iftikhar Ahmad, Multan. Sheikh Naveed Ahmed, Multan. Mr. Waqar Ahmed, Multan.
Buildings on leasehold land	1,440	1,368	10,000	Negotiation	Sheikh Ibrar Ahmed, Multan. Mr. Iftikhar Ahmad, Multan. Sheikh Naveed Ahmed, Multan. Mr. Waqar Ahmed, Multan. Sheikh Ibrar Ahmed, Multan.
Improvements to leasehold buildings	66,462	44,332	–	Write off	–
Furniture and fixtures	5,525	404	747	Auction	Karachi Auction Mart, Karachi.
Furniture and fixtures	5,725	1,515	2,639	Auction	M/s. Rafiq Ali M. Trading, Karachi.
Electrical, office and computer equipments	39,454	2,125	3,150	Auction	Karachi Auction Mart, Karachi.
Electrical, office and computer equipments	14,187	874	300	Auction	M/s. Sadaat Computers, Karachi.
Electrical, office and computer equipments	46,322	19	12,200	Auction	Mr. Rajab Ali, Karachi.
Electrical, office and computer equipments	5,609	543	811	Auction	M/s. Rafiq Ali M. Trading, Karachi.
Electrical, office and computer equipments	39,750	558	11,672	Auction	M/s. Edwards & Robertson, Karachi.
Vehicles	6,772	4,019	6,777	Insurance claim	Habib Insurance Company Limited (a related party), Karachi.
Vehicles	1,038	3	487	Auction	Mr. Guldad, Karachi.
Vehicles	1,109	93	568	Auction	Mr. Zulfiqar Ahmed, Karachi.
Vehicles	1,149	172	576	Auction	Mr. Muhammad Nawaz, Karachi.
Vehicles	1,257	–	903	Auction	Mr. Naveed Muhammad Haneef, Karachi.
Vehicles	1,262	21	1,101	Auction	Syed Aley Haider Jaffery, Karachi.
Vehicles	1,282	342	586	Auction	Mr. Mohsin Ahmed, Karachi.
Vehicles	1,354	–	930	Auction	Mr. Haji Sultan Jan, Karachi.
Vehicles	1,428	–	978	Auction	Syed Wali Najam, Karachi.
Vehicles	1,529	153	1,157	Auction	Mr. Shafiq-ur-Rehman, Karachi.
Vehicles	1,633	68	1,188	Auction	Mr. Numeri Abrar, Karachi.
Vehicles	1,749	–	1,135	Auction	Mr. Muhammad Haroon Khan, Karachi.
Vehicles	2,009	–	1,596	Auction	Mr. Najm us Saqib, Karachi.
Vehicles	3,668	22	2,934	Auction	Mr. Javed Muhammad Khan, Karachi.
Vehicles	2,738	–	1,864	Auction	M/s. Isha Enterprise, Karachi.
Vehicles	3,002	–	2,107	Auction	Mr. Shah Fahad, Karachi.
Vehicles	3,248	767	1,930	Auction	Mr. Muhammad Adeel Haseeb, Karachi.
Vehicles	3,367	137	2,426	Auction	Mr. Sajid Qadri, Karachi.
Vehicles	3,518	–	2,209	Auction	Mr. Muhammad Ali Akbar Khan, Karachi.
Vehicles	3,526	–	2,207	Auction	Mr. Waseem Mirza, Karachi.
Vehicles	5,067	1	2,986	Auction	Mr. Shahid Zaman, Karachi.
Vehicles	7,230	170	5,551	Auction	Mr. Khalid Anwar, Karachi.
Vehicles	9,479	2	7,251	Auction	Syed Hassan Ali Warsi, Karachi.
Vehicles	7,735	1	4,370	Auction	Mr. Abdul Samad Khan, Karachi.
Vehicles	17,842	129	10,444	Auction	Ms. Fauzia Nadeem, Karachi.
Vehicles	23,285	4,832	2,048	As per Bank's policy and decision	Various employees / ex-employees / family members of deceased employees
Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000					
Furniture and fixtures	1,531	316	195		
Electrical, office and computer equipments	19,980	4,078	1,113		
Vehicles	13,072	86	7,036		
	<u>382,983</u>	<u>73,800</u>	<u>130,172</u>		



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

	2015	2014
	(Rupees in '000)	
Leasehold land	3,170,497	2,915,512
Buildings on leasehold land	3,985,937	3,639,227
	<u>7,156,434</u>	<u>6,554,739</u>

13.2.3 As at 31 December 2015, the gross carrying amount of fully depreciated assets still in use amounted to Rs. 2,231.875 million (2014: Rs. 1,749.819 million).

13.3 Intangible assets

	2015							
	Cost			Accumulated Amortisation			Book Value	
	As at 01 January 2015	Additions	As at 31 December 2015	As at 01 January 2015	Charge	As at 31 December 2015	As at 31 December 2015	Rate of Amortisation %
Computer software	411,865	39,406	451,271	314,120	77,719	391,839	59,432	50
	(Rupees in '000)							
	2014							
	Cost			Accumulated Amortisation			Book Value	
	As at 01 January 2014	Additions	As at 31 December 2014	As at 01 January 2014	Charge	As at 31 December 2014	As at 31 December 2014	Rate of Amortisation %
Computer software	280,888	130,977	411,865	243,723	70,397	314,120	97,745	50
	(Rupees in '000)							

13.3.1 As at 31 December 2015, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs.283.887 million (2014: Rs. 255.016 million).

	2015	2014
	(Rupees in '000)	
14. OTHER ASSETS		
Mark-up / return / interest accrued in local currency	12,503,820	11,696,735
Mark-up / return / interest accrued in foreign currencies	192,910	164,716
Advances, deposits and prepayments	2,164,615	1,011,253
Unrealised gain on forward foreign exchange contracts	-	112,121
Stationery and stamps on hand	143,198	93,749
Receivable from SBP on encashment of Government Securities	22,012	108,699
Non-refundable deposits	14.1 66,282	73,891
ATM settlement account	-	174,558
Non-banking assets acquired in satisfaction of claims	14.2 181,336	164,836
Receivable against sale of securities	291,953	-
Others	118,196	93,706
	<u>15,684,322</u>	<u>13,694,264</u>



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

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



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

	Note	2015 (Rupees in '000)	2014
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		120,268,519	104,806,779
Savings deposits		150,427,540	130,915,789
Current accounts - Remunerative		57,094,573	54,094,573
Current accounts - Non-remunerative		175,902,813	146,835,524
		503,693,445	436,652,665
Financial institutions			
Remunerative deposits		11,462,606	8,936,216
Non-remunerative deposits		1,057,127	820,123
		12,519,733	9,756,339
		516,213,178	446,409,004
17.1 Particulars of deposits			
In local currency		454,127,047	397,421,618
In foreign currencies		62,086,131	48,987,386
		516,213,178	446,409,004
18. SUB-ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - II - (Quoted)		-	747,900
Term Finance Certificates (TFCs) - IV - (Unquoted)	18.1	2,994,600	2,995,800
		2,994,600	3,743,700



18.1 Term Finance Certificates - IV (Unquoted)

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

	Note	2015 (Rupees in '000)	2014
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19. DEFERRED TAX LIABILITIES

Taxable temporary differences arising in respect of:

Accelerated depreciation		1,029,252	956,156
Surplus on revaluation of fixed assets	22.1	797,630	826,092
Surplus on revaluation of investments	22.2	1,866,556	936,986
		3,693,438	2,719,234

Deductible temporary differences arising in respect of:

Provision against non-performing loans and advances		(106,412)	(16,558)
Remeasurment of defined benefit plan		115,089	78,430
Provision against diminution in the value of investments		(69,517)	(570)
		(60,840)	61,302
		3,632,598	2,780,536

19.1 Reconciliation of deferred tax

	Balance as at 01 January 2015	Recognised in profit and loss account	Recognised in surplus on revaluation of assets	Balance as at 31 December 2015
		(Rupees in '000)		
Taxable temporary differences arising in respect of:				
Accelerated depreciation	956,156	73,096	–	1,029,252
Surplus on revaluation of fixed assets	826,092	(28,462)	–	797,630
Surplus on revaluation of investments	936,986	–	929,570	1,866,556
	2,719,234	44,634	929,570	3,693,438
Deductible temporary differences arising in respect of:				
Provision against non-performing loans and advances	(16,558)	(89,854)	–	(106,412)
Remeasurment of defined benefit plan	78,430	36,659	–	115,089
Provision against diminution in the value of investments	(570)	(68,947)	–	(69,517)
	61,302	(122,142)	–	(60,840)
	2,780,536	(77,508)	929,570	3,632,598



	Balance as at 01 January 2014	Recognised in profit and loss account (Rupees in '000)	Recognised in surplus on revaluation of assets	Balance as at 31 December 2014
Taxable temporary differences arising in respect of:				
Accelerated depreciation	941,429	14,727	–	956,156
Surplus on revaluation of fixed assets	595,969	(24,741)	254,864	826,092
Surplus on revaluation of investments	133,608	–	803,378	936,986
	1,671,006	(10,014)	1,058,242	2,719,234
Deductible temporary differences arising in respect of:				
Provision against non-performing loans and advances	(18,998)	2,440	–	(16,558)
Remeasurment of defined benefit plan	–	78,430	–	78,430
Provision against diminution in the value of investments	(570)	–	–	(570)
	(19,568)	80,870	–	61,302
	1,651,438	70,856	1,058,242	2,780,536

	Note	2015 (Rupees in '000)	2014
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,784,466	2,299,578
Mark-up / return / interest payable in foreign currencies		131,580	59,901
Provision for compensated absences	20.1	362,923	312,972
Taxation (Provision less payments)		316,737	507,175
Unclaimed dividends		229,596	185,750
Branch adjustment account		73,247	256,389
Special exporters' accounts in foreign currencies		78,524	70,256
Unearned commission income		86,016	89,968
Unrealised loss on forward foreign exchange contracts		211,302	–
Security deposits against leases / ijarah		1,054,304	529,645
Other security deposits		369,690	261,732
Workers' welfare fund		1,063,464	811,804
Accrued expenses		604,161	243,309
Payable to defined benefit plan	36.4	328,824	224,085
Provision against off-balance sheet items	20.2	144,042	105,507
Payable to SBP / NBP		320,683	430,519
Payable to supplier against murabaha		103,247	97,092
Charity payable		2,690	2,625
Others		492,177	428,671
		7,757,673	6,916,978

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

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



		2015	2014
		(Rupees in '000)	
20.2 Provision against off-balance sheet items			
Opening balance		105,507	96,258
Charge for the year		38,535	9,249
Closing balance		<u>144,042</u>	<u>105,507</u>
21. SHARE CAPITAL			
	2015 2014		
	(Number of shares)		
Authorised Capital			
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000
			15,000,000
Issued, subscribed and paid-up capital			
	30,000,000 30,000,000	Issued for cash	300,000
1,081,425,416	1,081,425,416	Issued as bonus shares	10,814,254
			<u>11,114,254</u>
			<u>11,114,254</u>
21.1	As of statement of financial position date 202,920,855 (2014: 196,826,601) ordinary shares of Rs. 10/- each were held by the related parties.		
		2015	2014
		(Rupees in '000)	
22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note		
Operating fixed assets	22.1	2,692,363	2,749,123
Available for sale investments	22.2	3,466,462	2,324,573
		<u>6,158,825</u>	<u>5,073,696</u>
22.1 Operating fixed assets			
Balance at the beginning of the year		3,575,215	2,318,881
Adjustment on revaluation of the Bank's properties during the year		(3,905)	1,327,022
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(81,317)	(70,688)
		<u>3,489,993</u>	<u>3,575,215</u>
Related deferred tax liability on:			
Balance at the beginning of the year		826,092	595,969
Adjustment of Bank's properties during the year		-	254,864
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(28,462)	(24,741)
		<u>(797,630)</u>	<u>(826,092)</u>
		<u>2,692,363</u>	<u>2,749,123</u>



	2015	2014
	(Rupees in '000)	
22.2 Available for sale investments		
Federal Government securities	4,534,035	2,243,759
Fully paid-up ordinary shares	708,837	638,541
Term finance certificates, sukuk bonds and foreign currency bonds	1,388	3,833
Units of mutual funds	88,758	375,426
	<u>5,333,018</u>	<u>3,261,559</u>
Related deferred tax liability	<u>(1,866,556)</u>	<u>(936,986)</u>
	<u>3,466,462</u>	<u>2,324,573</u>
23. CONTINGENCIES AND COMMITMENTS		
23.1 Direct credit substitutes		
Financial guarantees issued favouring:		
- Financial institutions	462,800	212,894
- Others	5,086,805	5,877,756
	<u>5,549,605</u>	<u>6,090,650</u>
23.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
- Government	29,798,948	13,616,945
- Financial institutions	668,750	366,643
- Others	6,743,423	7,156,310
	<u>37,211,121</u>	<u>21,139,898</u>
23.3 Trade-related contingent liabilities		
Letters of credit	77,847,579	68,164,714
Acceptances	13,547,110	9,974,513
Bankers liability rediscount	-	1,465,595
	<u>91,394,689</u>	<u>79,604,822</u>
23.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>10,748,236</u>	<u>4,582,095</u>
23.5 Commitments in respect of forward exchange contracts		
Purchase	<u>46,760,182</u>	<u>35,574,870</u>
Sale	<u>28,769,804</u>	<u>33,584,498</u>
The maturities of above contracts are spread over the periods upto one year.		
23.6 Commitments for the acquisition of operating fixed assets	<u>635,075</u>	<u>362,472</u>



23.7 Other contingencies

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

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

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

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

24. DERIVATIVE FINANCIAL INSTRUMENTS

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

25. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

	2015 (Rupees in '000)	2014
Customers	14,576,038	15,090,903
Financial institutions	118,886	288,104
	<u>14,694,924</u>	<u>15,379,007</u>

On investments:

Available for sale securities	20,726,153	16,446,465
Held to maturity securities	14,635,744	11,964,172
	<u>35,361,897</u>	<u>28,410,637</u>

On deposits with financial institutions
 169,542 | 83,688 |

On securities purchased under resale agreements
 52,961 | 127,051 |

On Bai Muajjal
 13,086 | - |

On call money lendings
 816 | 813 |

50,293,226 44,001,196

26. MARK-UP / RETURN / INTEREST EXPENSED

Deposits
 18,503,435 | 20,778,047 |

Sub-ordinated loans
 458,513 | 812,680 |

Repurchase agreement borrowings
 5,028,611 | 1,611,068 |

Borrowings from SBP
 969,378 | 1,384,760 |

Other borrowings
 516,412 | 350,330 |

25,476,349 24,936,885



	Note	2015 (Rupees in '000)	2014
27. GAIN ON SALE / REDEMPTION OF SECURITIES - NET			
Mutual funds		318,246	3,770
Government securities		26	(3,468)
Listed shares		(101,018)	(8)
		<u>217,254</u>	<u>294</u>
28. OTHER INCOME			
Gain on sale of operating fixed assets		56,372	74,655
Recovery of expenses from customers	28.1	178,839	178,256
Lockers rent		512	1,284
Rent on property		2,100	2,100
Cheque book issuance / cheque return charges		261,120	255,783
Banking charges		74,927	63,856
Others		123,605	61,612
		<u>697,475</u>	<u>637,546</u>
28.1	Includes courier, SWIFT, postage and other charges recovered from customers.		
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		6,729,630	5,352,377
Charge for defined benefit plan	36.6	171,390	167,033
Contribution to defined contribution plan		263,530	221,068
Charge for employees compensated absences		49,654	35,390
Non-executive directors' fee, allowances and other expenses		8,325	4,700
Rent, taxes, insurance, electricity, etc.		2,055,478	1,902,698
Legal and professional charges		88,383	111,128
Communications		309,728	227,212
Repairs and maintenance		1,088,708	836,132
Security charges		711,682	573,960
Stationery and printing		385,564	359,626
Advertisement and publicity		324,693	132,655
Donations	29.1	49,100	48,800
Auditors' remuneration	29.2	3,508	2,975
Depreciation	13.2	1,180,653	992,133
Amortisation		85,328	78,006
Travelling and conveyance		142,703	106,382
Vehicle running expenses		342,605	414,896
Commission and brokerage		86,477	53,018
Subscriptions and publications		47,039	64,299
Clearing charges		90,032	73,360
Staff training		14,596	18,099
Entertainment and staff refreshment		160,164	127,485
Cleaning charges		81,978	55,232
Charitable expenses		40,219	31,351
CNIC verification charges		45,326	31,545
Others		138,547	168,207
		<u>14,695,040</u>	<u>12,189,767</u>



	2015	2014
	(Rupees in '000)	
29.1		
The detail of donations is given below:		
Al-Sayyeda Benevolent Trust	1,500	1,500
GCU Endowment Fund Trust*	1,000	1,000
Habib Education Trust	1,500	17,500
Habib Medical Trust	1,500	1,500
Habib Poor Fund	1,500	1,500
Institute of Management Sciences, Bahauddin Zakariya University	1,000	1,000
Patients' Aid Foundation	15,000	15,000
Rahmatbai Habib Food and Clothing Trust	1,500	1,500
Rahmatbai Habib Widows and Orphans Trust	1,500	1,500
Shaukat Khanum Memorial Cancer Hospital & Research Centre	-	1,000
Sindh Institute of Urology and Transplantation (SIUT)	7,500	2,500
The Citizens Foundation	3,500	3,300
Jinnah Foundation (Memorial) Trust	2,000	-
Bank AL Habib Staff Benefit Trust	100	-
Cancer Research & Treatment Foundation	10,000	-
	49,100	48,800
	49,100	48,800
* Mr. Shameem Ahmed, Director of Bank AL Habib Limited, is member of Executive Committee of GCU Endowment Fund Trust, GC University, Lahore.		
29.2		
Auditors' remuneration		
Audit fee	2,145	1,950
Half yearly review	660	600
Special certifications	253	50
Gratuity fund	75	75
Out of pocket expenses	375	300
	3,508	2,975
	3,508	2,975
30.		
OTHER PROVISIONS / WRITE-OFFS		
Provision against off-balance sheet items	38,535	9,249
	38,535	9,249
31.		
OTHER CHARGES		
Workers' welfare fund	251,666	201,772
Penalties imposed by SBP	50,538	1,112
	302,204	202,884
	302,204	202,884
32.		
TAXATION		
For the year		
Current	4,503,771	3,497,316
Prior years	500,484	-
Deferred	(77,508)	70,856
	4,926,747	3,568,172
	4,926,747	3,568,172



		2015	2014
		(Rupees in '000)	
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>12,331,659</u>	<u>9,917,114</u>
Tax at the applicable rate of 35% (2014: 35%)		4,316,081	3,470,990
Tax effects of:			
Expenses that are not deductible in determining taxable income		110,182	189,182
Tax effect of prior year provisions		500,484	-
Dividend income taxed at reduced rate		-	(91,154)
Capital gain taxed at reduced rate		-	(846)
		<u>4,926,747</u>	<u>3,568,172</u>
33. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation		<u>7,404,912</u>	<u>6,348,942</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
Basic and diluted earnings per share		<u>6.66</u>	<u>5.71</u>
		2015	2014
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS	Note		
Cash and balances with treasury banks	8	38,577,738	34,201,813
Balances with other banks	9	3,185,669	4,345,042
Overdrawn nostros	16	(5,304)	(666,884)
		<u>41,758,103</u>	<u>37,879,971</u>
		(Numbers)	
35. STAFF STRENGTH			
Permanent		7,209	6,172
Temporary / on contractual basis		265	249
Bank's own staff at end of the year		7,474	6,421
Outsourced		1,917	1,679
Total staff strength		<u>9,391</u>	<u>8,100</u>



36. DEFINED BENEFIT PLAN

36.1 General description

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

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

36.2 Principal actuarial assumptions

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

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



	2015	2014
	(Rupees in '000)	
36.6 Defined Benefit Cost for the Year		
Cost recognised in Profit and Loss Account for the year		
Service cost		
Current service cost	159,496	133,733
Net interest cost		
Interest cost on defined benefit obligation	148,029	149,723
Interest income on plan assets	(136,135)	(116,423)
Net interest cost	11,894	33,300
Cost recognised in Profit and Loss for the year	171,390	167,033
Remeasurements recognised in Other Comprehensive Income during the year		
Actuarial loss / (gain) on obligation	61,060	(27,300)
Actuarial loss / (gain) on assets	43,679	(20,915)
Remeasurement loss / (gain) recognised in Other Comprehensive Income	104,739	(48,215)
Total defined benefit cost recognised in Profit and Loss Account and Other Comprehensive Income	276,129	118,818
36.7 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of year	1,327,761	1,103,850
Service cost	159,496	133,733
Interest cost on defined benefit obligation	148,029	149,723
Actual benefits paid during the year	(73,684)	(32,245)
Actual loss / (gain) on obligation	61,060	(27,300)
Present value of defined benefit obligation at the end of year	1,622,662	1,327,761
36.8 Movement in the fair value of plan assets		
Fair value of plan assets at the beginning of year	1,103,676	831,550
Interest income on plan assets	136,135	116,423
Actual contribution by employer	171,390	167,033
Actual benefits paid during the year	(73,684)	(32,245)
Return on plan assets over interest income (loss) / gain	(43,679)	20,915
Fair value of plan assets at the end of year	1,293,838	1,103,676
36.9 Actual return on plan assets	154,698	149,805



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



2015
 (Rupees in '000)

36.13 Disaggregation of fair value of plan assets

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

36.14 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments	
Within the next 12 months (next annual reporting period)	89,683
Between 2 and 5 years	563,597
Between 5 and 10 years	1,315,659
	1,968,939

36.15 Sensitivity Analysis on significant actuarial assumptions:

Actuarial Liability

The Weighted average duration of the PBO is 10.63 years.

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



37. DEFINED CONTRIBUTION PLAN

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

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors*		Executives	
	2015	2014	2015	2014	2015	2014
	(Rupees in '000)					
Fee **	–	–	8,325	4,700	–	–
Managerial remuneration	16,000	16,000	10,400	10,400	1,831,666	1,425,856
Charge for defined benefit plan	1,333	1,333	867	867	271,751	174,240
Contribution to defined contribution plan	1,600	1,600	1,040	1,040	137,186	104,978
Rent and house maintenance	6,400	6,400	4,160	4,160	641,621	489,119
Utilities	3,361	3,488	1,057	1,066	160,386	122,280
Medical	51	30	47	18	55,428	40,694
Bonus	5,333	4,000	3,467	2,600	526,647	300,764
Others	–	–	–	–	37,522	38,547
	34,078	32,851	29,363	24,851	3,662,207	2,696,478
Number of person(s)	1	1	9	11	1,586	1,207

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

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

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



39. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2015		2014	
	Book value	Fair value (Rupees in '000)	Book value	Fair value
On-balance sheet financial instruments				
Assets				
Cash and balances with treasury banks	38,577,738	38,577,738	34,201,813	34,201,813
Balances with other banks	3,185,669	3,185,669	4,345,042	4,345,042
Lendings to financial institutions	5,818,072	5,818,072	—	—
Investments - net	354,823,725	366,571,701	331,422,572	339,431,369
Advances - net	205,858,658	205,858,658	181,356,817	181,356,817
Other assets	13,128,891	13,128,891	12,350,536	12,350,536
	621,392,753	633,140,729	563,676,780	571,685,577
Liabilities				
Bills payable	8,665,462	8,665,462	7,984,808	7,984,808
Borrowings	62,592,299	62,592,299	78,455,452	78,455,452
Deposits and other accounts	516,213,178	516,213,178	446,409,004	446,409,004
Sub-ordinated loans	2,994,600	2,994,600	3,743,700	3,743,700
Other liabilities	5,711,244	5,711,244	4,833,166	4,833,166
	596,176,783	596,176,783	541,426,130	541,426,130
Off-balance sheet financial instruments				
Commitment to extend credit	10,748,236	10,748,236	4,582,095	4,582,095
Forward purchase of foreign exchange contracts	46,760,182	46,443,437	35,574,870	35,135,311
Forward sale of foreign exchange contracts	28,769,804	28,875,247	33,584,498	34,136,179

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

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

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Bank's accounting policies as stated in note 5.4 and 5.5.

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

	Note	2015										
		Carrying amount		Fair value								
		Available for Sale	Held to Maturity	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total	
On - balance sheet financial instruments												
Financial assets measured at fair value												
- Investments												
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)		208,210,576	-	-	-	-	208,210,576	-	208,210,576	-	208,210,576	-
Foreign Currency Bonds		627,606	-	-	-	-	627,606	-	627,606	-	627,606	-
Fully paid-up ordinary shares - Listed		4,530,494	-	-	-	-	4,530,494	4,530,494	-	-	4,530,494	-
Units of mutual funds		1,638,758	-	-	-	-	1,638,758	1,638,758	-	-	1,638,758	-
Term Finance Certificates - Listed		305,764	-	-	-	-	305,764	305,764	-	-	305,764	-
- Associates												
Listed shares		-	-	-	182,690	-	182,690	357,876	-	-	357,876	-
Mutual funds		-	-	-	320,000	-	320,000	306,168	-	-	306,168	-
Financial assets not measured at fair value												
- Cash and bank balances with SBP and NBP	39.1	-	-	-	38,577,738	-	38,577,738	-	-	-	-	-
- Balances with other banks	39.1	-	-	-	3,185,669	-	3,185,669	-	-	-	-	-
- Lendings to financial institutions	39.1	-	-	-	5,818,072	-	5,818,072	-	-	-	-	-
- Investments												
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)												
Sukuk Bonds	39.1	-	132,866,129	-	-	-	132,866,129	-	144,377,846	-	144,377,846	-
Fully paid-up ordinary shares - Unlisted	39.1	2,722,178	172,888	-	-	-	2,895,066	-	-	-	-	-
Term Finance Certificates - Listed		39,829	-	-	-	-	39,829	-	-	-	-	-
Term Finance Certificates - Unlisted		2,946,686	-	-	-	-	2,946,686	-	-	-	-	-
Associates - Unlisted Shares	39.1	-	-	-	60,000	-	60,000	-	-	-	-	-
Subsidiaries - Unlisted Shares	39.1	-	-	-	200,127	-	200,127	-	-	-	-	-
Advances	39.1	-	-	205,858,658	-	-	205,858,658	-	-	-	-	-
Other assets	39.1	-	-	-	13,128,891	-	13,128,891	-	-	-	-	-
		221,021,891	133,039,017	205,858,658	61,473,187	-	621,392,763	7,139,060	353,216,028	-	360,355,088	-
Financial liabilities not measured at fair value												
- Deposits and other accounts												
Bills payable	39.1	-	-	-	-	(516,213,178)	(516,213,178)	-	-	-	-	-
Borrowings	39.1	-	-	-	-	(8,665,462)	(8,665,462)	-	-	-	-	-
Sub-ordinated loans	39.1	-	-	-	-	(62,592,299)	(62,592,299)	-	-	-	-	-
Other liabilities	39.1	-	-	-	-	(2,994,600)	(2,994,600)	-	-	-	-	-
		-	-	-	-	(5,711,244)	(5,711,244)	-	-	-	-	-
		-	-	-	-	(596,176,783)	(596,176,783)	-	-	-	-	-
		221,021,891	133,039,017	205,858,658	61,473,187	(596,176,783)	25,215,970	7,139,060	353,216,028	-	360,355,088	-

2014

	Carrying amount			Fair value						
	Available for Sale	Held to Maturity	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
On - balance sheet financial instruments										
Financial assets measured at fair value										
- Investments										
- Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	201,477,375	-	-	-	-	201,477,375	-	201,477,375	-	201,477,375
- Foreign Currency Bonds	512,735	-	-	-	-	512,735	-	512,735	-	512,735
- Fully paid-up ordinary shares - Listed	3,700,963	-	-	-	-	3,700,963	3,700,963	-	-	3,700,963
- Units of mutual funds	1,927,189	-	-	-	-	1,927,189	1,927,189	-	-	1,927,189
- Term Finance Certificates - Listed	317,716	-	-	-	-	317,716	317,716	-	-	317,716
- Associates										
- Listed Shares	-	-	-	180,977	-	180,977	424,481	-	-	424,481
- Mutual funds	-	-	-	625,000	-	625,000	707,313	-	-	707,313
Financial assets not measured at fair value										
- Cash and bank balances with SBP and NBP	-	-	-	34,201,813	-	34,201,813	-	-	-	-
- Balances with other banks	-	-	-	4,345,042	-	4,345,042	-	-	-	-
- Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
- Investments										
- Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	-	117,152,187	-	-	-	117,152,187	-	124,854,720	-	124,854,720
- Sukuk Bonds	2,116,703	198,284	-	-	-	2,314,987	-	-	-	-
- Fully paid-up ordinary shares - Unlisted	33,870	-	-	-	-	33,870	-	-	-	-
- Term Finance Certificates - Listed	-	86,826	-	-	-	86,826	86,206	-	-	86,206
- Term Finance Certificates - Unlisted	2,832,620	-	-	-	-	2,832,620	-	-	-	-
- Associates - Unlisted Shares	-	-	-	60,000	-	60,000	-	-	-	-
- Subsidiaries - Unlisted Shares	-	-	-	200,127	-	200,127	-	-	-	-
- Advances	-	-	181,356,817	-	-	181,356,817	-	-	-	-
- Other assets	-	-	-	12,350,536	-	12,350,536	-	-	-	-
	212,919,171	117,437,297	181,356,817	51,963,495	-	563,676,780	7,162,868	326,844,830	-	334,007,698
Financial liabilities not measured at fair value										
- Deposits and other accounts	-	-	-	-	(446,409,004)	(446,409,004)	-	-	-	-
- Bills payable	-	-	-	-	(7,984,808)	(7,984,808)	-	-	-	-
- Borrowings	-	-	-	-	(78,455,452)	(78,455,452)	-	-	-	-
- Sub-ordinated loans	-	-	-	-	(3,743,700)	(3,743,700)	-	-	-	-
- Other liabilities	-	-	-	-	(4,833,166)	(4,833,166)	-	-	-	-
	-	-	-	-	(541,426,130)	(541,426,130)	-	-	-	-
	212,919,171	117,437,297	181,356,817	51,963,495	(541,426,130)	22,250,650	7,162,868	326,844,830	-	334,007,698

Note

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

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

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

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

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

Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 measurement) based on their assessment of the market value as disclosed in note 13.

39.1

39.2



40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2015			
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	23,532,531	47,933,741	(16,662,180)	54,804,092
Total expenses	(17,770,255)	(41,364,358)	16,662,180	(42,472,433)
Net income	5,762,276	6,569,383	–	12,331,659
Segment assets (net of provisions)	476,280,493	610,013,693	(446,581,718)	639,712,468
Segment non performing loans	44,702	5,829,672	–	5,874,374
Segment provision required	38,962	5,488,691	–	5,527,653
Segment liabilities	474,519,317	573,918,211	(446,581,718)	601,855,810
Segment return on assets (ROA) (%)*	4.94%	7.86%		
Segment cost of funds (%)*	3.74%	7.21%		
	2014			
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	24,369,362	42,538,117	(19,098,591)	47,808,888
Total expenses	(20,267,249)	(36,723,116)	19,098,591	(37,891,774)
Net income	4,102,113	5,815,001	–	9,917,114
Segment assets (net of provisions)	427,239,886	554,283,153	(402,604,210)	578,918,829
Segment non performing loans	37,439	4,987,339	–	5,024,778
Segment provision required	35,835	3,996,982	–	4,032,817
Segment liabilities	425,480,100	523,414,588	(402,604,210)	546,290,478
Segment return on assets (ROA) (%)*	5.70%	7.67%		
Segment cost of funds (%)*	4.76%	7.02%		

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

41. RELATED PARTY TRANSACTIONS

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

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



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

	2015					Total
	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	
Deposits						
At beginning of the year	98,058	3,037,277	185,609	401,895	49,441	3,772,280
Placements during the year	687,051	157,951,585	2,932,874	2,817,436	2,922,398	167,311,344
Withdrawals during the year	(771,924)	(157,590,860)	(2,934,510)	(2,786,792)	(2,646,015)	(166,730,101)
At end of the year	13,185	3,398,002	183,973	432,539	325,824	4,353,523
Advances						
At beginning of the year	–	1,517,483	294	52,960	–	1,570,737
Given during the year	10,948,669	22,453,719	2,790	72,596	–	33,477,774
Repaid during the year	(10,948,669)	(22,993,161)	(2,940)	(71,078)	–	(34,015,848)
At end of the year	–	978,041	144	54,478	–	1,032,663
Investments						
At beginning of the year	200,127	865,977	–	–	–	1,066,104
Investments made during the year	–	548,287	–	–	–	548,287
Investments redeemed during the year	–	(851,574)	–	–	–	(851,574)
At end of the year	200,127	562,690	–	–	–	762,817
Contingencies and commitments						
Forward purchase contracts	–	–	–	–	–	–
Other receivable	13,688	–	–	–	–	13,688
Other payable	135	–	–	–	–	135
Unrealised loss on forward contracts	–	–	–	–	–	–
Sale / redemption of securities	–	22,001	–	–	412,295	434,296
Redemption of mutual funds	–	936,356	–	–	–	936,356
Purchase of securities	–	1,713	–	–	–	1,713
Purchase of mutual funds	–	546,574	–	–	–	546,574
Mark-up earned	676	90,421	3	3,085	–	94,185
Mark-up expensed	804	141,868	10,947	28,449	5,304	187,372
Bank charges and commission	1	3,572	11	1,106	–	4,690
Gain / (loss) on sale of securities and mutual funds	–	84,782	–	–	–	84,782
Salaries and allowances	–	–	–	309,093	–	309,093
Bonus	–	–	–	58,961	–	58,961
Contribution to defined contribution plan	–	–	–	14,094	–	14,094
Contribution to defined benefit plan	–	–	–	25,155	–	25,155
Staff provident fund	–	–	–	–	263,530	263,530
Staff gratuity fund	–	–	–	–	171,390	171,390
Directors' fee	–	–	7,700	–	–	7,700
Insurance claim received	–	14,410	–	–	–	14,410
Insurance premium paid	–	133,365	–	–	–	133,365
Dividend income	–	70,740	–	–	–	70,740
Rental paid	–	1,538	–	–	–	1,538
Rental income	2,100	–	–	–	–	2,100
Commission expensed	1,276	–	–	–	–	1,276
Donation	–	100	–	–	–	100
Other expensed	115	4,302	–	–	–	4,417
Other income	537	161	–	–	97	795



	2014					Total
	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	
Deposits						
At beginning of the year	61,957	1,813,814	142,104	368,941	174,811	2,561,627
Placements during the year	880,090	108,541,729	1,005,151	2,097,406	8,091,171	120,615,547
Withdrawals during the year	(843,989)	(107,318,266)	(961,646)	(2,064,452)	(8,216,541)	(119,404,894)
At end of the year	98,058	3,037,277	185,609	401,895	49,441	3,772,280
Advances						
At beginning of the year	19,720	1,282,655	126	37,822	–	1,340,323
Given during the year	8,833,507	24,168,997	4,636	74,665	–	33,081,805
Repaid during the year	(8,853,227)	(23,934,169)	(4,468)	(59,527)	–	(32,851,391)
At end of the year	–	1,517,483	294	52,960	–	1,570,737
Investments						
At beginning of the year	200,000	865,977	–	–	–	1,065,977
Investments made during the year	127	–	–	–	–	127
Investments redeemed during the year	–	–	–	–	–	–
At end of the year	200,127	865,977	–	–	–	1,066,104
Contingencies and commitments	–	730,920	–	–	–	730,920
Forward purchase contracts	–	174,758	–	–	–	174,758
Other receivable	10,089	–	–	–	–	10,089
Other payable	130	–	–	–	–	130
Unrealised loss on forward contracts	–	(2,117)	–	–	–	(2,117)
Sale / redemption of securities	140,944	49,054	–	–	2,969,668	3,159,666
Redemption of mutual funds	–	–	–	–	–	–
Purchase of securities	127	–	–	–	–	127
Purchase of mutual funds	–	–	–	–	–	–
Mark-up earned	365	128,478	–	2,631	–	131,474
Mark-up expensed	3,719	207,292	11,450	33,514	16,580	272,555
Bank charges and commission	4	4,244	26	171	–	4,445
Gain / (loss) on sale of securities and mutual funds	–	80	–	–	(2,865)	(2,785)
Salaries and allowances	–	–	–	256,043	–	256,043
Bonus	–	–	–	36,102	–	36,102
Contribution to defined contribution plan	–	–	–	12,709	–	12,709
Contribution to defined benefit plan	–	–	–	17,675	–	17,675
Staff provident fund	–	–	–	–	221,068	221,068
Staff gratuity fund	–	–	–	–	167,033	167,033
Directors' fee	–	–	4,400	–	–	4,400
Insurance claim received	–	12,266	–	–	–	12,266
Insurance premium paid	–	112,337	–	–	–	112,337
Dividend income	–	39,191	–	–	–	39,191
Rental paid	–	1,118	–	–	–	1,118
Rental income	2,100	–	–	–	–	2,100
Commission expensed	94	–	–	–	–	94
Donation	–	–	–	–	–	–
Other expensed	103	12,221	–	–	–	12,324
Other income	534	180	–	–	130	844



42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Capital adequacy

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

i) Minimum Capital Requirement (MCR):

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

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

ii) Capital Adequacy Ratio:

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

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

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

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

	2015
Required CAR	10.25%
CAR on stand-alone basis	13.75%
CAR on consolidated basis	13.87%

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

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

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

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

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

42.2 Scope of application

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



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

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

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

42.3 Capital structure

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

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

2015 2014
(Rupees in '000)

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

Fully Paid-up Capital	11,114,254	11,114,254
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General / Statutory Reserves	10,080,132	8,599,150
Gains / (losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits / (losses)	10,253,920	7,679,490
Minority interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	31,448,306	27,392,894
Total regulatory adjustments applied to CET1 (Note 42.3.2)	(787,367)	(503,993)
Common Equity Tier 1	(a) 30,660,939	26,888,901
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium		
of which: Classified as equity	-	-
of which: Classified as liabilities	-	-
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	-	-
Total regulatory adjustments applied to AT1 capital (Note 42.3.3)	(78,038)	-
Additional Tier 1 capital after regulatory adjustments	(78,038)	-
Additional Tier 1 capital recognised for capital adequacy	(b) (78,038)	-
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b) 30,582,901	26,888,901



	2015	2014
	(Rupees in '000)	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	2,153,760	2,393,760
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,876,278	2,583,182
Revaluation Reserves (net of taxes)	4,126,413	5,073,696
of which: Revaluation reserves on fixed assets	1,803,884	2,749,123
of which: Unrealised gains/(losses) on AFS	2,322,529	2,324,573
Foreign Exchange Translation Reserves	249,527	161,761
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	9,405,978	10,212,399
Total regulatory adjustment applied to T2 capital (Note 42.3.4)	(333,562)	(504,342)
Tier 2 capital (T2) after regulatory adjustments	9,072,416	9,708,057
Tier 2 capital recognised for capital adequacy	9,072,416	9,708,057
Portion of Additional Tier 1 capital recognised in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	(d) 9,072,416	9,708,057
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d) 39,655,317	36,596,958
Total Risk Weighted Assets (RWA) (Note 42.6)	(f) 288,305,026	245,757,561
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	(a/f) 10.63%	10.94%
Tier-1 capital to total RWA	(c/f) 10.61%	10.94%
Total capital to total RWA	(e/f) 13.75%	14.89%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
of which: capital conservation buffer requirement	-	-
of which: countercyclical buffer requirement	-	-
of which: D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	5.50%
Tier 1 minimum ratio	7.50%	7.00%
Total capital minimum ratio	10.25%	10.00%



2015 2014
(Rupees in '000)

42.3.2 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	–	–
All other intangibles (net of any associated deferred tax liability)	(59,432)	(97,745)
Shortfall in provisions against classified assets	–	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	–
Defined-benefit pension fund net assets	–	–
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(727,935)	(406,248)
Cash flow hedge reserve	–	–
Investment in own shares/ CET1 instruments	–	–
Securitisation gain on sale	–	–
Capital shortfall of regulated subsidiaries	–	–
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–
Amount exceeding 15% threshold	–	–
of which: significant investments in the common stocks of financial entities	–	–
of which: deferred tax assets arising from temporary differences	–	–
National specific regulatory adjustments applied to CET1 capital	–	–
investments in TFCs of other banks exceeding the prescribed limit	–	–
Any other deduction specified by SBP	–	–
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	–	–
Total regulatory adjustments applied to CET1	(787,367)	(503,993)

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

Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	–	–
Investment in own AT1 capital instruments	–	–
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier-1 capital	(78,038)	–
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
Total regulatory adjustment applied to AT1 capital	(78,038)	–



2015 2014
 (Rupees in '000)

42.3.4 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(78,038)	–
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	(255,524)	(504,342)
Investment in own Tier 2 capital instrument	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–
Total regulatory adjustment applied to T2 capital	(333,562)	(504,342)

42.3.5 Risk Weighted Assets subject to pre-Basel III treatment

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

Amounts below the thresholds for deduction (before risk weighting)

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

Applicable caps on the inclusion of provisions in Tier 2

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



2015 As per published financial statements	2015 Under regulatory scope for capital adequacy
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(Rupees in '000)

42.4 Capital Structure Reconciliation

42.4.1 Reconciliation of accounting and regulatory scope of consolidation

Assets

Cash and balances with treasury banks	38,577,738	38,577,738
Balances with other banks	3,185,669	3,185,669
Lendings to financial institutions	5,818,072	5,818,072
Investments	354,823,725	354,823,725
Advances	205,858,658	205,858,658
Operating fixed assets	15,764,284	15,764,284
Deferred tax assets	–	–
Other assets	15,684,322	15,684,322
Total assets	639,712,468	639,712,468

Liabilities & Equity

Bills payable	8,665,462	8,665,462
Borrowings	62,592,299	62,592,299
Deposits and other accounts	516,213,178	516,213,178
Sub-ordinated loans	2,994,600	2,994,600
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	3,632,598	3,632,598
Other liabilities	7,757,673	7,757,673
Total liabilities	601,855,810	601,855,810

Share capital/Head office capital account	11,114,254	11,114,254
Reserves	10,329,659	10,329,659
Unappropriated/Unremitted profits/(losses)	10,253,920	10,253,920
Minority Interest	–	–
Surplus on revaluation of assets	6,158,825	6,158,825
Total equity	37,856,658	37,856,658

Total liabilities & equity	639,712,468	639,712,468
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	2015	2015
Reference	As per published financial statements	Under regulatory scope for capital adequacy

(Rupees in '000)

42.4.2 Reconciliation for balance sheet items that require capital adjustments

Assets

Cash and balances with treasury banks	38,577,738	38,577,738
Balances with other banks	3,185,669	3,185,669
Lendings to financial institutions	5,818,072	5,818,072
Investments	354,823,725	354,823,725
of which: Non-significant capital investments in capital instruments of banking, financial and insurance entities exceeding 10% threshold	(a) -	-
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	(b) -	-
of which: Mutual Funds exceeding regulatory threshold	(c) -	-
of which: reciprocal crossholding of capital instrument of CET1	(d) 727,935	727,935
of which: reciprocal crossholding of capital instrument of T2	(e) -	-
Advances	205,858,658	205,858,658
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	(f) -	-
General provisions reflected in Tier 2 capital	(g) 2,876,278	2,876,278
Fixed Assets	15,764,284	15,764,284
of which: Intangibles	(h) 59,432	59,432
Deferred Tax Assets	-	-
of which: DTAs that rely on future profitability excluding those arising from temporary differences	(i) -	-
of which: DTAs arising from temporary differences exceeding regulatory threshold	(j) -	-
Other assets	15,684,322	15,684,322
of which: Goodwill	(k) -	-
of which: Defined-benefit pension fund net assets	(l) -	-
Total assets	639,712,468	639,712,468

Liabilities & Equity

Bills payable	8,665,462	8,665,462
Borrowings	62,592,299	62,592,299
Deposits and other accounts	516,213,178	516,213,178
Sub-ordinated loans	2,994,600	2,994,600
of which: eligible for inclusion in AT1	(m) -	-
of which: eligible for inclusion in Tier 2	(n) -	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	3,632,598	3,632,598
of which: DTLs related to goodwill	(o) -	-
of which: DTLs related to intangible assets	(p) -	-
of which: DTLs related to defined pension fund net assets	(q) -	-
of which: other deferred tax liabilities	(r) -	-
Other liabilities	7,757,673	7,757,673
Total liabilities	601,855,810	601,855,810



		2015	2015
	Reference	As per published financial statements	Under regulatory scope for capital adequacy
(Rupees in '000)			
Share capital		11,114,254	11,114,254
of which: amount eligible for CET1	(s)	11,114,254	11,114,254
of which: amount eligible for AT1	(t)	-	-
Reserves		10,329,659	10,329,659
of which: portion eligible for inclusion in CET1	(u)	10,080,132	10,080,132
of which: portion eligible for inclusion in Tier 2	(v)	249,527	249,527
Unappropriated profits / (losses)	(w)	10,253,920	10,253,920
Minority Interest		-	-
of which: portion eligible for inclusion in CET1	(x)	-	-
of which: portion eligible for inclusion in AT1	(y)	-	-
of which: portion eligible for inclusion in Tier 2	(z)	-	-
Surplus on revaluation of assets		6,158,825	6,158,825
of which: Revaluation reserves on Properties	(aa) {	2,692,364	2,692,364
of which: Unrealised Gains/(Losses) on AFS		3,466,461	3,466,461
In case of Deficit on revaluation (deduction from CET1)	(ab)	-	-
Total Equity		37,856,658	37,856,658
Total liabilities & equity		639,712,468	639,712,468



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

	Source based on reference number from Note 42.4.2	2015 Component of regulatory capital reported by Bank (Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital / Capital deposited with SBP		11,114,254
Balance in Share Premium Account	(s)	—
Reserve for issue of Bonus Shares		—
General / Statutory Reserves	(u)	10,080,132
Gains / (Losses) on derivatives held as Cash Flow Hedge		—
Unappropriated/unremitted profits / (losses)	(w)	10,253,920
Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	—
CET 1 before Regulatory Adjustments		31,448,306
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(k)-(o)	—
All other intangibles (net of any associated deferred tax liability)	(h)-(p)	(59,432)
Shortfall of provisions against classified assets	(f)	—
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(i-r) * x %	—
Defined-benefit pension fund net assets	(l-q) * x %	—
Reciprocal cross holdings in CET1 capital instruments	(d)	(727,935)
Cash flow hedge reserve		—
Investment in own shares/ CET1 instruments		—
Securitisation gain on sale		—
Capital shortfall of regulated subsidiaries		—
Deficit on account of revaluation from bank's holdings of properties/ AFS	(ab)	—
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	—
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	—
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	—
Amount exceeding 15% threshold		—
of which: significant investments in the common stocks of financial entities		—
of which: deferred tax assets arising from temporary differences		—
National specific regulatory adjustments applied to CET1 capital		—
of which: Investment in TFCs of other banks exceeding the prescribed limit		—
of which: Any other deduction specified by SBP		—
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		—
Total regulatory adjustments applied to CET1		(787,367)
Common Equity Tier 1		30,660,939



	Source based on reference number from Note 42.4.2	2015 Component of regulatory capital reported by Bank (Rupees in '000)
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		
of which: Classified as equity	(t)	—
of which: Classified as liabilities	(m)	—
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		
of which: instrument issued by subsidiaries subject to phase out	(y)	—
AT1 before regulatory adjustments		
Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		—
Investment in own AT1 capital instruments		—
Reciprocal cross holdings in Additional Tier 1 capital instruments		—
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	—
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	—
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		(78,038)
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		—
Total of Regulatory Adjustment applied to AT1 capital		(78,038)
Additional Tier 1 capital		—
Additional Tier 1 capital recognised for capital adequacy		(78,038)
Tier 1 Capital (CET1 + admissible AT1)		30,582,901
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		2,153,760
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	—
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	—
of which: instruments issued by subsidiaries subject to phase out		—
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	2,876,278
Revaluation Reserves eligible for Tier 2		4,126,413
of which: portion pertaining to Property	portion of (aa) {	1,803,884
of which: portion pertaining to AFS securities		2,322,529
Foreign Exchange Translation Reserves	(v)	249,527
Undisclosed/Other Reserves (if any)		—
T2 before regulatory adjustments		9,405,978



	Source based on reference number from Note 42.4.2	2015 Component of regulatory capital reported by Bank (Rupees in '000)
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction		-
Reciprocal cross holdings in Tier 2 instruments		(78,038)
Investment in own Tier 2 capital instrument		(255,524)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
Amount of Regulatory Adjustment applied to T2 capital		(333,562)
Tier 2 capital (T2)		9,072,416
Tier 2 capital recognised for capital adequacy		9,072,416
Excess Additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		9,072,416
TOTAL CAPITAL (T1 + admissible T2)		39,655,317



42.5 Main Features of Regulatory Capital Instruments

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



	Capital Requirements		Risk Weighted Assets	
	2015	2014	2015	2014
	(Rupees in '000)			
42.6 Credit Risk				
On-Balance sheet				
Portfolios subject to standardised approach (Comprehensive)				
Sovereign	1,123,858	633,898	11,238,577	6,338,981
Public sector enterprises	62,506	400,836	625,063	4,008,362
Banks	466,065	422,701	4,660,646	4,227,010
Corporate	13,125,214	12,416,861	131,252,141	124,168,612
Retail	1,109,754	796,238	11,097,538	7,962,380
Residential mortgages	90,100	78,319	901,000	783,194
Past due loans	29,037	87,167	290,365	871,672
Equity portfolio	691,743	595,303	6,917,433	5,953,031
Operating fixed assets	1,570,485	1,380,058	15,704,851	13,800,578
Other assets	236,709	177,048	2,367,094	1,770,480
	18,505,471	16,988,429	185,054,708	169,884,300
Off-Balance sheet				
Non-market related				
Direct Credit Substitutes / Acceptances / Standby LCs	1,552,869	1,534,465	15,528,688	15,344,650
Transaction Related Contingent Liabilities	1,213,682	662,803	12,136,820	6,628,025
Trade Related Contingent Liabilities	1,107,282	1,055,911	11,072,825	10,559,106
Other Commitments	770,111	498,067	7,701,113	4,980,665
	4,643,944	3,751,246	46,439,446	37,512,446
Market related				
Outstanding Foreign Exchange Contracts	467,678	69,751	4,676,779	697,514
	5,111,622	3,820,997	51,116,225	38,209,960
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk				
General market risk	449,441	59,305	5,618,014	741,309
Specific market risk	1,991	3,733	24,893	46,663
Foreign exchange risk	238,369	13,296	2,979,612	166,203
	689,801	76,334	8,622,519	954,175
Operational Risk				
Capital Requirement for operational risks	3,480,926	2,936,730	43,511,574	36,709,126
	27,787,820	23,822,490	288,305,026	245,757,561
Capital Adequacy Ratios				
	Required		Actual	
	2015	2014	2015	2014
CET1 to total RWA	6.00%	5.50%	10.63%	10.94%
Tier-1 capital to total RWA	7.50%	7.00%	10.61%	10.94%
Total capital to total RWA	10.25%	10.00%	13.75%	14.89%
Leverage ratio	3.00%	3.00%	3.75%	3.79%



43. RISK MANAGEMENT

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

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

43.1 Credit risk

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

Credit exposures subject to Standardised Approach

Risk buckets	Amount outstanding/ credit equivalent (rated and unrated)	Credit Risk Mitigation (CRM) deduction (Rupees in '000)	Net amount
0%	426,302,520	33,473,740	392,828,780
20%	26,175,788	4,562,661	21,613,127
35%	2,574,287	–	2,574,287
50%	29,724,015	13,965,287	15,758,728
75%	19,844,214	1,764,054	18,080,160
100%	172,373,436	7,046,932	165,326,504
125%	26,052,927	31,096	26,021,831
150%	7,345,936	–	7,345,936
250%	254,051	–	254,051
	<u>710,647,174</u>	<u>60,843,770</u>	<u>649,803,404</u>

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

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



43.1.3 Segment by class of business

2015

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	3,718,885	1.74	1,168,280	0.23	854,014	0.64
Automobiles and transportation equipment	1,264,527	0.59	6,477,022	1.25	4,797,327	3.58
Cement	566,433	0.26	2,268,983	0.44	1,055,021	0.79
Chemicals / pharmaceuticals	2,214,037	1.03	2,195,481	0.43	2,443,822	1.82
Commerce and trade	18,579,870	8.67	31,863,010	6.17	17,348,609	12.93
Electronics and electrical appliances	2,403,179	1.12	584,838	0.11	2,394,325	1.78
Fertilizers	4,990,212	2.33	7,152,443	1.39	450,860	0.34
Financial	2,256,572	1.05	12,519,733	2.43	24,328,937	18.13
Food and allied	47,347,757	22.10	3,460,041	0.67	3,745,562	2.79
Ghee and edible oil	6,884,057	3.21	1,508,255	0.29	5,563,230	4.15
Individuals	8,423,366	3.93	336,807,253	65.25	7,438	0.01
Iron and steel	11,336,260	5.29	978,783	0.19	8,421,043	6.28
Oil refinery / marketing	2,613,459	1.22	22,133,217	4.29	10,421,054	7.77
Paper and board	1,019,638	0.48	266,392	0.05	1,088,974	0.81
Plastic products	2,458,725	1.15	674,936	0.13	4,819,509	3.59
Production and transmission of energy	11,895,904	5.55	5,284,886	1.02	5,331,743	3.97
Real estate / construction	3,816,348	1.78	6,629,213	1.28	4,316,043	3.22
Services (other than financial)	4,522,321	2.11	15,168,330	2.94	2,669,807	1.99
Shoes and leather garments	2,734,954	1.28	1,684,597	0.33	428,181	0.32
Sugar	5,792,965	2.70	2,598,472	0.50	198,230	0.15
Surgical equipments and metal products	873,359	0.41	1,521,858	0.29	1,339,472	1.00
Textile						
Spinning	21,324,439	9.95	2,229,303	0.43	5,781,415	4.31
Weaving	9,650,524	4.51	1,139,869	0.22	2,910,680	2.16
Composite	17,643,339	8.23	3,607,165	0.70	6,541,323	4.88
Ready made garments	8,097,173	3.78	1,641,323	0.32	4,084,618	3.04
	56,715,475	26.47	8,617,660	1.67	19,318,036	14.39
Others	11,844,005	5.53	44,649,495	8.65	12,814,178	9.55
	<u>214,272,308</u>	<u>100.00</u>	<u>516,213,178</u>	<u>100.00</u>	<u>134,155,415</u>	<u>100.00</u>



2014

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	4,069,347	2.16	1,066,899	0.24	1,530,837	1.43
Automobiles and transportation equipment	967,027	0.51	1,373,112	0.31	6,073,012	5.69
Cement	466,995	0.25	293,865	0.07	1,114,047	1.04
Chemicals / pharmaceuticals	3,310,146	1.76	1,436,443	0.32	2,898,134	2.71
Commerce and trade	12,927,855	6.88	21,986,638	4.93	11,444,779	10.71
Electronics and electrical appliances	761,377	0.41	698,151	0.16	980,085	0.92
Fertilizers	2,542,613	1.35	5,486,411	1.23	753,813	0.71
Financial	2,200,683	1.17	9,756,339	2.19	9,113,733	8.53
Food and allied	30,980,355	16.48	3,716,977	0.83	2,893,386	2.71
Ghee and edible oil	9,554,825	5.08	1,067,997	0.24	4,929,807	4.61
Individuals	5,931,452	3.16	305,690,244	68.48	8,778	0.01
Iron and steel	11,196,411	5.96	830,412	0.19	8,164,987	7.64
Oil refinery / marketing	3,608,421	1.92	21,820,829	4.89	11,738,514	10.99
Paper and board	2,158,615	1.15	226,931	0.05	662,861	0.62
Plastic products	2,404,197	1.28	348,395	0.07	3,108,171	2.91
Production and transmission of energy	7,930,767	4.22	4,291,215	0.96	4,252,274	3.98
Real estate / construction	1,134,853	0.60	6,179,808	1.38	4,028,983	3.77
Services (other than financial)	1,395,975	0.74	11,420,621	2.56	1,366,727	1.28
Shoes and leather garments	1,430,703	0.76	1,105,858	0.25	527,256	0.49
Sugar	6,085,499	3.24	2,514,596	0.56	363,537	0.34
Surgical equipments and metal products	1,007,046	0.54	1,142,069	0.25	1,019,162	0.95
Textile						
Spinning	25,999,120	13.83	1,544,087	0.35	6,127,999	5.74
Weaving	11,163,257	5.94	976,726	0.22	5,494,499	5.14
Composite	21,074,133	11.21	2,218,383	0.49	5,347,167	5.01
Ready made garments	6,607,279	3.52	1,384,527	0.31	3,133,534	2.93
	64,843,789	34.50	6,123,723	1.37	20,103,199	18.82
Others	11,063,865	5.88	37,831,471	8.47	9,759,288	9.14
	<u>187,972,816</u>	<u>100.00</u>	<u>446,409,004</u>	<u>100.00</u>	<u>106,835,370</u>	<u>100.00</u>



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

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

43.1.5 Segment by sector

	2015					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	50,785,144	23.70	43,839,613	8.49	18,374,421	13.70
Private	163,487,164	76.30	472,373,565	91.51	115,780,994	86.30
	214,272,308	100.00	516,213,178	100.00	134,155,415	100.00
	2014					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	34,203,270	18.20	40,763,122	9.13	17,348,123	16.24
Private	153,769,546	81.80	405,645,882	90.87	89,487,247	83.76
	187,972,816	100.00	446,409,004	100.00	106,835,370	100.00



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

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

43.1.7 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	11,869,276	612,576,414	35,153,642	128,703,646
Middle East	440,422	20,064,708	1,931,407	5,451,769
Asia Pacific	22,420	5,578,650	484,423	–
Africa	(459)	1,492,696	287,186	–
	12,331,659	639,712,468	37,856,658	134,155,415
	2014			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	9,615,048	560,664,971	30,388,269	104,109,281
Middle East	364,991	16,416,728	1,605,870	2,726,089
Asia Pacific	(39,158)	1,218,721	458,234	–
Africa	(23,767)	618,409	175,978	–
	9,917,114	578,918,829	32,628,351	106,835,370

43.2 Market risk

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

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

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



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

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

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

43.2.1 Interest rate / yield risk

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

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

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

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

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

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

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

43.2.2 Mismatch of interest rate sensitive assets and liabilities

2015

Effective Yield / Interest Rate	Total	Exposed to Yield / Interest rate risk										Non interest bearing financial instruments	
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years			
On - balance sheet financial instruments													
Assets													
-	38,577,738	5,805,938	-	-	-	-	-	-	-	-	-	-	32,771,800
2.02%	3,185,689	1,828,336	-	-	-	-	-	-	-	-	-	-	1,356,733
6.26%	5,818,072	3,992,794	-	1,825,278	-	-	-	-	-	-	-	-	-
9.60%	354,823,725	1,314,016	41,862,859	139,816,257	33,835,205	20,152,941	37,567,377	41,846,206	31,456,967	-	-	-	6,971,897
6.66%	205,858,658	148,119,890	26,378,682	5,315,189	15,204,262	2,048,926	1,469,176	1,529,761	3,728,866	-	-	-	-
-	13,128,891	-	-	-	-	-	-	-	-	-	-	-	13,128,891
-	621,392,753	161,061,574	68,241,541	146,956,724	49,039,467	22,201,867	39,036,553	43,375,967	35,185,833	2,063,906	-	-	54,229,321
Liabilities													
-	8,665,462	-	-	-	-	-	-	-	-	-	-	-	8,665,462
5.05%	62,592,299	58,615,270	53,922	210,767	83,039	374,521	395,866	781,832	2,077,082	-	-	-	-
5.21%	516,213,178	254,209,581	18,409,715	28,328,468	26,107,275	5,067,975	3,659,979	3,480,245	-	-	-	-	176,959,940
15.00%	2,994,600	-	-	-	2,994,600	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	5,711,244	-	-	-	-	-	-	-	-	-	-	-	5,711,244
-	596,176,783	312,824,851	18,463,637	28,539,235	29,184,914	5,453,841	4,034,500	4,262,077	2,077,082	-	-	-	191,336,646
On - balance sheet gap													
25,215,970		(151,763,277)	49,777,904	19,854,553	118,417,489	16,748,026	35,002,053	39,113,890	33,108,751	2,063,906	(137,407,325)	-	-
Off - balance sheet financial instruments													
Forward purchase of foreign exchange contracts													
-	46,760,182	13,172,132	20,220,719	6,541,115	-	-	-	-	-	-	-	-	-
-	(28,769,804)	(15,323,276)	(10,026,799)	(230,864)	-	-	-	-	-	-	-	-	-
Forward commitments to extend credit													
-	10,748,236	260,156	1,827,220	4,055,680	1,563,000	-	-	-	-	-	-	-	-
Off - balance sheet gap													
28,738,614		(1,890,990)	12,021,140	10,365,931	1,563,000	-	-	-	-	-	-	-	-
Total interest / yield risk sensitivity gap													
53,954,584		(153,654,267)	61,799,044	128,783,420	18,311,026	35,002,053	39,113,890	33,108,751	2,063,906	-	-	-	-
Cumulative interest / yield risk sensitivity gap													
(153,654,267)		(91,855,223)	(65,321,137)	63,462,283	81,773,309	116,775,362	155,889,252	188,998,003	191,061,909	-	-	-	-

2014

Effective Yield / Interest Rate	Exposed to Yield / Interest rate risk										Non interest bearing financial instruments	
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years		
(Rupees in '000)												
On - balance sheet financial instruments												
Assets												
	34,201,813	4,810,823	-	-	-	-	-	-	-	-	-	29,390,990
Cash and balances with treasury banks	4,345,042	2,700,464	-	-	-	-	-	-	-	-	-	1,644,578
Balances with other banks	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	331,422,572	1,073,351	20,233,407	90,639,043	55,830,272	47,645,949	19,465,619	53,407,190	36,399,615	-	-	6,728,126
Investments - net	181,356,817	125,899,931	30,001,389	14,971,466	2,165,460	1,568,215	1,576,731	2,157,374	1,136,072	-	-	-
Advances - net	12,350,536	-	-	-	-	-	-	-	-	-	-	12,350,536
Other assets	563,676,780	134,484,569	50,234,796	105,610,509	57,995,732	49,214,164	21,042,350	55,564,564	37,535,687	1,880,179	-	50,114,230
Liabilities												
	7,984,808	-	-	-	-	-	-	-	-	-	-	7,984,808
Bills payable	78,455,452	74,863,838	77,136	94,415	229,366	558,798	348,352	1,391,061	890,592	-	-	1,894
Borrowings	446,409,004	224,183,256	17,876,659	16,902,339	28,355,801	3,892,001	4,782,226	2,761,074	-	-	-	147,655,648
Deposits and other accounts	3,743,700	-	747,900	600	600	2,994,600	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,833,166	-	-	-	-	-	-	-	-	-	-	4,833,166
	541,426,130	299,047,094	18,701,695	16,997,354	28,585,767	7,445,399	5,130,578	4,152,135	890,592	-	-	160,475,516
On - balance sheet gap	22,250,650	(164,562,525)	31,533,101	88,613,155	29,409,965	41,788,765	15,911,772	51,412,429	36,645,095	1,880,179	(110,361,286)	-
Off - balance sheet financial instruments												
	35,574,870	10,534,044	8,784,248	8,667,756	7,311,120	277,702	-	-	-	-	-	-
Forward purchase of foreign exchange contracts	(33,584,498)	(15,025,873)	(6,592,659)	(11,952,760)	(13,206)	-	-	-	-	-	-	-
Forward sale of foreign exchange contracts	4,582,095	1,268,375	880,360	1,933,360	500,000	-	-	-	-	-	-	-
Forward commitments to extend credit	6,572,467	(3,223,454)	3,071,949	(1,351,644)	7,797,914	277,702	-	-	-	-	-	-
Off - balance sheet gap	28,823,117	(167,785,979)	34,605,050	87,261,511	37,207,879	42,046,467	15,911,772	51,412,429	36,645,095	1,880,179	-	-
Total interest / yield risk sensitivity gap	(167,785,979)	(133,180,929)	(133,180,929)	(45,919,418)	(8,711,539)	33,334,928	49,246,700	100,659,129	137,304,224	139,184,403	-	-
Cumulative interest / yield risk sensitivity gap												



43.2.3 Foreign exchange risk

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

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

	2015			Net
	Assets	Liabilities	Off-balance	currency
			sheet items	exposure
			(Rupees in '000)	
Pakistan Rupee	591,839,362	538,970,243	(17,990,377)	34,878,742
United States Dollar	45,409,825	49,507,291	6,702,689	2,605,223
Great Britain Pound	1,350,974	9,279,902	8,152,306	223,378
Japanese Yen	4,710	9,608	6,895	1,997
Euro	899,604	3,227,952	2,454,482	126,134
Other currencies	207,993	860,814	674,005	21,184
	639,712,468	601,855,810	–	37,856,658
	2014			
	Assets	Liabilities	Off-balance	Net
			sheet items	currency
			(Rupees in '000)	exposure
Pakistan Rupee	528,544,018	496,188,083	(1,990,371)	30,365,564
United States Dollar	47,613,038	39,218,122	(6,516,659)	1,878,257
Great Britain Pound	973,959	6,988,949	6,129,289	114,299
Japanese Yen	22,521	6,688	(15,973)	(140)
Euro	1,389,311	3,250,171	1,902,253	41,393
Other currencies	375,982	638,465	491,461	228,978
	578,918,829	546,290,478	–	32,628,351



43.3 Liquidity risk

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

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

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

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

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

43.3.1

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

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

2015

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	38,577,738	-	-	-	-	-	-	-	-	-
Balances with other banks	3,185,669	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,818,072	3,992,794	-	1,825,278	-	-	-	-	-	-
Investments - net	354,823,725	(696,342)	39,835,878	28,903,150	146,939,142	22,322,088	40,235,635	43,310,918	33,490,598	482,648
Advances - net	205,888,668	39,969,461	42,984,295	59,958,377	18,775,694	11,804,286	10,478,491	11,256,314	8,128,961	2,502,779
Operating fixed assets	15,764,284	266,262	535,269	649,036	748,462	4,630,358	1,056,620	1,232,373	734,953	5,910,951
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	15,684,322	12,752,010	1,578,397	815,238	217,882	111,767	50,823	40,253	38,139	79,813
	639,712,468	98,047,592	84,933,839	90,325,801	168,506,458	38,888,509	51,821,569	55,839,858	42,392,651	8,976,191
Liabilities										
Bills payable	8,665,462	8,665,462	-	-	-	-	-	-	-	-
Borrowings	62,592,299	39,648,813	11,900,511	7,202,904	210,767	395,866	374,521	781,832	2,077,085	-
Deposits and other accounts	516,213,178	76,267,187	57,843,308	65,540,868	67,762,060	76,038,442	74,640,446	78,404,071	19,716,796	-
Sub-ordinated loans	2,984,600	-	-	600	600	1,200	1,200	1,496,400	1,494,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	3,632,598	(83,805)	80,625	104,050	640,200	1,092,435	317,290	434,771	571,529	475,503
Other liabilities	7,757,673	5,287,307	7,098	4,347	648,246	28,465	73,596	940,758	-	767,856
	601,855,810	129,784,964	69,831,542	72,852,769	69,261,873	77,566,408	75,407,053	82,057,832	23,860,010	1,243,359
Net assets	37,856,658	(31,737,372)	15,102,297	17,473,032	99,244,585	(38,687,899)	(23,585,484)	(26,217,974)	18,532,641	7,732,832
Share capital	11,114,254									
Reserves	10,329,659									
Unappropriated profit	10,253,920									
Surplus on revaluation of assets - net of tax	6,168,825									
	37,856,658									

43.3.2 Maturities of assets and liabilities - based on contractual maturities

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

2015

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	38,577,738	-	-	-	-	-	-	-	-	-
Balances with other banks	3,185,669	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,818,072	3,992,794	-	1,825,278	-	-	-	-	-	-
Investments - net	354,823,725	10,805,713	39,732,567	28,791,085	139,896,481	22,011,494	39,849,310	41,837,033	31,900,042	-
Advances - net	205,858,658	39,969,461	42,984,295	59,958,377	18,775,694	11,804,286	10,478,491	11,256,314	8,128,961	2,502,779
Operating fixed assets	15,764,284	7,490,863	253,036	368,426	673,884	1,234,797	1,067,181	1,253,496	787,760	2,634,841
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	15,684,322	12,963,088	1,554,530	779,439	146,283	111,767	50,823	40,253	38,139	-
	639,712,468	116,985,326	84,524,428	89,897,327	161,317,620	35,162,344	51,445,805	54,387,096	40,854,902	5,137,620
Liabilities										
Bills payable	8,665,462	8,665,462	-	-	-	-	-	-	-	-
Borrowings	62,592,299	39,648,813	11,900,511	7,202,904	210,767	395,866	374,521	781,832	2,077,085	-
Deposits and other accounts	516,213,178	431,169,521	18,409,715	26,107,275	28,328,468	5,057,975	3,659,979	3,480,245	-	-
Sub-ordinated loans	2,994,600	-	-	600	600	1,200	1,200	1,496,400	1,494,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	3,632,598	2,624,403	41,349	60,177	111,908	204,691	182,076	(82,914)	14,835	476,073
Other liabilities	7,757,673	7,260,947	7,098	4,347	319,421	28,465	73,596	63,799	-	-
	601,855,810	489,369,146	30,358,673	33,375,303	28,971,164	5,688,197	4,291,372	5,739,362	3,586,520	476,073
Net assets	37,856,658	(372,383,820)	54,165,755	56,522,024	132,346,456	29,474,147	47,154,433	48,647,734	37,268,382	4,661,547
Share capital	11,114,254									
Reserves	10,329,659									
Unappropriated profit	10,253,920									
Surplus on revaluation of assets - net of tax	6,158,825									
	37,856,658									

2014

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	34,201,813	34,201,813	-	-	-	-	-	-	-	-
Balances with other banks	4,345,042	4,345,042	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	331,422,572	7,821,866	17,656,725	87,928,986	57,055,808	48,339,562	21,434,459	54,032,275	37,152,891	-
Advances - net	181,356,817	44,638,774	48,901,396	42,216,327	14,061,946	8,177,109	7,172,775	10,823,663	3,379,453	1,985,384
Operating fixed assets	13,898,321	6,880,534	177,242	259,272	485,392	810,129	640,289	793,636	946,924	2,904,903
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	13,694,264	12,481,929	715,926	158,528	128,996	85,050	41,632	35,958	46,245	-
	578,918,829	110,369,958	67,451,289	130,563,113	71,732,142	57,411,850	29,289,155	66,685,522	41,525,513	4,890,287
Liabilities										
Bills payable	7,984,808	7,984,808	-	-	-	-	-	-	-	-
Borrowings	78,455,452	57,530,290	12,411,666	5,095,326	229,366	558,798	348,352	1,391,061	890,593	-
Deposits and other accounts	446,409,004	371,838,903	17,876,659	16,902,339	28,355,801	3,892,001	4,782,226	2,761,075	-	-
Sub-ordinated loans	3,743,700	-	747,900	600	600	1,200	1,200	2,400	2,989,800	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	2,780,536	1,838,536	24,979	36,782	65,863	102,181	76,952	41,825	(32,184)	625,602
Other liabilities	6,916,978	6,282,040	48,641	12,351	514,068	4,729	29,940	25,209	-	-
	546,290,478	445,474,577	31,109,845	22,047,398	29,165,698	4,558,909	5,238,670	4,221,570	3,848,209	625,602
Net assets	32,628,351	(335,104,619)	36,341,444	108,515,715	42,566,444	52,852,941	24,050,485	61,463,952	37,677,304	4,264,685
Share capital										
Share capital	11,114,254									
Reserves	8,760,911									
Unappropriated profit	7,679,490									
Surplus on revaluation of assets - net of tax	5,073,696									
	<u>32,628,351</u>									



43.4 Equity position risk in the banking book – Basel Specific

Except for very limited trading position in equities as mentioned above (note 43.2), the Bank's policy is to take equity positions for investment purposes. Equity holdings include direct investment in shares and in equity-based mutual funds, both closed-end and open-end. Policies covering their valuation and accounting are disclosed in note 5.4.

Equity position risk

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

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

43.5 Operational risk

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

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

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

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

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

Operational risk disclosures – Basel Specific

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



44. ISLAMIC BANKING BUSINESS

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

44.1.1 STATEMENT OF FINANCIAL POSITION

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



44.1.1.1 Islamic financing and related assets

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

44.1.1.2 Islamic mode of financing

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

44.2 PROFIT AND LOSS ACCOUNT

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



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

44.5 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

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

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

Parameters associated with risk and rewards:

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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



45. SUBSEQUENT EVENT

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

46. GENERAL

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

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

47. DATE OF AUTHORISATION

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

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



Annexure-1

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

(Rupees in '000)

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

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



Report of Shariah Board as at 31 December 2015

In the name of Allah, the Beneficent, the Merciful

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

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

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

MUFTI MUHAMMAD SARFARAZ NIHAL
Resident Shariah Board Member

MUFTI MOHIB UL HAQ
Member Shariah Board

MUFTI ISMATULLAH HAMDULLAH
Chairman Shariah Board

Karachi: January 27, 2016



Notice of Annual General Meeting

Notice is hereby given that the Twenty-fifth 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 Monday, March 28, 2016 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, 2015 together with the Reports of Directors and Auditors thereon.
2. To consider and approve payment of cash dividend @ 35%, i.e., Rs. 3.5 per share of Rs. 10/- each for the year ended December 31, 2015 as recommended by the Board of Directors.
3. To appoint auditors for the year 2016 and to fix their remuneration. KPMG Taseer Hadi & Co. Chartered Accountants, being eligible, offer themselves for re-appointment.
4. To elect Directors of the Bank in accordance with Section 178(1) of the Companies Ordinance, 1984. The number of Directors to be elected pursuant to Section 178(1) of the Companies Ordinance, 1984 has been fixed at 10 (ten) by the Board of Directors.

The following are the retiring Directors and have offered themselves for election:

Mr. Ali Raza D. Habib, Mr. Abbas 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. Shahid Ghaffar – NIT Nominee.

**Appointed by the Board, subject to approval of the State Bank of Pakistan, to fill the casual vacancy created by demise of Late Mr. Shameem 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 Chief Executive and Executive Director of the Bank.
7. To consider and in-principle approve the conversion aspect of Term Finance Certificates of the Bank into Ordinary Shares of the Bank if so required by the State Bank of Pakistan.

For Item Nos. 6 & 7, a statement under Section 160 (1)(b) of the Companies Ordinance, 1984 is annexed.

By order of the Board

MOHAMMAD TAQI LAKHANI
Company Secretary

Karachi: March 7, 2016

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 178(3) of the Companies Ordinance, 1984. 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 seven listed companies simultaneously. Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company.



(b) Consent to act as Director in Form 28 under Section 184 of the Companies Ordinance, 1984.

(c) Fit and Proper Test proforma, Affidavit, and Questionnaire as per requirement of SBP's BPRD Circular No. 4 dated April 23, 2007 and SBP's BPRD Circular No. 5 dated March 12, 2015.

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 State Bank of Pakistan (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. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy (except for a corporation) must be a member of the Bank. Proxy form, in order to be effective, must be received at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, duly stamped and signed not less than 48 hours before the meeting.

4. 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.

5. The share transfer book of the Bank will remain closed from March 18, 2016 to March 28, 2016 (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 17, 2016 will be treated in time for payment of dividend (subject to approval of the members). Members are requested to promptly communicate any change in their address to our above mentioned Share Registrar.

6. SECP vide its SRO 831(I) / 2012 dated July 5, 2012, has directed all listed companies that dividend warrant(s) should bear CNIC Number of registered members. Members who have not yet provided attested copies of their valid CNICs/NTNs (in case of corporate entities) are requested to send the same directly to the aforesaid Share Registrar of the Bank before March 18, 2016. In case of non-receipt of CNICs, the Bank will withhold dispatch of dividend warrants of such shareholders.

7. The Government of Pakistan through Finance Act, 2015 has made certain amendments in Section 150 of the Income Tax ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies/banks. These tax rates are as follows:

(a) For filers of income tax returns 12.5%

(b) For non-filers of income tax returns 17.5%

To enable the Bank to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5% all shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, i.e., March 28, 2016; otherwise tax on their cash dividend will be deducted @17.5% instead of 12.5%.



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

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

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

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. Therefore, all members of the Bank who wish to receive soft copy of Annual Report are requested to send their e-mail addresses. The 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.

9. Consent for video conference facility

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

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

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

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

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



Statement Under Section 160(1)(b) of the Companies Ordinance, 1984

The statement is annexed to the Notice of the 25th 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

Subsequent to the appointment of the Chief Executive by the Board of Directors and as recommended by them in their meeting held on February 15, 2016, it is intended to propose the following resolution to be passed as an Ordinary Resolution:

“RESOLVED that the remuneration of the Chief Executive shall not exceed Rs. 2,500,000/- per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment, subject to an increment not exceeding 15% per annum.”

As recommended by the Board of Directors in their meeting held on February 15, 2016, it is further 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. 1,800,000/- per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment, subject to an increment not exceeding 15% per annum.”

Item No. 7 of the Agenda

In order to contribute towards its Tier 2 Capital, Bank AL Habib Limited intends to issue redeemable capital in the form of Term Finance Certificates (“TFCs”) under Section 120 of the Companies Ordinance, 1984, and the Basel III Capital Instructions issued by the State Bank of Pakistan (“SBP”). The funds so raised will be utilized in the Bank’s normal business operations as permitted by its Memorandum and Articles of Association.

The Board of Directors has approved the issuance of rated, unsecured and subordinated TFCs of up to Rs. 4,000,000,000/= (Rupees Four Billion) inclusive of a Green Shoe option of Rs. 1,000,000,000 (Rupees One Billion), for which in-principle approval of SBP has been received, subject to compliance with applicable laws, rules and regulations and in particular the conditions specified under 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 has occurred, it may direct a bank to convert its Tier 2 Capital instruments, including TFCs, into ordinary shares of the bank at such time or times and for such consideration and on such terms and subject to such 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.

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 conversion aspect of Term Finance Certificates (“TFCs”) of Bank AL Habib Limited in the amount of up to Rs. 4,000,000,000/= (Rupees Four Billion) inclusive of a Green Shoe option of Rs. 1,000,000,000 (Rupees One Billion) for the purpose of Tier 2 Capital under Basel III Capital Instructions of the State Bank of Pakistan (“SBP”), which TFCs may be converted into ordinary shares of the Bank if so directed by SBP on the occurrence of a point of non-viability as determined by SBP pursuant to its Basel III Capital Instructions, on such terms and conditions as may be determined by SBP, in accordance with the applicable rules and regulations of SBP, subject to a maximum of 100,000,000 (One Hundred Million) additional ordinary shares being issued consequent upon the aforesaid conversion and the obtaining of all other relevant corporate (including shareholders’) and regulatory approvals, is hereby approved in-principle.

“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, including approvals from the shareholders of the Bank under the provision of section 86(1) of the Companies Ordinance, 1984, SBP, the Securities and Exchange Commission of Pakistan, and any other regulatory body and/or stock exchange, 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 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, 2015

Number of Shareholders	Size of Shareholding				Total Shares Held
404	From	1	To	100	13,972
687	From	101	To	500	205,940
517	From	501	To	1,000	403,693
2,037	From	1,001	To	5,000	5,481,803
575	From	5,001	To	10,000	4,306,120
379	From	10,001	To	15,000	4,697,653
1,300	From	15,001	To	20,000	23,800,586
92	From	20,001	To	25,000	2,068,016
71	From	25,001	To	30,000	1,958,796
69	From	30,001	To	35,000	2,246,180
91	From	35,001	To	40,000	3,370,936
70	From	40,001	To	50,000	3,201,131
73	From	50,001	To	60,000	4,031,606
94	From	60,001	To	80,000	6,622,188
73	From	80,001	To	100,000	6,593,187
80	From	100,001	To	150,000	9,548,999
65	From	150,001	To	200,000	11,445,853
39	From	200,001	To	250,000	8,715,808
31	From	250,001	To	300,000	8,582,310
26	From	300,001	To	350,000	8,568,982
104	From	350,001	To	600,000	46,004,315
47	From	600,001	To	1,000,000	37,534,708
151	From	1,000,001	To	100,000,000	912,022,634
7,075					1,111,425,416

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,809	615,495,788	55.38%
Investment Companies	3	79,335	0.01%
Insurance Companies	11	103,315,662	9.30%
Joint Stock Companies	97	85,954,124	7.73%
Financial Institutions	17	54,210,903	4.88%
Modaraba and Mutual Funds	20	89,222,032	8.03%
Foreign Companies	23	57,063,504	5.13%
Pension Funds	22	14,125,892	1.27%
Others	73	91,958,176	8.27%
TOTAL	7,075	1,111,425,416	100.00%



Pattern of Shareholding as at December 31, 2015 Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies		
Habib Insurance Co., Ltd.	1	4,123,000
Habib Sugar Mills Ltd.	1	24,136,691
Mutual Funds		
Tri-Star Mutual Fund Limited	1	1,904
PICIC Stock Fund	1	5,000
Safeway Mutual Fund	1	5,001
ABL Stock Fund	1	13,950
PIML Strategic Multi Asset Fund	1	56,000
Pak Oman Advantage Asset Allocation Fund	1	60,000
First Capital Mutual Fund	1	85,800
MCB Pakistan Asset Allocation Fund	1	150,000
AKD Index Tracker Fund	1	155,347
Pakistan Capital Market Fund	1	189,500
Al Falah GHP Value Fund	1	225,500
NIT Equity Market Opportunity Fund	1	298,489
Al Falah GHP Alpha Fund	1	377,500
Al Falah GHP Stock Fund	1	630,000
NAFA Multi Asset Fund	1	702,400
NAFA Asset Allocation Fund	1	733,150
NAFA Stock Fund	1	3,366,150
Atlas Stock Mkt Fund	1	4,825,000
National Investment (Unit) Trust		
National Bank of Pakistan, Trustee Department	1	77,341,329
Directors		
Ali Raza D. Habib	1	10,406,595
Qumail R. Habib	1	15,978,656
Anwar Haji Karim	1	12,349,159
Shahid Ghaffar (NIT Nominee)	1	1,100
Murtaza H. Habib	1	13,698,691
Syed Mazhar Abbas	1	18,474
Syed Hasan Ali Bukhari	1	15,092
Shameem Ahmed	1	2,112
Safar Ali Lakhani	1	116,840



Shareholders' Category	Number of Shareholders	Number of Shares Held
Chief Executive Officer		
Abbas D. Habib	1	41,524,108
Qasim Abbas Habib S/o Mr. Abbas D. Habib (Joint A/c)	1	926,149
Directors' Spouses		
Mrs. Razia A. Raza Habib W/o Mr. Ali Raza D. Habib	1	4,630,917
Mrs. Niamet Fatima W/o Mr. Abbas D. Habib	1	4,818,197
Executives	56	3,957,056
Joint Stock Companies and Corporations	96	61,817,433
Banks, Development Financial Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds	52	94,173,650
Shareholders holding five percent or more voting rights		
State Life Insurance Corporation National Investment (Unit) Trust (included in the list above under Mutual Funds)	1	73,435,154
Individuals	6,740	507,052,642
Others (Including foreign companies)	96	149,021,680
	<u>7,075</u>	<u>1,111,425,416</u>



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



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

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

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

Pattern of Shareholding

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

On behalf of the Board of Directors

Karachi: January 27, 2016

SYED MAZHAR ABBAS
Director



AUDITORS' REPORT TO THE MEMBERS

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

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

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

Karachi: January 27, 2016

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq



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

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

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

ABBAS D. HABIB
 Chief Executive and
 Managing Director

SYED MAZHAR ABBAS
 Director

ANWAR HAJI KARIM
 Director

SYED HASAN ALI BUKHARI
 Director



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

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

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

ABBAS D. HABIB
Chief Executive and
Managing Director

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



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

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

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

ABBAS D. HABIB
Chief Executive and
Managing Director

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



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

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

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

ABBAS D. HABIB
 Chief Executive and
 Managing Director

SYED MAZHAR ABBAS
 Director

ANWAR HAJI KARIM
 Director

SYED HASAN ALI BUKHARI
 Director



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

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

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

ABBAS D. HABIB
*Chief Executive and
 Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



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

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding company

- Bank AL Habib Limited

Subsidiaries

- AL Habib Capital Markets (Private) Limited

- AL Habib Credit & Finance (Hong Kong) Limited

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

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

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

2. BASIS OF PRESENTATION

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

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

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

3. STATEMENT OF COMPLIANCE

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



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

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

4. BASIS OF MEASUREMENT

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

New, amended and revised standards and interpretations of IFRSs

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



5.2 Basis of consolidation

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

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

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

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

5.3 Cash and cash equivalents

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

5.4 Repurchase / resale agreements

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

Sale under repurchase obligation

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

Purchase under resale obligation

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

Bai Muajjal

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

5.5 Investments

Investments (other than associates) are classified as follows:

Held for trading

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

Held to maturity

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

Available for sale

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



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

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

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

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

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

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

Investments in associates

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

5.6 Advances

Loans and advances

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

Finance lease receivables

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

Ijarah finance

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

Murabaha

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



Istisna

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

Diminishing Musharika

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

Musawama

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

5.7 Operating fixed assets

Tangible operating assets - owned

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

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

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

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

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

Tangible operating assets - leased

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



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

Intangible assets

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

Capital work in progress

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

Impairment

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

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

5.8 Employees' benefits

Defined benefit plan

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

Defined contribution plan

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

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

Compensated absences

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

5.9 Provisions against liabilities

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



5.10 Provisions against off-balance sheet obligations

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

5.11 Sub-ordinated loans

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

5.12 Revenue recognition

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

5.13 Taxation

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

Current

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

Deferred

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

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



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

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

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

5.14 Currency translation

Functional and presentation currency

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

Transactions and balances in foreign currencies

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

Foreign operations

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

Commitments

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

5.15 Financial instruments

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

5.16 Derivative financial instruments

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



5.17 Off - setting

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

5.18 Dividends and appropriations to reserves

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

5.19 Segment reporting

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

5.19.1 Business segments

Retail banking

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

Commercial banking

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

Retail brokerage

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

5.19.2 Geographical segments

The Group operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

5.20 Earnings per share

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



5.21 Clients' assets

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

6. ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Change in accounting estimates

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

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

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

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

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

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



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

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



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

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

8.2 This represents US Dollar collection account maintained with SBP.

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



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

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

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

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

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

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

10.3 Securities held as collateral against repurchase agreement lendings

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

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



11. INVESTMENTS

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

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



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



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

11.4.1 Particulars of provision in respect of type and segment

Available for sale investments:

Listed companies:

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

Unlisted companies:

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

11.5 Quality of available for sale securities

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



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

11.5.5 Fully paid-up ordinary shares - Listed

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

11.5.6 Fully paid-up ordinary shares - Unlisted

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



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

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

11.6 Market Treasury Bills

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

11.7 Pakistan Investment Bonds

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



11.8 Sukuk Bonds

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

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

11.9 Term Finance Certificates

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



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

*These Term Finance Certificates are subordinated.

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

11.10 Foreign Currency Bonds

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



11.11 Ordinary shares of unlisted companies

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

11.12 Associates

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



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

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

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

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

11.14 Summary of audited financial information of associates

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



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

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



2015 2014
 (Rupees in '000)

12.1 Particulars of advances - gross

12.1.1 In local currency	183,810,219	144,819,217
In foreign currencies	30,462,288	43,153,882
	214,272,507	187,973,099
12.1.2 Short term (for upto one year)	170,101,676	156,434,725
Long term (for over one year)	44,170,831	31,538,374
	214,272,507	187,973,099

12.2 Net investment in finance lease

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

12.3 Ijarah financing under IFAS 2

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



12.3.1 Future Ijarah payments receivable

2015
(Rupees in '000)

2014

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

12.4 Murabaha - gross

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

Murabaha	2,882,976	2,074,925
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12.5 Advances include Rs. 5,874.374 million (2014: Rs 5,024.778 million) which have been placed under non-performing status as detailed below:

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

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



12.6 Particulars of provision against non-performing loans and advances

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

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

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

12.6.3 Particulars of provision against non-performing loans and advances

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

12.7 Particulars of write-offs

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



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

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

13.2 Property and equipment

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

2014

	Cost / Revalued Amount					Accumulated Depreciation				Book Value	
	As at 01 January 2014	Revaluation surplus	Additions/ (deletions)	Reversal of accumulated depreciation	As at 31 December 2014	As at 01 January 2014	Charge / (deletions)	Reversal of accumulated depreciation	As at 31 December 2014	As at 31 December 2014	Rate of depreciation %
	(Rupees in '000)										
Owned											
Leasehold land	3,424,233	598,839	121,487 (8,533)	-	4,136,026	-	-	-	-	4,136,026	-
Buildings on leasehold land	5,429,649	728,183	419,540	(463,503)	6,113,869	401,645	176,378	(463,503)	114,520	5,999,349	2.22 - 10
Improvements to leasehold buildings	1,043,817	-	207,859 (4,165)	-	1,247,511	175,090	54,234 (700)	-	228,624	1,018,887	5
Furniture and fixtures	497,515	-	65,995 (11,956)	-	551,554	256,610	45,566 (10,187)	-	291,989	259,565	10
Electrical, office and computer equipments	3,574,176	-	579,064 (131,996)	-	4,021,234	2,414,984	462,393 (131,121)	-	2,746,256	1,274,978	20
Vehicles	1,319,983	-	330,590 (114,137)	-	1,536,436	563,060	255,300 (105,276)	-	713,084	823,352	20
	15,289,373	1,327,022	1,724,525 (270,787)	(463,503)	17,606,630	3,811,389	993,871 (247,284)	(463,503)	4,094,473	13,512,157	



13.2.1 Details of disposal of fixed assets during the year:

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



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

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

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

13.3 Intangible assets

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

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

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



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

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



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

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



18.1 Term Finance Certificates - IV (Unquoted)

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

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

19.1 Reconciliation of deferred tax

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



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

Note
2015
2014
(Rupees in '000)

20. OTHER LIABILITIES

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

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

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



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



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



23.7 Other contingencies

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

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

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

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

24. DERIVATIVE FINANCIAL INSTRUMENTS

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

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



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



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



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



36. DEFINED BENEFIT PLAN

36.1 General description

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

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

36.2 Principal actuarial assumptions

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

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



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



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



2015
 (Rupees in '000)

36.13 Disaggregation of fair value of plan assets

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

36.14 Maturity profile of the defined benefit obligation

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

36.15 Sensitivity Analysis on significant actuarial assumptions:

Actuarial Liability

The Weighted average duration of the PBO is 10.63 years.

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



37. DEFINED CONTRIBUTION PLAN

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

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

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

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

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



39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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



	Carrying amount			Fair value						
	Available for Sale	Held to Maturity	Loans and Receivables	Other Financial Assets	Other Financial liabilities	Total	Level 1	Level 2	Level 3	Total
On - balance sheet financial instruments										
Financial assets measured at fair value										
- Investments										
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	201,477,375	-	-	-	-	201,477,375	-	201,477,375	-	201,477,375
Foreign Currency Bonds	512,735	-	-	-	-	512,735	-	512,735	-	512,735
Fully paid-up ordinary shares - Listed	3,736,440	-	-	-	-	3,736,440	3,736,440	-	-	3,736,440
Units of mutual funds	1,952,964	-	-	-	-	1,952,964	1,952,964	-	-	1,952,964
Term Finance Certificates - Listed	317,716	-	-	-	-	317,716	317,716	-	-	317,716
- Associates										
Listed shares	-	-	-	368,997	-	368,997	368,997	-	-	368,997
Mutual funds	-	-	-	707,313	-	707,313	707,313	-	-	707,313
Financial assets not measured at fair value										
- Cash and bank balances with SBP and NBP										
- Balances with other banks										
- Lendings to financial institutions										
- Investments										
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)										
Sukuk Bonds	2,116,703	117,293,547	-	-	-	117,293,547	-	125,054,720	-	125,054,720
Fully paid-up ordinary shares - Unlisted	53,692	198,284	-	-	-	2,314,987	-	-	-	-
Term Finance Certificates - Listed	86,826	86,826	-	-	-	53,692	86,826	-	-	86,206
Term Finance Certificates - Unlisted	2,832,620	-	-	-	-	2,832,620	-	-	-	-
Associates - Unlisted Shares	82,304	-	-	-	-	82,304	-	-	-	-
- Advances										
- Other assets										
	213,082,549	117,578,657	181,357,100	52,028,116	-	564,046,422	7,168,636	327,044,830	-	334,213,466
Financial liabilities not measured at fair value										
- Deposits and other accounts										
- Bills payable										
- Borrowings										
- Sub-ordinated loans										
- Other liabilities										
	213,082,549	117,578,657	181,357,100	52,028,116	(541,017,313)	23,029,109	7,168,636	327,044,830	-	334,213,466

Note

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

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

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

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

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



40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

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

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

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

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

41. RELATED PARTY TRANSACTIONS

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

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



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

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



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



42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Capital adequacy

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

i) Minimum Capital Requirement (MCR):

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

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

ii) Capital Adequacy Ratio:

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

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

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

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

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

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

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

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

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

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

42.2 Scope of application

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



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

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

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

42.3 Capital structure

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

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

2015 2014
(Rupees in '000)

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

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



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



2015 2014
 (Rupees in '000)

42.3.2 Common Equity Tier 1 capital: Regulatory adjustments

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

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

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



2015 2014
(Rupees in '000)

42.3.4 Tier 2 Capital: regulatory adjustments

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

42.3.5 Risk Weighted Assets subject to pre-Basel III treatment

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

Amounts below the thresholds for deduction (before risk weighting)

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

Applicable caps on the inclusion of provisions in Tier 2

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



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

(Rupees in '000)

42.4 Capital Structure Reconciliation

42.4.1 Reconciliation of accounting and regulatory scope of consolidation

Assets

Cash and balances with treasury banks
 Balances with other banks
 Lendings to financial institutions
 Investments
 Advances
 Operating fixed assets
 Deferred tax assets
 Other assets

38,577,760	38,577,760
3,204,284	3,204,284
5,818,072	5,818,072
355,081,488	355,081,488
205,858,857	205,858,857
15,782,394	15,782,394
–	–
15,700,959	15,700,959
640,023,814	640,023,814

Total assets

Liabilities & Equity

Bills payable
 Borrowings
 Deposits and other accounts
 Sub-ordinated loans
 Liabilities against assets subject to finance lease
 Deferred tax liabilities
 Other liabilities

8,665,462	8,665,462
62,592,299	62,592,299
516,197,547	516,197,547
2,994,600	2,994,600
–	–
3,627,612	3,627,612
7,754,760	7,754,760
601,832,280	601,832,280

Total liabilities

Share capital/Head office capital account
 Reserves
 Unappropriated/Unremitted profits/(losses)
 Minority Interest
 Surplus on revaluation of assets

11,114,254	11,114,254
10,329,233	10,329,233
10,414,605	10,414,605
112,979	112,979
6,220,463	6,220,463

Total equity

38,191,534	38,191,534
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Total liabilities & equity

640,023,814	640,023,814
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Reference	2015	2015
	As per published financial statements	Under regulatory scope of reporting for consolidation

(Rupees in '000)

42.4.2 Reconciliation for balance sheet items that require capital adjustments

Assets

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

Liabilities & Equity

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



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



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

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



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



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



42.5 Main Features of Regulatory Capital Instruments

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



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



43. RISK MANAGEMENT

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

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

43.1 Credit risk

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

Credit exposures subject to Standardised Approach

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

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

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



43.1.3 Segment by class of business

2015

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



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



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

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

43.1.5 Segment by sector

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



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

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

43.1.7 Geographical segment analysis

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

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

43.2 Market risk

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

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

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



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

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

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

43.2.1 Interest rate / yield risk

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

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

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

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

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

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

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

2014

Effective yield / Interest Rate	Total	Exposed to yield / Interest rate risk										Non interest bearing financial instruments	
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years			
		(Rupees in '000)											
On - balance sheet financial instruments													
Assets													
		34,201,844	4,810,823	-	-	-	-	-	-	-	-	-	29,391,021
2.88%	4,352,769	2,703,353	-	-	-	-	-	-	-	-	-	-	1,649,416
	-	-	-	-	-	-	-	-	-	-	-	-	-
11.00%	331,737,516	1,073,349	20,233,407	30,639,043	55,830,272	47,645,949	19,610,619	53,407,190	36,399,615	-	-	-	6,898,072
9.53%	181,357,100	125,899,953	30,001,434	14,971,533	2,165,609	1,568,215	1,576,731	2,157,374	1,136,072	1,880,179	-	-	-
	12,397,193	-	-	-	-	-	-	-	-	-	-	-	12,397,193
	564,046,422	134,487,478	50,234,841	105,610,576	57,995,881	49,214,164	21,187,350	55,564,564	37,555,687	1,880,179	1,880,179	50,335,702	-
Liabilities													
		7,984,808	-	-	-	-	-	-	-	-	-	-	7,984,808
8.72%	78,455,452	74,863,838	77,136	94,415	229,366	558,798	348,352	1,391,061	890,592	-	-	-	1,894
7.37%	446,311,464	224,099,200	17,876,659	16,902,339	28,355,801	3,892,001	4,782,226	2,761,074	-	-	-	-	147,643,164
14.42%	3,743,700	-	747,900	600	600	2,994,600	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	4,521,889	-	-	-	-	-	-	-	-	-	-	-	4,521,889
	541,017,313	298,962,038	18,701,695	16,997,354	28,585,767	7,445,399	5,130,578	4,152,135	890,592	-	-	-	160,151,755
	23,029,109	(164,474,560)	31,533,146	88,613,222	29,410,114	41,788,765	16,066,772	51,412,429	36,645,095	1,880,179	1,880,179	(109,816,053)	-
Off - balance sheet financial instruments													
		35,574,870	10,534,044	8,784,248	8,667,756	7,311,120	277,702	-	-	-	-	-	-
	(33,584,498)	(15,025,873)	(6,592,659)	(11,952,760)	(13,206)	-	-	-	-	-	-	-	-
	4,582,095	1,268,375	880,360	1,933,360	500,000	-	-	-	-	-	-	-	-
	6,572,467	(3,223,454)	3,071,949	(1,351,644)	7,797,914	277,702	-	-	-	-	-	-	-
	29,601,576	(167,698,014)	34,605,095	87,261,578	37,208,028	42,046,467	16,066,772	51,412,429	36,645,095	1,880,179	1,880,179	-	-
	(167,698,014)	(133,092,919)	(45,831,341)	(8,623,313)	33,423,154	49,479,926	100,892,355	137,537,450	139,417,629	-	-	-	-



43.2.3 Foreign exchange risk

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

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

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



43.3 Liquidity risk

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

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

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

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

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

43.3.1

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

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

2015

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	38,577,760	-	-	-	-	-	-	-	-	-
Balances with other banks	3,204,284	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,818,072	3,992,794	-	1,825,278	-	-	-	-	-	-
Investments - net	355,081,488	(696,342)	39,835,878	28,903,150	146,978,770	22,476,912	40,235,635	43,310,918	33,490,598	545,969
Advances - net	205,868,857	39,969,660	42,984,295	59,958,377	18,775,694	11,804,286	10,478,491	11,256,314	8,128,961	2,502,779
Operating fixed assets	15,782,394	266,328	535,368	649,184	748,758	4,630,949	1,057,211	1,233,555	737,001	5,924,040
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	15,700,959	12,767,798	1,578,551	815,470	218,345	111,767	50,823	40,253	38,139	79,813
	640,023,814	98,082,282	84,934,092	90,326,181	168,546,845	39,023,914	51,822,160	55,841,040	42,394,699	9,052,601
Liabilities										
Bills payable	8,665,462	8,665,462	-	-	-	-	-	-	-	-
Borrowings	62,592,299	39,648,813	11,900,511	7,202,904	210,767	395,866	374,521	781,832	2,077,085	-
Deposits and other accounts	516,197,547	76,265,624	57,841,745	65,539,305	67,760,497	76,035,628	74,637,632	78,401,102	19,716,014	-
Sub-ordinated loans	2,994,600	-	-	600	600	1,200	1,200	1,496,400	1,494,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	3,627,612	(88,791)	80,625	104,050	640,200	1,082,435	317,290	434,771	571,529	475,503
Other liabilities	7,754,760	5,303,242	7,098	4,347	629,398	28,465	73,596	940,758	-	767,856
	601,832,280	129,794,350	69,829,979	72,851,206	69,241,462	77,553,594	75,404,239	82,054,863	23,859,228	1,243,359
Net assets	38,191,534	(31,712,068)	15,104,113	17,474,975	99,306,383	(38,529,680)	(23,582,079)	(26,213,823)	18,535,471	7,809,242
Share capital	11,114,254									
Reserves	10,329,233									
Unappropriated profit	10,414,605									
Non Controlling interest	112,979									
Surplus on revaluation of assets - net of tax	6,220,463									
	38,191,534									



2014

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	34,201,844	-	-	-	-	-	-	-	-	-
Balances with other banks	4,352,769	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	331,737,516	(1,153,732)	17,671,965	88,066,626	63,536,213	48,610,382	21,708,999	54,617,948	38,168,798	510,517
Advances - net	181,357,100	44,638,796	48,901,441	42,216,394	14,062,095	8,177,109	7,172,775	10,823,653	3,379,453	1,985,384
Operating fixed assets	13,917,781	173,961	316,268	347,736	535,127	915,662	4,050,974	794,953	949,229	5,833,871
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	13,743,430	12,371,607	732,488	183,799	175,871	85,050	41,632	35,958	46,246	70,779
	579,310,440	94,585,245	67,622,062	130,814,555	78,309,306	57,788,203	32,974,380	66,272,412	42,543,726	8,400,551
Liabilities										
Bills payable	7,984,808	7,984,808	-	-	-	-	-	-	-	-
Borrowings	78,455,452	57,530,290	12,411,666	5,085,326	229,366	558,798	348,352	1,391,061	890,593	-
Deposits and other accounts	446,311,464	65,334,621	51,921,852	50,947,532	62,400,893	65,173,349	66,063,574	67,446,943	17,022,600	-
Sub-ordinated loans	3,743,700	-	747,900	600	600	1,200	1,200	2,400	2,989,800	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	2,769,852	(1,061)	33,420	89,670	324,683	215,822	912,148	246,971	323,726	624,473
Other liabilities	7,018,601	5,041,675	52,241	52,509	719,355	4,729	29,940	460,420	-	657,732
	546,283,877	135,890,333	65,167,079	56,185,637	63,674,997	65,953,898	67,355,214	69,547,795	21,226,719	1,282,205
Net assets	33,026,563	(41,305,088)	2,454,983	74,628,918	14,634,309	(8,165,695)	(34,380,834)	(3,275,383)	21,317,007	7,118,346
Share capital	11,114,254									
Reserves	8,760,911									
Unappropriated profit	7,912,345									
Non-controlling interest	113,969									
Surplus on revaluation of assets - net of tax	5,125,084									
	33,026,563									

43.3.2 Maturities of assets and liabilities - based on contractual maturities

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

2015

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	38,577,760	-	-	-	-	-	-	-	-	-
Balances with other banks	3,204,284	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,818,072	3,992,794	-	1,825,278	-	-	-	-	-	-
Investments - net	355,081,488	10,908,662	39,732,567	28,791,085	139,896,481	22,166,308	39,849,310	41,837,033	31,900,042	-
Advances - net	205,858,857	39,969,660	42,984,295	59,958,377	18,775,694	11,804,286	10,478,491	11,256,314	8,128,961	2,502,779
Operating fixed assets	15,782,394	7,490,929	253,135	368,574	674,180	1,235,388	1,067,772	1,254,678	789,808	2,647,930
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	15,700,959	12,978,879	1,554,684	779,671	146,746	111,767	50,823	40,253	38,136	-
	640,023,814	117,122,968	84,524,681	89,897,707	161,318,379	35,317,749	51,446,396	54,388,278	40,856,947	5,150,709
Liabilities										
Bills payable	8,665,462	8,665,462	-	-	-	-	-	-	-	-
Borrowings	62,592,299	39,648,813	11,900,511	7,202,904	210,767	395,866	374,521	781,832	2,077,085	-
Deposits and other accounts	516,197,547	431,153,890	18,409,715	26,107,275	28,328,468	5,057,975	3,659,979	3,480,245	-	-
Sub-ordinated loans	2,994,600	-	-	600	600	1,200	1,200	1,496,400	1,494,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	3,627,612	2,619,417	41,349	60,177	111,908	204,691	182,076	(82,914)	14,835	476,073
Other liabilities	7,754,760	7,276,882	7,098	4,347	300,573	28,465	73,596	63,799	-	-
	601,832,280	489,364,464	30,358,673	33,375,303	28,952,316	5,688,197	4,291,372	5,739,362	3,586,520	476,073
Net assets	38,191,534	(372,241,496)	54,166,008	56,522,404	132,366,063	29,629,552	47,155,024	48,648,916	37,270,427	4,674,636
Share capital	11,114,254									
Reserves	10,329,233									
Unappropriated profit	10,414,605									
Non Controlling interest	112,979									
Surplus on revaluation of assets - net of tax	6,220,463									
	38,191,534									



2014

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	34,201,844	-	-	-	-	-	-	-	-	-
Balances with other banks	4,352,769	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	331,737,516	8,000,914	17,666,725	87,928,986	57,060,345	48,339,562	21,575,818	54,032,275	37,152,891	-
Advances - net	181,357,100	44,638,796	48,901,441	42,216,394	14,062,085	8,177,109	7,172,775	10,823,653	3,379,453	1,965,384
Operating fixed assets	13,917,781	6,880,605	177,385	259,487	485,824	810,993	640,947	794,953	949,229	2,918,358
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	13,743,430	12,530,830	716,191	158,528	128,996	85,050	41,632	35,958	46,245	-
	579,310,440	110,605,758	67,451,742	130,563,395	71,727,260	57,412,714	29,431,172	65,686,839	41,527,818	4,903,742
Liabilities										
Bills payable	7,984,808	7,984,808	-	-	-	-	-	-	-	-
Borrowings	78,455,452	57,530,290	12,411,666	5,095,326	229,366	558,798	348,352	1,391,061	890,593	-
Deposits and other accounts	446,311,464	371,741,363	17,876,659	16,902,339	28,355,801	3,892,001	4,782,226	2,761,075	-	-
Sub-ordinated loans	3,743,700	-	747,900	600	600	1,200	1,200	2,400	2,989,800	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	2,769,852	1,826,438	24,995	36,806	65,912	102,279	77,050	42,020	(31,942)	626,194
Other liabilities	7,018,601	6,402,431	48,641	12,351	495,300	4,729	29,940	25,209	-	-
	546,283,877	445,485,330	31,109,861	22,047,422	29,146,979	4,559,007	5,238,768	4,221,765	3,948,551	626,194
Net assets	33,026,563	(334,879,572)	36,341,881	108,515,973	42,580,281	52,853,707	24,192,404	61,465,074	37,679,267	4,277,548
Share capital	11,114,254									
Reserves	8,760,911									
Unappropriated profit	7,912,345									
Non-controlling interest	113,969									
Surplus on revaluation of assets - net of tax	5,125,084									
	33,026,563									



43.4 Equity position risk in the banking book – Basel Specific

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

Equity position risk

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

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

43.5 Operational risk

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

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

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

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

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

Operational risk disclosures – Basel Specific

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



44. ISLAMIC BANKING BUSINESS

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

44.1.1 STATEMENT OF FINANCIAL POSITION

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



44.1.1.1 Islamic financing and related assets

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

44.1.1.2 Islamic mode of financing

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

44.2 PROFIT AND LOSS ACCOUNT

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



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

44.5 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

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

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

Parameters associated with risk and rewards:

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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



45. SUBSEQUENT EVENT

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

46. GENERAL

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

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

47. DATE OF AUTHORISATION

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

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director



Annexure-1

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

(Rupees in '000)

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

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



Report of Shariah Board as at 31 December 2015

In the name of Allah, the Beneficent, the Merciful

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

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

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

MUFTI MUHAMMAD SARFARAZ NIHAL
Resident Shariah Board Member

MUFTI MOHIB UL HAQ
Member Shariah Board

MUFTI ISMATULLAH HAMDULLAH
Chairman Shariah Board

Karachi: January 27, 2016



Branch Network

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

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

Overseas Branches

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

Representative Offices

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

Principal Office

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

Registered Office

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

SWIFT CODE : BAHLPKKA website : www.bankalhabib.com



Form of Proxy

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

I/We _____ of _____

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

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

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

No. _____ of _____

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

No. _____ of _____

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

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

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

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

Witnesses:

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

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

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

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

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



مختار نامہ (پراکسی فارم)

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

پانچ روپے مالیت کا
رسیدی ٹکٹ پر دستخط

دستخط ممبر (رکن)

ممبر (رکن) کے دستخط بینک میں رجسٹرڈ شدہ دستخط سے مماثلت رکھتے ہوں اور سی ڈی سی اکاؤنٹ ہولڈرز کے دستخط اُن 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 اور ووٹ دینے کا حق تفویض کر سکتا ہے۔

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

مختار نامہ (پراکسی فارم) پر ممبر (رکن) یا اُن 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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