هٰذَا مِنْ فَضْلِ رَبِّیْ

Bank AL Habib

VISION STATEMENT

TO BE OUR CUSTOMERS' MOST CONVENIENT
AND TRUSTED BANK

MISSION STATEMENT

TO MAKE BANKING SAFE, SIMPLE, AND PLEASANT

CORPORATE INFORMATION

Board of Directors	Abbas D. Habib	*Chairman*
	Adnan Afridi	
	Anwar Haji Karim	
	Arshad Nasar	
	Farhana Mowjee Khan	
	Javed Iqbal	
	Mohammad Rafiquddin Mehkari	
	Murtaza H. Habib	
	Qumail R. Habib	*Executive Director*
	Syed Mazhar Abbas	
	Mansoor Ali Khan	*Chief Executive*
Audit Committee	Mohammad Rafiquddin Mehkari	*Chairman*
	Anwar Haji Karim	Member
	Arshad Nasar	Member
	Farhana Mowjee Khan	Member
	Syed Mazhar Abbas	Member
Human Resource & Remuneration Committee	Arshad Nasar	*Chairman*
	Abbas D. Habib	Member
	Farhana Mowjee Khan	Member
	Murtaza H. Habib	Member
	Syed Mazhar Abbas	Member
Credit Risk Management Committee	Syed Mazhar Abbas	*Chairman*
	Arshad Nasar	Member
	Mohammad Rafiquddin Mehkari	Member
	Murtaza H. Habib	Member
	Qumail R. Habib	Member
Risk Management Committee	Adnan Afridi	*Chairman*
	Anwar Haji Karim	Member
	Farhana Mowjee Khan	Member
	Mohammad Rafiquddin Mehkari	Member
	Qumail R. Habib	Member
IT Committee	Abbas D. Habib	*Chairman*
	Arshad Nasar	Member
	Javed Iqbal	Member
	Qumail R. Habib	Member
	Mansoor Ali Khan	Member
IFRS 9 Committee	Arshad Nasar	*Chairman*
	Farhana Mowjee Khan	Member
	Qumail R. Habib	Member
Company Secretary	Mohammad Taqi Lakhani	

Chief Financial Officer	Ashar Husain
Statutory Auditors	EY Ford Rhodes Chartered Accountants
Legal Advisor	LMA Ebrahim Hosain Barristers, Advocates & Corporate Legal Consultants
Registered Office	126-C, Old Bahawalpur Road, Multan
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi
Share Registrar	CDC Share Registrar Services Limited CDC House 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400.
Website	www.bankalhabib.com

CONTENTS

Bank AL Habib

HISTORY

1891

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

1896

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

1941

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

1947

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

1947-1973

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

1974

Habib Bank was nationalized along with other Pakistani banks.

1991

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

1992

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

2017

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

2022

Bank AL Habib Limited achieved asset base of Rs. 2.27 trillion, deposits of Rs. 1.57 trillion, profit before tax of Rs. 32.9 billion, and a network of 1,079 branches in 437 cities worldwide.

HIGHLIGHTS YEAR 2022

Total Assets
PKR 2.27 Tr

Deposits
PKR 1.57 Tr

Profit before tax
PKR 32.9 Bn

Awards
Trade and Supply Chain Finance Program (TSCFP) Award 2022 from Asian Development Bank

Total Network
1079
Branches & Sub-Branches

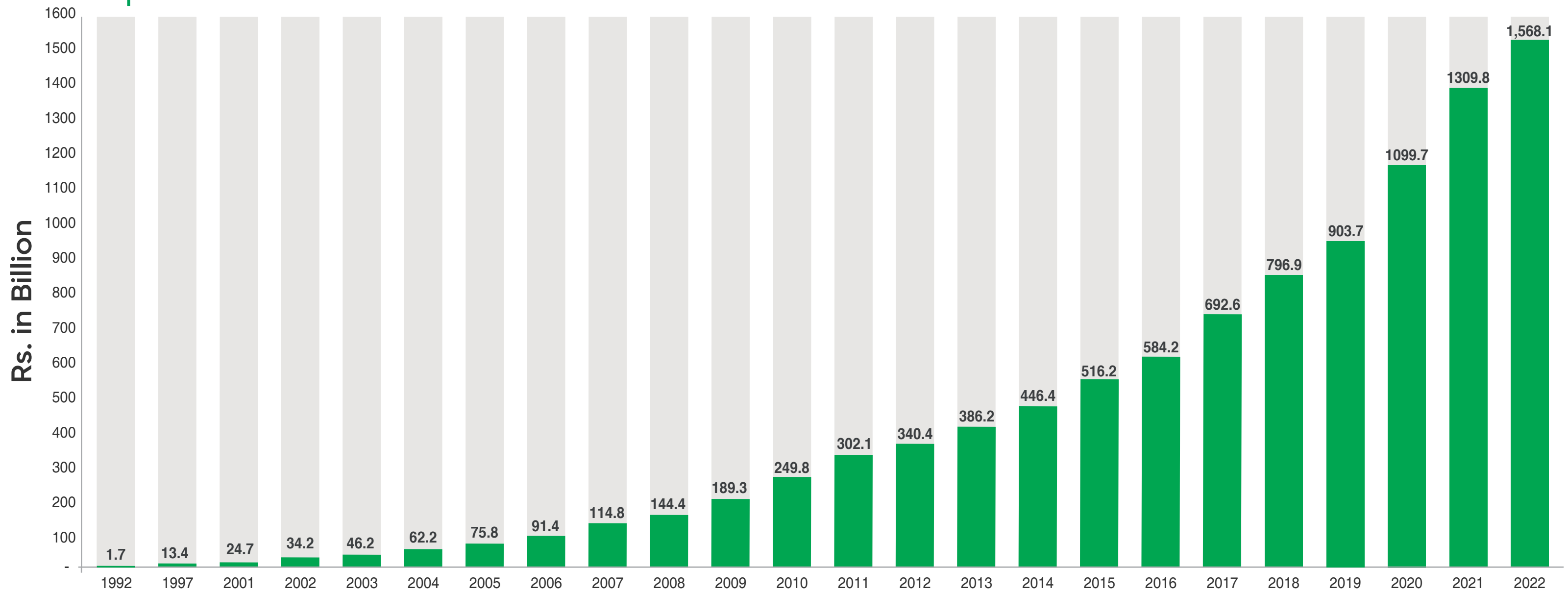
Domestic ATM Network
Over 1300+
Onsite & Offsite

Total Cities Served
435
in Pakistan

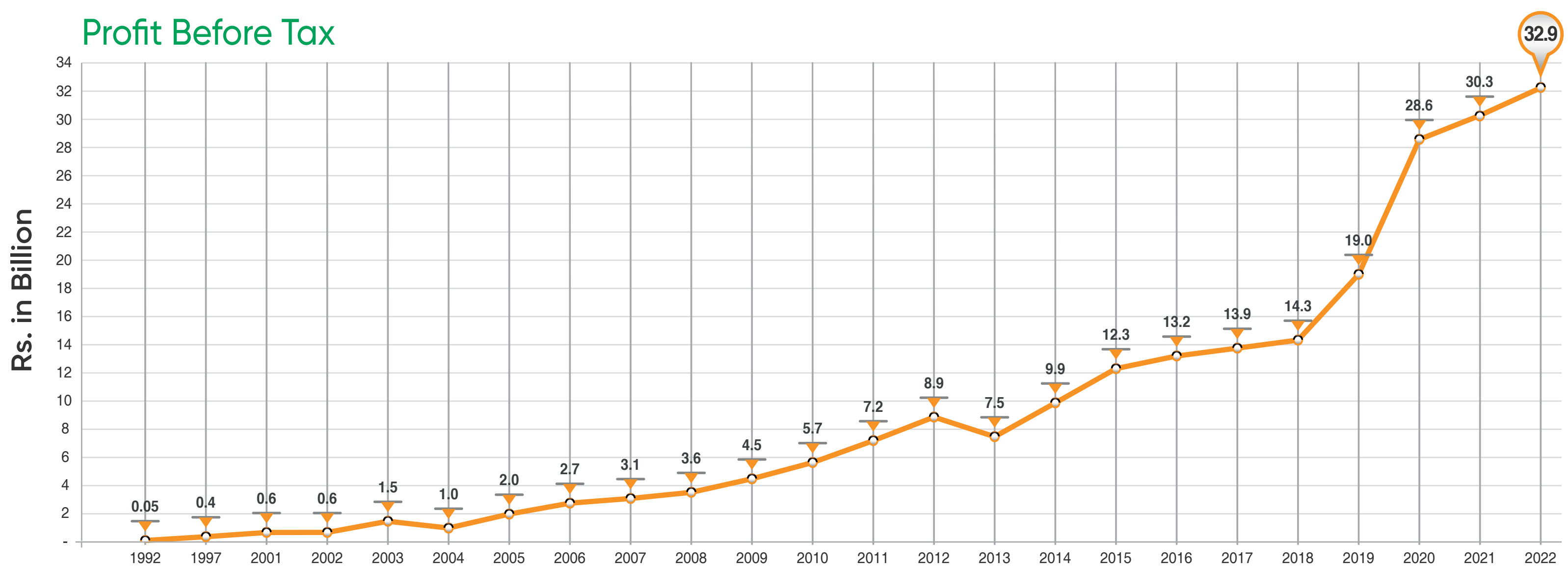
Total Foreign Branches and Representative Offices
6
Countries Across the Globe

PERFORMANCE 1992-2022

Deposits

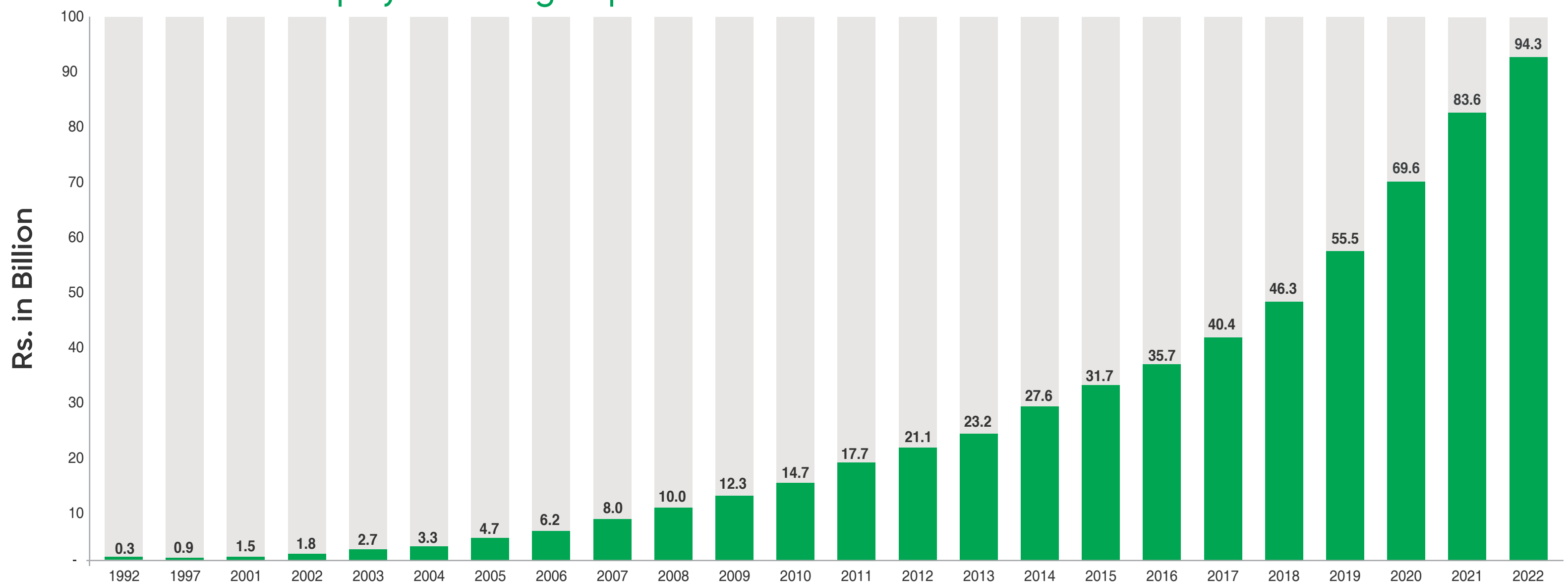


Profit Before Tax

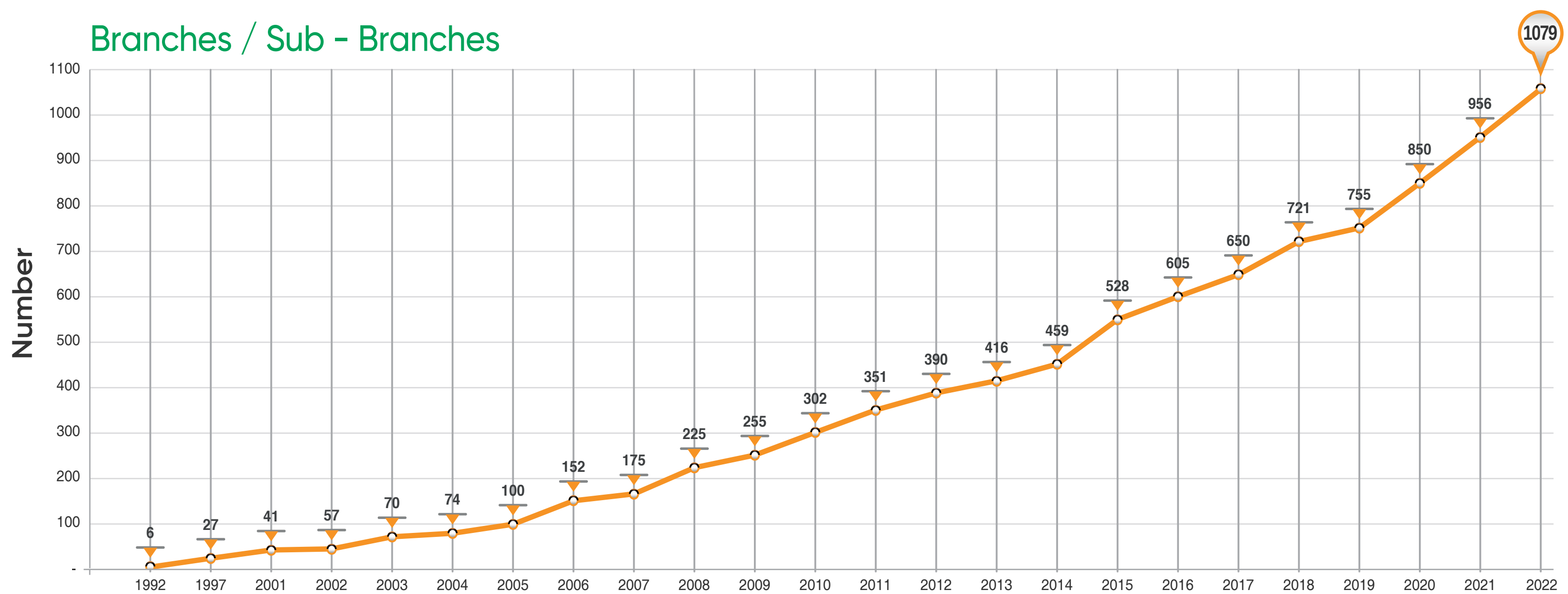


PERFORMANCE 1992-2022

Shareholders' Equity excluding surplus on revaluation of assets



Branches / Sub - Branches



Bank AL Habib

Performance 1992-2022

(Rupees in Million)

Years	Assets	Deposits	Advances	Investments	Shareholders' Equity excluding surplus on revaluation of assets	Profit Before Tax	Profit After Tax	Cash Dividend	Stock Dividend
1992	2,727	1,679	607	1,060	325	51	25	–	–
1993	5,590	3,372	1,647	1,907	421	151	96	–	–
1994	8,346	5,200	3,067	1,932	528	224	107	–	–
1995	11,395	6,353	4,254	2,055	611	255	127	15.0%	–
1996	11,248	8,573	5,664	2,489	718	341	153	15.0%	10.0%
1997	16,515	13,445	7,372	7,440	851	442	199	20.0%	15.0%
1998	16,897	13,226	7,564	6,999	1,016	445	203	10.0%	32.0%
1999	19,870	14,113	10,925	4,601	1,169	373	153	–	20.0%
2000	24,226	17,823	14,722	1,289	1,322	403	153	–	20.0%
2001	29,025	24,697	15,902	5,664	1,532	551	246	5.0%	20.0%
2002	49,437	34,240	23,775	18,831	1,822	620	290	–	25.0%
2003	58,066	46,178	35,232	14,109	2,726	1,513	1,012	10.0%	25.0%
2004	77,436	62,171	47,367	14,414	3,274	1,039	541	–	35.0%
2005	91,502	75,796	55,304	19,758	4,746	2,022	1,464	15.0%	40.0%
2006	114,998	91,420	70,796	21,023	6,186	2,689	1,761	15.0%	40.0%
2007	141,234	114,819	79,224	35,287	8,014	3,052	2,211	15.0%	30.0%
2008	177,324	144,390	100,197	48,234	9,967	3,579	2,425	12.5%	27.5%
2009	249,807	189,280	105,985	111,018	12,287	4,512	2,856	20.0%	20.0%
2010	301,552	249,774	125,773	137,168	14,706	5,656	3,602	20.0%	20.0%
2011	384,282	302,099	114,872	222,959	17,723	7,155	4,533	25.0%	15.0%
2012	453,106	340,393	147,869	249,754	21,058	8,878	5,455	30.0%	–
2013	460,727	386,161	167,579	239,753	23,227	7,513	5,155	20.0%	10.0%
2014	579,394	446,409	181,737	331,423	27,555	9,917	6,349	30.0%	–
2015	639,973	516,213	207,289	356,649	31,698	12,332	7,405	35.0%	–
2016	768,018	584,172	261,440	405,028	35,673	13,164	8,119	35.0%	–
2017	944,134	692,576	339,833	476,125	40,409	13,890	8,501	30.0%	–
2018	1,048,239	796,901	478,215	414,605	46,283	14,264	8,418	25.0%	–
2019	1,298,682	903,703	488,669	586,141	55,489	19,011	11,169	35.0%	–
2020	1,522,091	1,099,686	510,252	764,944	69,570	28,581	17,812	45.0%	–
2021	1,849,652	1,309,823	733,799	826,600	83,569	30,273	18,702	70.0%	–
2022	2,272,068	1,568,138	813,535	1,158,521	94,344	32,884	16,570	70.0%	–

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

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

The Board has approved a formal performance evaluation process of the Board & its Sub Committees. The Bank has adopted In-House Approach and Quantitative Technique with scored questionnaires for Board evaluation.

Accordingly, performance evaluation of the Board was conducted in 2022 as per mechanism approved by the Board. It was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Bank's objective, was found to be generally satisfactory.

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

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

Abbas D. Habib
Chairman
Board of Directors

Karachi: February 15, 2023

DIRECTORS' REPORT

Alhamdolillah, the Directors of Bank AL Habib Limited are pleased to present the Thirty Second Annual Report together with the audited financial statements of the Bank for the year ended December 31, 2022.

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

	(Rupees in '000)
Profit for the year before tax	32,883,852
Taxation	(16,313,623)
Profit for the year after tax	16,570,229
Unappropriated profit brought forward	51,798,069
Transfer from surplus on revaluation of fixed assets – net of tax	112,572
Other comprehensive income – net of tax	(205,271)
	51,705,370
Profit available for appropriations	68,275,599
Appropriations:	
Transfer to Statutory Reserve	(1,657,023)
Cash dividend – 2021	(7,779,978)
	(9,437,001)
Unappropriated profit carried forward	58,838,598
Basic / Diluted earnings per share – after tax	Rs. 14.91

For the year ended December 31, 2022, the Directors propose a cash dividend of 70%, i.e., Rs. 7.0 per share.

Performance Review

Alhamdolillah, the performance of your Bank continued to be satisfactory during the year. Deposits rose to Rs. 1,568.1 billion against Rs. 1,309.8 billion a year earlier, while advances increased to Rs. 813.5 billion from Rs. 733.8 billion. Foreign Trade Business handled by the Bank during the year was Rs. 2,879.7 billion. Profit before tax for the year was Rs. 32.9 billion as compared to Rs. 30.3 billion last year, while profit after tax was Rs. 16.6 billion against Rs. 18.7 billion last year. Profit for the year was affected primarily due to provisioning in sovereign bonds.

During the year, the Bank opened 123 new branches, bringing our network to 1,083, which comprises 1,050 branches (including 178 Islamic Banking Branches and 2 Overseas Branches, one each in Bahrain and Malaysia), 29 sub-branches, and 4 Representative Offices, one each in Dubai, Istanbul, Beijing, and Nairobi. The Bank will continue to expand its network.

In April 2022, the Bank successfully completed its ninth issue of rated, unsecured, and subordinated perpetual Term Finance Certificates (TFCs) amounting to Rs. 7,000 million (inclusive of a “Green Shoe” option of Rs. 3,000 million), through private placement. The said privately placed Tier-1 TFC was managed and arranged by your Bank. Subsequently, it was listed on Pakistan Stock Exchange Limited pursuant to chapter 5C of PSX Rule Book.

Additionally, in December 2022, the Bank also completed its tenth issue of rated, unsecured, and subordinated Term Finance Certificates (TFCs) amounting to Rs. 7,000 million (inclusive of a “Green Shoe” option of Rs. 2,000 million), through private placement. This Tier-2 TFC was also managed and arranged by your Bank.

The ratings of Tier-1 TFC is **AA+** (Double A plus) while Tier-2 TFC is **AAA** (Triple A). These TFCs have further enhanced the Bank's capital adequacy and will also support future growth in our operations.

AWARD AND RECOGNITION

Trade and Supply Chain Finance Program (TSCFP) Award 2022

The Bank has received "Trade and Supply Chain Finance Program (TSCFP) Award 2022" from Asian Development Bank (ADB) as being a Leading Partner Bank in Pakistan. The TSCFP award recognizes the Bank's role in supporting trade in Asia and the Pacific region. This is the third time that the Bank has received the award under this category.

CHANGES IN THE BOARD OF DIRECTORS

- Mr. Safar Ali Lakhani and Syed Hasan Ali Bukhari retired from the Board and did not offer themselves for election as Directors in the year 2022.
- Mr. Javed Iqbal and Mr. Mohammad Rafiquddin Mehkari are the new members on our Board, being elected as Directors in March 2022.

The Board members placed their highest appreciation and gratitude for the invaluable services rendered by Mr. Safar Ali Lakhani and Syed Hasan Ali Bukhari as Directors of the Board, covering a period of around 8 years, during which their participation played an important role in the development and success of the Bank.

COMPOSITION OF BOARD OF DIRECTORS

Total number of Directors are as follows:

• Male	09
• Female	01
	10

The composition of the Board is as follows:

Independent Directors	Mr. Arshad Nasar Mr. Javed Iqbal Mr. Mohammad Rafiquddin Mehkari
Non-Executive Directors	Mr. Abbas D. Habib Mr. Adnan Afridi Mr. Anwar Haji Karim Mr. Murtaza H. Habib Syed Mazhar Abbas
Executive Director	Mr. Qumail R. Habib
Female Director-Non Executive	Ms. Farhana Mowjee Khan

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

Board Meetings

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

Name of Director	Meetings Held	Meetings Attended
Mr. Abbas D. Habib	4	4
Mr. Adnan Afridi	4	4
Mr. Anwar Haji Karim	4	4
Mr. Arshad Nasar	4	4
Ms. Farhana Mowjee Khan	4	4
Mr. Javed Iqbal*	4	2
Mr. Mohammad Rafiquddin Mehkari*	4	2
Mr. Murtaza H. Habib	4	4
Mr. Qumail R. Habib	4	4
Syed Mazhar Abbas	4	4
Mr. Mansoor Ali Khan, Chief Executive	4	4
Mr. Safar Ali Lakhani**	4	1
Syed Hasan Ali Bukhari**	4	1

* Mr. Javed Iqbal and Mr. Mohammad Rafiquddin Mehkari attended all meetings after their appointment as Directors of the Bank.

** Mr. Safar Ali Lakhani and Syed Hasan Ali Bukhari retired from the Board.

Committees Meetings

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires the Bank to disclose the composition of all Committees of the Board, viz. Audit Committee, Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee.

During the year, seven meetings of the Audit Committee, six meetings of Credit Risk Management Committee and four meetings of Human Resource & Remuneration Committee, Risk Management Committee, IT Committee, and IFRS 9 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. Mohammad Rafiquddin, Mehkari, Chairman*	7	4	Mr. Arshad Nasar, Chairman	4	4
Mr. Anwar Haji Karim	7	7	Mr. Abbas D. Habib	4	4
Mr. Arshad Nasar	7	7	Ms. Farhana Mowjee Khan	4	4
Ms. Farhana Mowjee Khan*	7	4	Mr. Murtaza H. Habib***	4	2
Syed Mazhar Abbas	7	7	Syed Mazhar Abbas	4	4
Mr. Safar Ali Lakhani**	7	2	Syed Hasan Ali Bukhari**	4	1
Syed Hasan Ali Bukhari**	7	2			

* Mr. Mohammad Rafiquddin Mehkari and Ms. Farhana Mowjee Khan attended all Audit Committee meetings after their nominations.

** Mr. Safar Ali Lakhani ceased to be the member of Audit Committee during the year. He attended all meetings of Audit Committee while he was its member.

Syed Hasan Ali Bukhari ceased to be the member of Audit Committee and Human Resource & Remuneration Committee during the year. He attended all meetings of Audit Committee and Human Resource & Remuneration Committee while he was member of the committees.

*** Mr. Murtaza H. Habib attended all Human Resource & Remuneration Committee meetings after his nomination.

Credit Risk Management Committee			Risk Management Committee		
Name of Director	**Meetings Held**	**Meetings Attended**	**Name of Director**	**Meetings Held**	**Meetings Attended**
Syed Mazhar Abbas, Chairman	6	6	Mr. Adnan Afridi, Chairman	4	4
Mr. Arshad Nasar*	6	4	Mr. Anwar Haji Karim	4	4
Mr. Mohammad Rafiquddin Mehkari**	6	4	Ms. Farhana Mowjee Khan	4	4
Mr. Murtaza H. Habib	6	6	Mr. Mohammad Rafiquddin Mehkari**	4	2
Mr. Qumail R. Habib	6	6			
Syed Hasan Ali Bukhari***	6	1	Mr. Qumail R. Habib	4	3
Mr. Safar Ali Lakhani****	6	1	Mr. Safar Ali Lakhani****	4	1

* Mr. Arshad Nasar attended all Credit Risk Management Committee meetings after his nomination.

** Mr. Mohammad Rafiquddin Mehkari attended all Credit Risk Management Committee and Risk Management Committee meetings after his nomination.

*** Syed Hasan Ali Bukhari ceased to be the member of Credit Risk Management Committee during the year. He attended all meetings of Credit Risk Management Committee while he was its member.

**** Mr. Safar Ali Lakhani ceased to be the member of Credit Risk Management Committee and Risk Management Committee during the year. He attended all meetings of Credit Risk Management Committee and Risk Management Committee while he was member of the committees.

IT Committee			IFRS 9 Committee		
Name of Director	**Meetings Held**	**Meetings Attended**	**Name of Director**	**Meetings Held**	**Meetings Attended**
Mr. Abbas D. Habib, Chairman	4	4	Mr. Arshad Nasar, Chairman	4	4
Mr. Arshad Nasar	4	4	Mr. Qumail R. Habib	4	3
Mr. Javed Iqbal*	4	2	Syed Hasan Ali Bukhari***	4	1
Mr. Qumail R. Habib	4	3			
Mr. Mansoor Ali Khan	4	4			
Syed Mazhar Abbas**	4	2			

* Mr. Javed Iqbal attended all IT Committee meetings after his nomination.

** Syed Mazhar Abbas ceased to be the member of IT Committee during the year. He attended all meetings of IT Committee while he was its member.

*** Syed Hasan Ali Bukhari ceased to be the member of IFRS 9 Committee during the year. He attended all meetings of IFRS 9 Committee while he was its member.

Directors Training Programme

Directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.

Directors' Remuneration Policy

The shareholders of the Bank have approved a 'Policy & Procedure for Fixing Remuneration of Directors', which states that:

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

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

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

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

Credit Rating

Alhamdolillah, Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term entity and short term entity ratings at **AAA** (Triple A) and **A1+** (A One plus), respectively. This long term credit rating **AAA** (Triple A) denotes the highest credit quality with the lowest expectation of credit risk, and indicates exceptionally strong capacity for timely payment of financial commitments.

The ratings of our unsecured, subordinated Term Finance Certificates (TFCs) are **AAA** (Triple A) for TFC-2018, TFC-2021 and TFC-2022, and **AA+** (Double A plus) for TFC-2017 (perpetual) and TFC-2022 (perpetual). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

Future Outlook

In the fiscal year 2022, GDP of Pakistan recorded a growth of 6%. It was broad-based growth across all sectors - agriculture, industry, and services. Growth in large-scale manufacturing was particularly impressive at over 10%.

Soon after, current account and budget deficits rose to high levels and the country's foreign exchange reserves declined significantly, mainly because of increase in current account deficit and external debt repayments.

The current year, 2023, will be a very challenging for the country due to decline in foreign exchange reserves, depreciation of Pak Rupee, rise in inflation rate and delay in finalization of IMF program. Restrictions on import of raw materials may adversely affect the industrial production and consequently the GDP growth rate is likely to decline significantly. The Government and the State Bank are taking fiscal and monetary measures, together with ensuring compliance of the IMF program, with the aim of stabilizing the economy.

Given the Bank's consistent conservative approach, our emphasis during the year will be on consolidation combined with prudent growth and vigilant monitoring, which will InshaAllah enable us to steer through these difficult times.

Auditors

The present auditors EY Ford Rhodes, Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the Bank for the year ending December 31, 2023, at a fee to be mutually agreed.

Risk Management Framework

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

- Credit risk is managed through the credit policies approved by the Board; a well-defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of credit facilities; and continuous assessment of credit worthiness of counterparties. The Bank has also established a mechanism for independent, post-disbursement review of large credit risk exposures. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.

- Market risk is managed through the market risk policy and treasury & investment policy approved by the Board; approval of counterparty limits and dealer limits; and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Bank, which is monitored on daily basis by the Treasury and the Middle Office. Decisions regarding the investment portfolio are taken mainly by ALCO. Risk Management Committee of the Board provides overall guidance in managing the Bank's market and liquidity risks, capital adequacy, and integrated risk management (also known as enterprise risk management).

- Operational risk is managed through the audit policy, the operational risk policy, the compliance policy & programme, IT and IT security policies, human resource policy, consumer protection framework, and outsourcing policy approved by the Board, along with the fraud prevention policy; consumer grievance handling policy; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; a Business Continuity Plan, including a Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

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

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

Corporate Social Responsibility (CSR)

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

- corporate philanthropy amounting to Rs. 771.23 million by way of donations & charities during the year for social and educational development and welfare of people;
- energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and "No Smoking Zone", and providing a safe and healthy work environment;
- business ethics and anti-corruption measures, requiring all staff members to comply with the Bank's "Code of Conduct" and "Anti-Bribery and Corruption Policy".
- 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. 20.11 billion paid to the Government of Pakistan during the year; furthermore, an additional amount of over Rs. 29.78 billion was deducted/collected by the Bank on account of withholding taxes, federal excise duties and sales tax on services, and paid to the Government of Pakistan/Provincial Governments.
- During the last five years, the Bank has disbursed Rs. 7.3 million under the Prime Minister's Youth Business Loan programme.

Statement on Corporate and Financial Reporting

1. The financial statements, prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account have been maintained by the Bank.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements; changes, if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored. The Board's endorsement of the management's evaluation related to Internal Control over Financial Reporting, along with endorsement of overall Internal Controls is given on page 32.
6. Going concern assumption is appropriate. There is no identifiable material uncertainty that raises doubt about the ability of the Bank to continue as a going concern.
7. Key operating and financial data for last six years are summarized below:

(Rupees in million)

	2022	**2021**	**2020**	**2019**	**2018**	**2017**
Total customer deposits	1,568,138	1,309,823	1,099,686	903,703	796,901	692,576
Total advances	813,535	733,799	510,252	488,669	478,215	339,833
Profit before tax	32,884	30,273	28,581	19,011	14,264	13,890
Profit after tax	16,570	18,702	17,812	11,169	8,418	8,501
Shareholders' Equity (Excluding revaluation)	94,344	83,569	69,570	55,489	46,283	40,409
Earnings per share (Rs.)	14.91	16.83	16.03	10.05	7.57	7.65
Cash Dividend (%)	70	70	45	35	25	30

8. Value of investments of Provident Fund and Gratuity Fund Schemes based on latest audited financial statements as at December 31, 2021 was as follows:

	(Rupees in '000)
Provident Fund	9,261,904
Gratuity Fund	4,134,826

9. The pattern of shareholding and additional information regarding pattern of shareholding is given on pages 137, 138 & 139.

10. The Board has approved a formal process for its performance evaluation. The Bank has adopted In-House Approach and Quantitative Technique with scored questionnaires for Board evaluation. Scope of Board evaluation covers evaluation of the full Board, Individual Directors, Board Committees, the Chairman, and the Chief Executive. Consolidated results/findings will be discussed with the relevant parties. Any areas of improvement identified during the evaluation will be noted for appropriate action. Evaluation process for each calendar year will be completed latest by March 31 of the next year. Additionally, performance evaluation of the Board will be conducted by an external independent evaluator at least every three years. We have appointed Pakistan Institute of Corporate Governance (PICG) for external independent evaluation of the Board.

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

11. No trade in the shares of the Bank was carried out by the Directors, CEO, CFO, Head of Internal Audit, Company Secretary, and Executives and their spouses and minor children, during the year, except the following:

    - 2,215 shares sold by an Executive.

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

General

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

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 15, 2023

CORPORATE GOVERNANCE

Corporate Governance Culture

Habib Family has been engaged in the business of banking for over 80 years, and is well known for commitment to its traditional values of integrity, prudence, and trust. We are committed to continue all our business activities as per highest ethical and professional standards and practices. We ensure good corporate governance culture by remaining true to our values and by following the Corporate Governance Regulatory Framework (CGRF) issued by the State Bank of Pakistan and the Code of Corporate Governance Regulations issued by the Securities & Exchange Commission of Pakistan. Board of Directors of the Bank comprises reputable businessmen, bankers, professional managers, and chartered accountants, representing a range of industries. They carry out their fiduciary duties to protect the interests of shareholders, depositors, and creditors, and exercise their independent judgement in the best interests of the Bank. We have clearly defined the responsibilities of the Board, Chief Executive, and Senior Management.

Nomination and Selection of Board Members

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

Profile of Board Members

1. Mr. Abbas D. Habib – Chairman

Mr. Abbas D. Habib, Founder Member & Chairman of the Board, has over 50 years' commercial, industrial and banking experience in the domestic and international markets. He is a Fellow Member of the Institute of Bankers, Pakistan. He has held senior management positions with various organizations of the Habib Group and gained international banking experience. Upon the inception of Bank AL Habib Limited in 1991, he became its Director and Joint Managing Director. He assumed responsibilities as Managing Director and Chief Executive of the Bank on May 8, 1994 and served in that position till October 31, 2016. He has been on the Board of Habib Insurance Company Limited since June 13, 2000. He became Chairman of Bank AL Habib Limited on November 1, 2016. He is also the Chairman of the Board of AL Habib Asset Management Limited a wholly owned subsidiary of the Bank since August 11, 2020.

2. Mr. Adnan Afridi

Mr. Adnan Afridi holds a Bachelor's degree in Economics and a Juris Doctor degree in Law from Harvard University, USA. He assumed charge as Managing Director, National Investment Trust Limited (NITL) in February 2019. Mr. Afridi has over 28 years' international experience in change management, business transformation, innovation and profitability enhancement in blue chip companies, public sector and start-up situations. He has led a distinguished career in financial services and capital markets, including the position of Managing Director of the Karachi Stock Exchange, CEO of Overseas Chamber of Commerce and Industry (OICCI), Chairman of National Clearing Corporation of Pakistan (NCCPL) and Board of Directors of Central Depository Company (CDC). He is also a member of SECP Policy Board. He represents NITL as a Director on the Boards of several well-known and multinational companies in Pakistan. Mr. Afridi also serves as Vice Chairman of the Board of Governors of The Kidney Center Post Graduate Institute and also as Board member of Shaukat Khanum Memorial Trust. He was also former president of Old Grammarians Society and Board member of Young Presidents' Organization (YPO) as well and currently serving as member of Young Presidents' Organization (YPO) – Gold Pakistan. He joined the Board of Bank AL Habib Limited as a nominee of NITL in April 2019.

3. Mr. Anwar Haji Karim

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

4. Mr. Arshad Nasar

Mr. Arshad Nasar served as Chairman and Chief Executive of Oil & Gas Development Company Ltd (OGDCL) from 2005 - 2008. Under his watch, OGDCL successfully launched a Global Depository Receipt (GDR) issue and was listed on London Stock Exchange. Mr. Nasar previously served as Country Chairman and Managing Director of Caltex Oil (Chevron) Pakistan Ltd from 1998 – 2004, the first Pakistani to lead Caltex Oil in Pakistan. He retired from the Company after 36 years of service. He holds a Master's Degree in Economics and has extensive functional and Management experience in a wide ranging international corporate career spanning more than 40 years. Mr. Nasar has served as Director on the Boards of: Oil & Gas Development Company Limited (OGDCL), Caltex Oil (Chevron) Pakistan Ltd, Engro Corporation Pakistan Ltd, Engro Fertilizer Ltd, Pakistan Industrial Development Corporation (PIDC), Pakistan Refinery Limited (PRL), Mari Gas Company, The American Business Council of Pakistan, and Petroleum Institute of Pakistan. Presently, he is also on the Board of FAST National University of Computer and Emerging Sciences. He joined the Board of Bank AL Habib Limited in March 2016.

5. Ms. Farhana Mowjee Khan

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

6. Mr. Javed Iqbal

Mr. Javed Iqbal holds a Master's degree from University of Manchester, UK, and Master's & Bachelor's degree from Punjab University, and has over 50 years' experience in the field of Information Technology (IT) in various local banks and international organizations. Mr. Javed has served as Chief Information Officer (CIO) in Bank of Punjab, Askari Bank Limited and Allied Bank Limited and earlier as Head of Computer Division in United Bank Limited. He has also served as Director in 1-Link and NIFT. He joined the Board of Bank AL Habib Limited in June 2022.

7. Mr. Mohammad Rafiquddin Mehkari

Mr. Mohammad Rafiquddin Mehkari holds a Bachelor degree and has over 43 years' experience in international and domestic banking. Mr. Mehkari has served as President & Chief Executive of Askari Bank Limited from June 2008 to May 2013. He also served as Director, Exchange Policy Department, State Bank of Pakistan. He carries a varied and versatile banking experience in all banking dimensions including operations, credit, treasury, foreign exchange, fund management and investment banking. He also served as Director on the board of: Askari Investment Management Limited, Khushhali Microfinance Bank Limited, 1- Link Limited, and Export Processing Zone. Mr. Mehkari is currently serving as member of governing board of Imdad foundation, Infaq Foundation and Centre for Development of Social Services. He joined the Board of Bank AL Habib Limited in June 2022.

8. Mr. Murtaza H. Habib

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

9. Mr. Qumail R. Habib – Executive Director

Mr. Qumail R. Habib is a graduate of the University of California in Business Economics and has over 35 years' commercial, industrial, and banking experience. He is a Founder Member of the Board and Executive Director of the Bank since its inception in 1991. Prior to that, he was Resident Director of AL Ghazi Tractors Limited. He has been actively involved with the operations of the Bank since its inception. He is responsible for enhanced oversight on Enterprise Risk and Corporate Strategy, and for monitoring Fraud Investigation Unit. He has been on the Board of Habib Insurance Company Limited since October 03, 2017.

10. Syed Mazhar Abbas

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

Details of Membership on the Bank's & other Boards

Sr. No.	Name of Director	Date of Joining /Leaving the Board (dd/mm/yyyy)	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Number of other Board Memberships along with name of Company(ies)
1	Mr. Abbas D. Habib	15/10/1991	Non-Executive	• Human Resource & Remuneration Committee • IT Committee	1. Habib Insurance Company Limited 2. Habib & Sons (Private) Limited 3. AL Habib Asset Management Limited
2	Mr. Adnan Afridi	17/04/2019	Non-Executive	• Risk Management Committee	1. Dynea Pakistan Limited 2. International Industries Limited 3. Mari Petroleum Company Limited 4. Lotte Chemical Pakistan Limited 5. Siemens (Pakistan) Engineering Limited 6. Biafo Industries Limited
3	Mr. Anwar Haji Karim	15/10/1991	Non-Executive	• Audit Committee • Risk Management Committee	1. AL - Karam Textile Mills (Private) Limited 2. Iqbal Textile Mills (Private) Limited
4	Mr. Arshad Nasar	28/03/2016	Independent	• Audit Committee • Human Resource & Remuneration Committee • Credit Risk Management Committee • IT Committee • IFRS 9 Committee	–
5	Ms. Farhana Mowjee Khan	17/04/2019	Non-Executive	• Audit Committee • Human Resource & Remuneration Committee • Risk Management Committee	1. Razaque Steels (Private) Limited 2. Razaque Sino (Private) Limited 3. Shabbir Tiles and Ceramics Limited
6	Mr. Javed Iqbal	01/06/2022	Independent	• IT Committee	–
7	Mr. Mohammad Rafiquddin Mehkari	01/06/2022	Independent	• Audit Committee • Credit Risk Management Committee • Risk Management Committee	–
8	Mr. Murtaza H. Habib	15/10/1991 to 22/12/1997 and 24/11/1998 to date	Non-Executive	• Human Resource & Remuneration Committee • Credit Risk Management Committee	1. Habib Sugar Mills Limited 2. Habib & Sons (Private) Limited 3. Investment Consultancy (Private) Limited 4. Habib Capital Management (Private) Limited 5. Habib Leasing Corporation (Private) Limited 6. Habib Management Services (Private) Limited 7. Habib Energy (Private) Limited 8. HSM Energy Limited
9	Mr. Qumail R. Habib	15/10/1991	Executive	• Credit Risk Management Committee • Risk Management Committee • IT Committee • IFRS 9 Committee	Habib Insurance Company Limited
10	Syed Mazhar Abbas	10/10/2000	Non-Executive	• Audit Committee • Human Resource & Remuneration Committee • Credit Risk Management Committee	–

Appointment of the Shariah Board (SB) Members

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

Casual vacancy

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

Profile of each of the Shariah Board member

Mufti Ismatullah Hamdullah

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

He has been teaching Quran, Hadith, Fiqh, Philosophy and Arabic Grammar in Dar-ul-Uloom since 1993. He has a vast experience in issuing Shariah rulings (Fatwa) and is currently serving Dar-ul-Ifta' of Dar-ul-Uloom. So far, he has issued about 25,000 Fatwas regarding various topics and Shariah issues.

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

Mufti Sahab is Shariah Advisor of AL Habib Asset Management, IGI window Takaful and Pak Qatar Family Takaful Ltd, he is also a Shariah Board member of Pak Qatar Takaful Group.

Mufti Mohib ul Haq

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

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

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

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

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

Mufti Sher Ali

Mufti Sher Ali obtained the degrees of “Shahadat-ul-Aalamiyyah and “Specialization in Ifta wa Fiqhil halal” from Jamiah tur Rasheed, besides having a Masters degree in Islamic Studies from the University of Karachi, while currently he is pursuing his M.Phil. He has an outstanding academic record in both Islamic and Contemporary education throughout his career, winning numerous awards & positions at institution, university and national level. Before becoming Shariah Board member Mufti Sher Ali served in Shariah Compliance Department of BAHL-IB as Shariah Scholar for three years.

Having been a member of the Darul Ifta at Jamia tur Rasheed, he has issued numerous verdicts (Fatawas) on various issues. He also serves as a faculty member at Al –Burhan (An International Academy offering Islamic education for professionals.). He possesses a vast Shariah Compliance experience and command over conducting Shariah review of corporate, SME and consumer post-execution transactions, review of legal documents and internal policies, training and educating branch and corporate banking staff on Islamic Banking & Finance, vetting of investment banking transactions, Shariah review of product manuals and policies etc.

Mufti Muhammad Hamza

Mufti Muhammad Hamza is serving Bank AL Habib – Islamic Banking as Shariah Board Member since September 2021. He has a diverse professional experience in IBIs and Audit Firms. Prior to his joining, he has served as Shariah Scholar (Assistant Manager Shariah Support) in Product Management and Development Department at Faysal Bank Limited-Islamic. He also served as Shariah Consultant in EY Ford Rhodes.

Mufti Muhammad Hamza possesses both contemporary as well as religious academic qualifications. He holds Shahadat-ul-Aalamiyah (Masters in Islamic and Arabic Studies) along with Takhassus Fiqh-ul-Muamlaat (Islamic Commercial Law and Management Science) from Jamia Tur Rasheed, Karachi.

He is also an MBA (Finance) from University of Karachi. Furthermore, he holds “Post Graduate Diploma in Islamic Banking and Takaful” from Centre for Islamic Economics Jamia Darul Uloom Karachi.

He is presently associated with Jamia-tur-Rasheed, Karachi as a Member of Darul Iftaa and lecturer in department of Dars-e-Nizami. Mufti Muhammad Hamza has significant experience of teaching Islamic Jurisprudence (Fiqh) and other related subjects in renowned institutions as Permanent and Visiting Faculty Member such as Jamia tur Rasheed and Al-Burhan international Karachi.

Details of Membership on Bank’s and other Shariah Boards

Sr. No.	Name of Shariah Board Member	Date of Joining /Leaving the Shariah Board (dd/mm/yyyy)	Status of Shariah Board Member	Number of other Shariah Board Memberships along with name of Company(ies)
1	Mufti Ismatullah Hamdullah	08/10/2015	Chairman (Unique)	• Member, Shariah Board - Pak Qatar Takaful Group
2	Mufti Mohib ul Haq	08/10/2015	Member	• Chairman, Shariah Board - Faysal Bank Limited • Member, Shariah Board - Bank Alfalah Limited
3	Mufti Sher Ali	01/07/2021	Resident Member (Unique)	–
4	Mufti Muhammad Hamza	07/10/2021	Member (Unique)	–

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

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires the Bank to disclose the composition of all Committees of the Board, viz. Audit Committee, Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee.

Composition of Board's Committees					
Audit Committee	**Human Resource & Remuneration Committee**	**Credit Risk Management Committee**	**Risk Management Committee**	**IT Committee**	**IFRS 9 Committee**
Mr. Mohammad Rafiquddin Mehkari, Chairman	Mr. Arshad Nasar Chairman	Syed Mazhar Abbas, Chairman	Mr. Adnan Afridi, Chairman	Mr. Abbas D. Habib, Chairman	Mr. Arshad Nasar Chairman
Mr. Anwar Haji Karim	Mr. Abbas D. Habib	Mr. Arshad Nasar	Mr. Anwar Haji Karim	Mr. Arshad Nasar	Mr. Qumail R. Habib
Mr. Arshad Nasar	Ms. Farhana Mowjee Khan	Mr. Mohammad Rafiquddin Mehkari	Ms. Farhana Mowjee Khan	Mr. Javed Iqbal	–
Ms. Farhana Mowjee Khan	Mr. Murtaza H. Habib	Mr. Murtaza H. Habib	Mr. Mohammad Rafiquddin Mehkari	Mr. Mansoor Ali Khan	–
Syed Mazhar Abbas	Syed Mazhar Abbas	Mr. Qumail R. Habib	Mr. Qumail R. Habib	Mr. Qumail R. Habib	–

During the year, seven meetings of the Audit Committee, six meetings of Credit Risk Management Committee and four meetings of Human Resource & Remuneration Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee were held, and the attendance of members were as follows:

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

* Mr. Arshad Nasar attended all Credit Risk Management Committee meetings after his nomination.

** Ms. Farhana Mowjee Khan attended all Audit Committee meetings after her nomination.

*** Mr. Javed Iqbal and Mr. Mohammad Rafiquddin Mehkari attended all Board & Committees meetings after their nominations as Directors.

**** Mr. Murtaza H. Habib attended all Human Resource & Remuneration Committee meetings after his nomination.

***** Syed Mazhar Abbas ceased to be the member of IT Committee during the year. He attended all meetings of IT Committee while he was its member.

****** Mr. Safar Ali Lakhani and Syed Hasan Ali Bukhari ceased to be the members of the Board.

TORs of Audit Committee of the Board

The key functions in the TORs include the following:

- Recommend to the Board the appointment / re-appointment of external auditors, their removal, audit fees and provision by external auditors of any services to the Bank in addition to audit of its financial statements for Pakistan Operations and Overseas jurisdictions.
- Discuss with external auditors the major observations arising from interim and final audits and review management letter issued by them and management's response thereto;
- Review quarterly, half-yearly and annual financial statements of the Bank before their publication.
- Review of quarterly, half-yearly and annual financial statements of the Bank, focusing on:
  - Major judgmental areas;
  - Significant adjustments resulting from the audit;
  - the going-concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards;
  - compliance with listing regulations and other statutory and regulatory requirements.
  - review of preliminary announcement of results prior to publication.
  - review of significant related party transactions.
- Appropriate measures to safeguard the Bank's assets.
- Review of implementation of Customer Risk Profile (CRP), Know Your Customers (eKYC), Anti Money Laundering (AML)/Combating Financing Terrorism (CFT), Terrorist Financing (TF), Proliferation Financing (PF), Trade Based Money Laundering (TBML), and sanctioned screening related measures.
- Approve the half-yearly audit planning schedule and the estimated timeframe for completion of various audits;
- Ensure that policies and procedures of the Bank are in line with prevailing banking laws and regulations of the State Bank of Pakistan and other relevant statutory requirement;
- Institute special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body.
- Recommend the development/ amendments in the Bank's Internal Control Systems and Internal Audit Policy, Audit Manual and Internal Audit Strategy to the Board of Directors for approval.
- Review and approve Internal Audit Charter and Internal Audit Risk Assessment Policy.
- Review of periodical reporting made by the Audit Division on significant findings pointed out during the testing of existing key controls relating to Internal Control over Financial Reporting. (ICFR).
- Review the significant audit findings presented by Audit Division in Internal Audit Reports of domestic & overseas operations (Branch Audits, Centralized Credit Audits, Management Audits, Information System Audit, Islamic Banking Branches Audits and Shariah Audits)
- Review the significant findings of Inspection Reports of State Bank of Pakistan, regulators of overseas branches and the status of compliance submitted by the Bank's Management.
- Ensure compliance of the corrective actions as required by Shariah Board on the reports of 'Internal Shariah Audit' and 'External Shariah Audit' as per Shariah Governance Framework for Islamic Banking Institutions.
- Review of quarterly Report of all Shariah Non-Compliance events/transactions.
- Review the reports on internal control system presented by Audit Division on quarterly basis as required under internal control guidelines issued by the State Bank of Pakistan.
- Review of six monthly compliance report on Bank's compliance status, in each jurisdiction, to host country's regulatory requirements and inspection reports etc. as required under SBP Governance Framework for Bank Overseas Operations.
- Review and approve the increments of internal auditors and recommend the performance appraisal and increment / promotion of Head of Internal Audit.
- Approve annual budget of Audit Division for expenditures and staff requirements.

- Coordination between the internal and external auditors of the Bank and review their findings to ensure that necessary steps for implementing their recommendations have been taken.
- Adequacy and effectiveness of internal control systems including financial and operational controls, accounting systems and reporting structure;
- Compliance with the best practices of Corporate Governance;
- Consideration of major findings of internal investigation of activities characterized by fraud, forgeries and misuse of powers and management responses.
- Review of matters relating to operational risk and operational loss event reports including implementation of Operational Risk Framework.
- Review of observations pointed out by the Audit Division during the annual review of BASEL design and implementation.
- Review of Zero Tolerance cases decided by the Disciplinary Action Committee.
- Review of summary of cases investigated by Fraud Investigation Unit (FIU) under Bank's Policy on Employees' Duty to Report (Whistle Blowing Policy).
- Review of summary of cases received and investigated by Fraud Investigation Unit (FIU) under Bank's Anti-Bribery & Corruption Policy.
- Review of the significant audit findings on the Bank's outsourced/insourced arrangements.
- Review of annual report of containing incidents of robbery and dacoity.
- Review of summary of long-outstanding issues / exceptions and the suggested future course of action.
- Consider any other issue or matter as may be assigned by the Board of Directors or required by regulatory authorities.

TORs of Human Resource & Remuneration Committee of the Board

The key functions in the TORs include the following:

- Review and recommend to the Board for approval of Human Resource Policy & Service Rules of the Bank.
- Recommend to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO.
- Recommend to the Board the selection, evaluation, compensation (including retirement benefits) of COO (if any), CFO, Company Secretary, and Head of Internal Audit.
- Consider and approve recommendations of CEO on above matters for key management positions who report directly to CEO or COO (if any).
- Review the manpower budget of the Bank, taking into consideration the expansion programme proposed by the Management.
- Review training activities and management development programmes for employees of the Bank.
- Review total staff strength with cadre and location-wise break-up of employees.
- Review on quarterly basis name-wise details of employees of Senior Chief Manager level and above who have joined on left service of the Bank during the period, along with reasons for their separation.
- Recommend the Remuneration Policy to the Board for approval, ensuring that the Remuneration Policy is fair and competitive, and encourages performance and motivation.
- Recommend to the Board the "structure" of compensation package of Executive Directors, Chief Executive, Key Executives, and other employees, as may be required by the Board.

TORs of Credit Risk Management Committee of the Board

The key functions in the TORs include the following:

- Review from time to time that the Management has put in place effective policies and information systems to identify and mitigate credit risk.
- Review that the Management follows appropriate procedures to recognize adverse trends in the credit portfolio of the Bank, identifies weaknesses in the loan portfolio, takes corrective/remedial actions and maintains an adequate level of provisions for potential loan losses in the light of the requirements of the Prudential Regulations.
- Review and recommend to the Board any changes in the Bank's policies related to credit.

- Review the quality of the Bank's credit portfolio on a quarterly basis through various comparisons / benchmarking, including but not limited to:
  - Industry Benchmarks / Positioning.
  - Diversification of advances by industry, business segment, etc.
  - Concentration of advances in private and public sectors.
  - Movement / changes in advances by region / industry / business segments.
  - Details of large limits approved / enhanced during the quarter, as per the threshold prescribed by the Committee.
  - Maturity profile of the loan portfolio.
  - Review of Non-Performing Loans (NPLs).
  - Review of Watch-List & NPL accounts, as per the threshold prescribed by the Committee.
  - Review / approval of any policy exceptions.
  - Review restructured / rescheduled accounts and written-off advances, as per the threshold prescribed by the Committee.
  - Review any adverse findings of Credit Risk Review Department (CRRD).
- Consider Write Off/Waiver of NPLs up to Rs. 50 million.
- Recommend cases for Write Off/Waiver, exceeding Rs. 50 million, to the Board of Directors for consideration and approval.

TORs of Risk Management Committee of the Board

The key functions in the TORs include the following:

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

Which are reviewed in detail by the Credit Risk Management Committee and the Audit Committee of the Board, respectively.

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

TORs of IT Committee of the Board

The key functions in the TORs include the following:

- Review and recommend the Bank's IT and Digital strategies, relevant policies, frameworks and changes thereof, for the Board's approval.
- Review the role of IT as an enabler to provide competitive advantage and efficient services to customers.
- Review the level of expertise of IT personnel and assess their adequacy in number and skillset as well as continuous professional development.
- Review major IT related risks and ensure that IT Risk Management strategies are designed and implemented to address IT related risks including cyber-attacks and attacks on multiple critical infrastructure sectors in order to achieve resilience.

- Receive periodic updates from IT Steering Committee to monitor all IT related projects, particularly those which are approved by the Board.
- Ensure that IT related procurements are in line with the strategic directions provided by the Board.
- Review and recommend any IT related material outsourcing arrangement including obtaining IT experts' opinion.
- Constitute/reconstitute IT Steering Committee and approve its TORs and any revisions thereof.
- Review the MIS on incidents, logs, breaches and significant incidents on a regular basis.

TORs of IFRS 9 Committee of the Board

The key functions in the TORs include the following:

- Constitution of IFRS 9 Project Steering Committee of management to administer the Project;
- Review and approve Bank AL Habib Limited's transition plan for IFRS 9 implementation;
- Quarterly review of the progress made against the IFRS 9 implementation challenges (resolution plan)
- Ensure smooth implementation of IFRS 9 within the timelines stipulated by State Bank of Pakistan.
- Review of Expected Credit Loss (ECL) and ensure compliance of ECL policy.

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

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

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

TORs of Shariah Board (SB) of the Bank

The key functions in the TORs include the following:

- The SB shall be empowered to consider, decide and supervise all Shariah related matters of Islamic Banking Division. All decisions, rulings, Fatwas of the SB shall be binding on Islamic Banking Division whereas SB shall be responsible and accountable for all its Shariah related decisions.

- The SB shall cause to develop a comprehensive Shariah compliance framework for all areas of operations of the Islamic Banking Division and shall approve all products/services to be offered and/or launched by the Islamic Banking Division.

- The SB shall review and approve all the Islamic Banking Division's procedure manuals, product programs/structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures so that they are in conformity with the rules and principles of Shariah.

- The SB shall have at all reasonable times unhindered access to all books of accounts, records, documents and information from all sources including professional advisors and Bank's employees in the due discharge of its duties.

- Considering the importance of the SB decisions, rulings and Fatwas given by SB, it shall rigorously deliberate on the issue placed before it for consideration before giving any decision/ Fatwa. All such deliberations and rationale for allowing or disallowing a particular product or service shall be duly recorded and documented.

- All reports of internal Shariah audit, external Shariah audit, Shariah compliance reviews and SBP Shariah compliance inspection shall be submitted to the SB for consideration and prescribing appropriate enforcement action. The report of Internal Shariah shall be finalized by the Internal Shariah Audit Unit (ISAU) and the final report shall be submitted to SB for prescribing appropriate enforcement/corrective actions. The SB shall take up the unresolved issues with Management and shall include all significant outstanding issues in its annual report on the Shariah compliance environment of Islamic Banking Division. Moreover, the Head-Shariah Compliance Department and RSBM shall discuss both the significant and unresolved issues with SBP inspection team during their onsite inspection.

- The SB shall also specify the process/procedures for changing, modifying or revisiting Fatwas/rulings/guidelines etc. already issued by SB.
- The SB shall not delegate any of its roles and responsibilities prescribed in Shariah Governance Framework (updated time to time) to any other person or any of its members.
- All the decisions and rulings of the SB of the Bank shall be in conformity with the directives, regulations, instructions and guidelines issued by SBP in accordance with the rulings of Shariah Advisory Committee of SBP.
- The SB shall, in addition to its meetings with the BOD, meet at least on quarterly basis and each member of SB shall attend at least two-thirds of the meetings during a calendar year. Further, in addition to the mandatory quarterly meeting, the Chairperson of SB may convene SB meetings as and when he deems it necessary.
- The quorum of the SB meetings, including that with BOD of the Bank, shall be at least two thirds of Shariah Board members.
- The SB decisions should preferably be made through consensus of the Shariah Board members; however, in case of difference of opinion, the decisions may be made by a majority vote of the Shariah Board members. In the event of equality of votes, the Chairman shall have a second or casting vote.
- All meetings shall be chaired by the Chairman of SB and in his absence one of the Shariah Board members, other than the RSBM, shall be elected as the acting Chairperson to preside over the meeting.
- The agenda of the SB meeting along with sufficient details and documents shall be sent to SB members well in advance enabling them to come prepared to the meeting; the specific timelines for submission of the agenda shall be set by the SB itself.
- The meetings of the SB shall be held by physical presence of the members. However, in appropriate circumstances to be determined by the Chairman of the SB, meetings(s) may be held through video conferencing subject to recording of proper minutes of the meeting.
- The SB shall ensure to cause that minutes of its meetings are properly recorded incorporating necessary details of all deliberations, decisions, rulings and Fatwas issued along with the rationale and difference of opinion or dissenting note, if any. Further, the minutes shall be signed by all the SB members who attended the meeting and a copy thereof be provided to each member of the SB.
- All SB approvals taken through circulation shall be placed for ratification of the SB at its next meeting. A resolution in writing signed by all SB members for the time being and shall be as valid and effective as if it had been ratified at a SB meeting.
- For implementation of the decisions of SB meeting prior to the confirmation of the minutes of the meeting, the approval/ confirmation of the relevant resolution / decision for the specific agenda must be obtained from SB through written consent duly signed by the SB members or through email by the SB members. However, the same shall be ratified in the subsequent meeting of SB.
- The approved / confirmed minutes of meetings of the SB shall be submitted to IBD-SBP within 15 days of its approval/confirmation for information and record. Further, the minutes shall be made available to the BOD, SBP inspection teams, internal auditors and external auditors on request, enabling them to appreciate and understand the rationale and background of the SB rulings, decisions and fatawa.
- The SB shall, based on the findings and reports of internal Shariah audit and external Shariah audit and Shariah compliance review, prepare a report on Islamic Banking Division's Shariah compliance environment and conditions. The minimum requirements for the report shall be as per prescribed Annexure – B of Shariah Governance Framework. The report shall be signed by all the members of the SB. Further, the report shall also be placed before the BOD meeting for discussion and shall be published in English and Urdu translation in the Bank's annual report.

Shariah Board Meetings

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

Name of Member	Meetings Held	Meetings Attended
Mufti Ismatullah Hamdullah, Chairman	4	4
Mufti Mohib ul Haq, Member	4	4
Mufti Sher Ali, Resident Member	4	4
Mufti Muhammad Hamza, Member	4	4

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

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

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

Disclosure relating to the Remuneration Policy:

Key objectives of Remuneration Policy are to:

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

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

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

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

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

Key criteria for evaluation of performance are as follows:

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

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

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

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

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

Independent Directors	Mr. Arshad Nasar Mr. Javed Iqbal Mr. Mohammad Rafiquddin Mehkari
Non - Executive Directors	Mr. Abbas D. Habib Mr. Adnan Afridi Mr. Anwar Haji Karim Mr. Murtaza H. Habib Syed Mazhar Abbas
Executive Director	Mr. Qumail R. Habib
Female Director - Non - Executive	Ms. Farhana Mowjee Khan

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

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.

4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Bank.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Act and these regulations.

7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

9. The Bank is compliant with the requirement of Directors' Training Program provided in these Regulations. Directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

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

A.	Audit Committee	Position
1	Mr. Mohammad Rafiquddin Mehkari	Chairman
2	Mr. Anwar Haji Karim	Member
3	Mr. Arshad Nasar	Member
4	Ms. Farhana Mowjee Khan	Member
5	Syed Mazhar Abbas	Member

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

C.	Credit Risk Management Committee	Position
1	Syed Mazhar Abbas	Chairman
2	Mr. Arshad Nasar	Member
3	Mr. Mohammad Rafiquddin Mehkari	Member
4	Mr. Murtaza H. Habib	Member
5	Mr. Qumail R. Habib	Member

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

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

F.	IFRS 9 Committee	Position
1	Mr. Arshad Nasar	Chairman
2	Mr. Qumail R. Habib	Member

13. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committees for compliance.

14. The frequency of meetings of Board's Committees were as per following:

Board's Committees	Frequency
Audit Committee	Seven meetings held in the year
Human Resource & Remuneration Committee	Four meetings held in the year
Credit Risk Management Committee	Six meetings held in the year
Risk Management Committee	Four meetings held in the year
IT Committee	Four meetings held in the year
IFRS 9 Committee	Four meetings held in the year

15. The Bank has an effective internal audit division that is manned by suitably qualified and experienced personnel. The audit team is conversant with the policies and procedures of the Bank.

16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Bank.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 15, 2023

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Bank AL Habib Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Bank AL Habib Limited (the Bank) for the year ended 31 December 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

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

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2022.

EY Ford Rhodes
Chartered Accountants

Place: Karachi

Date: February 24, 2023

UDIN: CR202210191vYdT7VUZ3

STATEMENT ON INTERNAL CONTROLS

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

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

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

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

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

The Bank has endeavored to follow the guidelines issued by SBP on internal controls. Updation and review of ICFR exercise for the year 2022 as per SBP Guidelines on Internal Controls has been successfully completed. In accordance with SBP directives, the annual assessment report for the year 2022 is being prepared. Evaluation and management of significant risks is an on-going process and we will make further efforts to improve our Internal Control System during 2023.

ASHAR HUSAIN
Chief Financial Officer

ARIF SAEED KHAN
Head of Internal Audit

Karachi: February 15, 2023

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

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

On behalf of the Board of Directors

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 15, 2023

INDEPENDENT AUDITORS' REPORT

To the members of Bank AL Habib Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Bank AL Habib Limited, which comprise the unconsolidated statement of financial position as at 31 December 2022, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with unaudited certified returns received from the branches except for thirty two branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit and loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">1. Expected credit loss (ECL) / impairment provision against investment in foreign currency sovereign bonds</td></tr>
<tr><td>The Bank’s investment portfolio includes a gross carrying value (before provisions) of Rs. 34,520 million in respect of investments in sovereign bonds denominated in foreign currencies that are issued by Pakistan and other countries. These include sovereign bonds with defaulted status as well as other bonds with varying credit ratings.

During the year, the Bank has made an aggregate impairment provisions including expected credit loss (“ECL”) provisions amounting to Rs. 9,356 million in respect of the above portfolio of investments.

Due to the significance of the events impacting the sovereign bonds portfolio, particularly the defaults and deterioration of credit ratings, together with the judgements and estimates involved in determining the impairment / ECL provisions, we have considered this area as a Key Audit Matter.

Please refer to Note 8.3.1 for disclosure in relation to the above referred portfolio and the related provisions.</td><td>We applied the following key audit procedures in respect of impairment / ECL provisions for foreign currency sovereign bonds portfolio:

- We obtained an understanding of the accounting policies and the impairment framework used by the Bank for determining impairment / ECL provisions against this portfolio.

- We assessed ECL methodologies implemented by the Bank in relation to this portfolio by reference to the requirements of IFRS 9. In this regard, we focused on the sources of information underlying the credit ratings and Probability of default assumptions, together with consistency in the application of ECL model.

- In respect of defaulted sovereign bonds, we considered the publicly available information about the countries’ economic conditions, market prices observed post default and available currently.

- We also discussed, with the auditors of overseas operations regarding the adequacy and appropriateness of impairment / ECL provisions, made by the Bank, in line with the applicable regulatory requirements of the relevant jurisdictions.

- We also obtained reports from independent auditors of the relevant jurisdictions based on International Standards of Auditing.

- We also assessed adequacy of disclosures as included in note 8.3.1 to the unconsolidated financial statements regarding the non-performing investments and provisions made for the same in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework.</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
2. Provision against Non Performing loans and advances	
The Bank's advances portfolio represents 35.81% of its total assets as of 31 December 2022. A substantial portion of the advances portfolio includes loans and advances to businesses operating in diverse sectors of the economy. As per the Bank's accounting policy (refer note 4.4 to the unconsolidated financial statements), the Bank determines provisions against non-performing advances exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank. In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against advances as a significant area of audit judgment and a key audit matter. The accounting policy and disclosures relating to provisioning against non-performing advances are included in note 4.4 and 9 respectively to the unconsolidated financial statements.	We applied a range of audit procedures including the following: - We reviewed the Bank's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be. - We have performed procedures on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; - In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Bank and status of litigation, if any, with the borrower; - In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management and the regulatory approvals in place for such policy. - We also assessed adequacy of disclosures as included in note 9 to the unconsolidated financial statements regarding the non-performing advances and provisions made for the same in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and cash flow statement (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

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

EY Ford Rhodes
Chartered Accountants

Place: Karachi

Date: 27 February 2023

UDIN: AR202210191IJGuc1kp3

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022	2021
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**94,163,585**	118,599,741
Balances with other banks	6	**15,067,261**	6,740,008
Lendings to financial institutions	7	**15,568,607**	20,063,828
Investments	8	**1,158,520,697**	826,599,884
Advances	9	**813,534,790**	733,799,311
Fixed assets	10	**62,075,079**	55,692,777
Intangible assets	11	**364,466**	268,246
Deferred tax assets	12	**9,680,840**	2,074,828
Other assets	13	**103,092,411**	85,813,497
		2,272,067,736	1,849,652,120
LIABILITIES			
Bills payable	15	**44,855,837**	29,803,755
Borrowings	16	**418,989,460**	302,212,902
Deposits and other accounts	17	**1,568,138,055**	1,309,823,329
Liabilities against assets subject to finance lease		**–**	–
Subordinated debt	18	**29,991,600**	15,995,200
Deferred tax liabilities		**–**	–
Other liabilities	19	**114,850,833**	101,801,886
		2,176,825,785	1,759,637,072
NET ASSETS		**95,241,951**	90,015,048
REPRESENTED BY			
Share capital	20	**11,114,254**	11,114,254
Reserves		**24,391,414**	20,656,466
Surplus on revaluation of assets	21	**897,685**	6,446,259
Unappropriated profit		**58,838,598**	51,798,069
		95,241,951	90,015,048
CONTINGENCIES AND COMMITMENTS	22		

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022**	2021
		(Rupees in '000)	
Mark-up / return / interest earned	24	**200,920,884**	116,752,195
Mark-up / return / interest expensed	25	**(123,602,087)**	(61,273,215)
Net mark-up / interest income		**77,318,797**	55,478,980
NON MARK - UP / INTEREST INCOME			
Fee and commission income	26	**11,595,102**	9,304,850
Dividend income		**1,342,571**	655,075
Foreign exchange income		**7,241,088**	2,969,917
Income / (loss) from derivatives		**–**	–
Gain / (loss) on securities-net	27	**182,807**	(41,146)
Other income	28	**834,736**	1,138,321
Total non mark-up / interest income		**21,196,304**	14,027,017
Total income		**98,515,101**	69,505,997
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	**(51,787,049)**	(38,624,115)
Workers welfare fund		**(817,029)**	(620,060)
Other charges	30	**(156,435)**	(36,294)
Total non mark-up / interest expenses		**(52,760,513)**	(39,280,469)
Profit before provisions		**45,754,588**	30,225,528
(Provisions) / reversals and write offs - net	31	**(12,870,736)**	47,260
Extra ordinary / unusual items		**–**	–
PROFIT BEFORE TAXATION		**32,883,852**	30,272,788
Taxation	32	**(16,313,623)**	(11,570,489)
PROFIT AFTER TAXATION		**16,570,229**	18,702,299
		(Rupees)	
Basic and diluted earnings per share	33	**14.91**	16.83

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	(Rupees in '000)	
Profit after taxation for the year	**16,570,229**	18,702,299
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	**2,077,925**	533,555
Movement in deficit on revaluation of investments - net of tax	**(4,969,129)**	(3,419,883)
	(2,891,204)	(2,886,328)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	**(205,271)**	(177,387)
Movement in surplus on revaluation of operating fixed assets - net of tax	**(460,864)**	(260,923)
Movement in surplus on revaluation of non banking assets - net of tax	**(6,009)**	(38,979)
	(672,144)	(477,289)
Total comprehensive income	**13,006,881**	15,338,682

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

				Revenue Reserves		Surplus / (deficit) on revaluation of			
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets	Unappropriated Profit	Total
					(Rupees in '000)				
Balance as at 01 January 2021	**11,114,254**	**15,640,821**	**2,123,956**	**126,500**	**540,000**	**2,761,442**	**7,525,042**	**40,024,361**	**79,856,376**
Profit after taxation	–	–	–	–	–	–	–	18,702,299	18,702,299
Other comprehensive income - net of tax	–	–	533,555	–	–	(3,419,883)	(299,902)	(177,387)	(3,363,617)
Total comprehensive income for the year	–	–	533,555	–	–	(3,419,883)	(299,902)	18,524,912	15,338,682
Transfer to statutory reserve	–	1,870,230	–	–	–	–	–	(1,870,230)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	(120,440)	120,440	–
Exchange gain realised on closure of overseas branch - net of tax	–	–	(178,596)	–	–	–	–	–	(178,596)
Transactions with owners, recorded directly in equity									
Final cash dividend (Rs. 4.5 per share)	–	–	–	–	–	–	–	(5,001,414)	(5,001,414)
Balance as at 31 December 2021	**11,114,254**	**17,511,051**	**2,478,915**	**126,500**	**540,000**	**(658,441)**	**7,104,700**	**51,798,069**	**90,015,048**
Profit after taxation	–	–	–	–	–	–	–	16,570,229	16,570,229
Other comprehensive income - net of tax	–	–	2,077,925	–	–	(4,969,129)	(466,873)	(205,271)	(3,563,348)
Total comprehensive income for the year	–	–	2,077,925	–	–	(4,969,129)	(466,873)	16,364,958	13,006,881
Transfer to statutory reserve	–	1,657,023	–	–	–	–	–	(1,657,023)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	(112,572)	112,572	–
Exchange gain realised on closure of overseas branch - net of tax	–	–	–	–	–	–	–	–	–
Transaction with owners, recorded directly in equity									
Final cash dividend (Rs. 7.0 per share)	–	–	–	–	–	–	–	(7,779,978)	(7,779,978)
Balance as at 31 December 2022	**11,114,254**	**19,168,074**	**4,556,840**	**126,500**	**540,000**	**(5,627,570)**	**6,525,255**	**58,838,598**	**95,241,951**

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman

UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**32,883,852**	30,272,788
Less: Dividend income		**(1,342,571)**	(655,075)
		31,541,281	29,617,713
Adjustments:			
Depreciation		**3,569,147**	2,962,305
Depreciation on right-of-use assets		**2,140,431**	1,854,453
Amortisation		**309,061**	306,880
Provisions / (reversals) and write - offs-net		**12,870,721**	(47,260)
Gain on sale of fixed assets-net		**(448,906)**	(460,918)
(Gain) / loss on sale / redemption of securities-net		**(182,807)**	41,146
Charge for compensated absences		**175,616**	155,639
Mark-up expense on lease liability against right-of-use assets		**1,313,510**	1,124,704
Exchange gain realised on closure of overseas branch		**–**	(292,780)
		19,746,773	5,644,169
		51,288,054	35,261,882
Decrease / (increase) in operating assets			
Lendings to financial institutions		**4,495,221**	(17,888,527)
Held - for - trading securities		**(16,500)**	656
Advances		**(83,738,642)**	(223,754,717)
Other assets		**(17,288,675)**	(10,885,386)
		(96,548,596)	(252,527,974)
Increase / (decrease) in operating liabilities			
Bills payable		**15,052,082**	(1,209,466)
Borrowings from financial institutions		**116,642,974**	90,451,133
Deposits and other accounts		**258,314,726**	210,136,968
Other liabilities (excluding current taxation)		**10,233,409**	13,479,937
		400,243,191	312,858,572
		354,982,649	95,592,480
Income tax paid		**(20,107,119)**	(10,511,307)
Net cash flow generated from operating activities		**334,875,530**	85,081,173
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		**(353,129,757)**	(49,058,361)
Net investments in held-to-maturity securities		**459,740**	(11,978,746)
Net investments in associates		**3,203,259**	(5,710,108)
Dividends received		**1,344,165**	666,539
Investments in operating fixed assets		**(9,082,423)**	(14,072,244)
Proceeds from sale of fixed assets		**465,760**	436,082
Exchange differences on translation of net investment in foreign branches		**2,077,925**	354,959
Net cash flow used in investing activities		**(354,661,331)**	(79,361,879)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts of subordinated debt-net		**13,996,400**	1,005,600
Dividend paid		**(7,693,475)**	(4,930,117)
Payment against lease liabilities-net		**(2,759,611)**	(2,215,854)
Net cash flow generated / (used) in financing activities		**3,543,314**	(6,140,371)
Decrease in cash and cash equivalents		**(16,242,487)**	(421,077)
Cash and cash equivalents at beginning of the year	34	**124,979,088**	125,400,165
Cash and cash equivalents at end of the year	34	**108,736,601**	124,979,088

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017) having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 1,050 branches (2021: 927 branches), 29 sub-branches (2021: 29 sub-branches), 04 representative offices (2021: 04 representative offices) and 09 booths (2021: 03 booths). The branch network of the Bank includes 02 overseas branches (2021: 02 overseas branches) and 178 Islamic Banking branches (2021: 138 Islamic Banking branches).

2. BASIS OF PRESENTATION

2.1 These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.

2.3 Key financial information of the Islamic Banking branches is disclosed in annexure II to these unconsolidated financial statements.

2.4 These are separate financial statements of the Bank in which investments in subsidiaries and associates are stated at cost less provision for impairment, if any and are not consolidated or accounted for by using equity method of accounting.

2.5 The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, the unconsolidated financial statements continue to be prepared on the going concern basis.

2.6 Statement of compliance

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

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

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

2.6.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular No. 03 of 2022 dated 05 July 2022 directed the Banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2023. SECP has deferred the applicability of IFRS 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars. In case of overseas branches, IFRS 9 / respective foreign regulatory requirements are considered for recording, classification and valuation of investment.

2.6.3 SBP vide its BPRD Circular No. 04 dated 25 February 2015, has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposits' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP though issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in the preparation of these unconsolidated financial statements.

2.6.4 IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated 10 July 2014 by SECP. However, SECP has directed through S.R.O 56 (I) / 2016 dated 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable incase of investment by companies in mutual funds established under trust structure.

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

The Bank has adopted the accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year, however they do not have an impact on the Bank's financial statements.

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

2.8.1 IFRS 9 'Financial Instruments'

Regulatory Framework applicable to the banking sector

As per SBP BPRD Circular No. 03 of 2022, the effective date for the implementation of IFRS 9 Financial Instruments is accounting period beginning on or after January 1, 2023. As part of the same circular, SBP has issued detailed instructions on the application of the Standard, including transitional provisions, impact on the Capital Adequacy Ratio (CAR) calculation and reporting requirements.

The IFRS 9 application instructions and guidelines that have been issued as part of the circular include the following key components:

a) Basis for classification and measurement of debt and equity securities;
b) Framework for determination of “Expected Credit Losses (ECL)” under the requirements of IFRS 9, including required risk management policies;
c) Credit exposures (in local currency) that have been guaranteed by the Government and Government Securities have been exempted from the application of the above ECL Framework;
d) In respect of non-performing exposures (Stage 3 exposures) provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs’ requirements;
e) In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital and fully described in Annexure B to the aforementioned circular.

The State Bank of Pakistan vide its BPRD Circular No. 02 dated February 9, 2023 has issued revised formats for interim and annual financial statements of the banks for the accounting periods starting from January 01, 2023, which shall include the presentation and disclosures on adoption of IFRS 9 as applicable in Pakistan.

Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022. The estimated ECL adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at January 1, 2023 is reduction in equity of approximately Rs. 1,717 million (without considering general provisions already held).

As at 31 December 2022, the management is carrying a general provision of Rs. 5,750 million (before tax) against loans / advances portfolio on prudent basis. After IFRS 9 implementation, the management of the Bank may decide on the amount of mangement ECL overlay out of the general provision already held.

2.8.2 Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

Standards and amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - Classification of liabilities as current or non-current (Amendments)	January 01, 2023
- IAS 8 - Definition of Accounting Estimates (Amendments)	January 01, 2023
- IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	January 01, 2023
- IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	January 01, 2023
- IFRS 16 - Lease Liability in a Sale and Leaseback (Amendments)	January 01, 2023
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

The above standards, amendments and improvements are not expected to have any material impact on the unconsolidated financial statements of the Bank for the futures periods.

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

Standard	IASB effective date (accounting periods beginning on or after)
- IFRS 1 – First time adoption of IFRSs	January 01, 2009
- IFRS 17 – Insurance Contracts	January 01, 2023

2.9 Critical accounting estimates, judgments and assumptions

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

	Note
Classification and provisioning against investments	4.3, 4.13, 8 & 31
Classification and provisioning against loans and advances	4.4, 9 & 31
Useful lives of fixed, right of use assets and intangible assets, depreciation, amortisation and revaluation	4.5, 10 & 11
Determination of lease term and borrowing rate	4.5, 10 & 19
Non - banking assets acquired in satisfaction of claims	4.6 & 13
Defined benefit plan related assumptions	4.9 & 36
Provisions against off-balance sheet obligations	4.15, 19 & 31
Current and deferred taxation	4.12, 12 & 32

3. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are carried at fair value, certain land and buildings, and non-banking assets acquired in satisfaction of claims are carried at revalued amount. Employee benefits and lease liability against right-of-use assets are carried at present value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year.

4.1 Cash and cash equivalents

Cash and cash equivalents as referred to in the unconsolidated cash flow statement comprise cash and non restricted balances with treasury and other banks less overdrawn nostros accounts. Restricted balances not available for use if any, are excluded from cash and cash equivalents.

4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of lendings and borrowings 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. These are initially recognised at amount of funds received and subsequently reported as payable under the contractual terms.

Purchase under resale obligation

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

Bai Muajjal

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

4.3 Investments

Subsidiaries

Subsidiaries are entities over which the Bank has control. Investment in subsidiaries is stated at cost less provision for impairment, if any.

Associates

Associates are all entities over which the Bank has significant influence but not control. Investment in associates is stated at cost less provision for impairment, if any. Certain mutual funds are managed by the subsidiary company of the Bank and hence, the Bank has significant influence over such funds and therefore, investments in these mutual funds are considered as investment in associates.

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

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

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

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

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

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

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

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

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

Details of valuation techniques used in determination of fair value is included in note 39 of unconsolidated financial statements.

4.4 Advances

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

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

Islamic Financing and Related Assets

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

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

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

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

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

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

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

Provision for non-performing advances
Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of respective central banks is followed in respect of overseas branches and is charged to the profit and loss account. The Bank also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of the management's risk assessment.

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

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

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

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

4.5 Operating fixed assets and depreciation

Capital work in progress

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

Property and equipment - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount less impairment, if any. Buildings are initially measured at cost and upon revaluation, are carried at revalued amount less accumulated depreciation and impairment, if any. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit and loss account on straight line basis so as to charge the assets over their expected useful lives at the rates specified in note 10.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation 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 valuations involve estimates / assumptions and various market factors and conditions. Any revaluation surplus is credited to the surplus on revaluation of land and buildings, except to the extent that it reversal of a deficit already charged to profit and loss account on the same asset. Any revaluation deficit is recognised in profit and loss account, except for a deficit directly offsetting a previous surplus on the same asset recognised in the asset revaluation surplus.

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

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

Leases

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

Bank as a lessee

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

Right-of-use assets

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

The right-of-use assets are presented within note 10 fixed assets and are subject to impairment in line with the Bank's policy as described in note 4.13 impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental lending rate to measure lease liabilities.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 11. Intangible assets are amortised on prorata basis i.e. full month amortisation in the month of purchase and no amortisation in the month of disposal.

4.6 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of assets is credited to the 'surplus on revaluation of Non-banking assets acquired in satisfaction of claims' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalised.

4.7 Borrowings / deposits

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

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

4.8 Subordinated debt

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

4.9 Employees' benefits

Defined benefit plan

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss in subsequent periods. The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 36. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Defined contribution plan

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

Compensated absences

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

4.10 Foreign currencies

Functional and presentation currency

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

Transactions and balances in foreign currencies

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

Foreign operations

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

Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letter of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

Translation gains and losses are included in the profit and loss account.

4.11 Revenue recognition

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

(b) Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.

(c) The rentals from ijarah are recognised as income over the term of the contract net of depreciation expense relating to the ijarah assets.

(d) Income from murabaha is accounted for on a time proportionate basis over the period of murabaha transaction.

(e) Income from istisna and musawama is recognised on time proportionate basis commencing from the time of sale of goods till the realisation of sale proceeds.

(f) Income from diminishing musharaka is recognised on time proportionate basis over the term of contract.

(g) Income from running musharaka financing is recognised on time proportionate basis and is subject to adjustment upon declaration of profit by musharaka partners.

(h) Income from Bai-Muajjal is recognised on time proportionate basis from the date of disbursement to the due date of payment.

(i) Dividend income is recognised when the right to receive is established.

(j) Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.

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

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other Liabilities.

4.12 Taxation

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

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

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

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

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

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

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

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

4.13 Impairment

Investments

Provision for diminution in the investments classified as available-for-sale and held-to-maturity (except for debt securities) is recognised after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities. This determination of what is significant or prolonged requires judgment.

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

Associates and subsidiaries

The carrying values of investments in associates and subsidiaries are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the investments are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account.

Non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the relevant surplus.

4.14 Contingent assets / liabilities

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits are remote.

4.15 Provisions against off - balance sheet obligations

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

4.16 Off setting

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount and the 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. Income and expenses are presented on a net basis only when permitted by the approved accounting standards as applicable in Pakistan.

4.17 Financial assets and liabilities

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

4.18 Derivative financial instruments

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

4.19 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the date of Statement of Financial Position are considered as non adjusting events and are recorded as a liability in the financial statements in the year in which these are approved by shareholders / directors as appropriate.

4.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the 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 2022.

4.21 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

4.22 Business segments

Retail banking

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

Commercial banking

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

4.23 Geographical segments

The Bank operates in three geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific

4.24 Statutory / special reserve

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

Special reserve was created to meet regulatory requirements.

4.25 Provisions against liabilities

These are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision against contingencies is determined based on the management judgement regarding the probability of future out flows of resources embodying economic benefits to settle an obligation arising from past events. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.26 Clients' assets

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

4.27 Acceptances

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

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	**2022**	2021
		(Rupees in '000)	
In hand:			
Local currency		**26,172,039**	25,102,090
Foreign currencies		**1,703,466**	1,731,629
		27,875,505	26,833,719
In transit:			
Local currency		**291,878**	230,555
Foreign currencies		**–**	422
		291,878	230,977
With State Bank of Pakistan in:			
Local currency current accounts	5.1	**53,502,052**	53,360,569
Local currency current accounts - Islamic Banking	5.1	**6,348,266**	5,651,972
Foreign currency deposit accounts			
Cash reserve account	5.1	**4,641,833**	3,733,261
Cash reserve / special cash reserve account - Islamic Banking	5.1	**612,722**	408,717
Special cash reserve account	5.1	**–**	7,466,521
Local collection account	5.2	**552,306**	786,071
		65,657,179	71,407,111
With National Bank of Pakistan in:			
Local currency current account		**189,343**	19,846,650
Prize bonds		**149,680**	281,284
		94,163,585	118,599,741

5.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements. The special cash reserve carries interest rate of 0.12% to 3.14% (2021: Nil) per annum.

5.2 This represents foreign currencies collection account maintained with SBP.

	Note	2022	2021
		(Rupees in '000)	
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current accounts		**91,742**	229,228
In deposit accounts	6.1	**598,867**	557,419
		690,609	786,647
Outside Pakistan:			
In current accounts	6.2	**2,692,451**	4,131,543
In deposit accounts	6.3	**11,684,220**	1,821,822
		14,376,671	5,953,365
		15,067,280	6,740,012
Less: impairment against IFRS 9 in overseas branches		**(19)**	(4)
		15,067,261	6,740,008

6.1 These carry expected profit rates ranging from 2.32% to 14.50% (2021: 2.32% to 7.26%) per annum.

6.2 These carry interest rates upto 0.25% (2021: upto 0.75%) per annum.

6.3 These carry interest rates upto 4.15% (2021: Nil) per annum.

	2022	2021
	(Rupees in '000)	
7. LENDINGS TO FINANCIAL INSTITUTIONS		
In local currency:		
Repurchase agreement lendings (Reverse Repo)	**15,568,607**	20,063,828

7.1 Securities held as collateral against amounts due from financial institutions

	2022			2021		
	Held by Bank	**Further given as collateral**	**Total**	Held by Bank	Further given as collateral	Total
			(Rupees in '000)			
Market Treasury Bills	**15,568,607**	**–**	**15,568,607**	18,343,998	–	18,343,998
Pakistan Investment Bonds	**–**	**–**	**–**	1,719,830	–	1,719,830
	15,568,607	**–**	**15,568,607**	20,063,828	–	20,063,828

7.1.1 Repurchase agreement lendings carry mark-up at rates ranging from 16.00% to 16.25% (2021: 10.00% to 10.75%) per annum.

7.1.2 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 15,593.410 million (2021: 20,120.78 million).

8. INVESTMENTS

8.1 Investments by type:

	Note	2022 Cost / amortised cost	2022 Provision for diminution	2022 Surplus / (deficit)	2022 Carrying value	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value
		(Rupees in '000)							
Held-for-trading securities									
Shares		**99,950**	**–**	**419**	**100,369**	96,835	–	1,641	98,476
Available-for-sale securities	8.3 & 8.4								
Federal Government Securities		**945,653,158**	**(4,841,980)**	**(10,777,066)**	**930,034,112**	594,514,031	(224,825)	(1,277,763)	593,011,443
Shares		**4,579,881**	**(1,889,990)**	**419,533**	**3,109,424**	4,541,805	(1,781,770)	614,262	3,374,297
Non Government Debt Securities		**30,742,543**	**–**	**(87,440)**	**30,655,103**	29,941,356	–	141,257	30,082,613
Foreign Securities		**7,476,045**	**(3,314,354)**	**(43,536)**	**4,118,155**	6,718,457	(947,343)	(853,977)	4,917,137
Units of Mutual Funds		**3,226,022**	**(365,225)**	**615,580**	**3,476,377**	2,176,022	(365,225)	296,808	2,107,605
		991,677,649	**(10,411,549)**	**(9,872,929)**	**971,393,171**	637,891,671	(3,319,163)	(1,079,413)	633,493,095
Held-to-maturity securities	8.3 & 8.5								
Federal Government Securities		**182,266,360**	**(1,739,320)**	**–**	**180,527,040**	182,347,089	(100,982)	–	182,246,107
Foreign Securities		**1,812,862**	**(810,648)**	**–**	**1,002,214**	2,191,873	(77,573)	–	2,114,300
Other		**4,481**	**(4,481)**	**–**	**–**	4,481	(4,481)	–	–
		184,083,703	**(2,554,449)**	**–**	**181,529,254**	184,543,443	(183,036)	–	184,360,407
Associates	8.6	**4,614,653**	**–**	**–**	**4,614,653**	7,764,656	–	–	7,764,656
Subsidiaries	8.7	**883,250**	**–**	**–**	**883,250**	883,250	–	–	883,250
Total Investments		**1,181,359,205**	**(12,965,998)**	**(9,872,510)**	**1,158,520,697**	831,179,855	(3,502,199)	(1,077,772)	826,599,884

8.2 Investments by segments:

	2022 Cost / amortised cost	2022 Provision for diminution	2022 Surplus / (deficit)	2022 Carrying value	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value
Federal Government Securities								
Market Treasury Bills	**123,110,001**	**–**	**(691,755)**	**122,418,246**	123,991,225	–	(374,150)	123,617,075
Pakistan Investment Bonds	**865,540,551**	**–**	**(4,566,329)**	**860,974,222**	534,070,230	–	(591,411)	533,478,819
Foreign Currency Bonds	**22,901,702**	**(5,835,022)**	**(4,751,087)**	**12,315,593**	18,002,018	(312,404)	165,736	17,855,350
Ijarah Sukuks	**106,895,687**	**–**	**(478,887)**	**106,416,800**	86,966,523	–	(489,423)	86,477,100
Sukuks	**4,290,585**	**(746,278)**	**(289,008)**	**3,255,299**	13,023,972	(13,403)	11,485	13,022,054
Naya Pakistan Certificates	**4,852,292**	**–**	**–**	**4,852,292**	807,152	–	–	807,152
Term Finance Certificates - Unlisted	**328,700**	**–**	**–**	**328,700**	–	–	–	–
	1,127,919,518	**(6,581,300)**	**(10,777,066)**	**1,110,561,152**	776,861,120	(325,807)	(1,277,763)	775,257,550
Shares								
Listed Companies	**4,487,629**	**(1,884,290)**	**419,952**	**3,023,291**	4,484,404	(1,776,070)	615,903	3,324,237
Unlisted Companies	**192,202**	**(5,700)**	**–**	**186,502**	154,236	(5,700)	–	148,536
	4,679,831	**(1,889,990)**	**419,952**	**3,209,793**	4,638,640	(1,781,770)	615,903	3,472,773
Non Government Debt Securities								
Listed	**25,602,643**	**–**	**(87,440)**	**25,515,203**	24,768,436	–	141,257	24,909,693
Unlisted	**5,139,900**	**–**	**–**	**5,139,900**	5,172,920	–	–	5,172,920
	30,742,543	**–**	**(87,440)**	**30,655,103**	29,941,356	–	141,257	30,082,613

	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
				(Rupees in '000)				
Others								
Unlisted Company	4,481	(4,481)	–	–	4,481	(4,481)	–	–
Foreign Securities								
Government Securities	9,288,907	(4,125,002)	(43,536)	5,120,369	8,910,330	(1,024,916)	(853,977)	7,031,437
Associates								
AL Habib Money Market Fund	600,000	–	–	600,000	100,000	–	–	100,000
AL Habib Islamic Cash Fund	100,000	–	–	100,000	100,000	–	–	100,000
AL Habib Islamic Savings Fund	100,000	–	–	100,000	100,000	–	–	100,000
AL Habib Income Fund	400,000	–	–	400,000	400,000	–	–	400,000
AL Habib Stock Fund	10,000	–	–	10,000	10,000	–	–	10,000
AL Habib Cash Fund	3,349,997	–	–	3,346,997	7,000,000	–	–	7,000,000
AL Habib Islamic Stock Fund	10,000	–	–	10,000	10,000	–	–	10,000
AL Habib Islamic Income Fund	24,656	–	–	24,656	24,656	–	–	24,656
AL Habib Asset Allocation Fund	20,000	–	–	20,000	20,000	–	–	20,000
	4,614,653	–	–	4,614,653	7,764,656	–	–	7,764,656
Subsidiaries								
AL Habib Capital Markets (Private) Limited	200,000	–	–	200,000	200,000	–	–	200,000
AL Habib Asset Management Limited	683,250	–	–	683,250	683,250	–	–	683,250
	883,250	–	–	883,250	883,250	–	–	883,250
Units of Mutual Funds	3,226,022	(365,225)	615,580	3,476,377	2,176,022	(365,225)	296,808	2,107,605
Total Investments	1,181,359,205	(12,965,998)	(9,872,510)	1,158,520,697	831,179,855	(3,502,199)	(1,077,772)	826,599,884

	2022	2021
	(Rupees in '000)	
8.2.1 Investments given as collateral		
Market Treasury Bills	**71,831,084**	34,993,379
Pakistan Investment Bonds	**154,644,300**	84,993,500
	226,475,384	119,986,879
8.3 Provision for diminution in value of investments		
Opening balance	**3,502,199**	3,634,942
Exchange adjustments against IFRS 9 in overseas branches	**512,063**	144,654
Charge / (reversals)		
Charge for the year	**148,660**	–
Charge / (reversals) of impairment as per IFRS 9 in overseas branches	**8,843,517**	(188,882)
Reversal on disposal	**(40,441)**	(88,515)
	8,951,736	(277,397)
Closing balance	**12,965,998**	3,502,199

8.3.1 Provision against investments includes Expected Credit Losses (ECL) / impairment under IFRS 9 amounting to Rs. 10,706.302 million (2021: Rs. 1,350.723 million) on overseas branches.

The Bank has estimated ECL / impairment provisions based on the IFRS 9 requirements as applicable in the relevant overseas jurisdictions. Under the IFRS 9 model, credit impairment provisions, inter alia, takes into account the credit ratings of the relevant bonds provided by the International rating agencies and the observed Probability of Default information relevant for such credit ratings. In respect of the defaulted bonds, the Bank considers multiple economic scenarios that may emerge in respect of realization from such bonds. For the economic scenarios the Bank used historical experiences from previous sovereign defaults situations as well as market prices currently available for the defaulted bonds. The economic scenarios are probability weighted to arrive at the impairment provision.

8.4 Quality of Available-for-Sale Securities

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

		Cost	
		2022	2021
		(Rupees in '000)	
8.4.1	**Federal Government Securities - Government guaranteed**		
	Market Treasury Bills	**123,110,001**	123,991,225
	Pakistan Investment Bonds	**690,697,368**	367,146,464
	Foreign Currency Bonds	**15,478,525**	12,155,197
	Ijarah Sukuks	**106,895,687**	86,966,523
	Sukuks	**4,290,585**	3,447,470
	Naya Pakistan Certificates	**4,852,292**	807,152
	Term Finance Certificates-Unlisted	**328,700**	–
		945,653,158	594,514,031
8.4.2	**Shares**		
8.4.2.1	**Listed Companies**		
	Automobile Assembler	**199,842**	199,842
	Cement	**362,079**	292,921
	Commercial Banks	**150,024**	150,024
	Fertiliser	**668,530**	923,380
	Food and Personal Care Products	**–**	23,211
	Insurance	**29,975**	29,975
	Securities Companies	**92,509**	92,509
	Oil and Gas Exploration Companies	**175,366**	–
	Oil and Gas Marketing Companies	**788,541**	788,541
	Paper and Board	**38,264**	38,264
	Pharmaceuticals	**21,775**	21,775
	Power Generation and Distribution	**1,624,300**	1,590,653
	Technology and Communication	**13,140**	13,140
	Textile Composite	**40,644**	40,644
	Sugar and Allied Industries	**182,690**	182,690
		4,387,679	4,387,569

8.4.2.2 Unlisted Companies	Break up value	2022 Cost	2022 Breakup value	2021 Cost	2021 Breakup value
			(Rupees in '000)		
Khushhali Bank Limited	December 31, 2021	**30,000**	**196,796**	30,000	189,922
Pakistan Export Finance Guarantee Agency Limited	–	**5,700**	**–**	5,700	–
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	–	**18,536**	**–**	18,536	–
Pakistan Mortgage Refinance Company Limited	December 31, 2021	**50,000**	**88,580**	50,000	83,892
1LINK (Guarantee) Limited	December 31, 2021	**50,000**	**428,290**	50,000	267,895
Pakistan Corporate Restructuring Company Limited	December 31, 2021	**37,966**	**30,117**	–	–
		192,202	**743,783**	154,236	541,709

The above breakup values are based on the latest available audited financial statements of the unlisted companies.

	Cost 2022	Cost 2021
	(Rupees in '000)	
8.4.3 Non Government Debt Securities		
8.4.3.1 Listed		
AA+	**1,120,695**	1,086,038
AA	**200,000**	200,000
AA-	**2,029,682**	1,029,894
A+	**750,000**	1,000,000
A	**300,000**	300,000
A-	**100,000**	50,000
Government Guaranteed	**21,102,266**	21,102,504
	25,602,643	24,768,436
8.4.3.2 Unlisted		
AAA	**1,798,000**	1,798,000
AA+	**1,450,000**	1,450,000
AA-	**1,517,000**	1,550,000
A+	**75,000**	75,000
A	**100,000**	200,000
A-	**100,000**	–
BBB+	**–**	99,920
B+	**99,900**	–
	5,139,900	5,172,920
8.4.4 Mutual Funds		
AAA(f)	**301,022**	50,000
AA(f)	**550,000**	550,000
AA-(f)	**200,000**	200,000
Unrated	**2,175,000**	1,376,022
	3,226,022	2,176,022

8.4.5 Foreign Securities	2022 Cost	2022 Rating	2021 Cost	2021 Rating
	(Rupees in '000)			
Government Securities				
Egypt	**1,824,716**	**B+**	2,309,504	B+
Srilanka	**4,563,909**	**D**	3,570,661	CC
Turkey	**1,087,420**	**B**	838,292	BB-
	7,476,045		6,718,457	

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

	Cost 2022	Cost 2021
	(Rupees in '000)	
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	**174,843,183**	166,923,766
Foreign Currency Bonds	**7,423,177**	5,846,821
Sukuks	**–**	9,576,502
	182,266,360	182,347,089
Others		
Pakistan Corporate Restructuring Company Limited (PCRCL)	**4,481**	4,481

Foreign Securities	2022 Cost	2022 Rating	2021 Cost	2021 Rating
	(Rupees in '000)			
Government Securities				
Egypt	**680,707**	**B+**	531,555	B+
Srilanka	**1,132,155**	**D**	1,660,318	CC
	1,812,862		2,191,873	

8.5.1 The market value of securities classified as held to maturity at 31 December 2022 amounted to Rs. 170,599 million (2021: Rs. 181,472 million).

8.6 Associates

2022	2021	Name of funds	2022	2021
Number of units			**(Rupees in '000)**	
6,000,000	1,000,000	AL Habib Money Market Fund % of holding 6.38% (2021: 22.14%) Average cost per unit: Rs. 100 (2021: 100) Net asset value Rs. 100 (2021: Rs. 100)	**600,000**	100,000
1,000,000	1,000,000	AL Habib Islamic Cash Fund % of holding 0.79% (2021: 22.19) Average cost per unit: Rs. 100 (2021: 100) Net asset value Rs. 100 (2021: Rs. 100)	**100,000**	100,000
1,000,000	1,000,000	AL Habib Islamic Saving Fund % of holding 2.72% (2021: 5.54%) Average cost per unit: Rs. 100 (2021: Rs. 100) Net asset value Rs. 100.81 (2021: Rs. 100)	**100,000**	100,000
3,845,202	3,788,497	AL Habib Income Fund % of holding: 13.76% (2021: 24.65%) Average cost per unit: Rs. 104.03 (2021: Rs. 105.58) Net asset value: Rs. 101.34 (2021: Rs. 105.02)	**400,000**	400,000
100,000	100,000	AL Habib Stock Fund % of holding: 7.17% (2021: 2.81%) Average cost per unit: Rs. 100 (2021: Rs. 100) Net asset value: Rs. 74.79 (2021: Rs. 87.92)	**10,000**	10,000
33,307,275	69,271,923	AL Habib Cash Fund % of holding: 8.72% (2021: 24.52%) Average cost per unit: Rs. 100.58 (2021: Rs. 101.05) Net asset value: Rs. 102.24 (2021: Rs. 102.21)	**3,349,997**	7,000,000
100,929	100,929	AL Habib Islamic Stock Fund % of holding: 2.70% (2021: 2.61%) Average cost per unit: Rs. 99.08 (2021: Rs. 99.08) Net asset value: Rs. 72.53 (2021: Rs. 80.13)	**10,000**	10,000
250,421	250,421	AL Habib Islamic Income Fund % of holding: 0.41% (2021: 0.39%) Average cost per unit: Rs. 98.46 (2021: Rs. 98.46) Net asset value: Rs. 100.96 (2021: Rs. 101.15)	**24,656**	24,656
200,149	200,149	AL Habib Asset Allocation Fund % of holding: 18.79% (2021: 19.22%) Average cost per unit: Rs. 99.93 (2021: Rs. 99.93) Net asset value: Rs. 96.49 (2021: Rs. 103.47)	**20,000**	20,000
			4,614,653	7,764,656

8.6.1 The place of incorporation and business of associates is Pakistan.

8.6.2 All of the above funds are managed by AL Habib Asset Management Limited (the subsidiary company). The Chief Executive of the Management Company is Mr. Kashif Rafi.

8.6.3 Associates - Key Information

(Based on latest audited financial statements)	Assets	Liabilities	Total income / (loss)	Profit/ (loss) before taxation	Profit / (loss) after taxation
			(Rupees in '000)		
AL Habib Moeny Marekt Fund	3,082,584	6,681	166,397	158,607	158,607
AL Habib Islamic Cash Fund	10,151,518	17,633	191,485	186,058	186,058
AL Habib Islamic Savings Fund	3,345,468	3,195	93,242	87,694	87,694
AL Habib Income Fund	1,643,997	25,180	173,097	164,028	164,028
AL Habib Stock Fund	123,763	3,305	(13,445)	(20,187)	(20,187)
AL Habib Cash Fund	22,993,326	81,753	2,129,102	2,006,247	2,006,247
AL Habib Islamic Stock Fund	306,418	3,673	(15,299)	(25,593)	(25,593)
AL Habib Islamic Income Fund	9,494,242	1,076,364	789,663	742,830	742,830
AL Habib Asset Allocation Fund	103,754	839	(2,504)	(6,408)	(6,408)

8.7 Subsidiaries

2022	2021	Name of companies	2022	2021
No. of ordinary shares			(Rupees in '000)	
20,000,000	20,000,000	AL Habib Capital Markets (Private) Limited % of holding: 66.67% (2021: 66.67%) Par value per share: Rs. 10 Break up value per share: Rs. 12.43 based on audited financial statements for the year ended 31 December 2021 Chief Executive: Mr. Aftab Q. Munshi	**200,000**	200,000
75,000,000	75,000,000	AL Habib Asset Management Limited % of holding: 100% (2021: 100%) Par value per share: Rs. 10 Break up value per share: Rs. 12.41 based on audited financial statements for the year ended 31 December 2022 Chief Executive: Mr. Kashif Rafi	**683,250**	683,250
			883,250	883,250

8.7.1 The place of incorporation and business of subsidiaries is Pakistan.

9. ADVANCES

	Note	Performing 2022	Performing 2021	Non-Performing 2022	Non-Performing 2021	Total 2022	Total 2021
				(Rupees in '000)			
Loans, cash credits, running finances, etc.	9.1	**673,560,243**	602,544,792	**13,102,322**	7,123,857	**686,662,565**	609,668,649
Islamic financing and related assets		**100,915,017**	84,965,477	**744,942**	410,650	**101,659,959**	85,376,127
Bills discounted and purchased		**42,148,012**	51,632,418	**874,021**	212,428	**43,022,033**	51,844,846
Advances - gross		**816,623,272**	739,142,687	**14,721,285**	7,746,935	**831,344,557**	746,889,622
Provision against advances							
- Specific		**–**	–	**11,606,594**	6,494,129	**11,606,594**	6,494,129
- General as per regulations		**410,890**	369,390	**–**	–	**410,890**	369,390
- General		**5,750,000**	5,750,000	**–**	–	**5,750,000**	5,750,000
- As per IFRS 9 in overseas branches		**42,283**	476,792	**–**	–	**42,283**	476,792
		6,203,173	6,596,182	**11,606,594**	6,494,129	**17,809,767**	13,090,311
Advances-net of provision		**810,420,099**	732,546,505	**3,114,691**	1,252,806	**813,534,790**	733,799,311

9.1 Includes net investment in finance lease as disclosed below:

	2022			2021		
	Not later than one year	**Later than one and less than five years**	**Total**	Not later than one year	Later than one and less than five years	Total
			(Rupees in '000)			
Lease rentals receivable	**11,441,881**	**15,575,991**	**27,017,872**	9,110,176	12,824,748	21,934,924
Residual value	**1,369,974**	**7,008,675**	**8,378,649**	1,598,147	5,211,797	6,809,944
Minimum lease payments	**12,811,855**	**22,584,666**	**35,396,521**	10,708,323	18,036,545	28,744,868
Financial charges for future periods	**(3,135,972)**	**(2,726,376)**	**(5,862,348)**	(1,734,744)	(1,522,420)	(3,257,164)
Present value of minimum lease payments	**9,675,883**	**19,858,290**	**29,534,173**	8,973,579	16,514,125	25,487,704

9.2 Particulars of advances (Gross)

	2022	2021
	(Rupees in '000)	
In local currency	**732,956,629**	621,968,544
In foreign currencies	**98,387,928**	124,921,078
	831,344,557	746,889,622

9.3 Advances include Rs. 14,721.285 million (2021: Rs. 7,746.935 million) which have been placed under non-performing status as detailed below:

	2022		2021	
Category of classification	**Non Performing Loans**	**Provision**	Non Performing Loans	Provision
		(Rupees in '000)		
Domestic				
Other assets especially mentioned	**65,333**	**917**	47,122	1,887
Substandard	**887,349**	**211,101**	1,352,895	331,166
Doubtful	**926,869**	**463,175**	222,455	105,141
Loss	**4,618,496**	**4,552,653**	4,028,738	3,960,210
	6,498,047	**5,227,846**	5,651,210	4,398,404
Overseas				
Overdue by:				
Upto 90 days	**5,650,414**	**3,805,924**	–	–
181 to 365 days	**43,612**	**43,612**	85,363	85,363
> 365 days	**2,529,212**	**2,529,212**	2,010,362	2,010,362
	8,223,238	**6,378,748**	2,095,725	2,095,725
Total	**14,721,285**	**11,606,594**	7,746,935	6,494,129

9.4 Particulars of provision against advances

	Note	2022 Specific	2022 General	2022 Total	2021 Specific	2021 General	2021 Total
				(Rupees in '000)			
Opening balance		**6,494,129**	**6,596,182**	**13,090,311**	6,497,479	6,145,308	12,642,787
Exchange adjustments		**663,797**	**99,778**	**763,575**	223,681	17,349	241,030
Charge for the year							
- Specific provision		**7,771,780**	**–**	**7,771,780**	807,714	–	807,714
- General provision as per regulations		**–**	**41,500**	**41,500**	–	102,100	102,100
- As per IFRS 9 in overseas branches		**–**	**(534,287)**	**(534,287)**	–	331,425	331,425
Reversals		**(3,275,830)**	**–**	**(3,275,830)**	(1,034,201)	–	(1,034,201)
		4,495,950	**(492,787)**	**4,003,163**	(226,487)	433,525	207,038
Amounts written off	9.5	**(47,282)**	**–**	**(47,282)**	(544)	–	(544)
Closing balance		**11,606,594**	**6,203,173**	**17,809,767**	6,494,129	6,596,182	13,090,311

9.4.1 Particulars of provision against advances

	2022 Specific	2022 General	2022 Total	2021 Specific	2021 General	2021 Total
			(Rupees in '000)			
In local currency	**4,353,826**	**6,160,890**	**10,514,716**	4,185,976	6,119,390	10,305,366
In foreign currencies	**7,252,768**	**42,283**	**7,295,051**	2,308,153	476,792	2,784,945
	11,606,594	**6,203,173**	**17,809,767**	6,494,129	6,596,182	13,090,311

9.4.2 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 2022 amounts to Rs. 5,750 million (2021: Rs. 5,750 million).

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

9.5 PARTICULARS OF WRITE OFFs

		Note	2022	2021
			(Rupees in '000)	
9.5.1	Against Provisions	9.4	**47,282**	544
	Directly charged to Profit and Loss account		**–**	–
			47,282	544
9.5.2	Against Provisions			
	Write Offs of below Rs. 500,000		**409**	544
	Write Offs of Rs. 500,000 and above	9.6	**46,873**	–
			47,282	544

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

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

	Note	2022	2021
		(Rupees in '000)	
10. FIXED ASSETS			
Capital work-in-progress	10.1	**3,175,654**	1,738,112
Property and equipment	10.2	**58,899,425**	53,954,665
		62,075,079	55,692,777
10.1 Capital work-in-progress			
Civil works		**1,173,278**	595,516
Advance payment for purchase of equipments		**228,417**	125,432
Advance payment towards suppliers, contractors and property		**1,752,554**	1,015,099
Consultants' fee and other charges		**21,405**	2,065
		3,175,654	1,738,112

10.2 Property and Equipment

	2022							
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets	Total
	(Rupees in '000)							
At 01 January 2022								
Cost / Revalued amount	16,415,737	18,321,869	1,994,269	12,140,362	4,296,594	4,025,751	14,928,314	72,122,896
Accumulated depreciation	–	(916,230)	(835,396)	(7,616,189)	(2,119,111)	(2,519,751)	(4,161,554)	(18,168,231)
Net book value	16,415,737	17,405,639	1,158,873	4,524,173	2,177,483	1,506,000	10,766,760	53,954,665
Year ended 31 December 2022								
Opening net book value	16,415,737	17,405,639	1,158,873	4,524,173	2,177,483	1,506,000	10,766,760	53,954,665
Additions	600,262	777,117	480,487	3,203,939	1,325,469	852,326	–	7,239,600
Additions to ROUs	–	–	–	–	–	–	3,542,058	3,542,058
Disposals	–	–	(3,533)	(6,312)	(10,777)	(17,148)	(138,416)	(176,186)
Depreciation charge	–	(655,906)	(184,627)	(1,416,359)	(806,403)	(498,633)	(2,140,431)	(5,702,359)
Other adjustments / transfers	–	–	–	–	–	–	41,647	41,647
Closing net book value	17,015,999	17,526,850	1,451,200	6,305,441	2,685,772	1,842,545	12,071,618	58,899,425
At 31 December 2022								
Cost / Revalued amount	17,015,999	19,098,986	2,452,628	15,226,930	5,227,267	4,823,526	17,549,450	81,394,786
Accumulated depreciation	–	(1,572,136)	(1,001,428)	(8,921,489)	(2,541,495)	(2,980,981)	(5,477,832)	(22,495,361)
Net book value	17,015,999	17,526,850	1,451,200	6,305,441	2,685,772	1,842,545	12,071,618	58,899,425
Rate of depreciation (percentage)	–	2.08% - 20%	10%	20%	20%	20%	As per lease term	

	2021							
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets	Total
	(Rupees in '000)							
At 01 January 2021								
Cost / Revalued amount	12,850,032	12,082,997	1,681,760	10,117,278	3,731,350	3,114,048	12,652,438	56,229,903
Accumulated depreciation	–	(284,535)	(694,593)	(6,686,117)	(1,755,689)	(2,208,605)	(2,911,695)	(14,541,234)
Net book value	12,850,032	11,798,462	987,167	3,431,161	1,975,661	905,443	9,740,743	41,688,669
Year ended 31 December 2021								
Opening net book value	12,850,032	11,798,462	987,167	3,431,161	1,975,661	905,443	9,740,743	41,688,669
Additions	3,565,705	6,188,274	329,501	2,234,677	921,689	1,009,595	–	14,249,441
Additions to ROUs	–	–	–	–	–	–	3,184,111	3,184,111
Disposals	–	(2,226)	(3,365)	(6,720)	(35,494)	(6,652)	(335,406)	(389,863)
Depreciation charge	–	(583,277)	(154,430)	(1,134,945)	(684,373)	(397,980)	(1,854,453)	(4,809,458)
Other adjustments / transfers	–	4,406	–	–	–	(4,406)	31,765	31,765
Closing net book value	16,415,737	17,405,639	1,158,873	4,524,173	2,177,483	1,506,000	10,766,760	53,954,665
At 31 December 2021								
Cost / Revalued amount	16,415,737	18,321,869	1,994,269	12,140,362	4,296,594	4,025,751	14,928,314	72,122,896
Accumulated depreciation	–	(916,230)	(835,396)	(7,616,189)	(2,119,111)	(2,519,751)	(4,161,554)	(18,168,231)
Net book value	16,415,737	17,405,639	1,158,873	4,524,173	2,177,483	1,506,000	10,766,760	53,954,665
Rate of depreciation (percentage)	–	2.08% - 20%	10%	20%	20%	20%	As per lease term	

10.3 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2020. The revaluation was carried out by an independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer under market approach through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in surplus of Rs. 3,618.097 million over the book value of the respective properties and also net deficit of Rs. 122.190 million on certain properties. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 31 December 2022 would have been as follows:

	2022	2021
	(Rupees in '000)	
Leasehold land	**8,730,369**	8,730,369
Buildings on leasehold land	**6,399,816**	6,666,180

10.4 The cost of fully depreciated fixed assets that are still in use is as follows:

Furniture and fixture	**276,867**	257,991
Electrical, office and computer equipment	**5,796,256**	5,058,620
Vehicles	**593,863**	660,814
Improvements to leasehold buildings	**1,960,799**	1,606,236
	8,627,785	7,583,661

10.5 Details of disposal of fixed assets during the year:

Particulars	2022 Cost	Book value	Insurance claim
Habib Insurance Company Limited - (Related Party - Karachi)		(Rupees in '000)	
Furniture and fixture	**1,150**	**675**	**1,125**
Electrical, office and computer equipment	**10,265**	**3,220**	**8,695**
Vehicles	**6,187**	**807**	**6,449**

11. INTANGIBLE ASSETS

	2022	2021
	(Rupees in '000)	
Computer software		
At 01 January,		
Cost	**1,776,092**	1,412,077
Accumulated amortisation	**(1,507,846)**	(1,200,966)
Net book value	**268,246**	211,111
Year ended 31 December,		
Opening net book value	**268,246**	211,111
Additions - directly purchased	**405,281**	364,015
Amortisation charge	**(309,061)**	(306,880)
Closing net book value	**364,466**	268,246
At 31 December,		
Cost	**2,181,373**	1,776,092
Accumulated amortisation	**(1,816,907)**	(1,507,846)
Net book value	**364,466**	268,246
Rate of amortisation (percentage)	**50%**	50%
Useful life	**2 years**	2 years

11.1 As at 31 December 2022, the cost of fully amortised intangible assets still in use amounted to Rs. 1,560.078 million (2021: Rs. 1,507.846 million).

12. DEFERRED TAX ASSETS

	2022 As at 01 January 2022	Recognised in profit and loss account	Recognised in other comprehensive income	As at 31 December 2022
		(Rupees in '000)		
Deductible Temporary Differences on				
Provision against diminution in the value of investments	1,364,207	4,209,298	–	5,573,505
Provision against loans and advances, off-balance sheet, etc.	2,083,606	47,679	–	2,131,285
Workers' welfare fund	1,186,908	473,056	–	1,659,964
Surplus on revaluation of available-for-sale invesstments	420,972	–	3,824,387	4,245,359
	5,055,693	4,730,033	3,824,387	13,610,113
Taxable Temporary Differences on				
Accelerated tax depreciation	(1,146,649)	(566,917)	–	(1,713,566)
Surplus on revaluation of fixed assets / non-banking assets	(1,833,576)	84,922	(466,873)	(2,215,527)
Surplus on revaluation of held-for-trading securities	(640)	460	–	(180)
	(2,980,865)	(481,535)	(466,873)	(3,929,273)
	2,074,828	4,248,498	3,357,514	9,680,840

	2021			
	As at 01 January 2021	Recognised in profit and loss account	Recognised in other comprehensive income	As at 31 December 2021
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision against diminution in the value of investments	1,270,805	93,402	–	1,364,207
Provision against loans and advances, off-balance sheet, etc.	1,725,436	358,170	–	2,083,606
Workers' welfare fund	848,152	338,756	–	1,186,908
	3,844,393	790,328	–	4,634,721
Taxable Temporary Differences on				
Accelerated tax depreciation	(927,430)	(219,219)	–	(1,146,649)
Surplus on revaluation of fixed assets / non-banking assets	(1,606,514)	77,005	(304,067)	(1,833,576)
Surplus on revaluation of available-for-sale investments	(1,486,930)	–	1,907,902	420,972
Surplus on revaluation of held-for-trading securities	(270)	(370)	–	(640)
	(4,021,144)	(142,584)	1,603,835	(2,559,893)
	(176,751)	647,744	1,603,835	2,074,828

13. OTHER ASSETS

	Note	2022	2021
		(Rupees in '000)	
Income / mark-up accrued in local currency - net of provision		**41,885,628**	19,758,226
Income / mark-up accrued in foreign currencies - net of provision		**1,221,831**	1,174,158
Advances, deposits, advance rent and other prepayments		**1,552,508**	1,161,812
Non-banking assets acquired in satisfaction of claims	13.1	**3,651,344**	811,454
Mark to market gain on forward foreign exchange contracts		**2,685,804**	2,993,003
Acceptances		**47,907,675**	55,030,553
Stationery and stamps on hand		**710,733**	436,018
Receivable from SBP on encashment of Government Securities		**169,240**	150,135
Others		**3,180,141**	4,166,147
		102,964,904	85,681,506
Less: Provision held against other assets	13.2	**(8,101)**	(7,497)
Other Assets (net of provision)		**102,956,803**	85,674,009
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1	**135,608**	139,488
Other Assets-total		**103,092,411**	85,813,497

		2022	2021
13.1	Market value of non-banking assets acquired in satisfaction of claims	**3,361,402**	1,016,627

Market value of the non-banking assets acquired in satisfaction of claims has been carried out by independent valuers, M/s. K.G.Traders (Pvt.) Ltd. and M/s. MYK Associates (Pvt.) Ltd. based on present physical condition and location of non-banking assets. Fair values were ascertained by the independent valuers under market approach through various enquiries conducted by them at site from real estate agents and brokers.

		Note	2022	2021
			(Rupees in '000)	
13.1.1	**Non-banking assets acquired in satisfaction of claims**			
	Opening balance		**950,942**	954,077
	Revaluations		**–**	4,165
	Additions		**2,843,229**	–
	Depreciation		**(7,219)**	(7,300)
	Closing balance		**3,786,952**	950,942
13.2	**Provision held against other assets**			
	Receivable against consumer loans		**8,101**	7,497
13.2.1	**Movement in provision held against other assets**			
	Opening balance		**7,497**	6,884
	Charge for the year		**2,620**	2,740
	Reversals		**(1,672)**	(2,127)
			948	613
	Amount written off		**(344)**	–
	Closing balance		**8,101**	7,497

14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at 31 December 2022 (2021: Nil).

15. BILLS PAYABLE

		2022	2021
	In Pakistan	**44,855,837**	29,803,755

16. BORROWINGS

	Note	2022	2021
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	16.1	**88,423,421**	72,330,093
Under renewable energy	16.2	**17,089,222**	13,588,833
Under long term financing for imported and locally manufactured plant and machinery	16.3	**35,641,679**	31,605,152
Under modernisation of small and medium enterprises	16.4	**771,687**	566,723
Under women entrepreneurship	16.5	**29,253**	26,893
Under financing facility for storage of agricultural produce	16.6	**1,009,305**	735,467
Under refinance scheme for payment of wages and salaries	16.7	**544,994**	7,842,569
Under temporary economic refinance facility	16.8	**39,132,557**	32,012,142
Under refinance facility for combating COVID-19	16.9	**188,889**	100,000
		182,831,007	158,807,872
Repurchase agreement borrowings	16.10	**230,164,208**	119,942,164
Borrowings from financial institutions		**–**	23,102,205
Total secured		**412,995,215**	301,852,241
Unsecured			
Call borrowings	16.11	**5,500,000**	–
Overdrawn nostro accounts		**494,245**	360,661
Total unsecured		**5,994,245**	360,661
		418,989,460	302,212,902

16.1 These carry mark - up rates ranging from 1% to 10% (2021: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.

16.2 These carry mark - up rates of 2% to 3% (2021: 2% to 3%) per annum having maturity periods over ten years.

16.3 These carry mark - up rates ranging from 2% to 9% (2021: 2% to 6%) per annum having maturity periods upto ten years.

16.4 These carry mark - up rates of 2% (2021: 2%) per annum having maturity periods upto ten years.

16.5 These carry mark - up rate of Nil (2021: Nil) per annum having maturity periods upto five years.

16.6 These carry mark - up rates from 2.0% to 3.5% (2021: 2.0% to 3.5%) per annum having maturity periods upto seven years.

16.7 These carry mark - up rates upto Nil (2021: 1%) per annum having maturity periods upto six months.

16.8 These carry mark - up rates of 1% (2021: 1%) per annum having maturity periods over ten years.

16.9 These carry mark - up rates of Nil (2021: Nil) per annum having maturity periods upto five years.

16.10 These repurchase agreement borrowings are secured against Pakistan Investment Bonds and Market Treasury Bills. These carry effective mark - up rates ranging from 15.22% to 16.20% (2021: 9.89% to 10.70%) per annum, having maturity periods upto two months.

16.11 These call borrowings carry mark - up rates ranging from 16.0% to 16.1% (2021: Nil) per annum having maturity periods upto seven days.

16.12 Particulars of borrowings with respect to currencies

	2022	2021
	(Rupees in '000)	
In local currency	**418,495,215**	278,750,036
In foreign currencies	**494,245**	23,462,866
	418,989,460	302,212,902

17. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
			(Rupees in '000)			
Customers						
Current deposits	**515,194,125**	**58,993,284**	**574,187,409**	451,790,944	50,037,483	501,828,427
Savings deposits	**402,129,430**	**51,436,347**	**453,565,777**	331,340,746	47,617,002	378,957,748
Term deposits	**225,036,480**	**48,657,036**	**273,693,516**	204,273,302	38,981,706	243,255,008
Current deposits - remunerative	**162,972,729**	**1,183,436**	**164,156,165**	117,604,631	3,844,969	121,449,600
Others	**36,607,996**	**12,203,992**	**48,811,988**	20,969,061	8,647,765	29,616,826
	1,341,940,760	**172,474,095**	**1,514,414,855**	1,125,978,684	149,128,925	1,275,107,609
Financial institutions						
Current deposits	**5,701,409**	**576,226**	**6,277,635**	4,373,863	361,260	4,735,123
Savings deposits	**21,876,618**	**22**	**21,876,640**	10,929,524	18	10,929,542
Term deposits	**727,223**	**293,228**	**1,020,451**	1,363,787	193,282	1,557,069
Current deposits - remunerative	**23,822,116**	**686,547**	**24,508,663**	17,195,258	284,878	17,480,136
Others	**39,811**	**–**	**39,811**	13,850	–	13,850
	52,167,177	**1,556,023**	**53,723,200**	33,876,282	839,438	34,715,720
	1,394,107,937	**174,030,118**	**1,568,138,055**	1,159,854,966	149,968,363	1,309,823,329

	2022	2021
	(Rupees in '000)	
17.1 Composition of deposits		
- Individuals	**973,642,209**	805,485,582
- Government (Federal and Provincial)	**47,765,573**	42,529,298
- Public Sector Entities	**57,457,148**	53,091,501
- Banking Companies	**463,478**	240,760
- Non-Banking Financial Institutions	**53,259,722**	34,474,960
- Private Sector	**435,549,925**	374,001,228
	1,568,138,055	1,309,823,329

17.2 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 1,078,398.465 million (2021: Rs. 903,117.371 million).

	Note	2022	2021
		(Rupees in '000)	
18. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - VI - (Unquoted)	18.1	**7,000,000**	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	18.2	**3,993,600**	3,995,200
Term Finance Certificates (TFCs) - VIII - (Unquoted)	18.3	**4,998,000**	5,000,000
Term Finance Certificates (TFCs) - IX - (Unquoted)	18.4	**7,000,000**	–
Term Finance Certificates (TFCs) - X - (Unquoted)	18.5	**7,000,000**	–
		29,991,600	15,995,200

18.1 Term Finance Certificates - VI (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	**AA+**
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.50% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.2 Term Finance Certificates - VII (Unquoted)

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

18.3 Term Finance Certificates - VIII (Unquoted)

Issue amount	Rupees 5,000 million
Issue date	September 2021
Maturity date	September 2031
Rating	**AAA**
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 0.75% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.4 Term Finance Certificates-IX (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	April 2022
Maturity date	Perpetual
Rating	**AA+**
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.65% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.5 Term Finance Certificates-X (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2022
Maturity date	December 2032
Rating	**AAA**
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.35% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

	Note	2022	2021
		(Rupees in '000)	

19. OTHER LIABILITIES

	Note	2022	2021
Mark-up / return / interest payable in local currency		**7,727,692**	2,045,632
Mark-up / return / interest payable in foreign currencies		**380,651**	302,370
Unearned commission income		**692,150**	1,416,819
Accrued expenses		**3,284,380**	2,942,988
Acceptances		**47,907,675**	55,030,553
Unclaimed / dividend payable		**632,731**	546,228
Mark to market loss on forward foreign exchange contracts		**1,106,213**	787,128
Branch adjustment account		**1,343,949**	1,702,496
Payable to defined benefit plan		**1,376,805**	974,313
Charity payable		**23,820**	12,978
Provision against off - balance sheet items	19.1	**110,059**	173,319
Security deposits against leases / ijarah		**8,899,624**	7,174,202
Provision for compensated absences	19.2	**1,311,882**	1,127,704
Other security deposits		**878,993**	765,531
Workers' welfare fund		**3,860,382**	3,043,353
Payable to SBP / NBP		**4,581,075**	1,323,252
Payable to supplier against murabaha		**199,719**	223,202
Insurance payable		**683,385**	610,916
Lease liability against right-of-use assets		**14,213,811**	12,235,539
Current taxation (payments less provisions)		**2,301,542**	2,043,762
ATM settlement account		**3,059,347**	1,870,651
Clearing and settlement account		**6,564,374**	3,632,933
Others		**3,710,574**	1,816,017
		114,850,833	101,801,886

19.1 Provision against off - balance sheet obligations

	2022	2021
Opening balance	**173,319**	146,692
Exchange adjustment against IFRS 9 in overseas branches	**21,866**	4,141
Charge for the year	**27,330**	9,701
As per IFRS 9 in overseas branches	**(109,073)**	60,763
Reversals	**(3,383)**	(47,978)
	(85,126)	22,486
Closing balance	**110,059**	173,319

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

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

	2022	2021
	(% per annum)	
Discount rate	**14.25%**	12.25%
Expected rate of increase in salary in future years	**13.25%**	11.25%

20. SHARE CAPITAL

20.1 Authorised Capital

2022	2021		2022	2021
Number of shares			(Rupees in '000)	
2,000,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	**20,000,000**	15,000,000

20.2 Issued, subscribed and paid up capital

2022	2021		2022	2021
Number of shares				
30,000,000	30,000,000	Fully paid in cash	**300,000**	300,000
1,081,425,416	1,081,425,416	Issued as bonus shares	**10,814,254**	10,814,254
1,111,425,416	1,111,425,416		**11,114,254**	11,114,254

20.3 As of statement of financial position date 161,380,377 (2021: 162,731,961) ordinary shares of Rs. 10/- each were held by the related parties.

	Note	2022	2021
		(Rupees in '000)	
21. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of:			
- Available for sale securities	8.1	**(9,872,929)**	(1,079,413)
- Fixed Assets	21.1	**8,675,522**	8,869,136
- Non-banking assets acquired in satisfaction of claims	21.2	**135,608**	139,488
		(1,061,799)	7,929,211
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		**(4,245,359)**	(420,972)
- Fixed Assets	21.1	**2,226,730**	1,849,120
- Non-banking assets acquired in satisfaction of claims	21.2	**59,145**	54,804
		(1,959,484)	1,482,952
		897,685	6,446,259

21.1 Surplus on revaluation of fixed assets

	2022	2021
Surplus on revaluation of fixed assets as at 01 January	**8,869,136**	9,062,739
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	**(193,614)**	(193,603)
Surplus on revaluation of fixed assets as at 31 December	**8,675,522**	8,869,136
Less: related deferred tax liability on:		
- revaluation as at 01 January	**1,849,120**	1,663,701
- adjustment / revaluation recognised during the year	**460,864**	260,923
- incremental depreciation charged during the year	**(83,254)**	(75,504)
	2,226,730	1,849,120
	6,448,792	7,020,016

	Note	2022	2021
		(Rupees in '000)	

21.2 Surplus on revaluation of non - banking assets acquired in satisfaction of claims

Surplus on revaluation of non-banking assets as at 01 January		**139,488**	139,165
Surplus on revaluation of non-banking assets during the year		**–**	4,165
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		**(3,880)**	(3,842)
Surplus on revaluation of non-banking assets as at 31 December		**135,608**	139,488
Less: related deferred tax liability on:			
- revaluation as at 01 January		**54,804**	13,161
- adjustment / revaluation recognised during the year		**6,009**	43,144
- incremental depreciation charged during the year		**(1,668)**	(1,501)
		59,145	54,804
		76,463	84,684

22. CONTINGENCIES AND COMMITMENTS

	Note	2022	2021
- Guarantees	22.1	**164,254,110**	126,082,119
- Commitments	22.2	**347,436,086**	438,585,630
- Other contingent liabilities	22.3	**1,887,763**	2,030,711
		513,577,959	566,698,460

22.1 Guarantees:

Financial guarantees		**24,753,930**	24,274,161
Performance guarantees		**139,500,180**	101,807,958
		164,254,110	126,082,119

22.2 Commitments:

	Note	2022	2021
Documentary credits and short term trade-related transactions - letters of credit		**225,453,786**	301,891,236
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	**114,512,491**	131,220,965
- forward lending	22.2.2	**6,328,518**	4,717,424
Commitments for acquisition of:			
- operating fixed assets		**1,141,291**	756,005
		347,436,086	438,585,630

22.2.1 Commitments in respect of forward foreign exchange contracts

Purchase		**78,111,679**	72,497,648
Sale		**36,400,812**	58,723,317
		114,512,491	131,220,965

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

22.2.2 Commitments in respect of forward lending		**6,328,518**	4,717,424

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

	2022	2021
	(Rupees in '000)	
22.3 Claims against the Bank not acknowledged as debts	**1,887,763**	2,030,711

22.4 Other contingent liabilities

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2021 (Tax Year 2022) including Azad Kashmir and Gilgit Baltistan operations. The income tax assessments of the Bank (including Azad Kashmir operations) have been finalized upto and including tax year 2019. Tax year 2020 has been finalized for Azad Kashmir operations only.

Matters of disagreement exist between the Bank and tax authorities for various tax years and are pending with the Commissioner Inland Revenue (Appeals) and Income Tax Appellate Tribunal (ITAT). These issues mainly relate to addition of general provision (specific), reversal of provision for non-performing loans, charge for defined benefit plan and provision for compensated absences.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) passed an amended order u/s. 122(5A) of the Income Tax Ordinance, 2001 resulting in an impact of Rs. 482.233 million. Subsequently, Commissioner Inland Revenue (Appeals) has passed order by allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) passed an appellate order against Deputy Commissioner Inland Revenue (DCIR) order for Tax Year 2014 (Accounting Year 2013) by allowing certain expenses resulting in an impact of Rs. 25.300 million and remanded back certain expenses to DCIR. The resulted aggregate net tax impact stands at Rs. 125.469 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 154.201 million. The resulted aggregate net tax impact stands at Rs. 147.655 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 224.625 million. The resulted aggregate net tax impact stands at Rs. 80.557 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2018 (Accounting Year 2017) by allowing certain expenses resulting in an impact of Rs. 65.722 million. The resulted aggregate net tax impact stands at Rs. 194.376 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2019 (Accounting Year 2018) by disallowing certain expenses resulting in an impact of Rs. 173.799 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Commissioner Inland Revenue (Appeals) has remanded back the order of Deputy Commissioner Inland Revenue (DCIR) against Federal Excise Duty levy on certain items for the period January 2013 to December 2015. The resulted aggregate net tax impact stands at Rs. 80.766 million.

Deputy Commissioner Inland Revenue (DCIR) has passed order against Federal Excise Duty levy on certain items for the period from January 2018 to December 2019. The resulted aggregate net tax impact stands at Rs. 17.524 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

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

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

Commissioner Inland Revenue (Appeals), Mirpur AJ&K has annulled the amendments made by Assistant Commissioner Inland Revenue, Mirpur AJ&K for Tax Year 2014 to 2018. This resulted in a favorable aggregate net tax impact of Rs. 93.443 million.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2019 by disallowing certain expenses resulting in an impact of Rs. 92.311 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2020 by disallowing certain expenses resulting in an impact of Rs. 6.608 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2021 by disallowing certain expenses resulting in an impact of Rs. 7.031 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

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

23. DERIVATIVE INSTRUMENTS

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

23.1 Product Analysis

Counter Parties	2022 CONTRACT Notional Principal	CONTRACT Mark to Market gain / (loss)	SWAP Notional Principal	SWAP Mark to Market gain / (loss)	TOTAL Notional Principal	TOTAL Mark to Market gain / (loss)
			(Rupees in '000)			
Banks						
Hedging	**6,657,489**	**(79,494)**	**57,727,922**	**472,630**	**64,385,411**	**393,136**
Other Entities						
Hedging	**50,127,080**	**1,186,455**	**–**	**–**	**50,127,080**	**1,186,455**
Total						
Hedging	**56,784,569**	**1,106,961**	**57,727,922**	**472,630**	**114,512,491**	**1,579,591**
			2021			
Banks						
Hedging	7,709,331	(24,745)	62,902,410	(368,653)	70,611,741	(393,398)
Other Entities						
Hedging	60,609,224	2,599,273	–	–	60,609,224	2,599,273
Total						
Hedging	68,318,555	2,574,528	62,902,410	(368,653)	131,220,965	2,205,875

23.2 Maturity Analysis

	2022 Number of Contracts	Notional Principal	Mark to Market Negative	Mark to Market Positive	Mark to Market Net
			(Rupees in '000)		
Upto 1 month	**309**	**44,674,521**	**(486,472)**	**1,246,699**	**760,227**
1 to 3 months	**469**	**50,246,423**	**(535,680)**	**904,348**	**368,668**
3 to 6 months	**318**	**16,445,297**	**(74,497)**	**420,589**	**346,092**
6 months to 1 year	**53**	**3,146,250**	**(9,564)**	**114,168**	**104,604**
1 to 2 years	**–**	**–**	**–**	**–**	**–**
	1,149	**114,512,491**	**(1,106,213)**	**2,685,804**	**1,579,591**
			2021		
Upto 1 month	220	18,737,362	(100,927)	257,804	156,877
1 to 3 months	494	59,723,927	(402,549)	921,515	518,966
3 to 6 months	470	37,622,436	(229,758)	1,215,887	986,129
6 months to 1 year	254	15,044,175	(53,894)	595,124	541,230
1 to 2 years	1	93,065	–	2,673	2,673
	1,439	131,220,965	(787,128)	2,993,003	2,205,875

	Note	2022	2021
		(Rupees in '000)	

24. MARK-UP / RETURN / INTEREST EARNED

	Note	2022	2021
On loans and advances		**80,465,357**	39,771,828
On investments		**117,558,806**	76,469,461
On deposits with financial institutions		**716,991**	253,845
On securities purchased under resale agreements		**2,113,709**	241,458
On lending to financial institutions		**66,021**	15,233
On call money lendings		**–**	370
		200,920,884	116,752,195

25. MARK-UP / RETURN / INTEREST EXPENSED

	Note	2022	2021
Deposits		**89,418,140**	43,251,869
Borrowings from SBP		**7,013,123**	2,310,305
Subordinated debt		**3,161,147**	1,178,571
Cost of foreign currency swaps		**2,990,706**	1,511,934
Repurchase agreement borrowings		**18,461,522**	11,530,205
Mark-up expense on lease liability against right-of-use assets		**1,313,510**	1,124,704
Other borrowings		**1,243,939**	365,627
		123,602,087	61,273,215

26. FEE AND COMMISSION INCOME

	Note	2022	2021
Branch banking customer fees		**1,380,944**	1,309,872
Investment banking fees		**97,747**	72,167
Consumer finance related fees		**53,877**	58,547
Card related fees (debit and credit cards)		**2,858,630**	1,376,752
Credit related fees		**456,071**	355,401
Commission on trade		**5,480,866**	5,132,467
Commission on guarantees		**766,519**	592,864
Commission on cash management		**252,702**	221,048
Commission on home remittances		**186,047**	149,562
Others		**61,699**	36,170
		11,595,102	9,304,850

27. GAIN / (LOSS) ON SECURITIES - NET

	Note	2022	2021
Realised	27.1	**184,029**	(42,016)
Unrealised-held for trading		**(1,222)**	870
		182,807	(41,146)

27.1 Realised gain / (loss) on:

	Note	2022	2021
Federal Government Securities		**4,565**	5,199
Shares		**126,208**	470
Mutual Funds		**53,256**	(47,685)
		184,029	(42,016)

28. OTHER INCOME

	Note	2022	2021
Rent on property		**11,690**	11,036
Gain on sale of fixed assets-net		**448,906**	460,918
Recovery of expenses from customers	28.1	**348,436**	355,536
Lockers rent		**21,871**	15,846
Exchange gain realised on closure of overseas branch		**–**	292,780
Others		**3,833**	2,205
		834,736	1,138,321

28.1 Includes courier, SWIFT, postage and other charges recovered from customers.

	Note	2022	2021
		(Rupees in '000)	

29. OPERATING EXPENSES

	Note	2022	2021
Total compensation expenses	29.1	**21,975,534**	17,073,534
Property expenses			
Rent and taxes		**292,106**	314,726
Insurance		**13,605**	14,830
Utilities cost		**2,534,806**	1,522,002
Security (including guards)		**1,472,103**	1,289,995
Repair and maintenance (including janitorial charges)		**511,790**	390,784
Depreciation		**3,302,189**	2,843,008
		8,126,599	6,375,345
Information technology expenses			
Software maintenance		**7,534**	5,367
Hardware maintenance		**2,263,155**	1,308,829
Depreciation		**518,916**	370,878
Amortisation		**309,061**	306,880
Network charges		**565,114**	559,819
		3,663,780	2,551,773
Other operating expenses			
Directors' fees and allowances		**43,520**	40,770
Fees and allowances to Shariah Board		**18,919**	14,779
Insurance		**755,732**	519,064
Legal and professional charges		**458,140**	305,256
Outsourced services costs	29.2	**2,173,515**	1,819,571
Travelling and conveyance		**441,032**	282,181
NIFT and other clearing charges		**198,238**	193,036
Depreciation		**1,888,473**	1,602,872
Repair and maintenance		**2,334,403**	1,570,464
Training and development		**67,010**	47,460
Postage and courier charges		**383,873**	265,970
Communication		**701,072**	498,510
Stationery and printing		**1,262,891**	844,312
Marketing, advertisement and publicity		**630,714**	460,293
Donations	29.3	**392,000**	244,407
Auditors remuneration	29.4	**15,601**	9,187
Commission and brokerage		**945,992**	481,901
Entertainment and staff refreshment		**527,788**	385,803
Vehicle running expenses		**2,805,810**	1,599,765
Subscriptions and publications		**266,736**	224,562
CNIC verification charges		**184,711**	169,702
Security charges		**645,805**	473,360
Others		**879,161**	570,238
		18,021,136	12,623,463
		51,787,049	38,624,115

29.1 Total compensation expense

		2022	2021
Fees and allowances etc.		**1,673,362**	1,136,888
Managerial remuneration		**13,298,038**	10,173,036
Charge for defined benefit plan		**628,504**	491,348
Contribution to defined contribution plan		**868,786**	703,596
Rent and house maintenance		**3,775,860**	3,070,940
Utilities		**945,430**	767,899
Medical		**584,679**	553,727
Charge for employees compensated absences		**175,616**	155,639
Social security		**3,258**	6,330
Staff indemnity		**22,001**	14,131
		21,975,534	17,073,534

The compensation provided by the Bank to employees is composed of fixed pay structures and do not include any variable element that varies based on performance benchmarks or targets.

29.2 Total cost for the year included in other operating expenses relating to material outsourced activities is Rs. 49.465 million (2021: Rs. 38.575 million) paid to a company incorporated outside Pakistan. Material outsourcing arrangements are as follows:

S.No.	Name of material outsourced activity	Name of service provider	Nature of service
1.	Point of Sale (POS) Acquiring	M/s. Wemsol (Private) Limited	Terminal Management & Merchant On Boarding
2.	Vision Plus-Credit Card System	M/s. Arab Financial Services (AFS)	Credit Card

29.3 The detail of donations is given below:

	2022	2021
	(Rupees in '000)	
Al-Sayyeda Benevolent Trust	**12,000**	6,000
Childlife Foundation	**15,000**	15,000
Ghulaman-e-Abbas Educational & Medical Trust*	**6,000**	–
Habib Education Trust**	**12,000**	6,000
Habib Medical Trust	**12,000**	6,000
Habib Poor Fund*	**12,000**	6,000
Lahore University of Management Sciences / National Management Foundation	**50,000**	–
Memon Health & Education Foundation	**75,000**	–
Jinnah Foundation (Memorial) Trust	**2,000**	–
Patients' Aid Foundation	**75,000**	146,207
Rahmatbai Habib Food and Clothing Trust	**12,000**	6,000
Rahmatbai Habib Widows and Orphans Trust	**12,000**	6,000
The Citizens Foundation	**6,800**	6,200
The Health Foundation	**1,000**	1,000
The Indus Hospital	**79,200**	40,000
The Kidney Centre	**10,000**	–
	392,000	244,407

* Mr. Murtaza H. Habib, Director, is Trustee of Ghulaman-e-Abbas Educational & Medical Trust and Habib Poor Fund.
** Mr. Qumail R. Habib, Executive Director, is Managing Trustee of Habib Education Trust.

29.4 Auditors' remuneration

	2022	2021
	(Rupees in '000)	
Audit fee	**5,500**	3,135
Half yearly review	**1,750**	990
Other certifications	**6,665**	3,459
Gratuity fund	**175**	109
Out of pocket expenses	**1,511**	1,494
	15,601	9,187

		Note	2022	2021
			(Rupees in '000)	
30.	**OTHER CHARGES**			
	Penalties imposed by the State Bank of Pakistan		**156,435**	36,294
31.	**PROVISIONS / (REVERSALS) AND WRITE OFFS-NET**			
	Provision / (reversal) for diminution in value of investments - net	8.3	**8,951,736**	(277,397)
	Provision against loans and advances - net	9.4	**4,003,163**	207,038
	Provision against other assets	13.2.1	**948**	613
	(Reversal) / provision against off-balance sheet items	19.1	**(85,126)**	22,486
	Provision against balance with other banks		**15**	–
			12,870,736	(47,260)
32.	**TAXATION**			
	Current		**20,562,121**	12,218,233
	Deferred		**(4,248,498)**	(647,744)
			16,313,623	11,570,489
32.1	**Relationship between tax expense and accounting profit**			
	Profit before taxation		**32,883,852**	30,272,788
	Tax at the applicable rate of 39% (2021: 35%)		**12,824,702**	10,595,476
	Tax effects of:			
	Items that are not deductible in determining taxable income		**(707,430)**	(278,139)
	Tax effect of super tax		**4,196,351**	1,253,152
			16,313,623	11,570,489

The effective tax rate for the year is 50% (2021: 38%).

		2022	2021
33.	**BASIC AND DILUTED EARNINGS PER SHARE**		
	Profit for the year	**16,570,229**	18,702,299
		(Number)	
	Weighted average number of ordinary shares	**1,111,425,416**	1,111,425,416
		(Rupees)	
	Basic and diluted earnings per share	**14.91**	16.83

		Note	2022	2021
			(Rupees in '000)	
34.	**CASH AND CASH EQUIVALENTS**			
	Cash and balances with treasury banks	5	**94,163,585**	118,599,741
	Balances with other banks	6	**15,067,261**	6,740,008
	Overdrawn nostro accounts	16	**(494,245)**	(360,661)
			108,736,601	124,979,088

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

	2022		
	Subordinated debt	**Lease liability (Rupees in '000)**	**Dividend payable**
Balance as at 01 January 2022	**15,995,200**	**12,235,539**	**546,228**
Changes from financing cash flows			
Receipts / (payments) against subordinated debt-net	**13,996,400**	**–**	**–**
Payment against lease liability-net	**–**	**(2,759,611)**	**–**
Dividend paid	**–**	**–**	**(7,693,475)**
Total changes from financing cash flows	**13,996,400**	**(2,759,611)**	**(7,693,475)**
Other changes			
Addition to right-of-use-assets-net	**–**	**3,424,373**	**–**
Mark-up expense on lease liability against right-of-use assets	**–**	**1,313,510**	**–**
Final cash dividend (Rs. 7.00 per share)	**–**	**–**	**7,779,978**
	–	**4,737,883**	**7,779,978**
Balance as at 31 December 2022	**29,991,600**	**14,213,811**	**632,731**

	2021		
	Subordinated debt	Lease liability (Rupees in '000)	Dividend payable
Balance as at 01 January 2021	14,989,600	10,526,139	474,931
Changes from financing cash flows			
Receipts against subordinated debt-net	1,005,600	–	–
Payment against lease liability	–	(2,215,854)	–
Dividend paid	–	–	(4,930,117)
Total changes from financing cash flows	1,005,600	(2,215,854)	(4,930,117)
Other changes			
Addition to right-of-use-assets-net	–	2,800,550	–
Mark-up expense on lease liability against right-of-use assets	–	1,124,704	–
Final cash dividend (Rs. 4.50 per share)	–	–	5,001,414
	–	3,925,254	5,001,414
Balance as at 31 December 2021	15,995,200	12,235,539	546,228

35. STAFF STRENGTH

		2022	2021
		(Number)	
	Permanent	**16,201**	14,767
	Temporary / on contractual basis	**271**	281
	Bank's own staff at end of the year	**16,472**	15,048
	Outsourced	**3,362**	3,087
	Total staff strength	**19,834**	18,135
35.1	Domestic	**19,788**	18,085
	Offshore	**46**	50
		19,834	18,135

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

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 / losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss account in subsequent periods.

36.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 16,180 (2021: 14,718).

36.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2022 and the significant assumptions used for actuarial valuation were as follows:

	2022	2021
Discount rate	**14.50%**	11.75%
Expected rate of return on plan assets	**14.50%**	11.03%
Expected rate of salary increase : Year 1	**13.50%**	10.75%
Year 2	**13.50%**	10.75%
Mortality rates (for death in service)	**SLIC(2001-05)-1**	SLIC(2001-05)-1
Rates of employee turnover	**Moderate**	Moderate

36.4 Reconciliation of payable to defined benefit plan

	2022	2021
	(Rupees in '000)	
Present value of obligations	**6,616,783**	5,252,581
Fair value of plan assets	**(5,239,978)**	(4,278,268)
Payable	**1,376,805**	974,313

36.5 Movement in defined benefit obligations

	2022	2021
Obligation at the beginning of the year	**5,252,581**	4,323,932
Current service cost	**520,208**	424,622
Interest cost	**632,235**	451,993
Benefits paid during the year	**(129,371)**	(141,808)
Remeasurement loss	**341,130**	193,842
Obligation at the end of the year	**6,616,783**	5,252,581

	Note	2022	2021
		(Rupees in '000)	
36.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		**4,278,268**	3,640,418
Interest income on plan assets		**523,939**	385,267
Contribution by the Bank-net		**628,504**	491,348
Actual benefits paid during the year		**(129,371)**	(141,808)
Remeasurement loss on plan assets	36.8.2	**(61,362)**	(96,957)
Fair value at the end of the year		**5,239,978**	4,278,268
36.7 Movement in payable under defined benefit scheme			
Opening balance		**974,313**	683,514
Charge for the year		**628,504**	491,348
Contribution by the Bank		**(628,504)**	(491,348)
Remeasurement loss recognised in Other Comprehensive Income during the year	36.8.2	**402,492**	290,799
Closing balance		**1,376,805**	974,313

36.8 Charge for defined benefit plan

36.8.1 Cost recognised in profit and loss

		2022	2021
Current service cost		**520,208**	424,622
Net interest on defined benefit liability		**108,296**	66,726
		628,504	491,348

36.8.2 Re-measurements recognised in OCI during the year

		2022	2021
Loss on obligation			
- Financial assumptions		**95,997**	42,818
- Experience assumptions		**245,133**	151,024
		341,130	193,842
Actuarial loss on plan assets		**61,362**	96,957
Total remeasurement loss recognised in OCI		**402,492**	290,799

36.9 Components of plan assets

		2022	2021
Cash and cash equivalents-net		**20,897**	180,052
Government securities		**5,219,081**	4,098,216
Total fair value of plan assets		**5,239,978**	4,278,268

36.10 Sensitivity analysis

	2022 (Rupees in '000)
1% increase in discount rate	6,034,317
1% decrease in discount rate	7,293,822
1% increase in expected rate of salary increase	7,325,883
1% decrease in expected rate of salary increase	5,998,116

	2023 (Rupees in '000)
36.11 Expected contributions to be paid to the funds in the next financial year	832,728
36.12 Expected charge for the next financial year	832,728

36.13 Maturity profile

The weighted average duration of the obligation is 9.47 years.

	2022 (Rupees in '000)
Distribution of timing of benefit payments	
within the next 12 months (next annual reporting period)	357,298
between 1 and 5 years	2,755,574
between 6 and 10 years	7,023,921
	10,136,793

36.14 Funding Policy

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

36.15 Significant Risk

Asset Volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly fixed income bonds. Almost 65.43% of the total Investments (Rs. 3.429 billion) is invested in PIB's. This gives rise to significant reinvestment risk.

The remaining fund is invested in Treasury Bills. The T-Bills exposure is almost 34.17% (Rs. 1.790 billion).

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

Changes in Bond Yields

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

Inflation Risk

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

Life Expectancy / Withdrawal Rate

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

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions.

Other Risks

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

Model Risk

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

Retention Risk

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

Final Salary Risk

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

Operational Risk related to a Separate Entity

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

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

Compliance Risk

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

Legal / Political Risk

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

37. DEFINED CONTRIBUTION PLAN

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

	2022
Contributions made during the year :	(Rupees in '000)
Employer's contribution	868,786
Employees' contribution	868,786

The number of employees covered under the defined contribution plan are 14,282 (2021: 12,280).

38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total Compensation Expense

	2022						
	Directors						
	Chairman	Executives (other than CE)	Non-Executives	Members Shariah Board	Chief Executive	Key Management Personnel	Other Risk Takers / Controllers
	(Rupees in '000)						
Fees and allowances etc.	**11,520**	**–**	**32,000**	**–**	**–**	**–**	**–**
Managerial remuneration	**–**	**38,873**	**–**	**12,373**	**87,733**	**428,206**	**1,843,317**
Charge for defined benefit plan	**–**	**–**	**–**	**–**	**39,161**	**99,627**	**257,513**
Contribution to defined contribution plan	**–**	**–**	**–**	**218**	**6,640**	**25,489**	**135,012**
Rent and house maintenance	**–**	**11,662**	**–**	**4,736**	**26,560**	**131,845**	**566,053**
Utilities	**–**	**2,916**	**–**	**1,184**	**6,640**	**32,961**	**141,513**
Medical	**–**	**–**	**–**	**144**	**–**	**1,065**	**41,164**
Others	**–**	**–**	**–**	**264**	**–**	**11,671**	**763,427**
Total	**11,520**	**53,451**	**32,000**	**18,919**	**166,734**	**730,864**	**3,747,999**
Number of persons	**1**	**1**	**10**	**4**	**1**	**33**	**1,189**

	2021						
Fees and allowances etc.	11,520	–	29,250	–	–	–	–
Managerial remuneration	–	32,670	–	9,628	71,333	360,325	1,548,808
Charge for defined benefit plan	–	–	–	88	22,793	61,981	232,694
Contribution to defined contribution plan	–	–	–	109	5,733	21,866	118,783
Rent and house maintenance	–	10,406	–	3,766	22,933	115,752	498,649
Utilities	–	2,602	–	942	5,734	28,938	124,662
Medical	–	–	–	118	–	1,136	37,065
Others	–	–	–	128	–	4,936	42,039
Total	11,520	45,678	29,250	14,779	128,526	594,934	2,602,700
Number of persons	1	1	8	5	1	37	1,057

Chief Executive, Executive Director, Members Shariah Board, Key Management Personnel and Other Risk Takers / Controllers are entitled to Bank's maintained cars with fuel in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Bank. In addition, the Chief Executive and Executive Director are also provided with drivers, security arrangements and payment of travel bills in accordance with their terms of employment.

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

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

		2022							
		Meeting Fees and Allowances Paid							
			For Board Committees						
S.No.	Name of Director	For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
		(Rupees in '000)							
1.	Mr. Abbas D. Habib	3,840	–	3,840	–	–	–	3,840	11,520
2.	Mr. Anwar Haji Karim	1,000	1,750	–	1,000	–	–	–	3,750
3.	Ms. Farhana Mowjee Khan	1,000	1,000	1,000	1,000	–	–	–	4,000
4.	Syed Mazhar Abbas	1,000	1,750	1,000	–	1,500	–	500	5,750
5.	Syed Hasan Ali Bukhari	250	500	250	–	250	250	–	1,500
6.	Mr. Safar Ali Lakhani	250	500	–	250	250	–	–	1,250
7.	Mr. Murtaza H. Habib	1,000	–	500	–	1,500	–	–	3,000
8.	Mr. Arshad Nasar	1,000	1,750	1,000	–	1,000	1,000	1,000	6,750
9.	Mr. Adnan Afridi	1,000	–	–	1,000	–	–	–	2,000
10.	Mr. Mohammad Rafiquddin Mehkari	500	1,000	–	500	1,000	–	–	3,000
11.	Mr. Javed Iqbal	500	–	–	–	–	–	500	1,000
		11,340	8,250	7,590	3,750	5,500	1,250	5,840	43,520

S.No.	Name of Director	2021 Meeting Fees and Allowances Paid: For Board Meetings	For Board Committees: Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
		(Rupees in '000)							
1.	Mr. Abbas D. Habib	3,840	–	3,840	–	–	–	3,840	11,520
2.	Mr. Anwar Haji Karim	1,000	1,750	–	750	–	–	–	3,500
3.	Ms. Farhana Mowjee Khan	1,000	–	1,000	1,000	–	–	–	3,000
4.	Syed Mazhar Abbas	1,000	2,000	1,000	–	1,000	–	1,000	6,000
5.	Mr. Safar Ali Lakhani	750	1,500	–	750	750	–	–	3,750
6.	Syed Hasan Ali Bukhari	750	1,500	750	–	750	750	–	4,500
7.	Mr. Murtaza H. Habib	1,000	–	–	–	1,000	–	–	2,000
8.	Mr. Arshad Nasar	750	1,500	750	–	–	750	750	4,500
9.	Mr. Adnan Afridi	1,000	–	–	1,000	–	–	–	2,000
		11,090	8,250	7,340	3,500	3,500	1,500	5,590	40,770

38.3 Remuneration paid to Shariah Board Members

Items	2022 Chairman	2022 Resident Member	2022 Non-Resident Members	2021 Chairman	2021 Resident Members	2021 Non-Resident Members
	(Rupees in '000)					
Managerial remuneration	**6,000**	**2,133**	**4,240**	4,600	1,882	3,146
Charge for defined benefit plan	**–**	**–**	**–**	–	88	–
Contribution to defined contribution plan	**–**	**218**	**–**	–	109	–
Rent and house maintenance	**2,400**	**640**	**1,696**	1,840	667	1,259
Utilities	**600**	**160**	**424**	460	167	315
Medical	**36**	**36**	**72**	36	35	47
Others	**–**	**264**	**–**	–	128	–
Total	**9,036**	**3,451**	**6,432**	6,936	3,076	4,767
Number of persons	**1**	**1**	**2**	1	2	2

39. FAIR VALUE MEASUREMENTS

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

Federal Government securities	PKRV rates (Reuters page)
Foreign securities	Market prices / Mashreqbank PSC
Listed securities	Prices quoted at Pakistan Stock Exchange Limited
Mutual funds	Net asset values declared by respective funds
Unlisted equity investments	Break-up value as per latest available audited financial statements

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Bank's accounting policies as stated in notes 4.13 and 4.4.

39.1 Fair value of financial assets

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

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

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

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

There were no transfers between levels 1 and 2 during the year.

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

	2022			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments		(Rupees in '000)		
Financial assets-measured at fair value				
Investments				
Federal Government Securities	–	9 0,0 ,112	–	9 0,0 ,112
Shares	,02 ,291	–	–	,02 ,291
Non-Government Debt Securities	25,515,20	5,1 9,900	–	0,655,10
Foreign Securities	–	,118,155	–	,118,155
Mutual Funds	–	, 76, 77	–	, 76, 77
inancial assets disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	169,562,2 5	–	169,562,2 5
Non-Government Debt Securities	–	1,0 7,110	–	1,0 7,110
Associates				
Mutual Funds	–	,655,089	–	,655,089
ff balance s eet financial instruments measured at fair value				
For ard purchase of foreign e change contracts	–	80, 87,622	–	80, 87,622
For ard sale of foreign e change contracts	–	5,70 , 60	–	5,70 , 60

	2021			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments		(Rupees in '000)		
Financial assets-measured at fair value				
Investments				
Federal Government Securities	–	593,011,443	–	593,011,443
Shares	3,324,237	–	–	3,324,237
Non-Government Debt Securities	24,909,693	5,172,920	–	30,082,613
Foreign Securities	–	4,917,137	–	4,917,137
Mutual Funds	–	2,107,605	–	2,107,605
inancial assets disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	179,649,767	–	179,649,767
Non-Government Debt Securities	–	1,822,342	–	1,822,342
Associates				
Mutual Funds	–	7,841,384	–	7,841,384
ff balance s eet financial instruments measured at fair value				
For ard purchase of foreign e change contracts	–	75,147,663	–	75,147,663
For ard sale of foreign e change contracts	–	58,279,177	–	58,279,177

39.2 Certain fixed assets and non banking assets acquired in satisfaction of claims have been carried at revalued amounts determined by professional valuer (level 3 measurement) based on their assessment of the market value.

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

40. TRUST ACTIVITIES

The Bank is not engaged in any trust activities other than holding investments of individuals and entities in its IPS account maintained with the State Bank of Pakistan.

41. SEGMENT INFORMATION

41.1 Segment details with respect to Business Activities

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

	2022		
	Commercial banking	Retail banking (Rupees in '000)	Total
Profit and loss account			
Mark-up / return / profit	178,917,157	22,00 ,727	200,920,88
Inter segment revenue - net	–	5 ,017,82	5 ,017,82
Non mark-up / return / interest income	10,886,12	10, 10,181	21,196, 0
Total income	189,80 ,280	86, 1,7 1	276,1 5,011
Segment direct expenses	(11 , 22,911)	(61,9 9,689)	(176, 62,600)
Inter segment expense allocation	(5 ,017,82)	–	(5 ,017,82)
Total expenses	(168, 0,7)	(61,9 9,689)	(2 0, 80, 2)
(Provisions) / reversals	(12,80 ,802)	(65,9)	(12,870,7 6)
Profit before tax	8,557,7	2 , 26,108	2,88 ,852
Statement of financial position			
Cash and bank balances	95, 6,058	1 ,78 ,788	109,2 0,8 6
Investments	1,158,520,697	–	1,158,520,697
Net inter segment lending	–	9 0,66 ,885	9 0,66 ,885
Lendings to financial institutions	15,568,607	–	15,568,607
Advances - performing	707,798,50	102,621,595	810, 20,099
- non-performing	,069,270	5, 21	,11 ,691
Others	152,565, 1	22,6 7, 82	175,212,796
Total assets	2,1 2,968,550	1,079,76 ,071	,212,7 1,621
Borrowings	18,989, 60	–	18,989, 60
Subordinated debt	29,991,600	–	29,991,600
Deposits and other accounts	59 , 95,8 6	97 ,6 2,209	1,568,1 8,055
Net inter segment borrowing	9 0,66 ,885	–	9 0,66 ,885
Others	60,5 6,297	99,160, 7	159,706,670
Total liabilities	2,0 ,687,088	1,072,802,582	,117, 89,670
Equity	88,281, 62	6,960, 89	95,2 1,951
Total equity and liabilities	2,1 2,968,550	1,079,76 ,071	,212,7 1,621
Contingencies and commitments	89, 20,252	287,6	89,707,896

Bank AL Habib

	2021		
	Commercial banking	Retail banking	Total
		(Rupees in '000)	
Profit and loss account			
Mark-up / return / profit	105,243,360	11,508,835	116,752,195
Inter segment revenue-net	–	27,895,086	27,895,086
Non mark-up / return / interest income	4,415,340	9,611,677	14,027,017
Total income	109,658,700	49,015,598	158,674,298
Segment direct expenses	(66,808,632)	(33,745,052)	(100,553,684)
Inter segment expense allocation	(27,895,086)	–	(27,895,086)
Total expenses	(94,703,718)	(33,745,052)	(128,448,770)
Reversals / (provisions)	157,945	(110,685)	47,260
Profit before tax	15,112,927	15,159,861	30,272,788
Statement of financial position			
Cash and bank balances	105,483,009	19,856,740	125,339,749
Investments	826,599,884	–	826,599,884
Net inter segment lending	–	743,304,470	743,304,470
Lendings to financial institutions	20,063,828	–	20,063,828
Advances - performing	616,311,521	116,234,984	732,546,505
- non-performing	1,236,861	15,945	1,252,806
Others	121,126,947	22,722,401	143,849,348
Total assets	1,690,822,050	902,134,540	2,592,956,590
Borrowings	302,212,902	–	302,212,902
Subordinated debt	15,995,200	–	15,995,200
Deposits and other accounts	504,337,747	805,485,582	1,309,823,329
Net inter segment borrowing	743 ,304,470	–	743,304,470
Others	50 ,673,775	80,931,866	131,605,641
Total liabilities	1,616,524,094	886,417,448	2,502,941,542
Equity	74,297,956	15,717,092	90,015,048
Total equity and liabilities	1,690,822,050	902,134,540	2,592,956,590
Contingencies and commitments	419,856,696	8,116,659	427,973,355

41.2 Segment details with respect to geographical locations

Geographical Segment Analysis

	2022				
	Pakistan	Middle East	Asia Pacific	Africa	Total
			(Rupees in '000)		
Profit and loss account					
Mark-up / return / profit	195,467,434	2,267,133	3,186,317	–	200,920,884
Non mark-up / return / interest income	20,135,193	438,013	623,098	–	21,196,304
Total income	215,602,627	2,705,146	3,809,415	–	222,117,188
Segment direct expenses	(173,385,454)	(1,391,275)	(1,585,871)	–	(176,362,600)
(Provisions) / reversals	(926,600)	(5,177,887)	(6,766,249)	–	(12,870,736)
Profit before tax	41,290,573	(3,864,016)	(4,542,705)	–	32,883,852
Statement of financial position					
Cash and bank balances	108,019,850	1,153,020	57,976	–	109,230,846
Investments	1,139,790,428	10,712,788	8,017,481	–	1,158,520,697
Net inter segment lendings	7,359,004	22,085,705	2,027,263	–	31,471,972
Lending to financial institutions	15,568,607	–	–	–	15,568,607
Advances-performing	777,823,881	12,885,227	19,710,991	–	810,420,099
-non-performing	1,270,203	113,215	1,731,273	–	3,114,691
Others	159,613,433	2,045,003	13,554,360	–	175,212,796
Total assets	2,209,445,406	48,994,958	45,099,344	–	2,303,539,708
Borrowings	418,989,460	–	–	–	418,989,460
Subordinated debt	29,991,600	–	–	–	29,991,600
Deposits and other accounts	1,507,585,694	37,610,725	22,941,636	–	1,568,138,055
Net inter segment borrowings	8,907,427	9,386,267	13,178,278	–	31,471,972
Others	144,713,951	1,986,726	13,005,993	–	159,706,670
Total liabilities	2,110,188,132	48,983,718	49,125,907	–	2,208,297,757
Equity	99,257,274	11,240	(4,026,563)	–	95,241,951
Total equity and liabilities	2,209,445,406	48,994,958	45,099,344	–	2,303,539,708
Contingencies and commitments	382,493,331	5,722,879	1,491,686	–	389,707,896

	2021				
	Pakistan	Middle East	Asia Pacific	Africa	Total
			(Rupees in '000)		
Profit and loss account					
Mark-up / return / profit	112,812,466	1,691,982	2,134,728	113,019	116,752,195
Non mark-up / return / interest income	13,090,804	449,371	403,358	83,484	14,027,017
Total income	125,903,270	2,141,353	2,538,086	196,503	130,779,212
Segment direct expenses	(98,644,466)	(885,976)	(931,798)	(91,444)	(100,553,684)
Reversals / (provisions)	178,839	(117,829)	(73,793)	60,043	47,260
Profit before tax	27,437,643	1,137,548	1,532,495	165,102	30,272,788
Statement of financial position					
Cash and bank balances	124,685,948	621,887	31,914	–	125,339,749
Investments	800,931,505	14,218,541	11,449,838	–	826,599,884
Net inter segment lendings	6,884,028	18,366,725	1,235,596	–	26,486,349
Lending to financial institutions	20,063,828	–	–	–	20,063,828
Advances - performing	673,978,253	28,652,979	29,915,273	–	732,546,505
- non-performing	1,252,806	–	–	–	1,252,806
Others	123,891,057	3,243,433	16,714,858	–	143,849,348
Total assets	1,751,687,425	65,103,565	59,347,479	–	1,876,138,469
Borrowings	288,818,938	13,393,964	–	–	302,212,902
Subordinated debt	15,995,200	–	–	–	15,995,200
Deposits and other accounts	1,251,166,020	36,504,392	22,152,917	–	1,309,823,329
Net inter segment borrowings	1,588,748	6,707,512	18,190,089	–	26,486,349
Others	112,198,326	3,255,029	16,152,286	–	131,605,641
Total liabilities	1,669,767,232	59,860,897	56,495,292	–	1,786,123,421
Equity	81,920,193	5,242,668	2,852,187	–	90,015,048
Total equity and liabilities	1,751,687,425	65,103,565	59,347,479	–	1,876,138,469
Contingencies and commitments	418,518,577	8,375,380	1,079,398	–	427,973,355

42. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates, directors, key management personnel and other related parties.

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

Transactions with related parties, other than those disclosed in note 10.5, 20.3 and 38 are summarised as follows:

	2022					2021				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	–	–	883,250	7,764,656	305,998	–	–	883,250	2,047,346	–
Investment made during the year	–	–	–	8,200,000	50,000	–	–	–	10,200,000	182,690
Investments adjusted / redeemed / disposed off during the year	–	–	–	(11,350,004)	–	–	–	–	(4,482,690)	–
Surplus / (deficit) on revaluation	–	–	–	–	30,599	–	–	–	–	123,308
Closing balance	–	–	883,250	4,614,652	386,597	–	–	883,250	7,764,656	305,998
Advances										
Opening balance	1,620	195,482	463,425	–	2,417,285	332	171,544	201,173	–	2,217,749
Addition during the year	90,890	328,735	20,685,721	–	40,985,490	76,666	235,679	26,196,301	–	57,968,205
Repaid during the year	(91,200)	(203,443)	(20,883,196)	–	(42,379,568)	(75,378)	(211,741)	(25,934,049)	–	(57,768,669)
Closing balance	1,310	320,774	265,950	–	1,023,207	1,620	195,482	463,425	–	2,417,285
Operating fixed assets										
Right of use	–	–	–	–	9,199	–	–	–	–	786
Other assets										
Interest / mark-up accrued	–	177	14,837	–	25,879	–	120	–	–	–
L/C acceptances	–	–	–	–	323,894	–	–	–	–	–
Other receivable	–	–	–	6,345	–	–	–	–	118	–
Subordinated debt										
Opening balance	–	–	–	–	44,000	–	–	–	–	44,000
Issued / purchased during the year	–	–	–	–	–	–	–	–	75,000	–
Redemption / sold during the year	–	–	–	–	–	–	–	–	(75,000)	–
Closing balance	–	–	–	–	44,000	–	–	–	–	44,000
Deposits and other accounts										
Opening balance	769,918	774,436	90,084	59,383	6,936,252	1,072,684	720,918	476,584	739,762	3,619,310
Received during the year	4,487,172	5,939,373	11,589,748	582,767,296	174,705,011	6,376,086	3,125,505	21,273,904	83,337,951	63,034,965
Withdrawn during the year	(4,687,328)	(6,022,234)	(11,547,411)	(581,056,268)	(176,417,540)	(6,678,852)	(3,071,987)	(21,660,404)	(84,018,330)	(59,718,023)
Closing balance	569,762	691,575	132,421	1,770,411	5,223,723	769,918	774,436	90,084	59,383	6,936,252
Other liabilities										
Interest / mark-up payable	73	1,598	–	–	24,737	404	1,327	–	725	30,043
Payable to staff retirement fund	–	–	–	–	974,312	–	–	–	–	974,312
Other liabilities	–	113	836	–	–	–	2	908	–	–
Contingencies and commitments	–	–	–	–	1,004,215	–	–	–	–	918,205
Other transactions - Investor Portfolio Securities										
Opening balance	–	–	75,000	–	4,791,800	–	–	85,000	–	6,120,840
Increased during the year	–	–	45,000	–	25,764,700	–	–	75,000	–	7,725,000
Decreased during the year	–	–	–	–	(14,241,800)	–	–	(85,000)	–	(9,054,040)
Closing balance	–	–	120,000	–	16,314,700	–	–	75,000	–	4,791,800

42.1 RELATED PARTY TRANSACTIONS

	2022					2021				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key Management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Income										
Mark-up / return / interest earned	4	14,941	62,358	–	139,329	–	10,175	21,880	–	110,324
Fee and commission income	116	508	23	94	7,909	39	225	15	116	13,622
Dividend income	–	–	–	669,111	53,996	–	–	–	187,766	–
Net gain / (loss) on sale / redemption of securities and units of mutual funds	–	–	–	53,256	332	–	–	–	7,201	–
Rental Income	–	–	11,690	–	–	–	–	11,036	–	–
Other income	–	–	785	–	587	–	–	784	30	406
Expense										
Mark-up / return / interest expensed	60,358	86,439	21,275	667,018	714,419	58,576	48,425	15,882	38,763	245,699
Operating expenses	–	–	–	–	36,888	–	–	–	–	4,528
Brokerage commission	–	–	5,688	–	–	–	–	12,600	–	–
Salaries and allowances	–	861,408	–	–	–	–	625,972	–	–	–
Bonus	–	183,996	–	–	–	–	100,101	–	–	–
Contribution to defined contribution plan	–	35,567	–	–	–	–	28,137	–	–	–
Contribution to defined benefit plan	–	155,512	–	–	–	–	82,334	–	–	–
Staff provident fund	–	–	–	–	869,004	–	–	–	–	703,596
Staff gratuity fund	–	–	–	–	628,504	–	–	–	–	491,348
Directors' fees	41,520	–	–	–	–	38,770	–	–	–	–
Donation	–	–	–	–	30,000	–	–	–	–	12,000
Insurance premium paid	–	–	–	–	243,851	–	–	–	–	142,646
Insurance claims settled	–	–	–	–	54,343	–	–	–	–	78,101

43. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	2022	2021
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	**11,114,254**	11,114,254
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**88,523,529**	80,641,265
Eligible Additional Tier 1 (ADT 1) Capital	**13,331,030**	6,570,734
Total Eligible Tier 1 Capital	**101,854,559**	87,211,999
Eligible Tier 2 Capital	**30,082,013**	25,750,539
Total Eligible Capital (Tier 1 + Tier 2)	**131,936,572**	112,962,538
Risk Weighted Assets (RWAs):		
Credit Risk	**735,957,692**	703,135,583
Market Risk	**11,889,046**	17,023,428
Operational Risk	**147,320,337**	117,517,781
Total	**895,167,075**	837,676,792

	2022	2021
	(Percentage)	
Common Equity Tier 1 Capital Adequacy Ratio	**9.889%**	9.627%
Tier 1 Capital Adequacy Ratio	**11.378%**	10.411%
Total Capital Adequacy Ratio	**14.739%**	13.485%

Minimum Capital Requirement (MCR)

The MCR standard sets the paid-up capital that the Bank is required to hold at all times. As of the statement of financial position date, the Bank's paid-up capital stands at Rs. 11.114 billion as against the required MCR of Rs. 10 billion.

Minimum Capital Adequacy Ratio (CAR)

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

	2022	2021
	(Percentage)	
Required CAR	**11.500%**	11.500%
CAR on Bank level	**14.739%**	13.485%

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

	2022	2021
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**101,854,559**	87,211,999
Total Exposures	**2,742,827,763**	2,334,221,910
Leverage Ratio	**3.713%**	3.736%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**741,159,604**	631,288,320
Total Net Cash Outflow	**309,591,436**	244,836,260
Liquidity Coverage Ratio	**239.399%**	257.841%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**1,651,635,617**	1,379,682,140
Total Required Stable Funding	**922,254,251**	825,749,841
Net Stable Funding Ratio	**179.087%**	167.082%

43.1 The full disclosures on the **CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS** as per SBP instructions issued from time to time have been placed on the Bank's website. The link to the full disclosure is available at https://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-banklevel2022.

44. RISK MANAGEMENT

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

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

44.1 Credit Risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances, commitments to lend, contingent liabilities such as letters of credit and guarantees, and other similar transactions both on and off balance sheet.

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 textiles which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub - sectors like spinning, weaving and composites etc.

Credit Administration Department (CAD) is primarily responsible for custody, monitoring, and maintenance of security that underlies the bank's credit portfolio. CAD is also responsible for ensuring that all required terms and conditions as per approvals are properly reflected in customer documentation.

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.

Generally, the Bank primarily lends against cash flows, which is considered the primary source of repayment. However, if cash flows of a borrower deteriorate and are insufficient to service debt obligations, collateral serves as the secondary recourse of repayment.

Specific and general provisions on the credit portfolio are determined in accordance with Prudential Regulations. The Bank maintains additional general provision in line with its prudent policies and as per IFRS 9 for overseas branches. Particulars of provisions against advances are given in note 9.4.

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

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

44.1.1 Lendings to financial institutions

	Gross lendings		Non-performing lendings		Provision held	
Credit risk by public / private sector	**2022**	2021	**2022**	2021	**2022**	2021
			(Rupees in '000)			
Public / Government	**10,625,937**	–	**–**	–	**–**	–
Private	**4,942,670**	20,063,828	**–**	–	**–**	–
	15,568,607	20,063,828	**–**	–	**–**	–

44.1.2 Investment in debt securities

	Gross investments		Non-performing investments		Provision held	
Credit risk by industry sector	**2022**	2021	**2022**	2021	**2022**	2021
			(Rupees in '000)			
Power (electricity), gas, water, sanitary	**26,886,304**	26,966,592	**–**	–	**1,227,405**	26,357
Financial	**1,139,064,664**	786,496,214	**–**	–	**9,478,897**	1,324,366
Iron and steel	**750,000**	1,000,000	**–**	–	**–**	–
Oil refinery / marketing	**1,250,000**	1,250,000	**–**	–	**–**	–
	1,167,950,968	815,712,806	**–**	–	**10,706,302**	1,350,723
Credit risk by public / private sector						
Public / Government	**1,127,919,518**	776,861,120	**–**	–	**6,581,300**	325,807
Private	**40,031,450**	38,851,686	**–**	–	**4,125,002**	1,024,916
	1,167,950,968	815,712,806	**–**	–	**10,706,302**	1,350,723

44.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
			(Rupees in '000)			
Agriculture, forestry, hunting and fishing	**23,514,781**	18,197,880	**352,700**	305,781	**267,683**	242,351
Mining and quarrying	**106,774**	135,313	**–**	–	**–**	–
Textile	**273,539,211**	237,019,393	**1,884,270**	1,690,844	**1,868,519**	1,671,265
Chemical and pharmaceuticals	**25,761,490**	19,082,769	**194,020**	5,791	**51,455**	4,397
Cement	**5,556,190**	6,833,811	**43,966**	–	**10,991**	–
Sugar	**12,343,776**	10,984,011	**–**	–	**–**	–
Footwear and leather garments	**6,351,960**	4,077,672	**–**	–	**–**	–
Automobile and transportation equipment	**12,160,382**	8,083,375	**5,081**	826	**4,668**	103
Electronics and electrical appliances	**5,537,804**	5,885,392	**287,273**	247,814	**267,544**	61,953
Construction	**26,490,762**	23,288,386	**218,475**	302,504	**175,341**	177,501
Power (electricity), gas, water, sanitary	**43,860,601**	47,024,486	**–**	–	**–**	–
Wholesale and retail trade	**103,054,861**	114,747,695	**7,224,386**	1,340,453	**5,270,277**	1,291,922
Transport, storage and communication	**12,347,247**	11,242,380	**154,861**	63,990	**49,731**	35,823
Financial	**13,100,768**	13,514,777	**101,949**	101,949	**86,126**	84,845
Insurance	**430,285**	294,275	**61,180**	61,180	**61,180**	61,180
Services (other than financial services)	**15,353,568**	16,786,483	**46,038**	45,762	**552**	125
Individuals	**43,595,751**	42,210,644	**133,285**	83,610	**87,666**	67,353
Food and allied	**137,407,489**	90,055,992	**293,846**	17,432	**91,982**	17,432
Iron and steel	**34,140,947**	39,040,954	**1,282,991**	1,066,177	**1,282,991**	1,066,177
Oil refinery / marketing	**4,480,822**	2,634,814	**–**	–	**–**	–
Paper and board	**5,556,645**	5,671,358	**7,431**	7,431	**7,431**	3,132
Plastic products	**11,295,807**	9,075,520	**272,892**	385,843	**272,892**	137,866
Others	**15,356,636**	21,002,242	**2,156,641**	2,019,548	**1,749,565**	1,570,704
	831,344,557	746,889,622	**14,721,285**	7,746,935	**11,606,594**	6,494,129

Credit risk by public / private sector						
Public / Government	**103,892,455**	58,448,122	**–**	–	**–**	–
Private	**727,452,102**	688,441,500	**14,721,285**	7,746,935	**11,606,594**	6,494,129
	831,344,557	746,889,622	**14,721,285**	7,746,935	**11,606,594**	6,494,129

44.1.4 **Contingencies and Commitments**

Credit risk by industry sector	**2022**	2021
	(Rupees in '000)	
Agriculture, forestry, hunting and fishing	**2,225,472**	1,815,024
Mining and quarrying	**5,653**	209
Textile	**77,312,880**	91,451,426
Chemical and pharmaceuticals	**15,646,369**	16,097,626
Cement	**2,202,641**	3,680,905
Sugar	**3,496,947**	1,194,779
Footwear and leather garments	**3,212,850**	2,939,561
Automobile and transportation equipment	**12,239,124**	22,228,569
Electronics and electrical appliances	**8,684,913**	7,250,575
Construction	**14,067,954**	10,708,668
Power (electricity), gas, water, sanitary	**20,020,893**	20,026,883
Wholesale and retail trade	**71,215,367**	68,530,385
Transport, storage and communication	**1,239,116**	1,454,475
Financial	**24,308,270**	17,959,726
Insurance	**122,075**	120,470
Services (other than financial services)	**32,378,759**	51,058,164
Individuals	**287,644**	8,116,659
Food and allied	**42,486,330**	40,727,640
Iron and steel	**17,282,540**	17,817,723
Oil refinery / marketing	**3,028,209**	6,978,651
Paper and board	**7,884,785**	8,964,522
Plastic products	**20,037,103**	17,609,850
Others	**10,322,002**	11,240,865
	389,707,896	427,973,355
Credit risk by public / private sector		
Public / Government	**34,294,985**	66,085,881
Private	**355,412,911**	361,887,474
	389,707,896	427,973,355

44.1.5 **Concentration of Advances**

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 209,186 million (2021: Rs. 203,461 million) are as following:

	2022	2021
	(Rupees in '000)	
Funded	**143,042,074**	99,235,533
Non Funded	**66,144,123**	104,225,085
Total Exposure	**209,186,197**	203,460,618

The sanctioned limits against these top 10 exposures aggregated to Rs. 310,186 million (2021: Rs. 226,451 million). Provision against top 10 exposures amounts to be Nil (2021: Nil).

44.1.6 Advances - Province / Region - wise Disbursement and Utilization

	2022						
	Disbursements	Utilization					
Province / Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
				(Rupees in '000)			
Punjab	**354,268,365**	**348,282,224**	**3,494,948**	**316,125**	**27,595**	**2,101,300**	**46,173**
Sindh	**342,804,256**	**1,589,733**	**337,507,367**	**2,431,025**	**1,168,194**	**6,467**	**101,470**
KPK including FATA	**7,162,365**	**13,890**	**9,400**	**6,578,647**	**3,303**	**557,125**	**–**
Balochistan	**1,339,462**	**–**	**445,937**	**32,806**	**860,719**	**–**	**–**
Islamabad	**33,112,606**	**116,453**	**18,562**	**291,778**	**–**	**32,685,813**	**–**
AJK including Gilgit - Baltistan	**754,661**	**–**	**–**	**3,972**	**–**	**59,286**	**691,403**
Total	**739,441,715**	**350,002,300**	**341,476,214**	**9,654,353**	**2,059,811**	**35,409,991**	**839,046**

	2021						
	Disbursements	Utilization					
Province / Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
				(Rupees in '000)			
Punjab	278,555,414	274,912,036	452,150	93,962	40,394	3,007,506	49,366
Sindh	297,374,464	2,156,339	293,052,373	1,654,607	511,145	–	–
KPK including FATA	6,658,000	–	1,296	6,299,401	–	357,303	–
Balochistan	1,287,778	–	207,440	–	1,080,338	–	–
Islamabad	44,360,457	9,005	20,103	133,925	–	44,197,424	–
AJK including Gilgit - Baltistan	910,260	–	242	6,119	–	52,723	851,176
Total	629,146,373	277,077,380	293,733,604	8,188,014	1,631,877	47,614,956	900,542

44.2 Market Risk

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

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

Market risk is managed through the Market Risk Policy and Treasury and Investment 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 and Equity Market Department, which undertake dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deals, and Middle Office which independently monitors and analyses the risks inherent in treasury operations. Risk Management Committee of the Board provides overall guidance in managing the Bank's market risk.

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

44.2.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
			(Rupees in '000)			
Cash and balances with treasury banks	**94,163,585**	**–**	**94,163,585**	118,599,741	–	118,599,741
Balances with other banks	**15,067,261**	**–**	**15,067,261**	6,740,008	–	6,740,008
Lendings to financial institutions	**15,568,607**	**–**	**15,568,607**	20,063,828	–	20,063,828
Investments	**1,158,420,328**	**100,369**	**1,158,520,697**	826,501,408	98,476	826,599,884
Advances	**813,534,790**	**–**	**813,534,790**	733,799,311	–	733,799,311
Fixed assets	**62,075,079**	**–**	**62,075,079**	55,692,777	–	55,692,777
Intangible assets	**364,466**	**–**	**364,466**	268,246	–	268,246
Deferred tax assets	**9,680,840**	**–**	**9,680,840**	2,074,828	–	2,074,828
Other assets	**103,092,411**	**–**	**103,092,411**	85,813,497	–	85,813,497
	2,271,967,367	**100,369**	**2,272,067,736**	1,849,553,644	98,476	1,849,652,120

44.2.2 Foreign Exchange Risk

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

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

	2022			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
		(Rupees in '000)		
United States Dollar	**146,641,673**	**172,981,664**	**30,162,171**	**3,822,180**
Great Britain Pound	**1,763,990**	**14,039,992**	**8,222,028**	**(4,053,974)**
Japanese Yen	**6,461**	**2,347**	**(1,563)**	**2,551**
Euro	**2,593,379**	**9,688,629**	**3,963,967**	**(3,131,283)**
Other currencies	**1,082,588**	**1,585,257**	**(635,736)**	**(1,138,405)**
	152,088,091	**198,297,889**	**41,710,867**	**(4,498,931)**

	2021			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
United States Dollar	182,442,901	177,522,831	4,779,180	9,699,250
Great Britain Pound	1,652,971	12,805,309	7,489,831	(3,662,507)
Japanese Yen	6,782	363,092	357,519	1,209
Euro	4,231,547	6,846,326	1,842,032	(772,747)
Other currencies	945,356	534,954	(694,227)	(283,825)
	189,279,557	198,072,512	13,774,335	4,981,380

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
– Profit and loss account	**–**	**–**	–	–
– Other comprehensive income	**1,848**	**–**	22,220	–

44.2.3 Equity Position Risk

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

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

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
– Profit and loss account	**–**	**5,018**	–	4,885
– Other comprehensive income	**190,344**	**–**	213,585	–

44.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

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

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

Interest rate risk exposures of the Bank are controlled through dealer limits, counter - party exposure limits and (when necessary) type-of-instrument limits. Outright purchase and sale of securities are also approved by ALCO. 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.

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
		(Rupees in '000)		
Impact of 1% change in interest rates on				
– Profit and loss account	**–**	**–**	–	–
– Other comprehensive income	**6,643,913**	**–**	5,702,612	–

44.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	2022											
	Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.18%	94,163,585	886,519	–	–	–	–	–	–	–	–	93,277,066
Balances with other banks	3.13%	15,067,261	12,645,943	–	–	–	–	–	–	–	–	2,421,318
Lendings to financial institutions	16.10%	15,568,607	15,568,607	–	–	–	–	–	–	–	–	–
Investments	15.43%	1,158,520,697	150,575,882	131,844,192	543,994,415	184,564,727	42,642,799	12,721,670	61,068,389	18,920,069	–	12,188,554
Advances	12.66%	813,534,790	466,015,414	116,369,051	79,122,656	24,434,538	29,247,959	24,182,893	30,758,637	32,237,144	11,155,120	11,378
Other assets	–	97,042,218	–	–	–	–	–	–	–	–	–	97,042,218
		2,193,897,158	645,692,365	248,213,243	623,117,071	208,999,265	71,890,758	36,904,563	91,827,026	51,157,213	11,155,120	204,940,534
Liabilities												
Bills payable	–	44,855,837	–	–	–	–	–	–	–	–	–	44,855,837
Borrowings	10.60%	418,989,460	269,314,226	42,346,647	18,147,398	6,309,037	13,327,930	13,416,475	23,924,663	32,069,437	133,647	–
Deposits and other accounts	12.91%	1,568,138,055	740,206,816	49,687,388	39,689,825	85,510,483	12,114,259	5,456,859	11,428,481	12,157	8,214	624,023,573
Subordinated debt	17.84%	29,991,600	–	4,998,000	24,993,600	–	–	–	–	–	–	–
Other liabilities	–	84,452,684	–	–	–	–	–	–	–	–	–	84,452,684
		2,146,427,636	1,009,521,042	97,032,035	82,830,823	91,819,520	25,442,189	18,873,334	35,353,144	32,081,594	141,861	753,332,094
On-balance sheet gap		47,469,522	(363,828,677)	151,181,208	540,286,248	117,179,745	46,448,569	18,031,229	56,473,882	19,075,619	11,013,259	(548,391,560)
Off-balance sheet financial instruments												
Documentary credits and short term trade related transactions		225,453,786	76,729,551	96,015,817	22,455,246	20,527,556	9,725,616	–	–	–	–	–
Commitments in respect of:												
Forward purchase of foreign exchange contracts		78,111,679	27,229,530	31,766,931	15,926,999	3,188,219	–	–	–	–	–	–
Forward sale of foreign exchange contracts		(36,400,812)	(15,955,646)	(19,520,505)	(860,781)	(63,880)	–	–	–	–	–	–
Forward commitments to extend credit		6,328,518	1,822,615	1,358,281	466,120	2,279,952	271,750	53,800	76,000	–	–	–
Off-balance sheet gap		48,039,385	13,096,499	13,604,707	15,532,338	5,404,291	271,750	53,800	76,000	–	–	–
Total Yield / Interest Risk Sensitivity Gap			(274,002,627)	260,801,732	578,273,832	143,111,592	56,445,935	18,085,029	56,549,882	19,075,619	11,013,259	(548,391,560)
Cumulative Yield / Interest Risk Sensitivity Gap			(274,002,627)	(13,200,895)	565,072,937	708,184,529	764,630,464	782,715,493	839,265,375	858,340,994	869,354,253	320,962,693

	Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk: Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non interest bearing financial instruments
	2021											
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	118,599,741	8,475,529	–	–	–	–	–	–	–	–	110,124,212
Balances with other banks	0.46%	6,740,008	4,358,454	–	–	–	–	–	–	–	–	2,381,554
Lendings to financial institutions	10.60%	20,063,828	20,063,828	–	–	–	–	–	–	–	–	–
Investments	9.93%	826,599,884	150,428,818	95,743,854	314,734,525	79,112,792	102,760,235	38,705,182	9,681,128	21,200,587	–	14,232,763
Advances	7.21%	733,799,311	401,011,429	117,203,571	91,802,847	30,011,024	16,295,778	22,354,796	20,069,057	25,864,446	9,176,575	9,788
Other assets	–	83,264,725	–	–	–	–	–	–	–	–	–	83,264,725
		1,789,067,497	584,338,058	212,947,425	406,537,372	109,123,816	119,056,013	61,059,978	29,750,185	47,065,033	9,176,575	210,013,042
Liabilities												
Bills payable	–	29,803,755	–	–	–	–	–	–	–	–	–	29,803,755
Borrowings	4.97%	302,212,902	130,540,002	55,284,225	32,529,294	11,403,231	9,542,625	10,585,069	19,745,203	32,324,292	258,961	–
Deposits and other accounts	7.15%	1,309,823,329	635,347,974	42,492,322	26,302,731	51,151,535	2,894,746	12,103,107	3,309,696	16,099	10,893	536,194,226
Subordinated debt	11.54%	15,995,200	–	5,000,000	10,995,200	–	–	–	–	–	–	–
Other liabilities	–	76,425,961	–	–	–	–	–	–	–	–	–	76,425,961
		1,734,261,147	765,887,976	102,776,547	69,827,225	62,554,766	12,437,371	22,688,176	23,054,899	32,340,391	269,854	642,423,942
On-balance sheet gap		54,806,350	(181,549,918)	110,170,878	336,710,147	46,569,050	106,618,642	38,371,802	6,695,286	14,724,642	8,906,721	(432,410,900)
Off-balance sheet financial instruments												
Documentary credits and short term trade related transactions		301,891,236	81,149,692	107,059,657	41,036,633	34,172,931	34,369,615	4,102,708	–	–	–	–
Commitments in respect of:												
Forward purchase of foreign exchange contracts		72,497,648	11,062,507	26,511,686	23,742,935	11,087,455	93,065	–	–	–	–	–
Forward sale of foreign exchange contracts		(58,723,317)	(11,276,267)	(30,040,434)	(14,937,676)	(2,468,940)	–	–	–	–	–	–
Forward commitments to extend credit		4,717,424	857,164	1,456,170	809,660	1,594,430	–	–	–	–	–	–
Off-balance sheet gap		18,491,755	643,404	(2,072,578)	9,614,919	10,212,945	93,065	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap			(99,756,822)	215,157,957	387,361,699	90,954,926	141,081,322	42,474,510	6,695,286	14,724,642	8,906,721	(432,410,900)
Cumulative Yield / Interest Risk Sensitivity Gap			(99,756,822)	115,401,135	502,762,834	593,717,760	734,799,082	777,273,592	783,968,878	798,693,520	807,600,241	375,189,341

44.2.5.1 **Reconciliation of Financial Assets and Liabilities**

	2022	2021
	(Rupees in '000)	
Assets as per statement of financial position	**2,272,067,736**	1,849,652,120
Less:		
Fixed assets	**62,075,079**	55,692,777
Intangible assets	**364,466**	268,246
Deferred tax assets	**9,680,840**	2,074,828
Advances, deposits, advance rent and other prepayments	**1,552,508**	1,161,812
Non-banking assets acquired in satisfaction of claims	**3,786,952**	950,942
Stationery and stamps on hand	**710,733**	436,018
	6,050,193	2,548,772
Interest Rate Sensitive Assets	**2,193,897,158**	1,789,067,497
Liabilities as per statement of financial position	**2,176,825,785**	1,759,637,072
Less:		
Unearned commission income	**692,150**	1,416,819
Branch adjustment account	**1,343,949**	1,702,496
Clearing and settlement account	**6,564,374**	3,632,933
Provision against off - balance sheet items	**110,059**	173,319
Provision for compensated absences	**1,311,882**	1,127,704
Workers' welfare fund	**3,860,382**	3,043,353
Lease liability against right-of-use assets	**14,213,811**	12,235,539
Current taxation (payments less provisions)	**2,301,542**	2,043,762
	30,398,149	25,375,925
Interest Rate Sensitive Liabilities	**2,146,427,636**	1,734,261,147

44.3 Operational Risk

Operational risk is the risk of loss resulting from in adequate or failed internal processes, people, and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. Bank classifies operational loss / near miss incidents into seven loss incidents types, which are Internal Fraud, External Fraud, Employment Practice & Workplace Safety, Client, Product & Business Practice, Damage to Physical Assets, Business Disruption & System Failure, and Execution, Delivery & Process Management.

Operational risk is managed through the Operational Risk Policy, Internal Control System and Internal Audit Policy, Compliance Policy & Programme, Information Technology (I.T.) Policy, I.T. Governance and Risk Management Framework, I.T. Security Policy, Human Resource Policy, Consumer Protection Framework, KYC / CDD Policy, AML / CFT and CPF Policy, Fraud Prevention Policy, Service Quality and Consumer Grievance Handling Policy, Business Continuity Management Policy and Outsourcing Policy approved by the Board, along with the operational manuals and procedures issued from time to time; system of internal controls; Business Continuity Plan, Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Operational risk related matters are discussed in the operations committee, compliance committee of management and I.T. steering committee. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

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

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

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

Business Continuity Plan of the Bank pays special attention to identification of potential threats and associated risks in critical business processes by carrying out Business Impact Analysis and Risk Assessment including those which are dependent on external vendors or third parties, identification of alternative mechanisms for timely resumption of services, with special focus on critical business processes, location of off-site backup & regular review and testing of the plan.

Bank AL Habib's internet banking platform, both web and mobile based applications are successfully implemented and regularly enhanced to provide better customer experience.

The Bank has zero tolerance for Cybersecurity risks and non-compliance to regulations. Monitoring controls and processes have been implemented to identify and appropriately address Cybersecurity risks. Long term measures are defined in Cyber Security Strategy that is supported by a complementing Action Plan. While Information Security Risk Management plan covers measures for identifying the risks posed to Information Systems in alignment with bank's strategy. I.T. Security has developed a cyber secure environment by implementing various technical and administrative controls to ensure security of customers' data residing with the bank. In this regard, Bank is also in process of implementing industrial standards and best practices for Information Security assurance.

44.3.1 Operational Risk-Disclosures Basel II Specific

The Bank uses Basic Indicator Approach to calculate capital charge for operational risk as per Basel regulatory framework. This approach is considered to be most suitable in view of the business model of the Bank which relies on an extensive network of branches to offer one - stop, full – service banking to its clients. The Bank has developed and implemented an Operational Loss Database. Operational loss and "near miss" events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve security and control procedures. Key Risk Indicators have also been developed along with thresholds which are being closely monitored for breaches. Risk Evaluation exercise is carried out for new products, processes and systems or any significant change in the existing product, processes and systems as per the operational risk policy of the Bank.

44.4 Liquidity Risk

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

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

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

44.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 08 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

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

The Bank calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Bank to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2022, the Bank's LCR stood at 252% against the SBP's minimum requirement of 100% .

44.4.2 Governance of Liquidity Risk Management

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

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

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

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

44.4.3 Funding Strategy

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

44.4.4 Liquidity Risk Mitigation Techniques

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

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

44.4.5 Liquidity Stress Testing

As per SBP FSD Circular No. 01 of 2020, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits, withdrawals of wholesale / large deposits & interbank borrowing, withdrawal of top deposits, etc. Results of stress testing are presented to ALCO and Risk Management Committee. The Bank's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.

44.4.6 Contingency Funding Plan

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

44.4.7 Main Components of LCR

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

44.4.8 Composition of HQLAs

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

44.4.9 Concentration of Funding Sources

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

44.4.10 Currency Mismatch in the LCR

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

44.4.11 Centralisation of Liquidity Management

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

44.4.12 Other Inflows & Outflows

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

44.4.13 Net Stable Funding Ratio (NSFR)

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

The objective of NSFR is to ensure the availability of stable funds that a bank must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank's NSFR stood at 179% as on 31 December 2022.

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

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

	Total	2022												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
								(Rupees in '000)						
Assets														
Cash and balances with treasury banks	94,163,585	94,098,037	-	65,548	-	-	-	-	-	-	-	-	-	-
Balances with other banks	15,067,261	14,048,322	-	-	1,018,939	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,568,607	-	15,568,607	-	-	-	-	-	-	-	-	-	-	-
Investments	1,158,520,697	(3,575,639)	(390,446)	(393,020)	(1,108,639)	(1,399,962)	21,061,297	91,796,573	151,653,290	65,014,224	45,896,201	296,353,878	285,428,350	208,184,590
Advances	813,534,790	70,593,237	21,403,306	15,154,441	60,467,460	78,900,895	173,786,316	118,537,227	35,638,379	25,076,227	59,436,268	45,911,325	48,441,561	60,188,148
Fixed assets	62,075,079	24,350,283	-	-	531,930	519,273	688,145	1,351,303	1,466,396	1,417,045	5,158,084	4,491,858	6,370,184	15,730,578
Intangible assets	364,466	-	-	-	32,054	25,648	24,627	66,659	55,184	50,660	109,634	-	-	-
Deferred tax assets	9,680,840	11,394,401	-	-	(49,959)	(45,769)	(45,769)	(135,675)	(122,248)	(122,248)	(439,555)	(387,403)	(206,340)	(158,595)
Other assets	103,092,411	29,934,903	4,804,567	7,023,967	16,369,100	18,656,168	11,355,738	13,843,551	375,522	585,606	116,719	8,880	7,540	10,150
	2,272,067,736	240,843,544	41,386,034	21,850,936	77,260,885	96,656,253	206,870,354	225,459,638	189,066,523	92,021,514	110,277,351	346,378,538	340,041,295	283,954,871
Liabilities														
Bills payable	44,855,837	44,855,837	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	418,989,460	2,180,743	106,665,961	1,174,294	106,008,103	49,698,689	26,932,426	37,148,055	2,772,462	3,536,575	13,327,930	13,416,475	23,924,663	32,203,084
Deposits and other accounts	1,568,138,055	1,295,185,731	18,057,827	15,269,912	35,716,918	14,641,167	35,046,221	39,689,825	42,875,595	42,634,888	12,114,259	5,456,859	11,428,481	20,372
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,991,600	-	-	-	-	-	1,000	2,200	1,000	2,200	6,400	6,400	12,800	29,959,600
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	114,850,833	40,842,584	3,003,625	5,639,004	12,638,098	15,616,261	9,175,373	3,798,335	3,108,647	813,941	3,347,893	3,814,653	5,430,669	7,621,750
	2,176,825,785	1,383,064,895	127,727,413	22,083,210	154,363,119	79,956,117	71,155,020	80,638,415	48,757,704	46,987,604	28,796,482	22,694,387	40,796,613	69,804,806
Net assets	95,241,951	(1,142,221,351)	(86,341,379)	(232,274)	(77,102,234)	16,700,136	135,715,334	144,821,223	140,308,819	45,033,910	81,480,869	323,684,151	299,244,682	214,150,065
Share capital	11,114,254													
Reserves	24,391,414													
Surplus on revaluation of assets	897,685													
Unappropriated profit	58,838,598													
	95,241,951													

	Total	2021												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
								(Rupees in '000)						
Assets														
Cash and balances with treasury banks	118,599,741	118,599,741	–	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	6,740,008	6,740,008	–	–	–	–	–	–	–	–	–	–	–	–
Lendings to financial institutions	20,063,828	–	20,063,828	–	–	–	–	–	–	–	–	–	–	–
Investments	826,599,884	12,939,210	(175,858)	24,857,332	26,170,521	56,009,462	27,486,128	(410,686)	79,072,916	314,565	207,940,176	40,353,512	193,664,781	158,377,825
Advances	733,799,311	62,322,894	16,559,970	25,896,302	52,410,345	94,703,829	94,964,569	127,675,042	39,097,554	24,479,731	48,372,383	48,828,863	48,004,081	50,483,748
Fixed assets	55,692,777	22,506,089	–	–	438,826	429,554	574,611	1,101,378	1,215,390	1,184,060	4,395,192	3,660,512	5,284,010	14,903,155
Intangible assets	268,246	–	–	–	43,454	42,783	22,693	55,879	49,822	40,686	12,929	–	–	–
Deferred tax assets	2,074,828	2,693,262	–	–	(22,701)	(27,442)	(27,442)	(79,880)	(52,930)	(70,296)	(249,744)	(80,264)	287,705	(295,440)
Other assets	85,813,497	16,784,590	5,142,949	6,220,977	13,547,227	14,422,657	9,760,794	7,770,376	4,117,500	7,835,258	112,638	68,849	18,117	11,565
	1,849,652,120	242,585,794	41,590,889	56,974,611	92,587,672	165,580,843	132,781,353	136,112,109	123,500,252	33,784,004	260,583,574	92,831,472	247,258,694	223,480,853
Liabilities														
Bills payable	29,803,755	29,803,755	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	302,212,902	537,376	72,474,365	1,094,262	2,336,666	75,846,330	23,083,908	42,619,114	7,519,175	4,245,556	9,542,625	10,585,069	19,745,203	32,583,253
Deposits and other accounts	1,309,823,329	1,077,838,256	16,117,169	26,665,733	50,921,042	18,700,448	23,791,875	26,302,731	20,686,097	30,465,438	2,894,746	12,103,107	3,309,696	26,991
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	15,995,200	–	–	–	–	–	1,000	800	1,000	800	3,600	3,600	7,200	15,977,200
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other liabilities	101,801,886	30,523,057	5,162,952	4,852,827	9,938,161	12,314,874	7,175,748	5,302,990	6,644,426	8,570,540	1,326,302	1,154,690	2,384,506	6,450,813
	1,759,637,072	1,138,702,444	93,754,486	32,612,822	63,195,869	106,861,652	54,052,531	74,225,635	34,850,698	43,282,334	13,767,273	23,846,466	25,446,605	55,038,257
Net assets	90,015,048	(896,116,650)	(52,163,597)	24,361,789	29,391,803	58,719,191	78,728,822	61,886,474	88,649,554	(9,498,330)	246,816,301	68,985,006	221,812,089	168,442,596
Share capital	11,114,254													
Reserves	20,656,466													
Surplus on revaluation of assets	6,446,259													
Unappropriated profit	51,798,069													
	90,015,048													

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

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

	Total	2022								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
					(Rupees in '000)					
Assets										
Cash and balances with treasury banks	94,163,585	94,163,585	-	-	-	-	-	-	-	-
Balances with other banks	15,067,261	15,067,261	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,568,607	15,568,607	-	-	-	-	-	-	-	-
Investments	1,158,520,697	3,260,475	19,692,890	91,534,512	226,799,110	41,262,652	292,058,598	279,596,197	200,035,991	4,280,272
Advances	813,534,790	167,618,444	252,687,211	118,537,227	60,714,606	59,436,268	45,911,325	48,441,561	42,772,238	17,415,910
Fixed assets	62,075,079	548,066	1,369,194	10,826,471	3,333,165	6,331,362	4,491,858	6,370,184	6,235,104	22,569,675
Intangible assets	364,466	32,053	50,275	66,659	105,844	109,635	-	-	-	-
Deferred tax assets	9,680,840	4,083,642	(113,979)	(2,167,800)	601,370	1,551,204	1,459,567	2,301,487	3,207,025	(1,241,676)
Other assets	103,092,411	54,092,573	30,182,278	14,022,204	1,446,126	120,572	8,880	7,540	10,150	3,202,088
	2,272,067,736	354,434,706	303,867,869	232,819,273	293,000,221	108,811,693	343,930,228	336,716,969	252,260,508	46,226,269
Liabilities										
Bills payable	44,855,837	44,855,837	-	-	-	-	-	-	-	-
Borrowings	418,989,460	216,029,101	76,631,115	37,148,055	6,309,037	13,327,930	13,416,475	23,924,663	32,069,437	133,647
Deposits and other accounts	1,568,138,055	200,148,710	179,029,796	169,032,234	214,852,892	206,127,872	199,470,472	205,442,094	194,025,771	8,214
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,991,600	-	1,000	2,200	3,200	6,400	6,400	12,800	15,959,600	14,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	114,850,833	59,761,475	24,791,634	3,798,335	3,922,588	3,347,893	3,814,653	5,430,669	6,018,118	3,965,468
	2,176,825,785	520,795,123	280,453,545	209,980,824	225,087,717	222,810,095	216,708,000	234,810,226	248,072,926	18,107,329
Net assets	95,241,951	(166,360,417)	23,414,324	22,838,449	67,912,504	(113,998,402)	127,222,228	101,906,743	4,187,582	28,118,940
Share capital	11,114,254									
Reserves	24,391,414									
Surplus on revaluation of assets	897,685									
Unappropriated profit	58,838,598									
	95,241,951									

	Total	2021								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
					(Rupees in '000)					
Assets										
Cash and balances with treasury banks	118,599,741	118,599,741	–	–	–	–	–	–	–	–
Balances with other banks	6,740,008	6,740,008	–	–	–	–	–	–	–	–
Lendings to financial institutions	20,063,828	20,063,828	–	–	–	–	–	–	–	–
Investments	826,599,884	51,588,076	83,187,790	(409,505)	92,640,504	207,866,320	40,129,080	192,321,659	155,947,899	3,328,061
Advances	733,799,311	157,189,511	189,668,398	127,675,042	63,577,285	48,372,383	48,828,863	48,004,081	37,530,239	12,953,509
Fixed assets	55,692,777	529,625	1,921,326	1,338,918	3,320,713	12,260,368	3,660,512	5,284,010	5,787,232	21,590,073
Intangible assets	268,246	43,454	65,476	55,879	90,508	12,929	–	–	–	–
Deferred tax assets	2,074,828	3,268,620	47,652	(101,422)	222,871	(1,939,116)	7,264	811,703	917,429	(1,160,173)
Other assets	85,813,497	40,228,849	24,256,741	7,927,102	12,172,629	248,217	68,849	18,117	11,566	881,427
	1,849,652,120	398,251,712	299,147,383	136,486,014	172,024,510	266,821,101	92,694,568	246,439,570	200,194,365	37,592,897
Liabilities										
Bills payable	29,803,755	29,803,755	–	–	–	–	–	–	–	–
Borrowings	302,212,902	76,442,669	98,930,238	42,619,114	11,764,731	9,542,625	10,585,069	19,745,203	32,327,849	255,404
Deposits and other accounts	1,309,823,329	213,032,074	148,993,447	132,803,856	157,652,660	162,646,434	171,854,795	163,061,384	159,767,786	10,893
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Subordinated debt	15,995,200	–	1,000	800	1,800	3,600	3,600	7,200	8,977,200	7,000,000
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	101,801,886	41,720,363	19,490,621	5,302,990	15,214,966	1,326,302	1,154,690	9,132,049	5,182,995	3,276,910
	1,759,637,072	360,998,861	267,415,306	180,726,760	184,634,157	173,518,961	183,598,154	191,945,836	206,255,830	10,543,207
Net assets	90,015,048	37,252,851	31,732,077	(44,240,746)	(12,609,647)	93,302,140	(90,903,586)	54,493,734	(6,061,465)	27,049,690
Share capital	11,114,254									
Reserves	20,656,466									
Surplus on revaluation of assets	6,446,259									
Unappropriated profit	51,798,069									
	90,015,048									

45. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 7.0 (2021: Rs. 7.0) per share.

46. GENERAL

46.1 Captions, as prescribed by BPRD Circular No. 02 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these unconsolidated financial statements, except for captions of the statement of financial position and profit and loss account.

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

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

47. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue in the Board of Directors' meeting held on 15 February 2023.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman

Annexure I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2022

(Rupees in '000)

S. No.	Name and address of the borrower(s)	Name of individuals / partners / directors (with CNIC Nos.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest / Mark-up Written off	Other Charges written off	Total (9+10+11)
				Principal	Interest / Mark-up	Other Charges	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	**Ghulam Noor** House No. 12/1, Street No. 21, Khayaban-e-Touheed, Phase V, DHA, Karachi.	Ghulam Noor (CNIC: 42101-5096641-9)	Ali Noor	509	67	-	576	509	67	-	576
2	**AL Noor Construction Co** Plot No. 25/E, 2nd Floor, Khayaban-e-Jami, Phase II Extension, DHA, Karachi.	Ghulam Noor (CNIC: 42101-5096641-9)	Ali Noor	-	11,082	-	11,082	-	11,082	-	11,082
3	**The Fuellers** 23 Baber Block, New Garden Town, Lahore.	Khalid Mehmood (CNIC: 35202-1345244-1)	Shah Muhammad	-	4,177	-	4,177	-	4,177	-	4,177
		Fatima Khalid (CNIC: 35202-9060744-4)	Khalid Mehmood								
4	**Tayyab Fabrics** 120/1, 8th Street, Khayaban-e-Rahat, Phase VI, DHA, Karachi.	Tausif ur Rahman (CNIC: 42301-7084145-9)	Mujtaba Hussain Ansari	31,884	3,002	-	34,886	31,884	3,002	-	34,886
5	**Khalid Jawaid & Brothers** 52-57, Aiwan-e-Tijarat Building, Aiwan-e-Tijarat Road, Karachi	Zeeem Javaid (CNIC: 42000-0469864-9)	Javaid Iqbal	17,078	3,395	-	20,473	13,743	3,395	-	17,138
		Noor Jehan (CNIC: 42101-1664282-8)	Manzoor Ahmed								
		Javaid Iqbal (CNIC: 42301-0910340-5)	Manzoor Ahmed								
		Shahid Ahmed (CNIC: 42301-0889594-7)	Manzoor Ahmed								
		Haroon Rashid (CNIC: 36302-0412296-9)	Manzoor Ahmed								
		Tariq Ahmed (CNIC: 42000-0549111-5)	Manzoor Ahmed								
		Faisal Imran (CNIC: 42301-0889596-9)	Javaid Iqbal								
6	**AL Saif Rice Mills** Garhi Khairo, Bypass Road, Usta Muhammad	Rehmat Ullah (CNIC: 53403-1408734-7)	Murad Bux	29,998	408	-	30,406	-	896	-	896
7	**Glitron Products** Plot No. 238, Atari Industrial Estate, 18 KM, Ferozepur Road, Lahore.	Aftab Ahmed (CNIC: 35201-9478238-3)	Muhammad Siddique	102,951	35,672	-	138,623	-	7,348	-	7,348
		Kashif Aftab (CNIC: 35201-9288485-3)	Aftab Ahmed								
8	**Zulfiqar & Company** Pul Sem Nala, Near Haris Kanta, Kamal Pur, Faisalabad.	Malik Zulfiqar Ali (CNIC: 42301-3754592-1)	Malik Alif Din	6,500	1,925	-	8,425	-	677	-	677
9	**Zahid** Flat # 311, 3rd Floor, BL-C, Near Nasa Colour Lab, Hasnabad Colony, North Nazimabad, Karachi.	Mr. Zahid (CNIC: 42101-1732267-7)	Mr. Bashir Ahmed	409	165	77	651	409	165	77	651
10	**Muhammad Maroof Khan** 4/7, Liaqat Avenue, Near Lavish Lawn Model Colony, Karachi	Muhammad Maroof Khan (CNIC: 42201-7898190-1)	Muhammad Zareen Khan	1,117	563	166	1,846	737	563	166	1,466
			Total	190,446	60,456	243	251,145	47,282	31,372	243	78,897

Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 178 (2021: 138) Islamic banking branches and 150 (2021: 145) Islamic banking windows at the end of the year.

	Note	2022	2021
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		**10,129,656**	8,423,970
Balances with other banks		**7,087**	6,633
Due from financial institutions		**–**	–
Investments	1	**139,707,651**	126,593,021
Islamic financing and related assets-net	2	**101,266,517**	85,209,570
Fixed assets		**960,714**	691,623
Intangible assets		**–**	–
Due from Head Office		**–**	–
Other assets		**9,004,260**	8,215,798
Total Assets		**261,075,885**	229,140,615
LIABILITIES			
Bills payable		**429,262**	306,474
Due to financial institutions		**38,932,611**	30,479,303
Deposits and other accounts	3	**177,775,602**	128,090,092
Due to Head Office		**7,016,160**	39,305,108
Subordinated debt		**–**	–
Other liabilities		**15,579,661**	16,989,976
		239,733,296	215,170,953
NET ASSETS		**21,342,589**	13,969,662
REPRESENTED BY			
Islamic Banking Fund		**7,600,000**	7,600,000
Reserves		**–**	–
Deficit on revaluation of assets		**(463,276)**	(238,060)
Unappropriated profit	5	**14,205,865**	6,607,722
		21,342,589	13,969,662
CONTINGENCIES AND COMMITMENTS	6		

The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2022 is as follows:

	Note	2022	2021
		(Rupees in '000)	
Profit / return earned	7	**25,214,470**	10,936,284
Profit / return expensed	8	**(14,002,001)**	(4,829,642)
Net Profit / return		**11,212,469**	6,106,642
Other income			
Fee and commission income		**879,793**	675,695
Dividend income		**78,529**	6,115
Foreign exchange income		**155,791**	145,850
Income / (loss) from derivatives		**–**	–
(Loss) / gain on securities		**(29,526)**	10,123
Other income		**63,276**	42,498
Total other income		**1,147,863**	880,281
Total income		**12,360,332**	6,986,923
Other expenses			
Operating expenses		**(4,569,909)**	(3,129,078)
Other charges		**(225)**	(180)
Total other expenses		**(4,570,134)**	(3,129,258)
Profit before provisions		**7,790,198**	3,857,665
(Provisions) / reversals and write offs-net		**(192,055)**	5,136
Profit for the year		**7,598,143**	3,862,801

1. Investments by segments

	2022				2021			
	Cost / amortised cost	Provision for diminution	(eficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
	(Rupees in '000)							
Federal Government Securities								
- Ijarah Sukuks	106,895,687	–	(78,887)	106, 16,800	86,966,521	–	(489,423)	86,477,098
- Neelum helum Hydropo er Co Ltd. Sukuk	2,021,250	–	–	2,021,250	3,093,750	–	–	3,093,750
- Bai Muajjal ith Government of Pakistan	–	–	–	–	9,222,783	–	–	9,222,783
- Islamic Naya Pakistan Certificate	,852,292	–	–	,852,292	807,152	–	–	807,152
	11 ,769,229	–	(78,887)	11 ,290, 2	100,090,206	–	(489,423)	99,600,783
Shares								
- Listed Companies	0,529	(19,253)	56	11, 2	80,455	(54,083)	11,665	38,037
Non Government Debt Securities								
- Listed	21,952,266	–	(2,266)	21,950,000	22,243,347	–	215,177	22,458,524
- Unlisted	,9 0,000	–	–	,9 0,000	3,973,000	–	–	3,973,000
	25,892,266	–	(2,266)	25,890,000	26,216,347	–	215,177	26,431,524
Units of Mutual Funds	51,022	(52,866)	17,821	15,977	351,022	(52,866)	24,521	322,677
Associates								
- AL Habib Islamic Cash Fund	100,000	–	–	100,000	100,000	–	–	100,000
- AL Habib Islamic Savings Fund	100,000	–	–	100,000	100,000	–	–	100,000
	200,000	–	–	200,000	200,000	–	–	200,000
Total Investments	1 0,2 ,0 6	(72,119)	(463,276)	1 9,707,651	126,938,030	(106,949)	(238,060)	126,593,021

	Note	2022	2021
		(Rupees in '000)	

2. Islamic financing and related assets

	Note	2022	2021
Ijarah	2.1	**2,452,842**	1,510,759
Murabaha	2.2	**10,598,735**	10,763,354
Diminishing Musharaka		**15,741,969**	14,068,266
Islamic Long Term Financing Facility (ILTFF)		**3,835,813**	2,354,060
Istisna		**5,766,719**	5,342,869
Islamic Refinance for Renewable Energy (IFRE)		**2,157,740**	36,245
Islamic Refinance for Wages & Salaries (IRWS)		**41,082**	1,220,603
Islamic Refinance for Temporary Economic Refinance Facility (ITERF)		**5,498,680**	908,150
Islamic Refinance Facility for Modernization of SME's (IRFSME)		**49,186**	–
Islamic Financing Facility for Storage of Agricultural Product (IFFSAP)		**142,438**	–
Islamic Export Refinance - Istisna (IERF)		**2,303,561**	1,116,424
Musawamah		**3,532,923**	4,583,663
Islamic Export Refinance-Musawamah		**303,750**	529,750
Running Musharaka		**2,073,941**	326,612
Islamic Export Refinance-Running Musharaka		**6,075,426**	5,263,500
Financing against Bills-Musawamah		**3,916,970**	1,580,871
Export Finance Scheme (EFS) - Discounting		**5,110,945**	–
Staff Financing		**1,438,084**	1,025,435
Musawamah Inventory		**3,947,033**	2,290,127
Advance against Istisna		**9,761,928**	7,974,093
Advance against Istisna - IERF		**7,922,393**	9,475,930
Advance against Ijarah		**444,846**	505,797
Advance against Diminishing Musharaka		**3,102,235**	4,440,130
Advance against ILTFF		**2,100,278**	1,756,300
Advance against IFRE		**451,733**	2,161,708
Advance against ITERF		**2,888,709**	6,101,556
Advance against IRFSME		**–**	39,925
Gross Islamic financing and related assets		**101,659,959**	85,376,127
Less: provision against Islamic financings			
- Specific		**(343,385)**	(123,001)
- General		**(50,057)**	(43,556)
		(393,442)	(166,557)
Islamic financing and related assets-net of provision		**101,266,517**	85,209,570

2.1 Ijarah

	2022						
	Cost			Accumulated depreciation			Book value
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge for the year / (deletions)	As at 31 December	as at 31 December
	(Rupees in '000)						
Plant and Machinery	583,404	– (59,612)	523,792	294,330	160,128 (47,092)	407,366	116,426
Vehicles	2,137,519	1,958,855 (738,729)	3,357,645	972,561	571,270 (503,984)	1,039,847	2,317,798
Equipment	203,408	– (93,342)	110,066	146,681	15,624 (70,857)	91,448	18,618
Total	2,924,331	1,958,855 (891,683)	3,991,503	1,413,572	747,022 (621,933)	1,538,661	2,452,842

	2021						
	Cost			Accumulated depreciation			Book value
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge for the year / (deletions)	As at 31 December	as at 31 December
	(Rupees in '000)						
Plant and Machinery	404,078	348,701 (169,375)	583,404	179,121	191,555 (76,346)	294,330	289,074
Vehicles	2,227,410	540,587 (630,478)	2,137,519	891,153	490,799 (409,391)	972,561	1,164,958
Equipment	286,147	106,718 (189,457)	203,408	190,796	91,675 (135,790)	146,681	56,727
Total	2,917,635	996,006 (989,310)	2,924,331	1,261,070	774,029 (621,527)	1,413,572	1,510,759

2.1.1 Future ijarah payments receivable

	2022			2021		
	Not later than 1 year	**Later than 1 year and less than 5 years**	**Total**	Not later than 1 year	Later than 1 year and less than 5 years	Total
	(Rupees in '000)					
Ijarah rental receivables	**976,345**	**1,707,662**	**2,684,007**	160,721	1,192,485	1,353,206

		Note	**2022**	2021
			(Rupees in '000)	
2.2	**Murabaha**			
	Murabaha financing	2.2.1	**7,323,675**	7,685,008
	Advances for Murabaha		**3,275,060**	3,078,346
			10,598,735	10,763,354
2.2.1	Murabaha receivable-gross			
	Less: Deferred murabaha income	2.2.2	**7,853,739**	7,929,218
	Profit receivable shown in other assets	2.2.4	**(222,743)**	(130,922)
	Murabaha financings		**(307,321)**	(113,288)
			7,323,675	7,685,008
2.2.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**7,929,218**	7,202,836
	Sales during the year		**28,763,308**	32,356,284
	Adjusted during the year		**(28,838,787)**	(31,629,902)
	Closing balance		**7,853,739**	7,929,218
2.2.3	Murabaha sale price		**7,853,740**	7,929,218
	Murabaha purchase price		**(7,323,675)**	(7,685,008)
			530,065	244,210
2.2.4	Deferred murabaha income			
	Opening balance		**130,922**	75,641
	Arising during the year		**984,087**	704,108
	Less: Recognised during the year		**(892,266)**	(648,899)
	Closing balance		**222,743**	130,922

3. Deposits and other accounts

	2022			2021		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
			(Rupees in '000)			
Customers						
Current deposits	**62,687,584**	**2,234,196**	**64,921,780**	51,080,914	1,753,634	52,834,548
Savings deposits	**61,608,252**	**2,872,384**	**64,480,636**	44,206,742	1,946,099	46,152,841
Term deposits	**27,105,947**	**–**	**27,105,947**	19,890,218	–	19,890,218
	151,401,783	**5,106,580**	**156,508,363**	115,177,874	3,699,733	118,877,607
Financial institutions						
Current deposits	**16,506**	**–**	**16,506**	18,895	–	18,895
Savings deposits	**21,250,733**	**–**	**21,250,733**	9,193,590	–	9,193,590
	21,267,239	**–**	**21,267,239**	9,212,485	–	9,212,485
	172,669,022	**5,106,580**	**177,775,602**	124,390,359	3,699,733	128,090,092

3.1 Composition of deposits

	2022	2021
	(Rupees in '000)	
- Individuals	**101,053,976**	76,106,049
- Government / Public Sector Entities	**1,152,775**	1,491,016
- Banking Companies	**46**	46
- Non-Banking Financial Institutions	**21,267,193**	9,212,439
- Private Sector	**54,301,612**	41,280,542
	177,775,602	128,090,092

3.1.1 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 132,980.916 million (2021: Rs. 107,417.050 million).

4. Charity Fund

	2022	2021
	(Rupees in '000)	
Opening balance	**12,978**	41,298
Additions during the year		
Received from customers on account of delayed payment	**16,942**	232
Charity accrued but not yet received	**7,287**	478
Dividend purification amount	**–**	825
Other Non - Shariah compliant income	**409**	942
Profit on charity saving account	**1,203**	1,032
	25,841	3,509
Payments / utilization during the year		
Health	**(7,849)**	(19,131)
Social Welfare	**(5,650)**	(12,698)
Education	**(1,500)**	–
	(14,999)	(31,829)
Closing balance	**23,820**	12,978

		2022	2021
		(Rupees in '000)	
4.1	Detail of charity is as follows:		
	Afzaal Memorial Thalassemia Foundation	**849**	3,000
	Al Mustafa Trust	**1,000**	1,500
	ASF Foundation	**1,400**	939
	Bait-ul-Sukun	**1,000**	1,939
	Child Aid Association	**1,000**	1,000
	Dar-ul-Sukun	**1,000**	1,939
	Edhi Foundation	**–**	1,939
	Green Crescent Trust	**1,250**	1,939
	IDA RIEU Welfare Association	**1,000**	1,939
	Indus Hospital	**500**	1,939
	Jinnah Foundation	**1,000**	–
	Karachi Down Syndrome Program	**–**	1,000
	Lady Dufferin Hospital	**–**	1,000
	National Institute of Child Health	**–**	1,000
	Osmania Hospital	**1,000**	1,000
	Pakistan Children's Heart Foundation	**1,000**	1,939
	Pakistan Foundation Fighting Blindness	**–**	1,000
	Panah Trust	**–**	1,000
	Pink Ribbon	**–**	1,000
	SIUT	**1,000**	1,939
	The Cancer Foundation	**–**	939
	Orange Tree Foundation	**500**	–
	NOWPDP	**1,000**	–
	The Kidney Centre	**500**	1,939
		14,999	31,829
5.	**Islamic Banking Business Unappropriated Profit**		
	Opening balance	**6,607,722**	2,744,921
	Add: Islamic Banking profit for the year	**7,598,143**	3,862,801
	Closing balance	**14,205,865**	6,607,722
6.	**Contingencies and Commitments**		
	- Guarantees	**10,385,298**	10,930,898
	- Commitments	**24,096,223**	27,490,079
		34,481,521	38,420,977
7.	**Profit / Return Earned on Financing, Investments and Placement**		
	Profit earned on:		
	Financing	**8,973,841**	3,999,268
	Investments	**16,150,941**	6,915,752
	Placements	**89,688**	21,264
		25,214,470	10,936,284
8.	**Profit on Deposits and Other Dues Expensed**		
	Deposits and other accounts	**8,335,432**	3,601,731
	Due to Financial Institutions	**3,222,733**	403,087
	Due to Head Office	**2,443,836**	824,824
		14,002,001	4,829,642

9. Profit and Loss Distribution and Pool Management

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

General Pool PKR (Mudaraba)

Deposits which assume minimal risk of loss due to diversified assets being tagged thereto are parked in the general pool. In case of loss in general pool, the loss will be borne by the general pool members

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and investments are parked to share the return among the FCY deposit holders. In case of loss in a FCY general pool, the loss will be borne by the FCY general pool members.

Special Pool FCY (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

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

IERS pool is required by SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Equity Pool

Investments with relatively higher risks such as investment in shares and mutual funds are tagged to the equity pool in order to safeguard the interest of depositors. The Bank as Mudarib in the general pool is responsible for administrative costs and cost of operating fixed assets, which are financed from equity. Furthermore, subsidized financing to employees are also financed from equity as per SBP guidelines.

Special Mudaraba Financing Facility (SMFF) Pool – Open Market Operations (OMO) Injections

Special Mudaraba Financing Facility (MFF) Pool for OMO Injection is created to invest the funds exclusively raised from SBP through Islamic Open Market Operations (OMO) in High Quality Assets including securities that are eligible as approved securities for maintaining Statutory Liquidity Requirement (SLR).

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 organizations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & Shariah clearance.

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

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

- Chemical and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and leather garments
- Investment in sukuk, shares and mutual funds
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)

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

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

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

The Bank calculates the profit of the pool at every month. Profit is distributed at the Net Income level. Net Income is calculated after deducting direct costs such as cost of Murabaha, cost of Takaful, Depreciation on Ijarah Assets, and amortization of premium on sukuks and loss of investments directly incurred in deriving that Income.

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

The Bank's profit sharing ratio during the quarter was 50% (2021: 50%) of Net Income and the depositors' profit sharing ratio was 50% (2021: 50%) of Net Income.

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

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

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

	Distributable Income	Mudarib Share	Mudarib Share	HIBA Amount	HIBA
	(Rupees in '000)		(Percentage)	(Rupees in '000)	(Percentage)
			2022		
LCY Pool	**15,344,469**	**4,305,910**	**28.06%**	**1,881,570**	**43.70%**
FCY Pool	**158,391**	**146,756**	**92.65%**	**15,999**	**10.90%**
			2021		
LCY Pool	6,921,290	2,821,081	40.76%	342,246	12.13%
FCY Pool	85,200	79,472	93.28%	8,594	10.81%

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

	2022	2021
	(Percentage)	
Profit rate earned	**11.09%**	7.21%
Profit rate distributed	**6.03%**	3.34%

Complaint Handling

Under the umbrella of Customer Service Division, Complaint Management is primarily in control of upholding high FTC (Fair Treatment to Customers) standards by promptly resolving complaints and providing fair resolutions to customers.

To promote customers centricity in the culture and dynamics of BAHL, we have developed a comprehensive policy for handling customer complaints that is established on the values of fairness, transparency, promptness, visibility, and accessibility. BAHL take complaints as an effective measure to improve its services instead of considering complaints as root cause for customer dissatisfaction. Additionally, Fair Treatment to Consumers Committee (FTCC) is established to anticipate customer problems and recommend resolution that can give our customers a better experience.

In order to ensure that customer concerns are quickly resolved, Bank's customer complaint unit has been enhanced further during 2022. Additionally, training sessions have been conducted to emphasize complaint management procedures and guidelines throughout the bank.

Customers can register complaints through a variety of channels, including a call center, the bank's website, direct emails, social media, and letters delivered directly or through drop box to the customer services division. These complaints are swiftly recorded in the complaint management system. From the time a complaint is acknowledged until it is resolved, bank has a defined escalation matrix to resolve complaints, where if any complaint is not resolved within the allotted turnaround time, it is escalated to the next senior level of management to ensure resolution of the complaints on priority.

As a post resolution activity, the complaint trends and analysis are shared with Board Members, Senior Management and Business Segments. Based on the findings, root cause analysis is conducted and communicated timely with the relevant departments for reduction of customer grievance

Key Highlight: In 2022, the Bank received 383,488 complaints about 77% higher than the previous year. The complaints were investigated and closed within an average turnaround time of 4 working days.

Report of Shari'ah Board for the year ending December 31, 2022

In the name of Allah, the Beneficent, the Merciful

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

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

   I. BAHL-IBD has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.

   II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.

   III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management. On recommendations of Shari'ah Board measures are being taken to further strengthen the Pool Management system.

   IV. BAHL-IBD has a comprehensive mechanism in place to ensure Shari'ah Compliance in its overall operations.

   V. The Shari'ah Board appreciates the view and commitment of BOD towards ensuring the Shari'ah Compliance in the products, processes and operations of the BAHL-IBD. Improvement is required in level of awareness of Islamic Banking staff as well Executive Management in order to improve their understanding on the importance of Shari'ah Compliance in their respective areas, particularly in Foreign Trade Department.

   VI. The Management has committed to provided further human resources to Shari'ah Compliance Department enabling them to discharge their duties effectively.

   VII. The Bank has a well-defined mechanism in place which is sound enough to ensure that any earnings identified from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. In year 2022, charity amount of Rs. 19.033 Million has been realized, out of which an income of Rs. 0.409 Million was credited to charity due to Shari'ah non-compliance as per instructions of Shari'ah Board. An amount of Rs. 14.999 Million has been granted to various charitable institutions from available charity fund.

Mufti Sher Ali
Resident Shariah Board Member

Mufti Muhammad Hamza
Shariah Board Member

Mufti Mohib ul Haq Siddiqui
Shariah Board Member

Mufti Ismatullah Hamdullah
Chairman Shariah Board

Karachi: 15 February, 2023

Notice of Annual General Meeting

Notice is hereby given that the Thirty-second Annual General Meeting of Bank AL Habib Limited will be held at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, on Tuesday, March 21, 2023 at 10:30 a.m. to transact the following business. The shareholders may also attend the meeting through electronic means as advised by Securities and Exchange Commission of Pakistan (SECP).

1. To receive and adopt the Audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2022 together with the Reports of Chairman, Directors and Auditors.
2. To consider and approve payment of cash dividend @ 70%, i.e., Rs. 7.0 per share of Rs. 10/- each for the year ended December 31, 2022 as recommended by the Board of Directors.
3. To appoint auditors for the year 2023 and to fix their remuneration. EY Ford Rhodes, Chartered Accountants, being eligible, offer themselves for re-appointment.
4. To consider any other business of the Bank with the permission of the Chair.

Special Business

5. To consider and approve the conversion terms of Tier 2 Term Finance Certificates of the Bank, issued in 2022 in the amount of Rs. 7,000,000,000 (Rupees Seven Billion) into Ordinary Shares of the Bank upon occurrence of a conversion event if so required by the State Bank of Pakistan.
6. To consider and approve remuneration payable to Executive Director of the Bank.

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

By order of the Board

MOHAMMAD TAQI LAKHANI
Company Secretary

Karachi: February 28, 2023

Notes:

1. Participation in the Annual General Meeting (AGM) through Electronic Means:

The entitled shareholders who are interested to attend AGM through online platform and whose names appeared in the Books of the Bank by the close of business on March 13, 2023 are hereby requested to get themselves registered with the Company Secretary Office by providing the following details at the earliest but not later than 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day) at agm@bankalhabib.com.

Name of Shareholder	CNIC No.	Folio Number /CDC Account No.	Cell Number	Email Address

Upon receipt of the above information from interested shareholders, the Bank will send the login details at their email addresses. On the AGM day, shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices from any convenient location.

The login facility will be opened 30 minutes before the meeting time to enable the participants to join the meeting after identification and verification process.

The entitled shareholders (whose names appeared in the Books of the Bank by the close of business on March 13, 2023) along with the details mentioned above may send their comments/suggestions for the proposed Agenda items at the above email address at least 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day).

2. The share transfer book of the Bank will remain closed from March 14, 2023 to March 21, 2023 (both days inclusive). Transfers received in order at the office of our Share Registrar, CDC Share Registrar Services Limited, located at CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi – 74400, by the close of business on March 13, 2023 will be treated in time for payment of cash dividend (subject to approval of the members). Members are requested to promptly communicate any change in their addresses to our above-mentioned Share Registrar.

3. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and vote on his/her behalf. A proxy (except for a corporation) must be a member of the Bank. Proxy form, in order to be effective, must be received at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, duly stamped and signed not less than 48 hours before the time of the meeting (no account shall be taken of any part of the day that is not a working day).

4. The entitled shareholders are requested to keep with them their original Computerized National Identity Cards (CNICs) / Passport along with their folio numbers / participant(s) ID numbers and CDC 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. Payment of Cash Dividend through Electronic Mode

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

In order to receive cash dividend directly into the designated bank account, members who have not yet provided the bank account details are requested to fill and sign the "E-Dividend Bank Mandate Form" available on the Bank's website link, https://www.bankalhabib.com/download-forms and send to the relevant Participants / Investor Account Services of the CDC/Share Registrar of the Bank (as the case may be) latest by March 13, 2023 along with a copy of their valid CNICs. The aforesaid form is also available in the Annual Report of the Bank.

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

6. The Government of Pakistan through Finance Act, 2022 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of cash dividend paid by the companies/banks. These tax rates are as follows:

(a)	For filers of income tax returns	15%
(b)	For non-filers of income tax returns	30%

To enable the Bank to make tax deduction on the amount of cash dividend @ 15% instead of 30% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of cash dividend i.e., March 21, 2023; otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

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

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

In case the required information is not provided to our Share Registrar latest by March 13, 2023, it will be assumed that the shares are equally held by them.

In case of corporate entity, withholding tax exemption from dividend income shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar latest by March 13, 2023.

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

7. Audited Financial Statements through e-mail

In pursuant to Section 223 of the Companies Act 2017, Annual Report 2022 which includes Auditors' Report along with Audited Financial Statements, Directors' Report, Chairman's Review Report and Notice of Annual General Meeting are being e-mailed to the members who have provided their e-mail addresses for the said purpose. Members are also requested to intimate change (if any) in their registered e-mail addresses to our Share Registrar for the aforesaid purpose. Members of the Bank who wish to receive soft copy of Annual Report are requested to send their e-mail addresses to our Share Registrar through consent form, available on the Bank's website.

The Annual Report 2022 of the Bank is also available on the Bank's website and can be downloaded through the link given below:
https://www.bankalhabib.com/reports

8. Postal Ballot / E-Voting

In accordance with the Companies (Postal Ballot) Regulations, 2018 and in compliance of Sections 143 and 144 of the Companies Act, 2017, the shareholders will be allowed to exercise right of vote through postal ballot i.e., by post or through electronic mode in accordance with requirements and procedures mentioned in the aforesaid regulations.

Additional Information for Shareholders:

a. Unclaimed / Unpaid Cash dividend and Share Certificates:

In compliance of Section 244 of the Act, the Bank has already requested through individual letters to shareholders and also through newspaper to collect their unclaimed shares / unpaid cash dividend, if any. Shareholders are once again requested to lodge a claim for unclaimed shares / unpaid cash dividends with the Bank's Share Registrar i.e. CDC Share Registrar Services Limited.

b. Deposit / Conversion of Physical shares into Book-Entry form:

The shareholders having physical share certificates of the Bank are advised to place / convert their physical shares into Book-Entry form in CDC as required under the provisions of Section 72 of the Companies Act, 2017.

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

The statement is annexed to the Notice of the Thirty-second (32nd) Annual General Meeting of Bank AL Habib Limited at which a special business is to be transacted. The purpose of this statement is to set forth the material fact concerning such special business.

Item No.5 of the Agenda

In order to contribute towards its Tier 2 Capital, Bank AL Habib Limited (the "Bank") has issued redeemable capital in the form of rated, unsecured and subordinated Term Finance Certificates ("TFCs") amounting to Rs. 7,000,000,000/- (Rupees Seven Billion) by way of private placement to eligible investors, pursuant to the terms of the TFC Issuance Agreement dated December 14, 2022 in accordance with the Basel III Capital Instructions issued by SBP vide BPRD Circular No. 6 dated August 15, 2013.

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

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

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

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

"**RESOLVED THAT** the Term Finance Certificates ("TFCs") of Bank AL Habib Limited in the amount of Rs. 7,000,000,000/- (Rupees Seven Billion) issued pursuant to the terms of the TFC Issuance Agreement dated December 14, 2022 for the purpose of Tier 2 Capital under Basel III Capital Instructions of the State Bank of Pakistan ("SBP"), may be converted into ordinary shares of the Bank subject to a maximum of 145,000,000/- (One Hundred Forty Five Million) additional ordinary shares being issued upon such conversion, if so directed by SBP on the occurrence of a point of non-viability as determined by SBP, at a price equivalent to the market value of the shares of the Bank on the date of trigger of the point of non-viability as declared by SBP, in accordance with the applicable rules and regulations of SBP, and all such ordinary shares shall be issued other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017 and shall further be subject to the approval of Securities and Exchange Commission of Pakistan in accordance with Section 83(1)(b) of the Companies Act, 2017.

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

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

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

Item No.6 of the Agenda

As recommended by the Board of Directors in their meeting held on February 15, 2023, it is intended to propose the following resolution to be passed as an Ordinary Resolution:

"**RESOLVED THAT** the remuneration of Mr. Qumail R. Habib, Executive Director shall not exceed Rs. 4,312,500/- per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment."

Pattern of Shareholding as at December 31, 2022

Number of Shareholders	Size of Shareholding				Total Shares Held
617	From	1	To	100	23,764
887	From	101	To	500	286,796
603	From	501	To	1,000	490,519
1,995	From	1,001	To	5,000	5,449,424
606	From	5,001	To	10,000	4,583,425
327	From	10,001	To	15,000	4,116,148
1,123	From	15,001	To	20,000	20,593,680
100	From	20,001	To	25,000	2,265,409
71	From	25,001	To	30,000	1,969,224
59	From	30,001	To	35,000	1,944,241
93	From	35,001	To	40,000	3,488,072
71	From	40,001	To	50,000	3,282,164
51	From	50,001	To	60,000	2,805,694
81	From	60,001	To	80,000	5,650,063
74	From	80,001	To	100,000	6,787,747
92	From	100,001	To	150,000	10,913,555
74	From	150,001	To	200,000	13,054,375
44	From	200,001	To	250,000	9,899,975
27	From	250,001	To	300,000	7,442,365
19	From	300,001	To	350,000	6,194,964
95	From	350,001	To	600,000	44,358,883
49	From	600,001	To	1,000,000	37,981,219
155	From	1,000,001	To	100,000,000	917,843,710
7,313					1,111,425,416

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,980	604,808,231	54.42%
Investment & Insurance Companies	13	105,444,041	9.49%
Joint Stock Companies	122	167,208,556	15.04%
Financial Institutions	11	19,472,279	1.75%
Modaraba & Mutual Funds	39	86,812,591	7.81%
Foreign Companies	14	26,540,591	2.39%
Pension Funds	24	32,411,696	2.92%
Others	110	68,727,431	6.18%
TOTAL	7,313	1,111,425,416	100.00%

Pattern of Shareholding as at December 31, 2022
Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies		
Habib Insurance Co. Ltd.	1	2,000,000
Habib Sugar Mills Limited	1	24,136,691
Mutual Funds		
CDC - TRUSTEE HBL - STOCK FUND	1	5
TRI-STAR MUTUAL FUND LIMITED	1	1,904
CDC - TRUSTEE HBL FINANCIAL SECTOR INCOME FUND PLAN I - MT	1	3,000
SAFEWAY FUND (PVT) LTD.	1	5,001
CDC-TRUSTEE NITPF EQUITY SUB-FUND	1	20,000
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1	25,000
CDC - TRUSTEE ALFALAH GHP DEDICATED EQUITY FUND	1	25,915
CDC - TRUSTEE AL HABIB STOCK FUND	1	26,000
CDC - TRUSTEE NIT PAKISTAN GATEWAY EXCHANGE TRADED FUND	1	33,930
CDC - TRUSTEE AL HABIB ASSET ALLOCATION FUND	1	36,500
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	1	74,500
CDC - TRUSTEE HBL INVESTMENT FUND	1	81,399
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	89,552
CDC - TRUSTEE NBP FINANCIAL SECTOR INCOME FUND - MT	1	101,500
CDC - TRUSTEE NIT ASSET ALLOCATION FUND	1	120,000
CDC - TRUSTEE ALLIED FINERGY FUND	1	123,179
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	141,801
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	197,232
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	208,702
CDC - TRUSTEE JS LARGE CAP. FUND	1	266,920
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	276,259
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	288,034
CDC - TRUSTEE NBP BALANCED FUND	1	334,400
CDC - TRUSTEE APF-EQUITY SUB FUND	1	389,000
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	389,309
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	394,500
CDC - TRUSTEE NBP SARMAYA IZAFA FUND	1	454,350
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	563,451
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	669,919
CDC - TRUSTEE FAYSAL STOCK FUND	1	679,256
CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1	881,041
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,029,489
CDC - TRUSTEE ABL STOCK FUND	1	1,133,214
MCFSL - TRUSTEE JS GROWTH FUND	1	1,138,897
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	1,836,240
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	1,984,433
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	6,390,388
CDC - TRUSTEE NBP STOCK FUND	1	9,455,612
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	56,942,759
National Bank of Pakistan, Trustee Dept.		

Shareholders' Category	Number of Shareholders	Number of Shares Held
Directors		
Abbas D. Habib	1	42,450,257
Qumail R. Habib	1	17,522,296
Anwar Haji Karim	1	6,349,159
Murtaza H. Habib	1	13,698,691
Syed Mazhar Abbas	1	18,474
Mohammad Rafiquddin Mehkari	1	1,000
Arshad Nasar	1	500
Chaudhry Javed Iqbal	1	500
Farhana Mowjee Khan	1	25,180
Chief Executive Officer		
Mansoor Ali Khan	–	NIL
Directors' Spouses		
Mrs. Niamet Fatima W/o. Mr. Abbas D. Habib	1	4,818,197
Executives	48	9,061,161
Joint Stock Companies and Corporations	121	143,071,865
Banks, Development Financial Institutions, Non - Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	46	81,892,862
Shareholders holding five percent or more voting rights		
State Life Insurance Corporation of Pakistan	1	73,435,154
National Investment (Unit) Trust (included in the list above under Mutual Funds)		
Individuals	6,922	510,862,816
Others (including foreign companies)	124	95,268,022
TOTAL	7,313	1,111,425,416

Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies

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

The Directors are pleased to present the Audited Consolidated Financial Statements of Bank AL Habib Limited and the Bank's Subsidiaries AL Habib Capital Markets (Private) Limited and AL Habib Asset Management Limited for the year ended December 31, 2022.

	(Rupees in '000)
Profit for the year before tax	33,055,393
Taxation	(16,369,089)
Profit for the year after tax	16,686,304
Share of loss attributable to Non-controlling interest	1,623
Profit attributable to shareholders of Holding Company	16,687,927
Un-appropriated profit brought forward	52,071,442
Transfer from surplus on revaluation of fixed assets-net of tax	112,572
Other comprehensive income-net of tax	(205,271)
	51,978,743
Profit available for appropriation	68,666,670
Appropriations:	
Transfer to Statutory Reserve	(1,657,023)
Cash dividend – 2021	(7,779,978)
	(9,437,001)
Un-appropriated profit carried forward	59,229,669
Earnings per share (after tax) – Holding Company	Rs. 15.01

Pattern of Shareholding

The pattern of shareholding as at December 31, 2022 is annexed with the financial statements of Bank AL Habib Limited.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 15, 2023

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the members of Bank AL Habib Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Bank AL Habib Limited (the Bank), and its subsidiary companies, (the Group) which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key audit matter	How the matter was addressed in our audit
1. Expected credit loss (ECL) / impairment provision against investment in foreign currency sovereign bonds	
The Group's investment portfolio includes a gross carrying value (before provisions) of Rs. 34,520 million in respect of investments in sovereign bonds denominated in foreign currencies that are issued by Pakistan and other countries. These include sovereign bonds with defaulted status as well as other bonds with varying credit ratings. During the year, the group has made an aggregate impairment provisions including expected credit loss ("ECL") provisions amounting to Rs. 9,356 million in respect of the above portfolio of investments. Due to the significance of the events impacting the sovereign bonds portfolio, particularly the defaults and deterioration of credit ratings, together with the judgements and estimates involved in determining the impairment / ECL provisions, we have considered this area as a Key Audit Matter. Please refer to Note 8.3.1 for disclosure in relation to the above referred portfolio and the related provisions.	We applied the following key audit procedures in respect of impairment / ECL provisions for foreign currency sovereign bonds portfolio: - We obtained an understanding of the accounting policies and the impairment framework used by the Bank for determining impairment / ECL provisions against this portfolio. - We assessed ECL methodologies implemented by the Bank in relation to this portfolio by reference to the requirements of IFRS 9. In this regard, we focused on the sources of information underlying the credit ratings and Probability of default assumptions, together with consistency in the application of ECL model. - In respect of defaulted sovereign bonds, we considered the publicly available information about the countries' economic conditions, market prices observed post default and available currently. - We also discussed, with the auditors of overseas operations regarding the adequacy and appropriateness of impairment / ECL provisions, made by the Bank, in line with the applicable regulatory requirements of the relevant jurisdictions. - We also obtained reports from independent auditors of the relevant jurisdictions based on International Standards of Auditing. - We also assessed adequacy of disclosures as included in note 8.3.1 to the consolidated financial statements regarding the non-performing investments and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.

Key audit matter	How the matter was addressed in our audit
2. Provision against Non Performing loans and advances	
The Group's advances portfolio represents 35.78% of its total assets as of 31 December 2022. A substantial portion of the advances portfolio includes loans and advances to businesses operating in diverse sectors of the economy. As per the Group's accounting policy (refer note 4.5 to the consolidated financial statements), the Group determines provisions against non-performing advances exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group. In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against advances as a significant area of audit judgment and a key audit matter. The accounting policy and disclosures relating to provisioning against non- performing advances are included in note 4.5 and 9 respectively to the consolidated financial statements.	We applied a range of audit procedures including the following: - We reviewed the Group's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be. - We have performed procedures on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; - In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower; - In respect of the level of general provision maintained by the Group, we discussed the approach and policy followed by the Group with the management and the regulatory approvals in place for such policy. - We also assessed adequacy of disclosures as included in note 9 to the consolidated financial statements regarding the non-performing advances and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

EY Ford Rhodes
Chartered Accountants

Place: Karachi

Date: 27 February 2023

UDIN: AR202210191MGvVg5ZDz

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022	2021
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**94,163,589**	118,599,792
Balances with other banks	6	**15,105,449**	6,803,572
Lendings to financial institutions	7	**15,568,607**	20,063,828
Investments	8	**1,158,799,988**	826,698,791
Advances	9	**813,267,817**	733,335,453
Fixed assets	10	**62,087,777**	55,701,205
Intangible assets	11	**452,845**	354,580
Deferred tax assets	12	**9,702,816**	2,103,393
Other assets	13	**103,533,391**	86,548,232
		2,272,682,279	1,850,208,846
LIABILITIES			
Bills payable	15	**44,855,837**	29,803,755
Borrowings	16	**418,989,460**	302,212,902
Deposits and other accounts	17	**1,568,009,274**	1,309,734,964
Liabilities against assets subject to finance lease		**–**	–
Subordinated debt	18	**29,991,600**	15,995,200
Deferred tax liabilities		**–**	–
Other liabilities	19	**115,087,502**	102,042,740
		2,176,933,673	1,759,789,561
NET ASSETS		**95,748,606**	90,419,285
REPRESENTED BY			
Share capital	20	**11,114,254**	11,114,254
Reserves		**24,391,414**	20,656,466
Surplus on revaluation of assets	21	**899,575**	6,453,983
Unappropriated profit		**59,229,669**	52,071,442
Equity attributable to the shareholders of the Holding Company		**95,634,912**	90,296,145
Non-controlling interest	22	**113,694**	123,140
Total equity		**95,748,606**	90,419,285
CONTINGENCIES AND COMMITMENTS	23		

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		(Rupees in '000)	
Mark-up / return / interest earned	25	**200,910,552**	116,747,434
Mark-up / return / interest expensed	26	**(123,591,617)**	(61,267,977)
Net mark-up / interest income		**77,318,935**	55,479,457
NON MARK - UP / INTEREST INCOME			
Fee and commission income	27	**11,883,581**	9,559,133
Dividend income		**684,359**	475,443
Foreign exchange income		**7,241,088**	2,969,917
Income / (loss) from derivatives		**–**	–
Gain / (loss) on securities - net	28	**138,857**	(38,253)
Share of profit from associates		**778,627**	372,034
Other income	29	**854,177**	1,151,803
Total non mark-up / interest income		**21,580,689**	14,490,077
Total income		**98,899,624**	69,969,534
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	30	**(51,985,620)**	(38,778,009)
Workers welfare fund		**(821,631)**	(623,615)
Other charges	31	**(156,435)**	(36,294)
Total non mark-up / interest expenses		**(52,963,686)**	(39,437,918)
Profit before provisions		**45,935,938**	30,531,616
Provisions and write offs - net	32	**(12,880,545)**	(314,480)
Extra ordinary / unusual items		**–**	–
PROFIT BEFORE TAXATION		**33,055,393**	30,217,136
Taxation	33	**(16,369,089)**	(11,620,151)
PROFIT AFTER TAXATION		**16,686,304**	18,596,985
Attributable to:			
Shareholders of the Holding Company		**16,687,927**	18,583,320
Non-controlling interest		**(1,623)**	13,665
		16,686,304	18,596,985
		(Rupees)	
Basic and diluted earnings per share attributable to equity holders of the Holding Company	34	**15.01**	16.72

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

MANSOOR ALI KHAN
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Director

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Director

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Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	(Rupees in '000)	
Profit after taxation for the year	**16,686,304**	18,596,985
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	**2,077,925**	533,555
Movement in deficit on revaluation of investments - net of tax	**(4,982,786)**	(3,497,671)
	(2,904,861)	(2,964,116)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	**(205,271)**	(177,387)
Movement in surplus on revaluation of operating fixed assets - net of tax	**(460,864)**	(260,923)
Movement in surplus on revaluation of non banking assets - net of tax	**(6,009)**	(38,979)
	(672,144)	(477,289)
Total comprehensive income	**13,109,299**	15,155,580
Attributable to:		
Shareholders of the Holding Company	**13,117,122**	15,160,883
Non-controlling interest	**(7,823)**	(5,303)
	13,109,299	15,155,580

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to shareholders of the Holding Company										
				Revenue Reserves		Surplus / (deficit) on revaluation of					
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets	Unappropriated Profit	Sub Total	Non-controlling Interest	Total
						(Rupees in '000)					
Balance as at 01 January 2021	**11,114,254**	**15,640,821**	**2,123,956**	**126,500**	**540,000**	**2,841,651**	**7,525,042**	**40,416,713**	**80,328,937**	**114,778**	**80,443,715**
Profit after taxation	–	–	–	–	–	–	–	18,583,320	18,583,320	13,665	18,596,985
Other comprehensive income - net of tax	–	–	533,555	–	–	(3,492,368)	(299,902)	(177,387)	(3,436,102)	(5,303)	(3,441,405)
Total comprehensive income for the year	–	–	533,555	–	–	(3,492,368)	(299,902)	18,405,933	15,147,218	8,362	15,155,580
Transfer to statutory reserve	–	1,870,230	–	–	–	–	–	(1,870,230)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	(120,440)	120,440	–	–	–
Exchange gain realised on closure of overseas branch - net of tax	–	–	(178,596)	–	–	–	–	–	(178,596)	–	(178,596)
Transactions with owners, recorded directly in equity											
Final cash dividend (Rs. 4.5 per share)	–	–	–	–	–	–	–	(5,001,414)	(5,001,414)	–	(5,001,414)
Balance as at 31 December 2021	**11,114,254**	**17,511,051**	**2,478,915**	**126,500**	**540,000**	**(650,717)**	**7,104,700**	**52,071,442**	**90,296,145**	**123,140**	**90,419,285**
Profit after taxation	–	–	–	–	–	–	–	16,687,927	16,687,927	(1,623)	16,686,304
Other comprehensive income - net of tax	–	–	2,077,925	–	–	(4,974,963)	(466,873)	(205,271)	(3,569,182)	(7,823)	(3,577,005)
Total comprehensive income for the year	–	–	2,077,925	–	–	(4,974,963)	(466,873)	16,482,656	13,118,745	(9,446)	13,109,299
Transfer to statutory reserve	–	1,657,023	–	–	–	–	–	(1,657,023)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	(112,572)	112,572	–	–	–
Exchange gain realised on closure of overseas branch - net of tax	–	–	–	–	–	–	–	–	–	–	–
Transactions with owners, recorded directly in equity											
Final cash dividend (Rs. 7.0 per share)	–	–	–	–	–	–	–	(7,779,978)	(7,779,978)	–	(7,779,978)
Balance as at 31 December 2022	**11,114,254**	**19,168,074**	**4,556,840**	**126,500**	**540,000**	**(5,625,680)**	**6,525,255**	**59,229,669**	**95,634,912**	**113,694**	**95,748,606**

The anne ed notes 1 to 48 and anne ures I and II form an integral part of these consolidated financial statements.

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Chairman

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before ta ation		**,055, 9**	30,217,136
Less Dividend income		**(68 , 59)**	(475,443)
		2, 71,0	29,741,693
d ustments:			
Depreciation		**,572,767**	2,965,066
Depreciation on right-of-use assets		**2,1 0, 1**	1,854,453
Amortisation		**10, 16**	307,372
Provisions and rite-offs-net		**12,880,5 0**	314,480
Gain on sale of fi ed assets-net		**(52,292)**	(467,551)
Share of profit from associates		**(778,627)**	(372,034)
(Gain) / loss on sale / redemption of securities-net		**(1 8,857)**	38,253
Charge for compensated absences		**175,616**	155,639
Mark-up e pense on lease liability against right-of-use assets		**1, 1 ,510**	1,124,704
change gain realised on closure of overseas branch		**–**	(292,780)
		19,02 , 9	5,627,602
		51, 9 , 28	35,369,295
ecrease / (increase) in operating assets			
Lendings to financial institutions		**, 95,221**	(17,888,527)
Held-for-trading securities		**0,908**	(23,996)
Advances		**(8 ,9 5,527)**	(223,492,097)
Other assets		**(16,99 ,921)**	(11,217,718)
		(96, 0 , 19)	(252,622,338)
Increase / (decrease) in operating liabilities			
Bills payable		**15,052,082**	(1,209,466)
Borro ings from financial institutions		**116,6 2,97**	90,423,271
Deposits and other accounts		**258,27 , 10**	210,511,506
Other liabilities (e cluding current ta ation)		**10,22 ,978**	13,131,441
		00,19 ,	312,856,752
		55,18 , 5	95,603,709
Income ta paid		**(20,1 9,156)**	(10,533,792)
Net cash flo generated from operating activities		**5,0 5,297**	85,069,917
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		**(5 ,25 ,928)**	(48,977,289)
Net investments in held-to-maturity securities		**59,7 0**	(11,978,746)
Net investments in associates		**,808,255**	(5,556,710)
Dividends received		**685,95**	486,991
Investments in operating fi ed assets		**(9,09 , 1)**	(14,077,982)
Proceeds from sale of fi ed assets		**69,875**	442,860
change differences on translation of net investment in foreign branches		**2,077,925**	354,959
Net cash flo used in investing activities		**(5 ,8 6,521)**	(79,305,917)
CASH FLOW FROM FINANCING ACTIVITIES			
eceipts of subordinated debt-net		**1 ,996, 00**	1,005,600
Dividend paid		**(7,69 , 75)**	(4,930,117)
Payment against lease liabilities-net		**(2,759,611)**	(2,215,854)
Net cash flo generated / (used in) financing activities		**,5 , 1**	(6,140,371)
ecrease in cas and cas equivalents		**(16,267,910)**	(376,371)
Cash and cash e uivalents at beginning of the year	35	**125,0 2,70**	125,419,074
Cash and cash e uivalents at end of the year	35	**108,77 ,79**	125,042,703

The anne ed notes 1 to 48 and anne ures I and II form an integral part of these consolidated financial statements.

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Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 Asset Management Limited

1.2 Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017) having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 1,050 branches (2021: 927 branches), 29 sub-branches (2021: 29 sub-branches), 04 representative offices (2021: 04 representative offices) and 09 booths (2021: 03 booths). The branch network of the Bank includes 02 overseas branches (2021: 02 overseas branches) and 178 Islamic Banking branches (2021: 138 Islamic Banking branches).

1.3 The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The Company was incorporated in Pakistan on 23 August 2005 as a private limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The company is a corporate member of the Pakistan Stock Exchange Limited and is engaged in equity, money market and foreign exchange brokerage services, equity research, corporate financial advisory and consultancy services.

1.4 The Bank has invested in 100% shares of AL Habib Asset Management Limited. The Company was incorporated in Pakistan on 30 September 2005 as an unquoted public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company has been issued a license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services as a Non-Banking Finance Company. The principal business of the Company is to provide Investment Advisory Services and Asset Management Services.

The Company is managing following funds:

- AL Habib Money Market Fund
- AL Habib Islamic Cash Fund
- AL Habib Islamic Savings Fund
- AL Habib Income Fund
- AL Habib Stock Fund
- AL Habib Cash Fund
- AL Habib Islamic Stock Fund
- AL Habib Islamic Income Fund
- AL Habib Asset Allocation Fund
- AL Habib Pension Fund Equity Sub Fund
- AL Habib Pension Fund Debt Sub Fund
- AL Habib Pension Fund Money Market Sub Fund
- AL Habib Islamic Pension Fund Equity Sub Fund
- AL Habib Islamic Pension Fund Debt Sub Fund
- AL Habib Islamic Pension Fund Money Market Sub Fund

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these consolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.

2.3 Key financial information of the Islamic Banking branches is disclosed in annexure II to these consolidated financial statements.

2.4 The Group believes that there is no significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

2.5 Statement of compliance

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

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

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

2.5.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular No. 03 of 2022 dated 05 July 2022 directed the Banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2023. SECP has deferred the applicability of IFRS 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars. In case of overseas branches, IFRS 9 / respective foreign regulatory requirements are considered for recording, classification and valuation of investment.

2.5.3 SBP vide its BPRD Circular No. 04 dated 25 February 2015, has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposits' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in the preparation of these consolidated financial statements.

2.5.4 IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated 10 July 2014 by SECP. However, SECP has directed through S.R.O 56 (I) / 2016 dated 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable incase of investment by companies in mutual funds established under trust structure.

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

The Group has adopted the accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year, however they do not have an impact on the Group's financial statements.

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

2.7.1 IFRS 9 'Financial Instruments'

Regulatory Framework applicable to the banking sector

As per SBP BPRD Circular No. 03 of 2022, the effective date for the implementation of IFRS 9 Financial Instruments is accounting period beginning on or after January 1, 2023. As part of the same circular, SBP has issued detailed instructions on the application of the Standard, including transitional provisions, impact on the Capital Adequacy Ratio (CAR) calculation and reporting requirements.

The IFRS 9 application instructions and guidelines that have been issued as part of the circular include the following key components:

a) Basis for classification and measurement of debt and equity securities;

b) Framework for determination of “Expected Credit Losses (ECL)” under the requirements of IFRS 9, including required risk management policies;

c) Credit exposures (in local currency) that have been guaranteed by the Government and Government Securities have been exempted from the application of the above ECL Framework;

d) In respect of non-performing exposures (Stage 3 exposures) provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs’ requirements;

e) In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital and fully described in Annexure B to the aforementioned circular.

The State Bank of Pakistan vide its BPRD Circular No. 02 dated February 9, 2023 has issued revised formats for interim and annual financial statements of the banks for the accounting periods starting from January 01, 2023, which shall include the presentation and disclosures on adoption of IFRS 9 as applicable in Pakistan.

Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Bank’s financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022. The estimated ECL adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at January 1, 2023 is reduction in equity of approximately Rs. 1,717 million (without considering general provisions already held).

As at 31 December 2022, the management is carrying a general provision of Rs. 5,750 million (before tax) against loans / advances portfolio on prudent basis. After IFRS 9 implementation, the management of the Bank may decide on the amount of mangement ECL overlay out of the general provision already held.

2.7.2 Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

Standards and amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - Classification of liabilities as current or non-current (Amendments)	January 01, 2023
- IAS 8 - Definition of Accounting Estimates (Amendments)	January 01, 2023
- IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	January 01, 2023
- IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	January 01, 2023
- IFRS 16 - Lease Liability in a Sale and Leaseback (Amendments)	January 01, 2023
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

The above standards, amendments and improvements are not expected to have any material impact on the consolidated financial statements of the Group for the futures periods.

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

Standard	IASB effective date (accounting periods beginning on or after)
- IFRS 1 – First time adoption of IFRSs	January 01, 2009
- IFRS 17 – Insurance Contracts	January 01, 2023

2.8 Critical accounting estimates, judgments and assumptions

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

	Note
Classification and provisioning against investments	4.4, 4.14, 8 & 32
Classification and provisioning against loans and advances	4.5, 9 & 32
Useful lives of fixed, right of use assets and intangible assets, depreciation, amortisation and revaluation	4.6, 10 & 11
Determination of lease term and borrowing rate	4.6, 10 & 19
Non - banking assets acquired in satisfaction of claims	4.7 & 13
Defined benefit plan related assumptions	4.10 & 37
Provisions against off-balance sheet obligations	4.16, 19 & 32
Current and deferred taxation	4.13, 12 & 33

3. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are carried at fair value, certain land and buildings, and non-banking assets acquired in satisfaction of claims are carried at revalued amount. Employee benefits and lease liability against right-of-use assets are carried at present value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year.

4.1 Basis of consolidation

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

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

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

4.2 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated cash flow statement comprise cash and non restricted balances with treasury and other banks less overdrawn nostros accounts. Restricted balances not available for use if any, are excluded from cash and cash equivalents.

4.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of lendings and borrowings 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. These are initially recognised at amount of funds received and subsequently reported as payable under the contractual terms.

Purchase under resale obligation

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

Bai Muajjal

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

4.4 Investment

Investments (other than associates) are classified as follows:

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

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

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

Available-for-sale

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

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

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

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

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

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

Details of valuation techniques used in determination of fair value is included in note 40 of consolidated financial statements.

Investments in associates

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

4.5 Advances

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

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

Islamic Financing and Related Assets

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

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

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

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

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

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

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

Provision for non-performing advances
Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of respective central banks is followed in respect of overseas branches and is charged to the profit and loss account. The Bank also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of the management's risk assessment.

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

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

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

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

4.6 **Operating fixed assets and depreciation**

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

Property and equipment - owned
Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount less impairment, if any. Buildings are initially measured at cost and upon revaluation, are carried at revalued amount less accumulated depreciation and impairment, if any. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit and loss account on straight line basis so as to charge the assets over their expected useful lives at the rates specified in note 10.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation 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 valuations involve estimates / assumptions and various market factors and conditions. Any revaluation surplus is credited to the surplus on revaluation of land and buildings, except to the extent that it reversal of a deficit already charged to profit and loss account on the same asset. Any revaluation deficit is recognised in profit and loss account, except for a deficit directly offsetting a previous surplus on the same asset recognised in the asset revaluation surplus.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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.

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

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

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

The right-of-use assets are presented within note 10 fixed assets and are subject to impairment in line with the Group's policy as described in note 4.14 impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental lending rate to measure lease liabilities.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 11. Intangible assets are amortised on prorata basis i.e. full month amortisation in the month of purchase and no amortisation in the month of disposal.

4.7 Non - banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of assets is credited to the 'surplus on revaluation of Non-banking assets acquired in satisfaction of claims' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalised.

4.8 Borrowings / deposits

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

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

4.9 Subordinated debt

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

4.10 Employees' benefits

Defined benefit plan

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss in subsequent periods. The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 37. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Defined contribution plan

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

AL Habib Capital Markets (Private) Limited provides provident fund benefits to all its permanent employees. Contributions are made by the Company and the employees at the rate of 10% of the basic salary in accordance with the terms of scheme.

AL Habib Asset Management Limited operates approved funded contributory provident fund for all its permanent employees. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of the basic salary in accordance with the term of scheme.

Compensated absences

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

4.11 Foreign currencies

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

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

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

Commitments
Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letter of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

Translation gains and losses are included in the profit and loss account.

4.12 Revenue recognition

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

(b) Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.

(c) The rentals from ijarah are recognised as income over the term of the contract net of depreciation expense relating to the ijarah assets.

(d) Income from murabaha is accounted for on a time proportionate basis over the period of murabaha transaction.

(e) Income from istisna and musawama is recognised on time proportionate basis commencing from the time of sale of goods till the realisation of sale proceeds.

(f) Income from diminishing musharaka is recognised on time proportionate basis over the term of contract.

(g) Income from running musharaka financing is recognised on time proportionate basis and is subject to adjustment upon declaration of profit by musharaka partners.

(h) Income from Bai-Muajjal is recognised on time proportionate basis from the date of disbursement to the due date of payment.

(i) Dividend income is recognised when the right to receive is established.

(j) Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.

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

The Group recognises fees earned on transaction-based arrangements at a point in time when the Group has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other Liabilities.

4.13 Taxation

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

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

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

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

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

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

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

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

4.14 Impairment

Investments
Provision for diminution in the investments classified as available-for-sale and held-to-maturity (except for debt securities) is recognised after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities. This determination of what is significant or prolonged requires judgment.

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

Associates
The carrying values of investments in associates are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the investments are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account.

Non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the relevant surplus.

4.15 Contingent assets / liabilities

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits are remote.

4.16 Provisions against off - balance sheet obligations

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

4.17 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. Income and expenses are presented on a net basis only when permitted by the approved accounting standards as applicable in Pakistan.

4.18 Financial assets and liabilities

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

4.19 Derivative financial instruments

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

4.20 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the date of Statement of Financial Position are considered as non adjusting events and are recorded as a liability in the financial statements in the year in which these are approved by shareholders / directors as appropriate.

4.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the 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 2022.

Bank AL Habib

4.22 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Group's primary format of reporting is based on business segments.

4.23 Business segments

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

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

Retail brokerage

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

Asset management

It includes asset management activities through the subsidiary AL Habib Asset Management Limited.

4.24 Geographical segments

The Group operates in three geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific

4.25 Statutory / special reserve

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

Special reserve was created to meet regulatory requirements.

4.26 Provisions against liabilities

These are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision against contingencies is determined based on the management judgement regarding the probability of future out flows of resources embodying economic benefits to settle an obligation arising from past events. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.27 Clients' assets

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

4.28 Acceptances

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

	Note	2022	2021
		(Rupees in '000)	
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		**26,172,043**	25,102,141
Foreign currencies		**1,703,466**	1,731,629
		27,875,509	26,833,770
In transit:			
Local currency		**291,878**	230,555
Foreign currencies		**–**	422
		291,878	230,977
With State Bank of Pakistan in:			
Local currency current accounts	5.1	**53,502,052**	53,360,569
Local currency current accounts - Islamic Banking	5.1	**6,348,266**	5,651,972
Foreign currency deposit accounts			
Cash reserve account	5.1	**4,641,833**	3,733,261
Cash reserve / special cash reserve account - Islamic Banking	5.1	**612,722**	408,717
Special cash reserve account	5.1	**–**	7,466,521
Local collection account	5.2	**552,306**	786,071
		65,657,179	71,407,111
With National Bank of Pakistan in:			
Local currency current account		**189,343**	19,846,650
Prize bonds		**149,680**	281,284
		94,163,589	118,599,792

5.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements. The special cash reserve carries interest rate of 0.12% to 3.14% (2021: Nil) per annum.

5.2 This represents foreign currencies collection account maintained with SBP.

	Note	2022	2021
		(Rupees in '000)	
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current accounts		**92,616**	231,604
In deposit accounts	6.1	**636,181**	618,607
		728,797	850,211
Outside Pakistan:			
In current accounts	6.2	**2,692,451**	4,131,543
In deposit accounts	6.3	**11,684,220**	1,821,822
		14,376,671	5,953,365
		15,105,468	6,803,576
Less: impairment against IFRS 9 in overseas branches		**(19)**	(4)
		15,105,449	6,803,572

6.1 These carry expected profit rates ranging from 2.32% to 15.25% (2021: 2.32% to 8.25%) per annum.

6.2 These carry interest rates upto 0.25% (2021: upto 0.75%) per annum.

6.3 These carry interest rates upto 4.15% (2021: Nil) per annum.

	2022	2021
	(Rupees in '000)	
7. LENDINGS TO FINANCIAL INSTITUTIONS		
In local currency:		
Repurchase agreement lendings (Reverse Repo)	**15,568,607**	20,063,828

7.1 Securities held as collateral against amounts due from financial institutions

	2022			2021		
	Held by Bank	**Further given as collateral**	**Total**	Held by Bank	Further given as collateral	Total
			(Rupees in '000)			
Market Treasury Bills	**15,568,607**	**–**	**15,568,607**	18,343,998	–	18,343,998
Pakistan Investment Bonds	**–**	**–**	**–**	1,719,830	–	1,719,830
	15,568,607	**–**	**15,568,607**	20,063,828	–	20,063,828

7.1.1 Repurchase agreement lendings carry mark-up at rates ranging from 16.00% to 16.25% (2021: 10.00% to 10.75%) per annum.

7.1.2 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 15,593.410 million (2021: 20,120.78 million).

8. INVESTMENTS

8.1 Investments by type:

	Note	**2022**				2021			
		Cost / amortised cost	**Provision for diminution**	**Surplus / (deficit)**	**Carrying value**	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
					(Rupees in '000)				
Held-for-trading securities									
Shares		**99,950**	**–**	**419**	**100,369**	134,937	–	(3,067)	131,870
Available-for-sale securities	8.3 & 8.4								
Federal Government Securities		**945,814,070**	**(4,841,980)**	**(10,784,639)**	**930,187,451**	594,584,144	(224,825)	(1,276,341)	593,082,978
Shares		**4,675,318**	**(1,917,975)**	**410,910**	**3,168,253**	4,637,052	(1,799,946)	615,637	3,452,743
Non Government Debt Securities		**30,742,543**	**–**	**(87,440)**	**30,655,103**	29,941,356	–	141,257	30,082,613
Foreign Securities		**7,476,045**	**(3,314,354)**	**(43,536)**	**4,118,155**	6,718,457	(947,343)	(853,977)	4,917,137
Units of Mutual Funds		**3,257,238**	**(365,225)**	**615,580**	**3,507,593**	2,176,022	(365,225)	296,808	2,107,605
		991,965,214	**(10,439,534)**	**(9,889,125)**	**971,636,555**	638,057,031	(3,337,339)	(1,076,616)	633,643,076
Held-to-maturity securities	8.3 & 8.5								
Federal Government Securities		**182,266,360**	**(1,739,320)**	**–**	**180,527,040**	182,347,089	(100,982)	–	182,246,107
Foreign Securities		**1,812,862**	**(810,648)**	**–**	**1,002,214**	2,191,873	(77,573)	–	2,114,300
Others		**4,481**	**(4,481)**	**–**	**–**	4,481	(4,481)	–	–
		184,083,703	**(2,554,449)**	**–**	**181,529,254**	184,543,443	(183,036)	–	184,360,407
Associates	8.6	**5,533,810**	**–**	**–**	**5,533,810**	8,563,438	–	–	8,563,438
Total Investments		**1,181,682,677**	**(12,993,983)**	**(9,888,706)**	**1,158,799,988**	831,298,849	(3,520,375)	(1,079,683)	826,698,791

	2022				2021			
	Cost / amortised cost	**Provision for diminution**	**Surplus / (deficit)**	**Carrying value**	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.2 Investments by segments:				**(Rupees in '000)**				
Federal Government Securities								
Market Treasury Bills	**123,110,001**	**–**	**(691,755)**	**122,418,246**	123,991,225	–	(374,150)	123,617,075
Pakistan Investment Bonds	**865,701,463**	**–**	**(4,573,902)**	**861,127,561**	534,140,343	–	(589,989)	533,550,354
Foreign Currency Bonds	**22,901,702**	**(5,835,022)**	**(4,751,087)**	**12,315,593**	18,002,018	(312,404)	165,736	17,855,350
Ijarah Sukuks	**106,895,687**	**–**	**(478,887)**	**106,416,800**	86,966,523	–	(489,423)	86,477,100
Sukuks	**4,290,585**	**(746,278)**	**(289,008)**	**3,255,299**	13,023,972	(13,403)	11,485	13,022,054
Naya Pakistan Certificates	**4,852,292**	**–**	**–**	**4,852,292**	807,152	–	–	807,152
Term Finance Certificates - Unlisted	**328,700**	**–**	**–**	**328,700**	–	–	–	–
	1,128,080,430	**(6,581,300)**	**(10,784,639)**	**1,110,714,491**	776,931,233	(325,807)	(1,276,341)	775,329,085
Shares								
Listed Companies	**4,582,801**	**(1,912,275)**	**411,329**	**3,081,855**	4,617,753	(1,794,246)	612,570	3,436,077
Unlisted Companies	**192,467**	**(5,700)**	**–**	**186,767**	154,236	(5,700)	–	148,536
	4,775,268	**(1,917,975)**	**411,329**	**3,268,622**	4,771,989	(1,799,946)	612,570	3,584,613
Non Government Debt Securities								
Listed	**25,602,643**	**–**	**(87,440)**	**25,515,203**	24,768,436	–	141,257	24,909,693
Unlisted	**5,139,900**	**–**	**–**	**5,139,900**	5,172,920	–	–	5,172,920
	30,742,543	**–**	**(87,440)**	**30,655,103**	29,941,356	–	141,257	30,082,613
Others								
Unlisted Company	**4,481**	**(4,481)**	**–**	**–**	4,481	(4,481)	–	–
Foreign Securities								
Government Securities	**9,288,907**	**(4,125,002)**	**(43,536)**	**5,120,369**	8,910,330	(1,024,916)	(853,977)	7,031,437
Associates								
AL Habib Money Market Fund	**1,225,354**	**–**	**–**	**1,225,354**	350,697	–	–	350,697
AL Habib Islamic Cash Fund	**100,000**	**–**	**–**	**100,000**	425,638	–	–	425,638
AL Habib Islamic Savings Fund	**106,582**	**–**	**–**	**106,582**	100,100	–	–	100,100
AL Habib Income Fund	**389,676**	**–**	**–**	**389,676**	423,435	–	–	423,435
AL Habib Stock Fund	**10,151**	**–**	**–**	**10,151**	49,035	–	–	49,035
AL Habib Cash Fund	**3,405,213**	**–**	**–**	**3,405,213**	7,080,581	–	–	7,080,581
AL Habib Islamic Stock Fund	**7,321**	**–**	**–**	**7,321**	28,184	–	–	28,184
AL Habib Islamic Income Fund	**25,283**	**–**	**–**	**25,283**	25,331	–	–	25,331
AL Habib Asset Allocation Fund	**77,011**	**–**	**–**	**77,011**	80,437	–	–	80,437
AL Habib Pension Fund uity Sub Fund	**29,682**	**–**	**–**	**29,682**	–	–	–	–
AL Habib Pension Fund Debt Sub Fund	**32,390**	**–**	**–**	**32,390**	–	–	–	–
AL Habib Pension Fund Money Market Sub Fund	**32,266**	**–**	**–**	**32,266**	–	–	–	–
AL Habib Islamic Pension Fund uity Sub Fund	**30,164**	**–**	**–**	**30,164**	–	–	–	–
AL Habib Islamic Pension Fund Debt Sub Fund	**31,362**	**–**	**–**	**31,362**	–	–	–	–
AL Habib Islamic Pension Fund Money Market Sub Fund	**31,355**	**–**	**–**	**31,355**	–	–	–	–
	5,533,810	**–**	**–**	**5,533,810**	8,563,438	–	–	8,563,438
Units of Mutual Funds	**3,257,238**	**(365,225)**	**615,580**	**3,507,593**	2,176,022	(365,225)	296,808	2,107,605
Total Investments	**1,181,682,677**	**(12,993,983)**	**(9,888,706)**	**1,158,799,988**	831,298,849	(3,520,375)	(1,079,683)	826,698,791

	2022	2021
	(Rupees in '000)	
8.2.1 Investments given as collateral		
Market Treasury Bills	**71,831,084**	34,993,379
Pakistan Investment Bonds	**154,644,300**	84,993,500
	226,475,384	119,986,879

	2022	2021
	(Rupees in '000)	
8.3 Provision for diminution in value of investments		
Opening balance	**3,520,375**	3,638,456
Exchange adjustments against IFRS 9 in overseas branches	**512,063**	144,653
Charge / (reversals)		
Charge for the year	**158,469**	–
Charge / (reversal) of impairment as per IFRS 9 in overseas branches	**8,843,517**	(174,219)
Reversal on disposal	**(40,441)**	(88,515)
	8,961,545	(262,734)
Closing balance	**12,993,983**	3,520,375

8.3.1 Provision against investments includes Expected Credit Losses (ECL) / impairment under IFRS 9 amounting to Rs. 10,706.302 million (2021: Rs. 1,350.723 million) on overseas branches.

The Bank has estimated ECL / impairment provisions based on the IFRS 9 requirements as applicable in the relevant overseas jurisdictions. Under the IFRS 9 model, credit impairment provisions, inter alia, takes into account the credit ratings of the relevant bonds provided by the International rating agencies and the observed Probability of Default information relevant for such credit ratings. In respect of the defaulted bonds, the Bank considers multiple economic scenarios that may emerge in respect of realization from such bonds. For the economic scenarios the Bank used historical experiences from previous sovereign defaults situations as well as market prices currently available for the defaulted bonds. The economic scenarios are probability weighted to arrive at the impairment provision.

8.4 Quality of Available-for-Sale Securities

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

	Cost	
	2022	2021
	(Rupees in '000)	
8.4.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	**123,110,001**	123,991,225
Pakistan Investment Bonds	**690,858,280**	367,216,577
Foreign Currency Bonds	**15,478,525**	12,155,197
Ijarah Sukuks	**106,895,687**	86,966,523
Sukuks	**4,290,585**	3,447,470
Naya Pakistan Certificates	**4,852,292**	807,152
Term Finance Certificates-Unlisted	**328,700**	–
	945,814,070	594,584,144

	Cost 2022	Cost 2021
	(Rupees in '000)	

8.4.2 Shares

8.4.2.1 Listed Companies	2022	2021
Automobile Assembler	**199,842**	199,842
Cement	**362,079**	292,921
Commercial Banks	**164,698**	164,773
Fertiliser	**678,605**	933,455
Food and Personal Care Products	**–**	23,211
Insurance	**29,975**	29,975
Securities Companies	**106,222**	106,222
Oil and Gas Exploration Companies	**203,079**	27,713
Oil and Gas Marketing Companies	**793,159**	793,159
Paper and Board	**38,264**	38,264
Pharmaceuticals	**21,775**	21,775
Power Generation and Distribution	**1,648,679**	1,615,032
Technology and Communication	**13,140**	13,140
Textile Composite	**40,644**	40,644
Sugar and Allied Industries	**182,690**	182,690
	4,482,851	4,482,816

8.4.2.2 Unlisted Companies	Break up value	2022 Cost	2022 Breakup value	2021 Cost	2021 Breakup value
			(Rupees in '000)		
Khushhali Bank Limited	December 31, 2021	**30,000**	**196,796**	30,000	189,922
Pakistan Export Finance Guarantee Agency Limited	–	**5,700**	**–**	5,700	–
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	–	**18,536**	**–**	18,536	–
Pakistan Mortgage Refinance Company Limited	December 31, 2021	**50,000**	**88,580**	50,000	83,892
1LINK (Guarantee) Limited	December 31, 2021	**50,000**	**428,290**	50,000	267,895
Pakistan Corporate Restructuring Company Limited	December 31, 2021	**37,966**	**30,117**	–	–
Mutual Funds Association of Pakistan (MUFAP)	–	**265**	**–**	–	–
		192,467	**743,783**	154,236	541,709

The above breakup values are based on the latest available audited financial statements of the unlisted companies.

	Cost 2022	Cost 2021
	(Rupees in '000)	
8.4.3 Non Government Debt Securities		
8.4.3.1 Listed		
AA+	**1,120,695**	1,086,038
AA	**200,000**	200,000
AA-	**2,029,682**	1,029,894
A+	**750,000**	1,000,000
A	**300,000**	300,000
A-	**100,000**	50,000
Government Guaranteed	**21,102,266**	21,102,504
	25,602,643	24,768,436
8.4.3.2 Unlisted		
AAA	**1,798,000**	1,798,000
AA+	**1,450,000**	1,450,000
AA-	**1,517,000**	1,550,000
A+	**75,000**	75,000
A	**100,000**	200,000
A-	**100,000**	–
BBB+	**–**	99,920
B+	**99,900**	–
	5,139,900	5,172,920
8.4.4 Mutual Funds		
AAA(f)	**301,022**	50,000
AA(f)	**550,000**	550,000
AA+(f)	**31,216**	–
AA-(f)	**200,000**	200,000
Unrated	**2,175,000**	1,376,022
	3,257,238	2,176,022

8.4.5 Foreign Securities	**2022 Cost**	**2022 Rating**	2021 Cost	2021 Rating
	(Rupees in '000)			
Government Securities				
Egypt	**1,824,716**	**B+**	2,309,504	B+
Srilanka	**4,563,909**	**D**	3,570,661	CC
Turkey	**1,087,420**	**B**	838,292	BB-
	7,476,045		6,718,457	

	Cost 2022	Cost 2021
	(Rupees in '000)	

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

Federal Government Securities-Government guaranteed		
Pakistan Investment Bonds	**174,843,183**	166,923,766
Foreign Currency Bonds	**7,423,177**	5,846,821
Sukuks	**–**	9,576,502
	182,266,360	182,347,089
Others		
Pakistan Corporate Restructuring Company Limited (PCRCL)	**4,481**	4,481

Foreign Securities	**2022 Cost**	**2022 Rating**	2021 Cost	2021 Rating
	(Rupees in '000)			
Government Securities				
Egypt	**680,707**	**B+**	531,555	B+
Srilanka	**1,132,155**	**D**	1,660,318	CC
	1,812,862		2,191,873	

8.5.1 The market value of securities classified as held to maturity at 31 December 2022 amounted to Rs. 170,599 million (2021: Rs. 181,472 million).

8.6 Associates

2022	2021	**Name of funds**	**2022**	2021
Number of units			**(Rupees in '000)**	
12,253,538	3,506,970	AL Habib Money Market Fund % of holding 13.03% (2021: 77.64%) Average cost per unit: Rs. 100 (2021: 100) Net asset value Rs. 100 (2021: Rs. 100)	**1,225,354**	350,697
1,000,000	4,256,381	AL Habib Islamic Cash Fund % of holding 0.79% (2021: 94.43%) Average cost per unit: Rs. 100 (2021: 100) Net asset value Rs. 100 (2021: Rs. 100)	**100,000**	425,638
1,057,305	1,001,001	AL Habib Islamic Saving Fund % of holding 2.87% (2021: 5.55%) Average cost per unit: Rs. 100.04 (2021: Rs. 100) Net asset value Rs. 100.81 (2021: Rs. 100)	**106,582**	100,100
3,845,202	4,031,784	AL Habib Income Fund % of holding: 13.76% (2021: 26.23%) Average cost per unit: Rs. 104.03 (2021: Rs. 105.55) Net asset value: Rs. 101.34 (2021: Rs. 105.02)	**389,676**	423,435
135,725	557,697	AL Habib Stock Fund % of holding: 9.73% (2021: 15.69%) Average cost per unit: Rs. 92.36 (2021: Rs. 89.65) Net asset value: Rs. 74.79 (2021: Rs. 87.92)	**10,151**	49,035
33,307,275	69,271,923	AL Habib Cash Fund % of holding: 8.72% (2021: 24.52%) Average cost per unit: Rs. 100.58 (2021: Rs. 101.05) Net asset value: Rs. 102.24 (2021: Rs. 102.21)	**3,405,213**	7,080,581
100,929	351,713	AL Habib Islamic Stock Fund % of holding: 2.70% (2021: 9.08%) Average cost per unit: Rs. 99.08 (2021: Rs. 85.30) Net asset value: Rs. 72.53 (2021: Rs. 80.13)	**7,321**	28,184

2022	2021	Name of funds	2022	2021
Number of units			(Rupees in '000)	
250,421	250,421	AL Habib Islamic Income Fund % of holding: 0.41% (2021: 0.39%) Average cost per unit: Rs. 98.46 (2021: Rs. 98.46) Net asset value: Rs. 100.96 (2021: Rs. 101.15)	**25,283**	25,331
798,146	777,428	AL Habib Asset Allocation Fund % of holding: 74.93% (2021: 74.67%) Average cost per unit: Rs. 96.39 (2021: Rs. 102.06) Net asset value: Rs. 96.49 (2021: Rs. 103.47)	**77,011**	80,437
300,000	–	AL Habib Pension Fund Equity Sub Fund % of holding: 87% (2021: Nil) Average cost per unit: Rs. 100 (2021: Rs. Nil) Net asset value: Rs. 98.94 (2021: Rs. Nil)	**29,682**	–
300,000	–	AL Habib Pension Fund Debt Sub Fund % of holding: 62.49% (2021: Nil) Average cost per unit: Rs. 100 (2021: Rs. Nil) Net asset value: Rs. 107.97 (2021: Rs. Nil)	**32,390**	–
300,000	–	AL Habib Pension Fund Money Market Sub Fund % of holding: 62.25% (2021: Nil) Average cost per unit: Rs. 100 (2021: Rs. Nil) Net asset value: Rs. 107.55 (2021: Rs. Nil)	**32,266**	–
300,000	–	AL Habib Islamic Pension Fund Equity Sub Fund % of holding: 92.43% (2021: Nil) Average cost per unit: Rs. 100 (2021: Rs. Nil) Net asset value: Rs. 100.55 (2021: Rs. Nil)	**30,164**	–
300,000	–	AL Habib Islamic Pension Fund Debt Sub Fund % of holding: 70.90% (2021: Nil) Average cost per unit: Rs. 100 (2021: Rs. Nil) Net asset value: Rs. 104.54 (2021: Rs. Nil)	**31,362**	–
300,000	–	AL Habib Islamic Pension Fund Money Market Sub Fund % of holding: 65.54% (2021: Nil) Average cost per unit: Rs. 100 (2021: Rs. Nil) Net asset value: Rs. 104.52 (2021: Rs. Nil)	**31,355**	–
			5,533,810	8,563,438

8.6.1 The place of incorporation and business of associates is Pakistan.

8.6.2 All of the above funds are managed by AL Habib Asset Management Limited (the subsidiary company). The Chief Executive of the Management Company is Mr. Kashif Rafi.

8.6.3 Movement of investments in associates

	2022	2021
	(Rupees in '000)	
Opening balance	**8,563,438**	3,058,005
Share of profit	**778,627**	372,034
Investment - net	**(3,001,111)**	5,986,178
Dividend received	**(738,485)**	(217,532)
Capital gain	**(69,042)**	(24,792)
Adjustment	**383**	(4,143)
Unrealised gain routed to OCI	**–**	3,760
Reclassification	**–**	(610,072)
Closing balance	**5,533,810**	8,563,438

8.6.4 Associates - Key information

Name of associates		2022				
		Assets	Liabilities	Equity	Revenue	Profit / (loss)
		(Rupees in '000)				
AL Habib Money Market Fund	June 30, 2022	3,082,584	6,681	3,075,903	166,397	158,607
AL Habib Islamic Cash Fund	June 30, 2022	10,151,518	17,633	10,133,885	191,485	186,058
AL Habib Islamic Savings Fund	June 30, 2022	3,345,468	3,195	3,342,273	93,242	87,694
AL Habib Income Fund	June 30, 2022	1,643,997	25,180	1,618,817	173,097	164,028
AL Habib Stock Fund	June 30, 2022	123,763	3,305	120,458	(13,445)	(20,187)
AL Habib Cash Fund	June 30, 2022	22,993,326	81,753	22,911,573	2,129,102	2,006,247
AL Habib Islamic Stock Fund	June 30, 2022	306,418	3,673	302,745	(15,299)	(25,593)
AL Habib Islamic Income Fund	June 30, 2022	9,494,242	1,076,364	8,417,878	789,663	742,830
AL Habib Asset Allocation Fund	June 30, 2022	103,754	839	102,915	(2,504)	(6,408)
AL Habib Pension Fund Equity Sub Fund	December 31, 2022	34,547	431	34,116	(236)	(435)
AL Habib Pension Fund Debt Sub Fund	December 31, 2022	51,916	81	51,835	3,814	3,680
AL Habib Pension Fund Money Market Sub Fund	December 31, 2022	51,909	73	51,836	3,719	3,581
AL Habib Islamic Pension Fund Equity Sub Fund	December 31, 2022	34,113	1,476	32,637	339	173
AL Habib Islamic Pension Fund Debt Sub Fund	December 31, 2022	44,299	65	44,234	1,733	1,660
AL Habib Islamic Pension Fund Money Market Sub Fund	December 31, 2022	47,901	62	47,839	1,808	1,739

		2021				
		Assets	Liabilities	Equity	Revenue	Profit / (loss)
		(Rupees in '000)				
AL Habib Cash Fund	June 30, 2021	16,952,954	53,605	16,899,349	568,923	513,010
AL Habib Income Fund	June 30, 2021	1,436,424	23,862	1,412,562	80,647	65,321
AL Habib Stock Fund	June 30, 2021	240,141	5,668	234,473	36,617	30,629
AL Habib Islamic Stock Fund	June 30, 2021	294,039	5,671	288,368	29,221	21,113
AL Habib Islamic Income Fund	June 30, 2021	14,184,707	54,930	14,129,777	888,016	768,015
AL Habib Asset Allocation Fund	June 30, 2021	110,998	2,049	108,949	19,111	14,788

9. ADVANCES

	Note	Performing		Non-Performing		Total	
		2022	2021	**2022**	2021	**2022**	2021
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.1	**673,293,270**	602,080,934	**13,102,322**	7,123,857	**686,395,592**	609,204,791
Islamic financing and related assets		**100,915,017**	84,965,477	**744,942**	410,650	**101,659,959**	85,376,127
Bills discounted and purchased		**42,148,012**	51,632,418	**874,021**	212,428	**43,022,033**	51,844,846
Advances - gross		**816,356,299**	738,678,829	**14,721,285**	7,746,935	**831,077,584**	746,425,764
Provision against advances							
- Specific		**–**	–	**11,606,594**	6,494,129	**11,606,594**	6,494,129
- General as per regulations		**410,890**	369,390	**–**	–	**410,890**	369,390
- General		**5,750,000**	5,750,000	**–**	–	**5,750,000**	5,750,000
- As per IFRS 9 in overseas branches		**42,283**	476,792	**–**	–	**42,283**	476,792
		6,203,173	6,596,182	**11,606,594**	6,494,129	**17,809,767**	13,090,311
Advances-net of provision		**810,153,126**	732,082,647	**3,114,691**	1,252,806	**813,267,817**	733,335,453

9.1 Includes net investment in finance lease as disclosed below:

	2022			2021		
	Not later than one year	**Later than one and less than five years**	**Total**	Not later than one year	Later than one and less than five years	Total
			(Rupees in '000)			
Lease rentals receivable	**11,441,881**	**15,575,991**	**27,017,872**	9,110,176	12,824,748	21,934,924
Residual value	**1,369,974**	**7,008,675**	**8,378,649**	1,598,147	5,211,797	6,809,944
Minimum lease payments	**12,811,855**	**22,584,666**	**35,396,521**	10,708,323	18,036,545	28,744,868
Financial charges for future periods	**(3,135,972)**	**(2,726,376)**	**(5,862,348)**	(1,734,744)	(1,522,420)	(3,257,164)
Present value of minimum lease payments	**9,675,883**	**19,858,290**	**29,534,173**	8,973,579	16,514,125	25,487,704

9.2 Particulars of advances (Gross)

	2022	2021
	(Rupees in '000)	
In local currency	**732,689,656**	621,504,686
In foreign currencies	**98,387,928**	124,921,078
	831,077,584	746,425,764

9.3 Advances include Rs. 14,721.285 million (2021: Rs. 7,746.935 million) which have been placed under non-performing status as detailed below:

	2022		2021	
Category of classification	**Non Performing Loans**	**Provision**	Non Performing Loans	Provision
		(Rupees in '000)		
Domestic				
Other assets especially mentioned	**65,333**	**917**	47,122	1,887
Substandard	**887,349**	**211,101**	1,352,895	331,166
Doubtful	**926,869**	**463,175**	222,455	105,141
Loss	**4,618,496**	**4,552,653**	4,028,738	3,960,210
	6,498,047	**5,227,846**	5,651,210	4,398,404
Overseas				
Overdue by:				
Upto 90 days	**5,650,414**	**3,805,924**	–	–
181 to 365 days	**43,612**	**43,612**	85,363	85,363
> 365 days	**2,529,212**	**2,529,212**	2,010,362	2,010,362
	8,223,238	**6,378,748**	2,095,725	2,095,725
Total	**14,721,285**	**11,606,594**	7,746,935	6,494,129

9.4 Particulars of provision against advances

	Note	2022 Specific	2022 General	2022 Total	2021 Specific	2021 General	2021 Total
				(Rupees in '000)			
Opening balance		**6,494,129**	**6,596,182**	**13,090,311**	6,497,479	6,145,308	12,642,787
Exchange adjustments		**663,797**	**99,778**	**763,575**	223,681	17,349	241,030
Charge for the year							
- Specific provision		**7,771,780**	**–**	**7,771,780**	807,714	–	807,714
- General provision as per regulations		**–**	**41,500**	**41,500**	–	102,100	102,100
- As per IFRS 9 in overseas branches		**–**	**(534,287)**	**(534,287)**	–	331,425	331,425
Reversals		**(3,275,830)**	**–**	**(3,275,830)**	(1,034,201)	–	(1,034,201)
		4,495,950	**(492,787)**	**4,003,163**	(226,487)	433,525	207,038
Amounts written off	9.5	**(47,282)**	**–**	**(47,282)**	(544)	–	(544)
Closing balance		**11,606,594**	**6,203,173**	**17,809,767**	6,494,129	6,596,182	13,090,311

9.4.1 Particulars of provision against advances

	2022 Specific	2022 General	2022 Total	2021 Specific	2021 General	2021 Total
			(Rupees in '000)			
In local currency	**4,353,826**	**6,160,890**	**10,514,716**	4,185,976	6,119,390	10,305,366
In foreign currencies	**7,252,768**	**42,283**	**7,295,051**	2,308,153	476,792	2,784,945
	11,606,594	**6,203,173**	**17,809,767**	6,494,129	6,596,182	13,090,311

9.4.2 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 2022 amounts to Rs. 5,750 million (2021: Rs. 5,750 million).

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

9.5 PARTICULARS OF WRITE OFFs

		Note	2022	2021
			(Rupees in '000)	
9.5.1	Against Provisions	9.4	**47,282**	544
	Directly charged to Profit and Loss account		**–**	–
			47,282	544
9.5.2	Against Provisions			
	Write Offs of below Rs. 500,000		**409**	544
	Write Offs of Rs. 500,000 and above	9.6	**46,873**	–
			47,282	544

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

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

	Note	2022	2021
		(Rupees in '000)	
10. FIXED ASSETS			
Capital work-in-progress	10.1	**3,175,654**	1,738,112
Property and equipment	10.2	**58,912,123**	53,963,093
		62,087,777	55,701,205
10.1 Capital work-in-progress			
Civil works		**1,173,278**	595,516
Advance payment for purchase of equipments		**228,417**	125,432
Advance payment towards suppliers, contractors and property		**1,752,554**	1,015,099
Consultants' fee and other charges		**21,405**	2,065
		3,175,654	1,738,112

10.2 Property and Equipment

	2022							
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets	Total
				(Rupees in '000)				
At 01 January 2022								
Cost / Revalued amount	16,415,737	18,336,368	1,996,702	12,161,113	4,303,341	4,025,751	14,928,314	72,167,326
Accumulated depreciation	–	(927,830)	(837,394)	(7,633,457)	(2,124,247)	(2,519,751)	(4,161,554)	(18,204,233)
Net book value	16,415,737	17,408,538	1,159,308	4,527,656	2,179,094	1,506,000	10,766,760	53,963,093
Year ended 31 December 2022								
Opening net book value	16,415,737	17,408,538	1,159,308	4,527,656	2,179,094	1,506,000	10,766,760	53,963,093
Additions	600,262	777,117	480,698	3,212,186	1,325,629	852,326	–	7,248,218
Additions to ROUs	–	–	–	–	–	–	3,542,058	3,542,058
Disposals	–	–	(3,533)	(6,353)	(11,465)	(17,148)	(138,416)	(176,915)
Depreciation charge	–	(656,630)	(184,707)	(1,418,672)	(806,905)	(498,633)	(2,140,431)	(5,705,978)
Other adjustments / transfers	–	–	–	–	–	–	41,647	41,647
Closing net book value	17,015,999	17,529,025	1,451,766	6,314,817	2,686,353	1,842,545	12,071,618	58,912,123
At 31 December 2022								
Cost / Revalued amount	17,015,999	19,113,486	2,455,272	15,259,700	5,232,365	4,823,526	17,549,450	81,449,798
Accumulated depreciation	–	(1,584,461)	(1,003,506)	(8,944,883)	(2,546,012)	(2,980,981)	(5,477,832)	(22,537,675)
Net book value	17,015,999	17,529,025	1,451,766	6,314,817	2,686,353	1,842,545	12,071,618	58,912,123
Rate of depreciation (percentage)	–	2.08% - 20%	10%	20%-33.33%	20%	20%	As per lease term	

	2021							
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets	Total
	(Rupees in '000)							
At 01 January 2021								
Cost / Revalued amount	12,850,032	12,084,529	1,682,269	10,119,610	3,733,556	3,114,048	12,652,438	56,236,482
Accumulated depreciation	–	(282,443)	(694,593)	(6,686,117)	(1,755,689)	(2,208,605)	(2,911,695)	(14,539,142)
Net book value	12,850,032	11,802,086	987,676	3,433,493	1,977,867	905,443	9,740,743	41,697,340
Year ended 31 December 2021								
Opening net book value	12,850,032	11,802,086	987,676	3,433,493	1,977,867	905,443	9,740,743	41,697,340
Additions	3,565,705	6,188,274	329,501	2,237,040	921,989	1,009,595	–	14,252,104
Additions to ROUs	–	–	–	–	–	–	3,184,111	3,184,111
Disposals	–	(2,226)	(3,365)	(6,771)	(35,588)	(6,652)	(335,406)	(390,008)
Depreciation charge	–	(584,002)	(154,504)	(1,136,106)	(685,174)	(397,980)	(1,854,453)	(4,812,219)
Other adjustments / transfers	–	4,406	–	–	–	(4,406)	31,765	31,765
Closing net book value	16,415,737	17,408,538	1,159,308	4,527,656	2,179,094	1,506,000	10,766,760	53,963,093
At 31 December 2021								
Cost / Revalued amount	16,415,737	18,336,368	1,996,702	12,161,113	4,303,341	4,025,751	14,928,314	72,167,326
Accumulated depreciation	–	(927,830)	(837,394)	(7,633,457)	(2,124,247)	(2,519,751)	(4,161,554)	(18,204,233)
Net book value	16,415,737	17,408,538	1,159,308	4,527,656	2,179,094	1,506,000	10,766,760	53,963,093
Rate of depreciation (percentage)	–	2.08% - 20%	10%	20%-33.33%	20%	20%	As per lease term	

10.3 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2020. The revaluation was carried out by an independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer under market approach through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in surplus of Rs. 3,618.097 million over the book value of the respective properties and also net deficit of Rs. 122.190 million on certain properties. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 31 December 2022 would have been as follows:

	2022	2021
	(Rupees in '000)	
Leasehold land	**8,730,369**	8,730,369
Buildings on leasehold land	**6,399,816**	6,666,180

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

Furniture and fixture	**278,567**	259,691
Electrical, office and computer equipment	**5,807,715**	5,072,815
Vehicles	**593,863**	663,809
Improvements to leasehold buildings	**1,960,799**	1,606,236
	8,640,944	7,602,551

Bank AL Habib

10.5 Details of disposal of fixed assets during the year:

Particulars	Cost	Book value	Insurance claim
		2022	
		(Rupees in '000)	
Habib Insurance Company Limited - (Related Party-Karachi)			
Furniture and fixture	**1,150**	**675**	**1,125**
Electrical, office and computer equipment	**10,357**	**3,261**	**8,762**
Vehicles	**6,337**	**930**	**6,584**

11. INTANGIBLE ASSETS

	Computer software	TRE certificates	Management rights	Total
		2022 (Rupees in '000)		
At 01 January 2022				
Cost	**1,787,882**	**34,750**	**80,670**	**1,903,302**
Accumulated amortisation and impairment	**(1,516,472)**	**(32,250)**	**–**	**(1,548,722)**
Net book value	**271,410**	**2,500**	**80,670**	**354,580**
Year ended 31 December 2022				
Opening net book value	**271,410**	**2,500**	**80,670**	**354,580**
Additions-directly purchased	**408,581**	**–**	**–**	**408,581**
Amortisation charge	**(310,316)**	**–**	**–**	**(310,316)**
Closing net book value	**369,675**	**2,500**	**80,670**	**452,845**
At 31 December 2022				
Cost	**2,196,463**	**34,750**	**80,670**	**2,311,883**
Accumulated amortisation and impairment	**(1,826,788)**	**(32,250)**	**–**	**(1,859,038)**
Net book value	**369,675**	**2,500**	**80,670**	**452,845**
Rate of amortisation (percentage)	**50%**	**–**	**–**	
Useful life	**2 years**	**–**	**–**	
		2021		
At 01 January 2021				
Cost	1,420,792	34,750	80,670	1,536,212
Accumulated amortisation and impairment	(1,209,100)	(32,250)	–	(1,241,350)
Net book value	211,692	2,500	80,670	294,862
Year ended 31 December 2021				
Opening net book value	211,692	2,500	80,670	294,862
Additions-directly purchased	367,090	–	–	367,090
Amortisation charge	(307,372)	–	–	(307,372)
Closing net book value	271,410	2,500	80,670	354,580
At 31 December 2021				
Cost	1,787,882	34,750	80,670	1,903,302
Accumulated amortisation and impairment	(1,516,472)	(32,250)	–	(1,548,722)
Net book value	271,410	2,500	80,670	354,580
Rate of amortisation (percentage)	50%	–	–	
Useful life	2 years	–	–	

11.1 As at 31 December 2022, the cost of fully amortised intangible assets still in use amounted to Rs. 1,565.445 million (2021: Rs. 1,519.281 million).

12. DEFERRED TAX ASSETS

	2022			
	As at 01 January 2022	**Recognised in profit and loss account**	**Recognised in other comprehensive income**	**As at 31 December 2022**
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision against diminution in the value of investments	**1,364,207**	**4,209,298**	**–**	**5,573,505**
Provision against loans and advances, off-balance sheet, etc.	**2,083,606**	**47,679**	**–**	**2,131,285**
Workers' welfare fund	**1,186,908**	**473,056**	**–**	**1,659,964**
Surplus on revaluation of available-for-sale investments	**422,867**	**–**	**3,826,980**	**4,249,847**
Provision for compensated absences	**551**	**20**	**–**	**571**
Others	**26,465**	**(6,718)**	**–**	**19,747**
	5,084,604	**4,723,335**	**3,826,980**	**13,634,919**
Taxable Temporary Differences on				
Accelerated tax depreciation	**(1,146,810)**	**(567,031)**	**–**	**(1,713,841)**
Surplus on revaluation of fixed assets / non-banking assets	**(1,833,576)**	**84,922**	**(466,873)**	**(2,215,527)**
Surplus on revaluation of held-for-trading securities	**(825)**	**(1,910)**	**–**	**(2,735)**
	(2,981,211)	**(484,019)**	**(466,873)**	**(3,932,103)**
	2,103,393	**4,239,316**	**3,360,107**	**9,702,816**

	2021			
	As at 01 January 2021	Recognised in profit and loss account	Recognised in other comprehensive income	As at 31 December 2021
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision against diminution in the value of investments	1,270,805	93,402	–	1,364,207
Provision against loans and advances, off-balance sheet, etc.	1,725,436	358,170	–	2,083,606
Workers' welfare fund	848,152	338,756	–	1,186,908
Provision for compensated absences	1,742	(1,191)	–	551
Recognised tax losses	33,824	(20,670)	–	13,154
Others	2,774	10,537	–	13,311
	3,882,733	779,004	–	4,661,737
Taxable Temporary Differences on				
Accelerated tax depreciation	(927,891)	(218,919)	–	(1,146,810)
Surplus on revaluation of fixed assets / non-banking assets	(1,606,514)	77,005	(304,067)	(1,833,576)
Remeasurement of defined benefit plan	–	–	–	–
Surplus on revaluation of available-for-sale investments	(1,487,188)	–	1,910,055	422,867
Surplus on revaluation of held-for-trading securities	(976)	151	–	(825)
	(4,022,569)	(141,763)	1,605,988	(2,558,344)
	(139,836)	637,241	1,605,988	2,103,393

13. OTHER ASSETS

	Note	2022	2021
		(Rupees in '000)	
Income / mark-up accrued in local currency - net of provision		**41,874,661**	19,755,175
Income / mark-up accrued in foreign currencies - net of provision		**1,221,831**	1,174,158
Advances, deposits, advance rent and other prepayments		**1,567,932**	1,176,105
Non-banking assets acquired in satisfaction of claims	13.1	**3,651,344**	811,454
Mark to market gain on forward foreign exchange contracts		**2,685,804**	2,993,003
Acceptances		**47,907,675**	55,030,553
Stationery and stamps on hand		**710,733**	436,018
Receivable from SBP on encashment of Government Securities		**169,240**	150,135
Receivable against securities		**–**	505,505
Others		**3,616,664**	4,384,135
		103,405,884	86,416,241
Less: Provision held against other assets	13.2	**(8,101)**	(7,497)
Other Assets (net of provision)		**103,397,783**	86,408,744
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1	**135,608**	139,488
Other Assets-total		**103,533,391**	86,548,232

		2022	2021
13.1	Market value of non-banking assets acquired in satisfaction of claims	**3,361,402**	1,016,627

Market value of the non-banking assets acquired in satisfaction of claims has been carried out by independent valuers, M/s. K.G.Traders (Pvt.) Ltd. and M/s. MYK Associates (Pvt.) Ltd. based on present physical condition and location of non-banking assets. Fair values were ascertained by the independent valuers under market approach through various enquiries conducted by them at site from real estate agents and brokers.

13.1.1 Non-banking assets acquired in satisfaction of claims

	2022	2021
	(Rupees in '000)	
Opening balance	**950,942**	954,077
Revaluations	**–**	4,165
Additions	**2,843,229**	–
Depreciation	**(7,219)**	(7,300)
Closing balance	**3,786,952**	950,942

13.2 Provision held against other assets

	2022	2021
Receivable against consumer loans	**8,101**	7,497

13.2.1 Movement in provision held against other assets

	2022	2021
Opening balance	**7,497**	6,884
Charge for the year	**2,620**	2,740
Reversals	**(1,672)**	(2,127)
	948	613
Amount written off	**(344)**	–
Closing balance	**8,101**	7,497

14. CONTINGENT ASSETS

There were no contingent assets of the Group as at 31 December 2022 (2021: Nil).

15. BILLS PAYABLE

	2022	2021
In Pakistan	**44,855,837**	29,803,755

16. BORROWINGS

	Note	2022	2021
		(Rupees in '000)	
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	16.1	**88,423,421**	72,330,093
Under renewable energy	16.2	**17,089,222**	13,588,833
Under long term financing for imported and locally manufactured plant and machinery	16.3	**35,641,679**	31,605,152
Under modernisation of small and medium enterprises	16.4	**771,687**	566,723
Under women entrepreneurship	16.5	**29,253**	26,893
Under financing facility for storage of agricultural produce	16.6	**1,009,305**	735,467
Under refinance scheme for payment of wages and salaries	16.7	**544,994**	7,842,569
Under temporary economic refinance facility	16.8	**39,132,557**	32,012,142
Under refinance facility for combating COVID-19	16.9	**188,889**	100,000
		182,831,007	158,807,872
Repurchase agreement borrowings	16.10	**230,164,208**	119,942,164
Borrowings from financial institutions		**–**	23,102,205
Total secured		**412,995,215**	301,852,241
Unsecured			
Call borrowings	16.11	**5,500,000**	–
Overdrawn nostro accounts		**494,245**	360,661
Total unsecured		**5,994,245**	360,661
		418,989,460	302,212,902

16.1 These carry mark - up rates ranging from 1% to 10% (2021: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.

16.2 These carry mark - up rates of 2% to 3% (2021: 2% to 3%) per annum having maturity periods over ten years.

16.3 These carry mark - up rates ranging from 2% to 9% (2021: 2% to 6%) per annum having maturity periods upto ten years.

16.4 These carry mark - up rates of 2% (2021: 2%) per annum having maturity periods upto ten years.

16.5 These carry mark - up rate of Nil (2021: Nil) per annum having maturity periods upto five years.

16.6 These carry mark - up rates from 2.0% to 3.5% (2021: 2.0% to 3.5%) per annum having maturity periods upto seven years.

16.7 These carry mark - up rates upto Nil (2021: 1%) per annum having maturity periods upto six months.

16.8 These carry mark - up rates of 1% (2021: 1%) per annum having maturity periods over ten years.

16.9 These carry mark - up rates of Nil (2021: Nil) per annum having maturity periods upto five years.

16.10 These repurchase agreement borrowings are secured against Pakistan Investment Bonds and Market Treasury Bills. These carry effective mark - up rates ranging from 15.22% to 16.20% (2021: 9.89% to 10.70%) per annum, having maturity periods upto two months.

16.11 These call borrowings carry mark - up rates ranging from 16.0% to 16.1% (2021: Nil) per annum having maturity periods upto seven days.

16.12 Particulars of borrowings with respect to currencies

	2022	2021
	(Rupees in '000)	
In local currency	**418,495,215**	278,750,036
In foreign currencies	**494,245**	23,462,866
	418,989,460	302,212,902

17. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
			(Rupees in '000)			
Customers						
Current deposits	**515,194,125**	**58,993,284**	**574,187,409**	451,790,944	50,037,483	501,828,427
Savings deposits	**402,129,430**	**51,436,347**	**453,565,777**	331,340,746	47,617,002	378,957,748
Term deposits	**225,036,480**	**48,657,036**	**273,693,516**	204,273,302	38,981,706	243,255,008
Current deposits - remunerative	**162,972,729**	**1,183,436**	**164,156,165**	117,604,631	3,844,969	121,449,600
Others	**36,607,996**	**12,203,992**	**48,811,988**	20,969,061	8,647,765	29,616,826
	1,341,940,760	**172,474,095**	**1,514,414,855**	1,125,978,684	149,128,925	1,275,107,609
Financial institutions						
Current deposits	**5,701,409**	**576,226**	**6,277,635**	4,373,862	361,260	4,735,122
Savings deposits	**21,757,779**	**22**	**21,757,801**	10,843,950	18	10,843,968
Term deposits	**727,223**	**293,228**	**1,020,451**	1,363,787	193,282	1,557,069
Current deposits - remunerative	**23,812,174**	**686,547**	**24,498,721**	17,192,468	284,878	17,477,346
Others	**39,811**	**–**	**39,811**	13,850	–	13,850
	52,038,396	**1,556,023**	**53,594,419**	33,787,917	839,438	34,627,355
	1,393,979,156	**174,030,118**	**1,568,009,274**	1,159,766,601	149,968,363	1,309,734,964

17.1 Composition of deposits

	2022	2021
	(Rupees in '000)	
- Individuals	**973,642,209**	805,485,582
- Government (Federal and Provincial)	**47,765,573**	42,529,298
- Public Sector Entities	**57,457,148**	53,091,501
- Banking Companies	**463,478**	240,760
- Non-Banking Financial Institutions	**53,130,941**	34,386,595
- Private Sector	**435,549,925**	374,001,228
	1,568,009,274	1,309,734,964

17.2 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 1,078,398.465 million (2021: Rs. 903,117.371 million).

18. SUBORDINATED DEBT - Unsecured

	Note	**2022**	2021
		(Rupees in '000)	
Term Finance Certificates (TFCs) - VI - (Unquoted)	18.1	**7,000,000**	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	18.2	**3,993,600**	3,995,200
Term Finance Certificates (TFCs) - VIII - (Unquoted)	18.3	**4,998,000**	5,000,000
Term Finance Certificates (TFCs) - IX - (Unquoted)	18.4	**7,000,000**	–
Term Finance Certificates (TFCs) - X - (Unquoted)	18.5	**7,000,000**	–
		29,991,600	15,995,200

18.1 Term Finance Certificates - VI (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	**AA+**
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.50% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.2 Term Finance Certificates - VII (Unquoted)

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

18.3 Term Finance Certificates - VIII (Unquoted)

Issue amount	Rupees 5,000 million
Issue date	September 2021
Maturity date	September 2031
Rating	**AAA**
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 0.75% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank’s Minimum Capital Requirement (“MCR”), Leverage Ratio ("LR") or Capital Adequacy Ratio (“CAR”).
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP’s Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.4 Term Finance Certificates-IX (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	April 2022
Maturity date	Perpetual
Rating	**AA+**
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.65% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank’s Minimum Capital Requirement (“MCR”), Leverage Ratio ("LR") or Capital Adequacy Ratio (“CAR”).
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP’s Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.5 Term Finance Certificates-X (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2022
Maturity date	December 2032
Rating	**AAA**
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.35% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

19. OTHER LIABILITIES

	Note	**2022**	2021
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**7,727,842**	2,045,653
Mark-up / return / interest payable in foreign currencies		**380,651**	302,370
Unearned commission income		**692,150**	1,416,819
Accrued expenses		**3,290,260**	2,952,562
Acceptances		**47,907,675**	55,030,553
Unclaimed / dividend payable		**632,731**	546,228
Mark to market loss on forward foreign exchange contracts		**1,106,213**	787,128
Branch adjustment account		**1,343,949**	1,702,496
Payable to defined benefit plan		**1,376,805**	974,313
Charity payable		**23,820**	12,978
Provision against off - balance sheet items	19.1	**110,059**	173,319
Security deposits against leases / ijarah		**8,899,624**	7,174,202
Provision for compensated absences	19.2	**1,311,882**	1,127,704
Other security deposits		**878,993**	765,531
Workers' welfare fund		**3,870,375**	3,048,747
Payable to SBP / NBP		**4,581,075**	1,323,252
Payable to supplier against murabaha		**199,719**	223,202
Insurance payable		**683,385**	610,916
Lease liability against right-of-use assets		**14,213,811**	12,235,539
Payable against sale of marketable securities on behalf of customers		**–**	230,415
Current taxation (payments less provisions)		**2,290,392**	2,028,365
ATM settlement account		**3,059,347**	1,870,651
Clearing and settlement account		**6,564,374**	3,632,933
Others		**3,942,370**	1,826,864
		115,087,502	102,042,740

	2022	2021
	(Rupees in '000)	

19.1 Provision against off - balance sheet obligations

	2022	2021
Opening balance	**173,319**	146,692
Exchange adjustment against IFRS 9 in overseas branches	**21,866**	4,141
Charge for the year	**27,330**	9,701
As per IFRS 9 in overseas branches	**(109,073)**	60,763
Reversals	**(3,383)**	(47,978)
	(85,126)	22,486
Closing balance	**110,059**	173,319

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

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

	2022	2021
	(% per annum)	
Discount rate	**14.25%**	12.25%
Expected rate of increase in salary in future years	**13.25%**	11.25%

20. SHARE CAPITAL

20.1 Authorised Capital

2022	2021		2022	2021
Number of shares			(Rupees in '000)	
2,000,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	**20,000,000**	15,000,000

20.2 Issued, subscribed and paid up capital

2022	2021		2022	2021
Number of shares				
30,000,000	30,000,000	Fully paid in cash	**300,000**	300,000
1,081,425,416	1,081,425,416	Issued as bonus shares	**10,814,254**	10,814,254
1,111,425,416	1,111,425,416		**11,114,254**	11,114,254

20.3 As of statement of financial position date 161,380,377 (2021: 162,731,961) ordinary shares of Rs. 10/- each were held by the related parties.

	Note	2022	2021
		(Rupees in '000)	

21. SURPLUS ON REVALUATION OF ASSETS

	Note	2022	2021
Surplus / (deficit) on revaluation of:			
- Investments	21.1	**(9,876,074)**	(1,071,388)
- Fixed Assets	21.2	**8,675,522**	8,869,136
- Non-banking assets acquired in satisfaction of claims	21.3	**135,608**	139,488
		(1,064,944)	7,937,236
Deferred tax on surplus / (deficit) on revaluation of:			
- Investments	21.1	**(4,250,394)**	(420,671)
- Fixed Assets	21.2	**2,226,730**	1,849,120
- Non-banking assets acquired in satisfaction of claims	21.3	**59,145**	54,804
		(1,964,519)	1,483,253
		899,575	6,453,983

21.1 Investments

	2022	2021
Available for sale securities	**(9,889,125)**	(1,076,616)
Non-controlling interest	**13,051**	5,228
	(9,876,074)	(1,071,388)
Less: related deferred tax	**(4,250,394)**	(420,671)
	(5,625,680)	(650,717)

21.2 Surplus on revaluation of fixed assets

	2022	2021
Surplus on revaluation of fixed assets as at 01 January	**8,869,136**	9,062,739
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	**(193,614)**	(193,603)
Surplus on revaluation of fixed assets as at 31 December	**8,675,522**	8,869,136
Less: related deferred tax liability on:		
- revaluation as at 01 January	**1,849,120**	1,663,701
- adjustment / revaluation recognised during the year	**460,864**	260,923
- incremental depreciation charged during the year	**(83,254)**	(75,504)
	2,226,730	1,849,120
	6,448,792	7,020,016

21.3 Surplus on revaluation of non - banking assets acquired in satisfaction of claims

	2022	2021
Surplus on revaluation of non-banking assets as at 01 January	**139,488**	139,165
Surplus on revaluation of non-banking assets during the year	**–**	4,165
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	**(3,880)**	(3,842)
Surplus on revaluation of non-banking assets as at 31 December	**135,608**	139,488
Less: related deferred tax liability on:		
- revaluation as at 01 January	**54,804**	13,161
- adjustment / revaluation recognised during the year	**6,009**	43,144
- incremental depreciation charged during the year	**(1,668)**	(1,501)
	59,145	54,804
	76,463	84,684

		Note	2022	2021
			(Rupees in '000)	
22.	**NON - CONTROLLING INTEREST**			
	Opening balance		**123,140**	114,778
	(Loss) / profit attributable to non - controlling interest		**(1,623)**	13,665
	Loss on equity attributable to non - controlling interest		**(7,823)**	(5,303)
	Closing balance		**113,694**	123,140
23.	**CONTINGENCIES AND COMMITMENTS**			
	- Guarantees	23.1	**164,254,110**	126,082,119
	- Commitments	23.2	**347,436,086**	438,585,630
	- Other contingent liabilities	23.3	**1,887,763**	2,030,711
			513,577,959	566,698,460
23.1	**Guarantees:**			
	Financial guarantees		**24,753,930**	24,274,161
	Performance guarantees		**139,500,180**	101,807,958
			164,254,110	126,082,119
23.2	**Commitments:**			
	Documentary credits and short term trade-related transactions			
	- letters of credit		**225,453,786**	301,891,236
	Commitments in respect of:			
	- forward foreign exchange contracts	23.2.1	**114,512,491**	131,220,965
	- forward lending	23.2.2	**6,328,518**	4,717,424
	Commitments for acquisition of:			
	- operating fixed assets		**1,141,291**	756,005
			347,436,086	438,585,630
23.2.1	**Commitments in respect of forward foreign exchange contracts**			
	Purchase		**78,111,679**	72,497,648
	Sale		**36,400,812**	58,723,317
			114,512,491	131,220,965

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

		2022	2021
23.2.2	**Commitments in respect of forward lending**	**6,328,518**	4,717,424

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

		2022	2021
		(Rupees in '000)	
23.3	**Claims against the Bank not acknowledged as debts**	**1,887,763**	2,030,711

23.4 Other contingent liabilities

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2021 (Tax Year 2022) including Azad Kashmir and Gilgit Baltistan operations. The income tax assessments of the Bank (including Azad Kashmir operations) have been finalized upto and including tax year 2019. Tax year 2020 has been finalized for Azad Kashmir operations only.

Matters of disagreement exist between the Bank and tax authorities for various tax years and are pending with the Commissioner Inland Revenue (Appeals) and Income Tax Appellate Tribunal (ITAT). These issues mainly relate to addition of general provision (specific), reversal of provision for non-performing loans, charge for defined benefit plan and provision for compensated absences.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) passed an amended order u/s. 122(5A) of the Income Tax Ordinance, 2001 resulting in an impact of Rs. 482.233 million. Subsequently, Commissioner Inland Revenue (Appeals) has passed order by allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) passed an appellate order against Deputy Commissioner Inland Revenue (DCIR) order for Tax Year 2014 (Accounting Year 2013) by allowing certain expenses resulting in an impact of Rs. 25.300 million and remanded back certain expenses to DCIR. The resulted aggregate net tax impact stands at Rs. 125.469 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 154.201 million. The resulted aggregate net tax impact stands at Rs. 147.655 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 224.625 million. The resulted aggregate net tax impact stands at Rs. 80.557 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2018 (Accounting Year 2017) by allowing certain expenses resulting in an impact of Rs. 65.722 million. The resulted aggregate net tax impact stands at Rs. 194.376 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2019 (Accounting Year 2018) by disallowing certain expenses resulting in an impact of Rs. 173.799 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Commissioner Inland Revenue (Appeals) has remanded back the order of Deputy Commissioner Inland Revenue (DCIR) against Federal Excise Duty levy on certain items for the period January 2013 to December 2015. The resulted aggregate net tax impact stands at Rs. 80.766 million.

Deputy Commissioner Inland Revenue (DCIR) has passed order against Federal Excise Duty levy on certain items for the period from January 2018 to December 2019. The resulted aggregate net tax impact stands at Rs. 17.524 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

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

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

Commissioner Inland Revenue (Appeals), Mirpur AJ&K has annulled the amendments made by Assistant Commissioner Inland Revenue, Mirpur AJ&K for Tax Year 2014 to 2018. This resulted in a favorable aggregate net tax impact of Rs. 93.443 million.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2019 by disallowing certain expenses resulting in an impact of Rs. 92.311 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2020 by disallowing certain expenses resulting in an impact of Rs. 6.608 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2021 by disallowing certain expenses resulting in an impact of Rs. 7.031 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

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

24. DERIVATIVE INSTRUMENTS

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

24.1 Product Analysis

Counter Parties	2022 CONTRACT Notional Principal	2022 CONTRACT Mark to Market gain / (loss)	2022 SWAP Notional Principal	2022 SWAP Mark to Market gain / (loss)	2022 TOTAL Notional Principal	2022 TOTAL Mark to Market gain / (loss)
			(Rupees in '000)			
Banks						
Hedging	**6,657,489**	**(79,494)**	**57,727,922**	**472,630**	**64,385,411**	**393,136**
Other Entities						
Hedging	**50,127,080**	**1,186,455**	**–**	**–**	**50,127,080**	**1,186,455**
Total						
Hedging	**56,784,569**	**1,106,961**	**57,727,922**	**472,630**	**114,512,491**	**1,579,591**

Counter Parties	2021 CONTRACT Notional Principal	2021 CONTRACT Mark to Market gain / (loss)	2021 SWAP Notional Principal	2021 SWAP Mark to Market gain / (loss)	2021 TOTAL Notional Principal	2021 TOTAL Mark to Market gain / (loss)
Banks						
Hedging	7,709,331	(24,745)	62,902,410	(368,653)	70,611,741	(393,398)
Other Entities						
Hedging	60,609,224	2,599,273	–	–	60,609,224	2,599,273
Total						
Hedging	68,318,555	2,574,528	62,902,410	(368,653)	131,220,965	2,205,875

24.2 Maturity Analysis

	2022 Number of Contracts	2022 Notional Principal	2022 Mark to Market Negative	2022 Mark to Market Positive	2022 Mark to Market Net
		(Rupees in '000)			
Upto 1 month	**309**	**44,674,521**	**(486,472)**	**1,246,699**	**760,227**
1 to 3 months	**469**	**50,246,423**	**(535,680)**	**904,348**	**368,668**
3 to 6 months	**318**	**16,445,297**	**(74,497)**	**420,589**	**346,092**
6 months to 1 year	**53**	**3,146,250**	**(9,564)**	**114,168**	**104,604**
1 to 2 years	**–**	**–**	**–**	**–**	**–**
	1,149	**114,512,491**	**(1,106,213)**	**2,685,804**	**1,579,591**

	2021 Number of Contracts	2021 Notional Principal	2021 Mark to Market Negative	2021 Mark to Market Positive	2021 Mark to Market Net
Upto 1 month	220	18,737,362	(100,927)	257,804	156,877
1 to 3 months	494	59,723,927	(402,549)	921,515	518,966
3 to 6 months	470	37,622,436	(229,758)	1,215,887	986,129
6 months to 1 year	254	15,044,175	(53,894)	595,124	541,230
1 to 2 years	1	93,065	–	2,673	2,673
	1,439	131,220,965	(787,128)	2,993,003	2,205,875

		Note	2022	2021
			(Rupees in '000)	
25.	**MARK-UP / RETURN / INTEREST EARNED**			
	On loans and advances		**80,429,269**	39,751,634
	On investments		**117,575,548**	76,483,891
	On deposits with financial institutions		**726,005**	254,848
	On securities purchased under resale agreements		**2,113,709**	241,458
	On lending to financial institutions		**66,021**	15,233
	On call money lendings		**–**	370
			200,910,552	116,747,434
26.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**89,407,460**	43,244,860
	Borrowings from SBP		**7,013,123**	2,310,305
	Subordinated debt		**3,161,147**	1,178,571
	Cost of foreign currency swaps		**2,990,706**	1,511,934
	Repurchase agreement borrowings		**18,461,522**	11,530,205
	Mark-up expense on lease liability against right-of-use assets		**1,313,510**	1,124,704
	Other borrowings		**1,244,149**	367,398
			123,591,617	61,267,977
27.	**FEE AND COMMISSION INCOME**			
	Branch banking customer fees		**1,380,944**	1,309,872
	Investment banking fees		**97,747**	72,167
	Consumer finance related fees		**53,877**	58,547
	Card related fees (debit and credit cards)		**2,858,630**	1,376,752
	Credit related fees		**456,071**	355,401
	Commission on trade		**5,480,866**	5,132,467
	Commission on guarantees		**766,519**	592,864
	Commission on cash management		**252,702**	221,048
	Commission on home remittances		**186,047**	149,562
	Others		**350,178**	290,453
			11,883,581	9,559,133
28.	**GAIN / (LOSS) ON SECURITIES-NET**			
	Realised	28.1	**140,079**	(34,415)
	Unrealised-held for trading		**(1,222)**	(3,838)
			138,857	(38,253)
28.1	**Realised gain / (loss) on:**			
	Federal Government Securities		**4,565**	5,199
	Shares		**135,514**	15,272
	Mutual Funds		**–**	(54,886)
			140,079	(34,415)
29.	**OTHER INCOME**			
	Gain on sale of fixed assets-net		**452,292**	467,551
	Recovery of expenses from customers	29.1	**348,436**	355,536
	Lockers rent		**21,871**	15,846
	Exchange gain realised on closure of overseas branch		**–**	292,780
	Income on margin financing		**10,770**	11,174
	Profit on PSX exposure		**7,093**	6,161
	Income from corporate briefing sessions		**1,325**	550
	Others		**12,390**	2,205
			854,177	1,151,803

29.1 Includes courier, SWIFT, postage and other charges recovered from customers.

30. OPERATING EXPENSES

	Note	2022	2021
		(Rupees in '000)	
Total compensation expenses	30.1	**22,158,527**	17,221,602
Property expenses			
Rent and taxes		**293,063**	315,370
Insurance		**13,605**	14,842
Utilities cost		**2,538,119**	1,525,027
Security (including guards)		**1,473,270**	1,290,994
Repair and maintenance (including janitorial charges)		**512,219**	391,341
Depreciation		**3,302,914**	2,843,733
		8,133,190	6,381,307
Information technology expenses			
Software maintenance		**7,534**	5,367
Hardware maintenance		**2,266,049**	1,310,768
Depreciation		**518,916**	371,602
Amortisation		**310,316**	307,372
Network charges		**565,114**	561,396
		3,667,929	2,556,505
Other operating expenses			
Directors' fees and allowances		**44,195**	41,040
Fees and allowances to Shariah Board		**18,919**	14,779
Insurance		**759,375**	521,817
Legal and professional charges		**469,038**	312,454
Outsourced services costs	30.2	**2,173,515**	1,819,571
Travelling and conveyance		**441,906**	282,755
NIFT and other clearing charges		**206,390**	204,452
Depreciation		**1,891,368**	1,604,184
Repair and maintenance		**2,335,410**	1,571,567
Training and development		**67,010**	47,460
Postage and courier charges		**383,873**	265,970
Communication		**705,761**	500,613
Stationery and printing		**1,264,095**	845,276
Marketing, advertisement and publicity		**635,594**	461,851
Donations	30.3	**392,000**	244,407
Auditors remuneration	30.4	**16,890**	10,049
Commission and brokerage		**945,609**	481,382
Entertainment and staff refreshment		**528,863**	386,605
Vehicle running expenses		**2,825,760**	1,610,924
Subscriptions and publications		**272,119**	229,753
CNIC verification charges		**184,711**	169,702
Security charges		**645,805**	473,360
Others		**817,768**	518,624
		18,025,974	12,618,595
		51,985,620	38,778,009

30.1 Total compensation expense

	2022	2021
Fees and allowances etc.	**1,673,362**	1,136,888
Managerial remuneration	**13,418,897**	10,272,992
Charge for defined benefit plan	**628,504**	491,348
Contribution to defined contribution plan	**876,784**	709,870
Rent and house maintenance	**3,813,512**	3,100,741
Utilities	**954,843**	775,350
Medical	**591,750**	558,313
Charge for employees compensated absences	**175,616**	155,639
Social security	**3,258**	6,330
Staff indemnity	**22,001**	14,131
	22,158,527	17,221,602

The compensation provided by the Bank to employees is composed of fixed pay structures and do not include any variable element that varies based on performance benchmarks or targets.

30.2 Total cost for the year included in other operating expenses relating to material outsourced activities is Rs. 49.465 million (2021: Rs. 38.575 million) paid to a company incorporated outside Pakistan. Material outsourcing arrangements are as follows:

S.No.	Name of material outsourced activity	Name of service provider	Nature of service
1.	Point of Sale (POS) Acquiring	M/s. Wemsol (Private) Limited	Terminal Management & Merchant On Boarding
2.	Vision Plus-Credit Card System	M/s. Arab Financial Services (AFS)	Credit Card

30.3 The detail of donations is given below:

	2022	2021
	(Rupees in '000)	
Al-Sayyeda Benevolent Trust	**12,000**	6,000
Childlife Foundation	**15,000**	15,000
Ghulaman-e-Abbas Educational & Medical Trust*	**6,000**	–
Habib Education Trust**	**12,000**	6,000
Habib Medical Trust	**12,000**	6,000
Habib Poor Fund*	**12,000**	6,000
Lahore University of Management Sciences / National Management Foundation	**50,000**	–
Memon Health & Education Foundation	**75,000**	–
Jinnah Foundation (Memorial) Trust	**2,000**	–
Patients' Aid Foundation	**75,000**	146,207
Rahmatbai Habib Food and Clothing Trust	**12,000**	6,000
Rahmatbai Habib Widows and Orphans Trust	**12,000**	6,000
The Citizens Foundation	**6,800**	6,200
The Health Foundation	**1,000**	1,000
The Indus Hospital	**79,200**	40,000
The Kidney Centre	**10,000**	–
	392,000	244,407

* Mr. Murtaza H. Habib, Director, is Trustee of Ghulaman-e-Abbas Educational & Medical Trust and Habib Poor Fund.

** Mr. Qumail R. Habib, Executive Director, is Managing Trustee of Habib Education Trust.

30.4 Auditors' remuneration

	2022	2021
	(Rupees in '000)	
Audit fee	**6,553**	3,668
Half yearly review	**1,750**	990
Other certifications	**6,793**	3,730
Gratuity fund	**175**	109
Out of pocket expenses	**1,619**	1,552
	16,890	10,049

	Note	2022	2021
		(Rupees in '000)	

31. OTHER CHARGES

		2022	2021
Penalties imposed by the State Bank of Pakistan		**156,435**	36,294

32. PROVISIONS AND WRITE OFFS-NET

	Note	2022	2021
Provision / (reversal) for diminution in value of investments - net	8.3	**8,961,545**	(262,734)
Provision against loans and advances - net	9.4	**4,003,163**	207,038
Provision against other assets	13.2.1	**948**	613
(Reversal) / provision against off-balance sheet items	19.1	**(85,126)**	22,486
Provision against balance with other banks		**15**	–
Loss on disposal of associate		**–**	347,077
		12,880,545	314,480

33. TAXATION

		2022	2021
Current		**20,607,846**	12,258,817
Prior years		**559**	(1,425)
Deferred		**(4,239,316)**	(637,241)
		16,369,089	11,620,151

33.1 Relationship between tax expense and accounting profit

	2022	2021
Profit before taxation	**33,055,393**	30,217,136
Tax at the applicable rate of 39% (2021: 35%)	**12,891,603**	10,575,998
Tax effects of:		
Items that are not deductible in determining taxable income	**(707,430)**	(278,139)
Tax effect of super tax	**4,196,351**	1,253,152
Others	**(11,435)**	69,140
	16,369,089	11,620,151

The effective tax rate for the year is 50% (2021: 38%).

34. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY

	2022	2021
Profit for the year - attributable to equity holders of the Holding Company	**16,687,927**	18,583,320
	(Number)	
Weighted average number of ordinary shares	**1,111,425,416**	1,111,425,416
	(Rupees)	
Basic and diluted earnings per share	**15.01**	16.72

35. CASH AND CASH EQUIVALENTS

	Note	2022	2021
		(Rupees in '000)	
Cash and balances with treasury banks	5	**94,163,589**	118,599,792
Balances with other banks	6	**15,105,449**	6,803,572
Overdrawn nostro accounts	16	**(494,245)**	(360,661)
		108,774,793	125,042,703

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

	2022		
	Subordinated debt	**Lease liability**	**Dividend payable**
		(Rupees in '000)	
Balance as at 01 January 2022	**15,995,200**	**12,235,539**	**546,228**
Changes from financing cash flows			
Receipts / (payments) against subordinated debt-net	**13,996,400**	**–**	**–**
Payment against lease liability-net	**–**	**(2,759,611)**	**–**
Dividend paid	**–**	**–**	**(7,693,475)**
Total changes from financing cash flows	**13,996,400**	**(2,759,611)**	**(7,693,475)**
Other changes			
Addition to right-of-use-assets-net	**–**	**3,424,373**	**–**
Mark-up expense on lease liability against right-of-use assets	**–**	**1,313,510**	**–**
Final cash dividend (Rs. 7.00 per share)	**–**	**–**	**7,779,978**
	–	**4,737,883**	**7,779,978**
Balance as at 31 December 2022	**29,991,600**	**14,213,811**	**632,731**

	2021		
	Subordinated debt	Lease liability	Dividend payable
		(Rupees in '000)	
Balance as at 01 January 2021	14,989,600	10,526,139	474,931
Changes from financing cash flows			
Receipts against subordinated debt-net	1,005,600	–	–
Payment against lease liability	–	(2,215,854)	–
Dividend paid	–	–	(4,930,117)
Total changes from financing cash flows	1,005,600	(2,215,854)	(4,930,117)
Other changes			
Addition to right-of-use-assets-net	–	2,800,550	–
Mark-up expense on lease liability against right-of-use assets	–	1,124,704	–
Final cash dividend (Rs. 4.50 per share)	–	–	5,001,414
	–	3,925,254	5,001,414
Balance as at 31 December 2021	15,995,200	12,235,539	546,228

36. STAFF STRENGTH

	2022	2021
	(Number)	
Permanent	**16,270**	14,830
Temporary / on contractual basis	**279**	282
Group's own staff at end of the year	**16,549**	15,112
Outsourced	**3,365**	3,090
Total staff strength	**19,914**	18,202

36.1

Domestic	**19,868**	18,152
Offshore	**46**	50
	19,914	18,202

37. DEFINED BENEFIT PLAN

37.1 General description

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

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

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 / losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss account in subsequent periods.

37.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 16,180 (2021: 14,718).

37.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2022 and the significant assumptions used for actuarial valuation were as follows:

	2022	2021
Discount rate	**14.50%**	11.75%
Expected rate of return on plan assets	**14.50%**	11.03%
Expected rate of salary increase : Year 1	**13.50%**	10.75%
Year 2	**13.50%**	10.75%
Mortality rates (for death in service)	**SLIC(2001-05)-1**	SLIC(2001-05)-1
Rates of employee turnover	**Moderate**	Moderate

37.4 Reconciliation of payable to defined benefit plan

	2022	2021
	(Rupees in '000)	
Present value of obligations	**6,616,783**	5,252,581
Fair value of plan assets	**(5,239,978)**	(4,278,268)
Payable	**1,376,805**	974,313

37.5 Movement in defined benefit obligations

	2022	2021
Obligation at the beginning of the year	**5,252,581**	4,323,932
Current service cost	**520,208**	424,622
Interest cost	**632,235**	451,993
Benefits paid during the year	**(129,371)**	(141,808)
Remeasurement loss	**341,130**	193,842
Obligation at the end of the year	**6,616,783**	5,252,581

	Note	2022	2021
		(Rupees in '000)	

37.6 Movement in fair value of plan assets

	Note	2022	2021
Fair value at the beginning of the year		**4,278,268**	3,640,418
Interest income on plan assets		**523,939**	385,267
Contribution by the Bank-net		**628,504**	491,348
Actual benefits paid during the year		**(129,371)**	(141,808)
Remeasurement loss on plan assets	37.8.2	**(61,362)**	(96,957)
Fair value at the end of the year		**5,239,978**	4,278,268

37.7 Movement in payable under defined benefit scheme

	Note	2022	2021
Opening balance		**974,313**	683,514
Charge for the year		**628,504**	491,348
Contribution by the Bank		**(628,504)**	(491,348)
Remeasurement loss recognised in Other Comprehensive Income during the year	37.8.2	**402,492**	290,799
Closing balance		**1,376,805**	974,313

37.8 Charge for defined benefit plan

37.8.1 Cost recognised in profit and loss

	2022	2021
Current service cost	**520,208**	424,622
Net interest on defined benefit liability	**108,296**	66,726
	628,504	491,348

37.8.2 Re-measurements recognised in OCI during the year

	2022	2021
Loss on obligation		
- Financial assumptions	**95,997**	42,818
- Experience assumptions	**245,133**	151,024
	341,130	193,842
Actuarial loss on plan assets	**61,362**	96,957
Total remeasurement loss recognised in OCI	**402,492**	290,799

37.9 Components of plan assets

	2022	2021
Cash and cash equivalents-net	**20,897**	180,052
Government securities	**5,219,081**	4,098,216
Total fair value of plan assets	**5,239,978**	4,278,268

37.10 Sensitivity analysis

	2022 (Rupees in '000)
1% increase in discount rate	**6,034,317**
1% decrease in discount rate	**7,293,822**
1% increase in expected rate of salary increase	**7,325,883**
1% decrease in expected rate of salary increase	**5,998,116**

	2023 (Rupees in '000)
37.11 Expected contributions to be paid to the funds in the next financial year	832,728
37.12 Expected charge for the next financial year	832,728

37.13 Maturity profile

The weighted average duration of the obligation is 9.47 years.

	2022 (Rupees in '000)
Distribution of timing of benefit payments	
within the next 12 months (next annual reporting period)	**357,298**
between 1 and 5 years	**2,755,574**
between 6 and 10 years	**7,023,921**
	10,136,793

37.14 Funding Policy

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

37.15 Significant Risk

Asset Volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly fixed income bonds. Almost 65.43% of the total Investments (Rs. 3.429 billion) is invested in PIB's. This gives rise to significant reinvestment risk.

The remaining fund is invested in Treasury Bills. The T-Bills exposure is almost 34.17% (Rs. 1.790 billion).

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

Changes in Bond Yields

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

Inflation Risk

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

Life Expectancy / Withdrawal Rate

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

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions.

Other Risks

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

Model Risk

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

Retention Risk

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

Final Salary Risk

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

Operational Risk related to a Separate Entity

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

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

Compliance Risk

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

Legal / Political Risk

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

38. DEFINED CONTRIBUTION PLAN

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

	2022
Contributions made during the year :	**(Rupees in '000)**
Employer's contribution	**876,784**
Employees' contribution	**876,784**

The number of employees covered under the defined contribution plan are 14,347 (2021: 12,343).

39. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation Expense

	2022						
	Directors						
	Chairman	Executives (other than CE)	Non-Executives	Members Shariah Board	Chief Executive	Key Management Personnel	Other Risk Takers / Controllers
	(Rupees in '000)						
Fees and allowances etc.	**11,595**	**–**	**32,000**	**–**	**225**	**–**	**–**
Managerial remuneration	**–**	**38,873**	**–**	**12,373**	**87,733**	**459,692**	**1,843,317**
Charge for defined benefit plan	**–**	**–**	**–**	**–**	**39,161**	**99,627**	**257,513**
Contribution to defined contribution plan	**–**	**–**	**–**	**218**	**6,640**	**27,886**	**135,012**
Rent and house maintenance	**–**	**11,662**	**–**	**4,736**	**26,560**	**142,309**	**566,053**
Utilities	**–**	**2,916**	**–**	**1,184**	**6,640**	**35,577**	**141,513**
Medical	**–**	**–**	**–**	**144**	**–**	**2,162**	**41,164**
Others	**–**	**–**	**–**	**264**	**–**	**13,717**	**763,427**
Total	**11,595**	**53,451**	**32,000**	**18,919**	**166,959**	**780,970**	**3,747,999**
Number of persons	**1**	**1**	**10**	**4**	**1**	**35**	**1,189**

	2021						
Fees and allowances etc.	11,575	–	29,250	–	80	–	–
Managerial remuneration	–	32,670	–	9,628	71,333	389,086	1,548,808
Charge for defined benefit plan	–	–	–	88	22,793	61,981	232,694
Contribution to defined contribution plan	–	–	–	109	5,733	23,963	118,783
Rent and house maintenance	–	10,406	–	3,766	22,933	120,057	498,649
Utilities	–	2,602	–	942	5,734	30,014	124,662
Medical	–	–	–	118	–	2,069	37,065
Others	–	–	–	128	–	5,616	42,039
Total	11,575	45,678	29,250	14,779	128,606	632,786	2,602,700
Number of persons	1	1	8	5	1	39	1,057

Chief Executive, Executive Director, Members Shariah Board, Key Management Personnel and Other Risk Takers / Controllers are entitled to Bank's maintained cars with fuel in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Group. In addition, the Chief Executive and Executive Director are also provided with drivers, security arrangements and payment of travel bills in accordance with their terms of employment.

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

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

		2022							
		Meeting Fees and Allowances Paid							
			For Board Committees						
S.No.	Name of Director	For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
		(Rupees in '000)							
1.	Mr. Abbas D. Habib	3,915	–	3,840	–	–	–	3,840	11,595
2.	Mr. Anwar Haji Karim	1,000	1,750	–	1,000	–	–	–	3,750
3.	Ms. Farhana Mowjee Khan	1,000	1,000	1,000	1,000	–	–	–	4,000
4.	Syed Mazhar Abbas	1,000	1,750	1,000	–	1,500	–	500	5,750
5.	Syed Hasan Ali Bukhari	250	500	250	–	250	250	–	1,500
6.	Mr. Safar Ali Lakhani	250	500	–	250	250	–	–	1,250
7.	Mr. Murtaza H. Habib	1,000	–	500	–	1,500	–	–	3,000
8.	Mr. Arshad Nasar	1,000	1,750	1,000	–	1,000	1,000	1,000	6,750
9.	Mr. Adnan Afridi	1,000	–	–	1,000	–	–	–	2,000
10.	Mr. Mohammad Rafiquddin Mehkari	500	1,000	–	500	1,000	–	–	3,000
11.	Mr. Javed Iqbal	500	–	–	–	–	–	500	1,000
		11,415	8,250	7,590	3,750	5,500	1,250	5,840	43,595

S.No.	Name of Director	2021 Meeting Fees and Allowances Paid For Board Meetings	For Board Committees: Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
		(Rupees in '000)							
1.	Mr. Abbas D. Habib	3,895	–	3,840	–	–	–	3,840	11,575
2.	Mr. Anwar Haji Karim	1,000	1,750	–	750	–	–	–	3,500
3.	Ms. Farhana Mowjee Khan	1,000	–	1,000	1,000	–	–	–	3,000
4.	Syed Mazhar Abbas	1,000	2,000	1,000	–	1,000	–	1,000	6,000
5.	Mr. Safar Ali Lakhani	750	1,500	–	750	750	–	–	3,750
6.	Syed Hasan Ali Bukhari	750	1,500	750	–	750	750	–	4,500
7.	Mr. Murtaza H. Habib	1,000	–	–	–	1,000	–	–	2,000
8.	Mr. Arshad Nasar	750	1,500	750	–	–	750	750	4,500
9.	Mr. Adnan Afridi	1,000	–	–	1,000	–	–	–	2,000
		11,145	8,250	7,340	3,500	3,500	1,500	5,590	40,825

39.3 Remuneration paid to Shariah Board Members

Items	2022 Chairman	2022 Resident Member	2022 Non-Resident Members	2021 Chairman	2021 Resident Members	2021 Non-Resident Members
	(Rupees in '000)					
Managerial remuneration	**6,000**	**2,133**	**4,240**	4,600	1,882	3,146
Charge for defined benefit plan	**–**	**–**	**–**	–	88	–
Contribution to defined contribution plan	**–**	**218**	**–**	–	109	–
Rent and house maintenance	**2,400**	**640**	**1,696**	1,840	667	1,259
Utilities	**600**	**160**	**424**	460	167	315
Medical	**36**	**36**	**72**	36	35	47
Others	**–**	**264**	**–**	–	128	–
Total	**9,036**	**3,451**	**6,432**	6,936	3,076	4,767
Number of persons	**1**	**1**	**2**	1	2	2

40. FAIR VALUE MEASUREMENTS

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

Federal Government securities	PKRV rates (Reuters page)
Foreign securities	Market prices / Mashreqbank PSC
Listed securities	Prices quoted at Pakistan Stock Exchange Limited
Mutual funds	Net asset values declared by respective funds
Unlisted equity investments	Break-up value as per latest available audited financial statements

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Group's accounting policies as stated in notes 4.14 and 4.5.

40.1 Fair value of financial assets

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

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

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

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

There were no transfers between levels 1 and 2 during the year.

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

	2022			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments		(Rupees in '000)		
Financial assets-measured at fair value				
Investments				
Federal Government Securities	–	9 0,187, 51	–	9 0,187, 51
Shares	,081,855	–	–	,081,855
Non-Government Debt Securities	25,515,20	5,1 9,900	–	0,655,10
Foreign Securities	–	,118,155	–	,118,155
Mutual Funds	–	,507,59	–	,507,59
inancial assets disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	169,562,2 5	–	169,562,2 5
Non-Government Debt Securities	–	1,0 7,110	–	1,0 7,110
Associates				
Mutual Funds	–	5,5 ,810	–	5,5 ,810
ff balance s eet financial instruments measured at fair value				
For ard purchase of foreign e change contracts	–	80, 87,622	–	80, 87,622
For ard sale of foreign e change contracts	–	5,70 , 60	–	5,70 , 60

	2021			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)			
Financial assets-measured at fair value				
Investments				
Federal Government Securities	–	593,082,978	–	593,082,978
Shares	3,436,075	–	–	3,436,075
Non-Government Debt Securities	24,909,693	5,172,920	–	30,082,613
Foreign Securities	–	4,917,137	–	4,917,137
Mutual Funds	–	2,107,605	–	2,107,605
inancial assets disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	179,649,767	–	179,649,767
Non-Government Debt Securities	–	1,822,342	–	1,822,342
Associates				
Mutual Funds	–	8,563,436	–	8,563,436
ff balance s eet financial instruments measured at fair value				
For ard purchase of foreign e change contracts	–	75,147,663	–	75,147,663
For ard sale of foreign e change contracts	–	58,279,177	–	58,279,177

40.2 Certain fixed assets and non banking assets acquired in satisfaction of claims have been carried at revalued amounts determined by professional valuer (level 3 measurement) based on their assessment of the market value.

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

41. TRUST ACTIVITIES

The Group is not engaged in any trust activities other than holding investments of individuals and entities in its IPS account maintained with the State Bank of Pakistan.

42. SEGMENT INFORMATION

42.1 Segment details with respect to Business Activities

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

	2022				
	Commercial ban ing	Retail ban ing	Retail bro erage	sset management	otal
			(Rupees in '000)		
Profit and loss account					
Mark-up / return / profit	178,8 ,119	22,00 ,727	61,756	950	200,910,552
Inter segment revenue-net	5 ,768	5 ,017,82	–	–	5 ,071,591
Non mark-up / return / interest income	10,8 6,0 8	10, 10,181	119, 2	15,1 7	21,580,689
Total income	189,7 ,9 5	86, 1,7 1	181,079	16,087	276,562,8 2
Segment direct e penses	(11 , 8,922)	(61,9 9,689)	(180,7 9)	(95,9)	(176,555, 0)
Inter segment e pense allocation	(5 ,017,82)	–	(10,699)	(,069)	(5 ,071,591)
Total e penses	(168, 56,7 5)	(61,9 9,689)	(191, 8)	(1 9,012)	(2 0,626,89)
(Provisions) / reversals	(12,81 ,611)	(65,9)	–	–	(12,880,5 5)
Profit before ta	8,562,579	2 , 26,108	(10, 69)	177,075	,055, 9
Statement of financial position					
Cash and bank balances	95, 17,276	1 ,78 ,788	157,002	9,972	109,269,0 8
Investments	1,157,669,660	–	251, 2	878,986	1,158,799,988
Net inter segment lending	9 6, 06	9 0,66 ,885	–	–	9 1,600,191
Lending to financial institutions	15,568,607	–	–	–	15,568,607
Advances-performing	707,5 1, 98	102,621,595		–	810,15 ,126
-non-performing	,069,270	5, 21	–	–	,11 ,691
Others	152,6 1,172	22,6 7, 82	09,217	89,058	175,776,829
otal assets	2,1 2,72 ,789	1,079,76 ,071	817,59	978,016	,21 ,282, 70
Borro ings	18,722, 5	–	267,006	–	18,989, 60
Subordinated debt	29,991,600	–	–	–	29,991,600
Deposits and other accounts	59 , 67,065	97 ,6 2,209	–	–	1,568,009,27
Net inter segment borro ing	9 0,66 ,885	–	186, 06	750,000	9 1,600,191
Others	60,5 2, 5	99,160, 7	207,097	,516	159,9 , 9
otal liabilities	2,0 ,277, 57	1,072,802,582	660, 09	79 ,516	,118,5 ,86
uity	88, 6, 2	6,960, 89	157,185	18 ,500	95,7 8,606
otal equity and liabilities	2,1 2,72 ,789	1,079,76 ,071	817,59	978,016	,21 ,282, 70
Contingencies and commitments	89, 20,252	287,6	–	–	89,707,896

	2021				
	Commercial banking	etail banking	etail brokerage	Asset management	Total
			(upees in 000)		
Profit and loss account					
Mark-up / return / profit	105,214,471	11,508,835	23,573	555	116,747,434
Inter segment revenue - net	34,725	27,895,086	–	–	27,929,811
Non mark-up / return / interest income	4,531,685	9,611,677	169,091	177,624	14,490,077
Total income	109,780,881	49,015,598	192,664	178,179	159,167,322
Segment direct e penses	(66,767,112)	(33,745,052)	(135,942)	(57,789)	(100,705,895)
Inter segment e pense allocation	(27,895,086)	–	(6,626)	(28,099)	(27,929,811)
Total e penses	(94,662,198)	(33,745,052)	(142,568)	(85,888)	(128,635,706)
(Provisions) / reversals	(203,795)	(110,685)	–	–	(314,480)
Profit before ta	14,914,888	15,159,861	50,096	92,291	30,217,136
Statement of financial position					
Cash and bank balances	105,394,644	19,856,740	149,160	2,820	125,403,364
Investments	825,785,140	–	191,598	722,053	826,698,791
Net inter segment lending	926,859	743,304,470	–	–	744,231,329
Lending to financial institutions	20,063,828	–	–	–	20,063,828
Advances-performing	615,847,512	116,234,984	151	–	732,082,647
-non-performing	1,236,861	15,945	–	–	1,252,806
Others	121,201,684	22,722,401	723,145	60,180	144,707,410
otal assets	1,690,456,528	902,134,540	1,064,054	785,053	2,594,440,175
Borro ings	301,748,893	–	464,009	–	302,212,902
Subordinated debt	15,995,200	–	–	–	15,995,200
Deposits and other accounts	504,249,382	805,485,582	–	–	1,309,734,964
Net inter segment borro ing	743,304,470	–	176,859	750,000	744,231,329
Others	50,668,147	80,931,866	228,147	18,335	131,846,495
otal liabilities	1,615,966,092	886,417,448	869,015	768,335	2,504,020,890
uity	74,490,436	15,717,092	195,039	16,718	90,419,285
otal equity and liabilities	1,690,456,528	902,134,540	1,064,054	785,053	2,594,440,175
Contingencies and commitments	419,856,696	8,116,659	–	–	427,973,355

2.2 Segment details it respect to geograp ical locations

eograp ical Segment nalysis

	2022				
	Pa istan	Middle East	sia Pacific	frica	otal
			(Rupees in '000)		
Profit and loss account					
Mark-up / return / profit	195, 57,102	2,267,1	,186, 17	–	200,910,552
Non mark-up / return / interest income	20,519,578	8,01	62 ,098	–	21,580,689
Total income	215,976,680	2,705,1 6	,809, 15	–	222, 91,2 1
Segment direct e penses	(17 ,578,157)	(1, 91,275)	(1,585,871)	–	(176,555, 0)
(Provisions) / reversals	(9 6, 09)	(5,177,887)	(6,766,2 9)	–	(12,880,5 5)
Profit before ta	1, 62,11	(,86 ,016)	(,5 2,705)	–	,055, 9
Statement of financial position					
Cash and bank balances	108,058,0 2	1,15 ,020	57,976	–	109,269,0 8
Investments	1,1 0,069,719	10,712,788	8,017, 81	–	1,158,799,988
Net inter segment lendings	7, 59,00	22,085,705	2,027,26	–	1, 71,972
Lending to financial institutions	15,568,607	–	–	–	15,568,607
Advances - performing	777,556,908	12,885,227	19,710,991	–	810,15 ,126
- non - performing	1,270,20	113,215	1,731,273	–	,11 ,691
Others	160,177, 66	2,0 5,00	1 ,55 , 60	–	175,776,829
otal assets	2,210,059,9 9	8,99 ,958	5,099,	–	2, 0 ,15 ,251
Borro ings	18,989, 60	–	–	–	18,989, 60
Subordinated debt	29,991,600	–	–	–	29,991,600
Deposits and other accounts	1,507, 56,91	7,610,725	22,9 1,6 6	–	1,568,009,27
Net inter segment borro ing	8,907, 27	9, 86,267	1 ,178,278	–	1, 71,972
Others	1 ,950,620	1,986,726	1 ,005,99	–	159,9 , 9
otal liabilities	2,110,296,020	8,98 ,718	9,125,907	–	2,208, 05,6 5
uity	99,76 ,929	11,2 0	(,026,56)	–	95,7 8,606
otal equity and liabilities	2,210,059,9 9	8,99 ,958	5,099,	–	2, 0 ,15 ,251
Contingencies and commitments	82, 9 , 1	5,722,879	1, 91,686	–	89,707,896

	2021				
	Pakistan	Middle ast	Asia Pacific	Africa	Total
			(upees in 000)		
Profit and loss account					
Mark-up / return / profit	112,807,705	1,691,982	2,134,728	113,019	116,747,434
Non mark-up / return / interest income	13,553,864	449,371	403,358	83,484	14,490,077
Total income	126,361,569	2,141,353	2,538,086	196,503	131,237,511
Segment direct e penses	(98,796,677)	(885,976)	(931,798)	(91,444)	(100,705,895)
(Provisions) / reversals	(182,901)	(117,829)	(73,793)	60,043	(314,480)
Profit before ta	27,381,991	1,137,548	1,532,495	165,102	30,217,136
Statement of financial position					
Cash and bank balances	124,749,563	621,887	31,914	–	125,403,364
Investments	801,030,412	14,218,541	11,449,838	–	826,698,791
Net inter segment lendings	6,884,028	18,366,725	1,235,596	–	26,486,349
Lending to financial institutions	20,063,828	–	–	–	20,063,828
Advances-performing	673,514,395	28,652,979	29,915,273	–	732,082,647
-non-performing	1,252,806	–	–	–	1,252,806
Others	124,749,119	3,243,433	16,714,858	–	144,707,410
otal assets	1,752,244,151	65,103,565	59,347,479	–	1,876,695,195
Borro ings	288,818,938	13,393,964	–	–	302,212,902
Subordinated debt	15,995,200	–	–	–	15,995,200
Deposits and other accounts	1,251,077,655	36,504,392	22,152,917	–	1,309,734,964
Net inter segment borro ing	1,588,748	6,707,512	18,190,089	–	26,486,349
Others	112,439,180	3,255,029	16,152,286	–	131,846,495
otal liabilities	1,669,919,721	59,860,897	56,495,292	–	1,786,275,910
uity	82,324,430	5,242,668	2,852,187	–	90,419,285
otal equity and liabilities	1,752,244,151	65,103,565	59,347,479	–	1,876,695,195
Contingencies and commitments	418,518,577	8,375,380	1,079,398	–	427,973,355

43. RELATED PARTY TRANSACTIONS

Related parties of the Group comprises of associates, directors, key management personnel and other related parties.

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

Transactions with related parties, other than those disclosed in note 10.5, 20.3 and 39 are summarised as follows:

	2022				2021			
	Directors	**Key management personnel**	**Associates**	**Other related parties**	Directors	Key management personnel	Associates	Other related parties
				(Rupees in '000)				
Investments								
Opening balance	–	–	8,563,438	305,998	–	–	3,058,005	–
Investment made during the year	–	–	9,077,662	50,000	–	–	5,986,178	182,690
Investment adjusted / redeemed / disposed off during the year	–	–	(12,107,290)	–	–	–	(480,745)	–
Surplus on revaluation	–	–	–	30,599	–	–	–	123,308
Closing balance	–	–	5,533,810	386,597	–	–	8,563,438	305,998
Advances								
Opening balance	1,620	195,482	–	2,417,285	332	171,544	–	2,217,749
Addition during the year	90,890	328,735	–	40,985,490	76,666	235,679	–	57,968,205
Repaid during the year	(91,200)	(203,443)	–	(42,379,568)	(75,378)	(211,741)	–	(57,768,669)
Closing balance	1,310	320,774	–	1,023,207	1,620	195,482	–	2,417,285
Operating fixed assets								
Right of use	–	–	–	9,199	–	–	–	786
Other assets								
Interest / mark - up accrued	–	177	–	25,879	–	120	–	–
L/C acceptances	–	–	–	323,894	–	–	–	–
Other receivable	–	–	6,581	64	–	–	118	–
Subordinated debt								
Opening balance	–	–	–	44,000	–	–	–	44,000
Issued / purchased during the year	–	–	–	–	–	–	75,000	–
Redemption / sold during the year	–	–	–	–	–	–	(75,000)	–
Closing balance	–	–	–	44,000	–	–	–	44,000
Deposits and other accounts								
Opening balance	769,918	774,436	59,383	6,936,252	1,072,684	720,918	739,762	3,619,310
Received during the year	4,487,172	5,939,373	582,767,296	174,705,011	6,376,086	3,125,505	83,337,951	63,034,965
Withdrawn during the year	(4,687,328)	(6,022,234)	(581,056,268)	(176,417,540)	(6,678,852)	(3,071,987)	(84,018,330)	(59,718,023)
Closing balance	569,762	691,575	1,770,411	5,223,723	769,918	774,436	59,383	6,936,252
Other liabilities								
Interest / mark - up payable	73	1,598	–	24,737	404	1,327	725	30,043
Payable to staff retirement fund	–	–	–	974,312	–	–	–	974,312
Other liabilities	–	113	–	71,960	–	2	–	–
Contingencies and commitments	–	–	–	1,004,215	–	–	–	918,205
Other transactions - Investor Portfolio Securities								
Opening balance	–	–	–	4,791,800	–	–	–	6,120,840
Increased during the year	–	–	–	25,764,700	–	–	–	7,725,000
Decreased during the year	–	–	–	(14,241,800)	–	–	–	(9,054,040)
Closing balance	–	–	–	16,314,700	–	–	–	4,791,800

43.1 RELATED PARTY TRANSACTIONS

	2022				2021			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key Management personnel	Associates	Other related parties
	(Rupees in '000)							
Income								
Mark-up / return / interest earned	4	14,941	–	139,329	–	10,175	–	110,324
Fee and commission income	116	522	825	8,189	39	225	131,076	13,622
Dividend income	–	–	–	53,996	–	–	–	–
Net gain on sale / redemption of securities and units of mutual funds	–	–	–	332	–	–	–	–
Share of profit from associates	–	–	778,627	–	–	–	372,034	–
Other income	–	–	–	587	–	–	30	406
Expense								
Mark-up / return / interest expensed	60,358	86,439	667,018	714,419	58,576	48,425	38,763	245,699
Operating expenses	–	–	–	36,888	–	–	–	4,528
Salaries and allowances	–	903,826	–	–	–	661,727	–	–
Bonus	–	189,286	–	–	–	101,732	–	–
Contribution to defined contribution plan	–	37,964	–	–	–	30,234	–	–
Contribution to defined benefit plan	–	155,512	–	–	–	82,334	–	–
Staff provident fund	–	–	–	877,002	–	–	–	709,870
Staff gratuity fund	–	–	–	628,504	–	–	–	491,348
Directors' fees	41,595	–	–	–	38,825	–	–	–
Donation	–	–	–	30,000	–	–	–	12,000
Insurance premium paid	–	–	–	244,353	–	–	–	142,646
Insurance claims settled	–	–	–	54,545	–	–	–	78,101

44. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	2022	2021
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	**11,114,254**	11,114,254
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**88,846,766**	80,838,923
Eligible Additional Tier 1 (ADT 1) Capital	**13,284,854**	6,237,950
Total Eligible Tier 1 Capital	**102,131,620**	87,076,873
Eligible Tier 2 Capital	**30,118,520**	25,758,263
Total Eligible Capital (Tier 1 + Tier 2)	**132,250,140**	112,835,136
Risk Weighted Assets (RWAs):		
Credit Risk	**734,076,775**	701,423,647
Market Risk	**12,072,245**	17,154,366
Operational Risk	**148,012,019**	118,070,472
Total	**894,161,039**	836,648,485

	2022	2021
	(Percentage)	
Common Equity Tier 1 Capital Adequacy Ratio	**9.936%**	9.662%
Tier 1 Capital Adequacy Ratio	**11.422%**	10.408%
Total Capital Adequacy Ratio	**14.790%**	13.487%

Minimum Capital Requirement (MCR)

The MCR standard sets the paid-up capital that the Bank is required to hold at all times. As of the statement of financial position date, the Bank's paid - up capital stands at Rs. 11.114 billion as against the required MCR of Rs. 10 billion.

Minimum Capital Adequacy Ratio (CAR)

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

	2022	2021
	(Percentage)	
Required CAR	**11.500%**	11.500%
CAR on Bank level	**14.739%**	13.485%
CAR on Group level	**14.790%**	13.487%

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

	2022	2021
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier 1 Capital	**102,131,620**	87,076,873
Total Exposures	**2,743,357,594**	2,334,597,071
Leverage Ratio	**3.723%**	3.730%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**741,344,389**	631,444,235
Total Net Cash Outflow	**309,814,044**	244,934,742
Liquidity Coverage Ratio	**239.287%**	257.801%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**1,651,921,923**	1,379,398,079
Total Required Stable Funding	**922,325,376**	827,532,194
Net Stable Funding Ratio	**179.104%**	166.688%

44.1 The full disclosures on the **CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS** as per SBP instructions issued from time to time have been placed on the Bank's website. The link to the full disclosure is available at https://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-grouplevel2022.

45. RISK MANAGEMENT

The Group 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 Group.

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

45.1 Credit Risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances, commitments to lend, contingent liabilities such as letters of credit and guarantees, and other similar transactions both on and off balance sheet.

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

Credit risk of the Group 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 Group's credit risk.

Counterparty exposure limits are approved in line with the Prudential Regulations and the Group'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 Group 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 Group has concentration of credit in textiles which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub - sectors like spinning, weaving and composites etc.

Credit Administration Department (CAD) is primarily responsible for custody, monitoring, and maintenance of security that underlies the Group's credit portfolio. CAD is also responsible for ensuring that all required terms and conditions as per approvals are properly reflected in customer documentation.

The Group 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.

Generally, the Group primarily lends against cash flows, which is considered the primary source of repayment. However, if cash flows of a borrower deteriorate and are insufficient to service debt obligations, collateral serves as the secondary recourse of repayment.

Specific and general provisions on the credit portfolio are determined in accordance with Prudential Regulations. The Group maintains additional general provision in line with its prudent policies and as per IFRS 9 for overseas branches. Particulars of provisions against advances are given in note 9.4.

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

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

45.1.1 Lendings to financial institutions

	Gross lendings		Non-performing lendings		Provision held	
Credit risk by public / private sector	**2022**	2021	**2022**	2021	**2022**	2021
			(Rupees in '000)			
Public / Government	**10,625,937**	–	**–**	–	**–**	–
Private	**4,942,670**	20,063,828	**–**	–	**–**	–
	15,568,607	20,063,828	**–**	–	**–**	–

45.1.2 Investment in debt securities

	Gross investments		Non-performing investments		Provision held	
Credit risk by industry sector	**2022**	2021	**2022**	2021	**2022**	2021
			(Rupees in '000)			
Power (electricity), gas, water, sanitary	**26,886,304**	26,966,592	**–**	–	**1,227,405**	26,357
Financial	**1,139,225,576**	786,566,327	**–**	–	**9,478,897**	1,324,366
Iron and steel	**750,000**	1,000,000	**–**	–	**–**	–
Oil refinery / marketing	**1,250,000**	1,250,000	**–**	–	**–**	–
	1,168,111,880	815,782,919	**–**	–	**10,706,302**	1,350,723
Credit risk by public / private sector						
Public / Government	**1,128,080,430**	776,931,233	**–**	–	**6,581,300**	325,807
Private	**40,031,450**	38,851,686	**–**	–	**4,125,002**	1,024,916
	1,168,111,880	815,782,919	**–**	–	**10,706,302**	1,350,723

45.1.3 Advances

Credit risk by industry sector	Gross advances 2022	Gross advances 2021	Non-performing advances 2022	Non-performing advances 2021	Provision held 2022	Provision held 2021
	(Rupees in '000)					
Agriculture, forestry, hunting and fishing	23,514,781	18,197,880	352,700	305,781	267,683	242,351
Mining and quarrying	106,774	135,313	–	–	–	–
Textile	273,539,211	237,019,393	1,884,270	1,690,844	1,868,519	1,671,265
Chemical and pharmaceuticals	25,761,490	19,082,769	194,020	5,791	51,455	4,397
Cement	5,556,190	6,833,811	43,966	–	10,991	–
Sugar	12,343,776	10,984,011	–	–	–	–
Footwear and leather garments	6,351,960	4,077,672	–	–	–	–
Automobile and transportation equipment	12,160,382	8,083,375	5,081	826	4,668	103
Electronics and electrical appliances	5,537,804	5,885,392	287,273	247,814	267,544	61,953
Construction	26,490,762	23,288,386	218,475	302,504	175,341	177,501
Power (electricity), gas, water, sanitary	43,860,601	47,024,486	–	–	–	–
Wholesale and retail trade	103,054,861	114,747,695	7,224,386	1,340,453	5,270,277	1,291,922
Transport, storage and communication	12,347,247	11,242,380	154,861	63,990	49,731	35,823
Financial	12,833,762	13,050,767	101,949	101,949	86,126	84,845
Insurance	430,285	294,275	61,180	61,180	61,180	61,180
Services (other than financial services)	15,353,568	16,786,483	46,038	45,762	552	125
Individuals	43,595,784	42,210,796	133,285	83,610	87,666	67,353
Food and allied	137,407,489	90,055,992	293,846	17,432	91,982	17,432
Iron and steel	34,140,947	39,040,954	1,282,991	1,066,177	1,282,991	1,066,177
Oil refinery / marketing	4,480,822	2,634,814	–	–	–	–
Paper and board	5,556,645	5,671,358	7,431	7,431	7,431	3,132
Plastic products	11,295,807	9,075,520	272,892	385,843	272,892	137,866
Others	15,356,636	21,002,242	2,156,641	2,019,548	1,749,565	1,570,704
	831,077,584	746,425,764	14,721,285	7,746,935	11,606,594	6,494,129
Credit risk by public / private sector						
Public / Government	103,892,455	58,448,122	–	–	–	–
Private	727,185,129	687,977,642	14,721,285	7,746,935	11,606,594	6,494,129
	831,077,584	746,425,764	14,721,285	7,746,935	11,606,594	6,494,129

Bank AL Habib

45.1.4 Contingencies and Commitments

Credit risk by industry sector

	2022	2021
	(Rupees in '000)	
Agriculture, forestry, hunting and fishing	**2,225,472**	1,815,024
Mining and quarrying	**5,653**	209
Textile	**77,312,880**	91,451,426
Chemical and pharmaceuticals	**15,646,369**	16,097,626
Cement	**2,202,641**	3,680,905
Sugar	**3,496,947**	1,194,779
Footwear and leather garments	**3,212,850**	2,939,561
Automobile and transportation equipment	**12,239,124**	22,228,569
Electronics and electrical appliances	**8,684,913**	7,250,575
Construction	**14,067,954**	10,708,668
Power (electricity), gas, water, sanitary	**20,020,893**	20,026,883
Wholesale and retail trade	**71,215,367**	68,530,385
Transport, storage and communication	**1,239,116**	1,454,475
Financial	**24,308,270**	17,959,726
Insurance	**122,075**	120,470
Services (other than financial services)	**32,378,759**	51,058,164
Individuals	**287,644**	8,116,659
Food and allied	**42,486,330**	40,727,640
Iron and steel	**17,282,540**	17,817,723
Oil refinery / marketing	**3,028,209**	6,978,651
Paper and board	**7,884,785**	8,964,522
Plastic products	**20,037,103**	17,609,850
Others	**10,322,002**	11,240,865
	389,707,896	427,973,355

Credit risk by public / private sector

	2022	2021
Public / Government	**34,294,985**	66,085,881
Private	**355,412,911**	361,887,474
	389,707,896	427,973,355

45.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 209,186 million (2021: Rs. 203,461 million) are as follows:

	2022	2021
	(Rupees in '000)	
Funded	**143,042,074**	99,235,533
Non Funded	**66,144,123**	104,225,085
Total Exposure	**209,186,197**	203,460,618

The sanctioned limits against these top 10 exposures aggregated to Rs. 310,186 million (2021: Rs. 226,451 million). Provision against top 10 exposures amounts to be Nil (2021: Nil).

45.1.6 Advances - Province / Region-wise Disbursement and Utilization

	2022						
	Disbursements	**Utilization**					
Province / Region		**Punjab**	**Sindh**	**KPK including FATA**	**Balochistan**	**Islamabad**	**AJK including Gilgit-Baltistan**
				(Rupees in '000)			
Punjab	**354,268,365**	**348,282,224**	**3,494,948**	**316,125**	**27,595**	**2,101,300**	**46,173**
Sindh	**342,804,256**	**1,589,733**	**337,507,367**	**2,431,025**	**1,168,194**	**6,467**	**101,470**
KPK including FATA	**7,162,365**	**13,890**	**9,400**	**6,578,647**	**3,303**	**557,125**	**–**
Balochistan	**1,339,462**	**–**	**445,937**	**32,806**	**860,719**	**–**	**–**
Islamabad	**33,112,606**	**116,453**	**18,562**	**291,778**	**–**	**32,685,813**	**–**
AJK including Gilgit-Baltistan	**754,661**	**–**	**–**	**3,972**	**–**	**59,286**	**691,403**
Total	**739,441,715**	**350,002,300**	**341,476,214**	**9,654,353**	**2,059,811**	**35,409,991**	**839,046**

	2021						
	Disbursements	Utilization					
Province / Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
				(Rupees in '000)			
Punjab	278,555,414	274,912,036	452,150	93,962	40,394	3,007,506	49,366
Sindh	297,374,464	2,156,339	293,052,373	1,654,607	511,145	–	–
KPK including FATA	6,658,000	–	1,296	6,299,401	–	357,303	–
Balochistan	1,287,778	–	207,440	–	1,080,338	–	–
Islamabad	44,360,457	9,005	20,103	133,925	–	44,197,424	–
AJK including Gilgit-Baltistan	910,260	–	242	6,119	–	52,723	851,176
Total	629,146,373	277,077,380	293,733,604	8,188,014	1,631,877	47,614,956	900,542

45.2 Market Risk

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

The Group 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 Group does not engage in trading or market making activities.

Market risk is managed through the Market Risk Policy and Treasury and Investment 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 Group’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 and Equity Market Department, which undertake dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deals, and Middle Office which independently monitors and analyses the risks inherent in treasury operations. Risk Management Committee of the Board provides overall guidance in managing the Group’s market risk.

Dealing activities of the Group 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 Group's internal policy. Portfolio risks arising in banking book are also measured through Value at Risk (VAR).

45.2.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
			(Rupees in '000)			
Cash and balances with treasury banks	**94,163,589**	**–**	**94,163,589**	118,599,792	–	118,599,792
Balances with other banks	**15,105,449**	**–**	**15,105,449**	6,803,572	–	6,803,572
Lendings to financial institutions	**15,568,607**	**–**	**15,568,607**	20,063,828	–	20,063,828
Investments	**1,158,699,619**	**100,369**	**1,158,799,988**	826,566,921	131,870	826,698,791
Advances	**813,267,817**	**–**	**813,267,817**	733,335,453	–	733,335,453
Fixed assets	**62,087,777**	**–**	**62,087,777**	55,701,205	–	55,701,205
Intangible assets	**452,845**	**–**	**452,845**	354,580	–	354,580
Deferred tax assets	**9,702,816**	**–**	**9,702,816**	2,103,393	–	2,103,393
Other assets	**103,533,391**	**–**	**103,533,391**	86,548,232	–	86,548,232
	2,272,581,910	**100,369**	**2,272,682,279**	1,850,076,976	131,870	1,850,208,846

45.2.2 Foreign Exchange Risk

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Group'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 Group'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 Group are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Group 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 Group itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impact of adverse changes in foreign exchange rates.

	2022			
	Foreign currency assets	**Foreign currency liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**
			(Rupees in '000)	
United States Dollar	**146,641,673**	**172,981,664**	**30,162,171**	**3,822,180**
Great Britain Pound	**1,763,990**	**14,039,992**	**8,222,028**	**(4,053,974)**
Japanese Yen	**6,461**	**2,347**	**(1,563)**	**2,551**
Euro	**2,593,379**	**9,688,629**	**3,963,967**	**(3,131,283)**
Other currencies	**1,082,588**	**1,585,257**	**(635,736)**	**(1,138,405)**
	152,088,091	**198,297,889**	**41,710,867**	**(4,498,931)**

	2021			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
United States Dollar	182,442,901	177,522,831	4,779,180	9,699,250
Great Britain Pound	1,652,971	12,805,309	7,489,831	(3,662,507)
Japanese Yen	6,782	363,092	357,519	1,209
Euro	4,231,547	6,846,326	1,842,032	(772,747)
Other currencies	945,356	534,954	(694,227)	(283,825)
	189,279,557	198,072,512	13,774,335	4,981,380

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
– Profit and loss account	**–**	**–**	–	–
– Other comprehensive income	**1,848**	**–**	22,220	–

45.2.3 Equity Position Risk

Equity position risk is the risk of loss from adverse movements in equity prices. The Group'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 Group 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 Group itself. Stress testing for equity price risk is carried out regularly to estimate the impact of decline in stock prices. The Group invests mainly in blue chip securities.

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
– Profit and loss account	**–**	**8,144**	–	6,555
– Other comprehensive income	**193,684**	**–**	220,935	–

45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

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

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

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

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

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

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

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
– Profit and loss account	**–**	**–**	–	–
– Other comprehensive income	**6,631,528**	**–**	5,703,580	–

45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	2022											
	Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		(Rupees in '000)										
On - balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.18%	94,163,589	886,519	–	–	–	–	–	–	–	–	93,277,070
Balances with other banks	3.13%	15,105,449	12,683,257	–	–	–	–	–	–	–	–	2,422,192
Lendings to financial institutions	16.10%	15,568,607	15,568,607	–	–	–	–	–	–	–	–	–
Investments	15.43%	1,158,799,988	150,575,882	131,844,192	543,994,415	184,634,881	42,642,799	12,721,670	61,151,574	18,920,069	–	12,314,506
Advances	12.66%	813,267,817	465,748,441	116,369,051	79,122,656	24,434,538	29,247,959	24,182,893	30,758,637	32,237,144	11,155,120	11,378
Other assets	–	97,467,774	–	–	–	–	–	–	–	–	–	97,467,774
		2,194,373,224	645,462,706	248,213,243	623,117,071	209,069,419	71,890,758	36,904,563	91,910,211	51,157,213	11,155,120	205,492,920
Liabilities												
Bills payable	–	44,855,837	–	–	–	–	–	–	–	–	–	44,855,837
Borrowings	10.60%	418,989,460	269,314,226	42,346,647	18,147,398	6,309,037	13,327,930	13,416,475	23,924,663	32,069,437	133,647	–
Deposits and other accounts	12.91%	1,568,009,274	740,078,036	49,687,388	39,689,825	85,510,483	12,114,259	5,456,859	11,428,481	12,157	8,214	624,023,572
Subordinated debt	17.84%	29,991,600	–	4,998,000	24,993,600	–	–	–	–	–	–	–
Other liabilities	–	84,690,510	–	–	–	–	–	–	–	–	–	84,690,510
		2,146,536,681	1,009,392,262	97,032,035	82,830,823	91,819,520	25,442,189	18,873,334	35,353,144	32,081,594	141,861	753,569,919
On - balance sheet gap		47,836,543	(363,929,556)	151,181,208	540,286,248	117,249,899	46,448,569	18,031,229	56,557,067	19,075,619	11,013,259	(548,076,999)
Off - balance sheet financial instruments												
Documentary credits and short term trade related transactions		225,453,786	76,729,551	96,015,817	22,455,246	20,527,556	9,725,616	–	–	–	–	–
Commitments in respect of:												
Forward purchase of foreign exchange contracts		78,111,679	27,229,530	31,766,931	15,926,999	3,188,219	–	–	–	–	–	–
Forward sale of foreign exchange contracts		(36,400,812)	(15,955,646)	(19,520,505)	(860,781)	(63,880)	–	–	–	–	–	–
Forward commitments to extend credit		6,328,518	1,822,615	1,358,281	466,120	2,279,952	271,750	53,800	76,000	–	–	–
Off - balance sheet gap		48,039,385	13,096,499	13,604,707	15,532,338	5,404,291	271,750	53,800	76,000	–	–	–
Total Yield / Interest Risk Sensitivity Gap			(274,103,506)	260,801,732	578,273,832	143,181,746	56,445,935	18,085,029	56,633,067	19,075,619	11,013,259	(548,076,999)
Cumulative Yield / Interest Risk Sensitivity Gap			(274,103,506)	(13,301,774)	564,972,058	708,153,804	764,599,739	782,684,768	839,317,835	858,393,454	869,406,713	321,329,714

	2021										
	Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk								Non interest bearing financial instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
	(Rupees in '000)										
On - balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	–	118,599,792	8,475,580	–	–	–	–	–	–	–	–	110,124,212
Balances with other banks	0.46%	6,803,572	4,422,018	–	–	–	–	–	–	–	–	2,381,554
Lendings to financial institutions	10.60%	20,063,828	20,063,828	–	–	–	–	–	–	–	–	–
Investments	9.93%	826,698,791	150,455,926	95,743,329	314,733,737	79,111,216	102,834,923	38,705,182	9,681,128	21,200,587	–	14,232,763
Advances	7.21%	733,335,453	401,011,438	117,203,589	91,802,874	29,547,069	16,295,821	22,354,796	20,069,057	25,864,446	9,176,575	9,788
Other assets	–	83,985,167	–	–	–	–	–	–	–	–	–	83,985,167
		1,789,486,603	584,428,790	212,946,918	406,536,611	108,658,285	119,130,744	61,059,978	29,750,185	47,065,033	9,176,575	210,733,484
Liabilities											
Bills payable	–	29,803,755	–	–	–	–	–	–	–	–	–	29,803,755
Borrowings	4.97%	302,212,902	130,540,002	55,284,225	32,529,294	11,403,231	9,542,625	10,585,069	19,745,203	32,324,292	258,961	–
Deposits and other accounts	7.15%	1,309,734,964	635,259,609	42,492,322	26,302,731	51,151,535	2,894,746	12,103,107	3,309,696	16,099	10,893	536,194,226
Subordinated debt	11.54%	15,995,200	–	5,000,000	10,995,200	–	–	–	–	–	–	–
Other liabilities	–	76,676,818	–	–	–	–	–	–	–	–	–	76,676,818
		1,734,423,639	765,799,611	102,776,547	69,827,225	62,554,766	12,437,371	22,688,176	23,054,899	32,340,391	269,854	642,674,799
On - balance sheet gap		55,062,964	(181,370,821)	110,170,371	336,709,386	46,103,519	106,693,373	38,371,802	6,695,286	14,724,642	8,906,721	(431,941,315)
Off - balance sheet financial instruments											
Documentary credits and short term trade related transactions		301,891,236	81,149,692	107,059,657	41,036,633	34,172,931	34,369,615	4,102,708	–	–	–	–
Commitments in respect of:											
Forward purchase of foreign exchange contracts		72,497,648	11,062,507	26,511,686	23,742,935	11,087,455	93,065	–	–	–	–	–
Forward sale of foreign exchange contracts		(58,723,317)	(11,276,267)	(30,040,434)	(14,937,676)	(2,468,940)	–	–	–	–	–	–
Forward commitments to extend credit		4,717,424	857,164	1,456,170	809,660	1,594,430	–	–	–	–	–	–
Off - balance sheet gap		18,491,755	643,404	(2,072,578)	9,614,919	10,212,945	93,065	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap			(99,577,725)	215,157,450	387,360,938	90,489,395	141,156,053	42,474,510	6,695,286	14,724,642	8,906,721	(431,941,315)
Cumulative Yield / Interest Risk Sensitivity Gap			(99,577,725)	115,579,725	502,940,663	593,430,058	734,586,111	777,060,621	783,755,907	798,480,549	807,387,270	375,445,955

45.2.5.1 **Reconciliation of Financial Assets and Liabilities**

	2022	2021
	(Rupees in '000)	
Assets as per statement of financial position	**2,272,682,279**	1,850,208,846
Less:		
Fixed assets	**62,087,777**	55,701,205
Intangible assets	**452,845**	354,580
Deferred tax assets	**9,702,816**	2,103,393
Advances, deposits, advance rent and other prepayments	**1,567,932**	1,176,105
Non-banking assets acquired against claims	**3,786,952**	950,942
Stationery and stamps on hand	**710,733**	436,018
	6,065,617	2,563,065
Interest Rate Sensitive Assets	**2,194,373,224**	1,789,486,603
Liabilities as per statement of financial position	**2,176,933,673**	1,759,789,561
Less:		
Unearned commission income	**692,150**	1,416,819
Branch adjustment account	**1,343,949**	1,702,496
Clearing and settlement	**6,564,374**	3,632,933
Provisions against off balance sheet obligations	**110,059**	173,319
Provision for compensated absences	**1,311,882**	1,127,704
Workers' welfare fund	**3,870,375**	3,048,747
Lease liability against right-of-use assets	**14,213,811**	12,235,539
Current taxation (payments less provisions)	**2,290,392**	2,028,365
	30,396,992	25,365,922
Interest Rate Sensitive Liabilities	**2,146,536,681**	1,734,423,639

45.3 Operational Risk

Operational risk is the risk of loss resulting from in adequate or failed internal processes, people, and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. Group classifies operational loss / near miss incidents into seven loss incidents types, which are Internal Fraud, External Fraud, Employment Practice & Workplace Safety, Client, Product & Business Practice, Damage to Physical Assets, Business Disruption & System Failure, and Execution, Delivery & Process Management.

Operational risk is managed through the Operational Risk Policy, Internal Control System and Internal Audit Policy, Compliance Policy & Programme, Information Technology (I.T.) Policy, I.T. Governance and Risk Management Framework, I.T. Security Policy, Human Resource Policy, Consumer Protection Framework, KYC / CDD Policy, AML / CFT and CPF Policy, Fraud Prevention Policy, Service Quality and Consumer Grievance Handling Policy, Business Continuity Management Policy and Outsourcing Policy approved by the Board, along with the operational manuals and procedures issued from time to time; system of internal controls; Business Continuity Plan, Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Operational risk related matters are discussed in the operations committee, compliance committee of management and I.T. steering committee. Audit Committee of the Board provides overall guidance in managing the Group's operational risk.

The Group'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 Group.

The Group 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 Group continues to improve its internal controls.

Business Continuity Plan of the Group pays special attention to identification of potential threats and associated risks in critical business processes by carrying out Business Impact Analysis and Risk Assessment including those which are dependent on external vendors or third parties, identification of alternative mechanisms for timely resumption of services, with special focus on critical business processes, location of off-site backup & regular review and testing of the plan.

Bank AL Habib's internet banking platform, both web and mobile based applications are successfully implemented and regularly enhanced to provide better customer experience.

The Group has zero tolerance for Cybersecurity risks and non-compliance to regulations. Monitoring controls and processes have been implemented to identify and appropriately address Cybersecurity risks. Long term measures are defined in Cyber Security Strategy that is supported by a complementing Action Plan. While Information Security Risk Management plan covers measures for identifying the risks posed to Information Systems in alignment with Group's strategy. I.T. Security has developed a cyber secure environment by implementing various technical and administrative controls to ensure security of customers' data residing with the Group. In this regard, Group is also in process of implementing industrial standards and best practices for Information Security assurance.

45.3.1 Operational Risk-Disclosures Basel II Specific

The Group 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 Group which relies on an extensive network of branches to offer one - stop, full – service banking to its clients. The Group has developed and implemented an Operational Loss Database. Operational loss and "near miss" events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve security and control procedures. Key Risk Indicators have also been developed along with thresholds which are being closely monitored for breaches. Risk Evaluation exercise is carried out for new products, processes and systems or any significant change in the existing product, processes and systems as per the operational risk policy of the Group.

45.4 Liquidity Risk

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

Key elements of the Group'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 Group's funding requirements at any time.
- To keep a strong focus on mobilization of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating (as borrowing cost and ability to raise funds are directly affected by credit rating).
- To have a written contingency funding plan to address any hypothetical situations when access to normal sources of funding is constrained.

45.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 08 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

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

The Bank calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Bank to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2022, the Bank's LCR stood at 252% against the SBP's minimum requirement of 100% .

45.4.2 Governance of Liquidity Risk Management

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

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

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

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

45.4.3 Funding Strategy

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

45.4.4 Liquidity Risk Mitigation Techniques

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

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

45.4.5 Liquidity Stress Testing

As per SBP FSD Circular No. 01 of 2020, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits, withdrawals of wholesale / large deposits & interbank borrowing, withdrawal of top deposits, etc. Results of stress testing are presented to ALCO and Risk Management Committee. The Group's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.

45.4.6 Contingency Funding Plan

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

45.4.7 Main Components of LCR

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

45.4.8 Composition of HQLAs

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

45.4.9 Concentration of Funding Sources

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

45.4.10 Currency Mismatch in the LCR

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

45.4.11 Centralisation of Liquidity Management

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

45.4.12 Other Inflows & Outflows

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

45.4.13 Net Stable Funding Ratio (NSFR)

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

The objective of NSFR is to ensure the availability of stable funds that a Group must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank’s NSFR stood at 179% as on 31 December 2022.

45.5 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

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

	Total	2022												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months (Rupees in '000)	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets														
Cash and balances with treasury banks	94,163,589	94,098,041	-	65,548	-	-	-	-	-	-	-	-	-	-
Balances with other banks	15,105,449	14,086,510	-	-	1,018,939	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,568,607	-	15,568,607	-	-	-	-	-	-	-	-	-	-	-
Investments	1,158,799,988	(3,512,255)	(390,446)	(393,020)	(1,108,639)	(1,399,962)	21,061,297	91,796,573	151,728,290	65,933,381	45,896,201	296,353,878	285,533,350	207,301,340
Advances	813,267,817	70,593,237	21,403,306	15,154,441	60,467,493	78,900,895	173,786,316	118,537,227	35,638,379	24,809,221	59,436,268	45,911,325	48,441,561	60,188,148
Fixed assets	62,087,777	24,350,283	-	-	532,101	519,444	688,316	1,351,815	1,466,908	1,417,557	5,160,131	4,493,905	6,374,279	15,733,038
Intangible assets	452,845	-	-	-	32,054	25,648	24,627	66,659	55,184	50,660	114,843	-	-	83,170
Deferred tax assets	9,702,816	11,394,401	-	-	(49,959)	(45,769)	(45,769)	(135,675)	(100,272)	(122,248)	(439,555)	(387,403)	(206,340)	(158,595)
Other assets	103,533,391	30,369,509	4,804,567	7,023,967	16,373,074	18,656,168	11,355,738	13,843,551	375,522	588,006	116,719	8,880	7,540	10,150
	2,272,682,279	241,379,726	41,386,034	21,850,936	77,265,063	96,656,424	206,870,525	225,460,150	189,164,011	92,676,577	110,284,607	346,380,585	340,150,390	283,157,251
Liabilities														
Bills payable	44,855,837	44,855,837	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	418,989,460	2,180,743	106,665,961	1,174,294	106,008,103	49,698,689	26,932,426	37,148,055	2,772,462	3,536,575	13,327,930	13,416,475	23,924,663	32,203,084
Deposits and other accounts	1,568,009,274	1,295,056,950	18,057,827	15,269,912	35,716,918	14,641,167	35,046,221	39,689,825	42,875,595	42,634,888	12,114,259	5,456,859	11,428,481	20,372
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,991,600	-	-	-	-	-	1,000	2,200	1,000	2,200	6,400	6,400	12,800	29,959,600
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	115,087,502	40,874,673	3,217,800	5,639,004	12,638,249	15,616,694	9,175,373	3,798,335	3,098,468	813,941	3,347,893	3,814,653	5,430,669	7,621,750
	2,176,933,673	1,382,968,203	127,941,588	22,083,210	154,363,270	79,956,550	71,155,020	80,638,415	48,747,525	46,987,604	28,796,482	22,694,387	40,796,613	69,804,806
Net assets	95,748,606	(1,141,588,477)	(86,555,554)	(232,274)	(77,098,207)	16,699,874	135,715,505	144,821,735	140,416,486	45,688,973	81,488,125	323,686,198	299,353,777	213,352,445
Share capital	11,114,254													
Reserves	24,391,414													
Surplus on revaluation of assets	899,575													
Unappropriated profit	59,229,669													
Non - controlling interest	113,694													
	95,748,606													

	Total	2021												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
								(Rupees in '000)						
Assets														
Cash and balances with treasury banks	118,599,792	118,599,792	–	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	6,803,572	6,803,572	–	–	–	–	–	–	–	–	–	–	–	–
Lendings to financial institutions	20,063,828	–	20,063,828	–	–	–	–	–	–	–	–	–	–	–
Investments	826,698,791	12,967,986	(175,919)	24,857,271	26,170,390	56,009,199	27,485,865	(411,474)	79,072,128	313,777	208,013,450	40,353,512	193,664,781	158,377,825
Advances	733,335,453	62,322,894	16,559,970	25,896,302	52,410,354	94,703,838	94,964,578	127,675,070	39,097,582	24,015,747	48,372,426	48,828,863	48,004,081	50,483,748
Fixed assets	55,701,205	22,506,089	–	–	439,056	429,784	574,841	1,102,068	1,216,080	1,184,750	4,397,940	3,662,170	5,285,103	14,903,324
Intangible assets	354,580	–	–	–	43,495	42,824	22,734	55,993	49,889	40,748	13,146	216	433	85,102
Deferred tax assets	2,103,393	2,694,975	–	–	(22,673)	(27,414)	(27,414)	(78,859)	(27,499)	(70,214)	(249,413)	(80,296)	287,640	(295,440)
Other assets	86,548,232	17,516,514	5,142,949	6,220,977	13,547,227	14,422,657	9,760,794	7,770,376	4,120,311	7,835,258	112,638	68,849	18,117	11,565
	1,850,208,846	243,411,822	41,590,828	56,974,550	92,587,849	165,580,888	132,781,398	136,113,174	123,528,491	33,320,066	260,660,187	92,833,314	247,260,155	223,566,124
Liabilities														
Bills payable	29,803,755	29,803,755	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	302,212,902	537,376	72,474,365	1,094,262	2,336,666	75,846,330	23,083,908	42,619,114	7,519,175	4,245,556	9,542,625	10,585,069	19,745,203	32,583,253
Deposits and other accounts	1,309,734,964	1,077,749,891	16,117,169	26,665,733	50,921,042	18,700,448	23,791,875	26,302,731	20,686,097	30,465,438	2,894,746	12,103,107	3,309,696	26,991
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	15,995,200	–	–	–	–	–	1,000	800	1,000	800	3,600	3,600	7,200	15,977,200
Other liabilities	102,042,740	30,763,911	5,162,952	4,852,827	9,938,161	12,314,874	7,175,748	5,302,990	6,644,426	8,570,540	1,326,302	1,154,690	2,384,506	6,450,813
	1,759,789,561	1,138,854,933	93,754,486	32,612,822	63,195,869	106,861,652	54,052,531	74,225,635	34,850,698	43,282,334	13,767,273	23,846,466	25,446,605	55,038,257
Net assets	90,419,285	(895,443,111)	(52,163,658)	24,361,728	29,391,980	58,719,236	78,728,867	61,887,539	88,677,793	(9,962,268)	246,892,914	68,986,848	221,813,550	168,527,867
Share capital	11,114,254													
Reserves	20,656,466													
Surplus on revaluation of assets	6,453,983													
Unappropriated profit	52,071,442													
Non - controlling interest	123,140													
	90,419,285													

45.6 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

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

	Total	2022								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	94,163,589	94,163,589	-	-	-	-	-	-	-	-
Balances with other banks	15,105,449	15,105,449	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,568,607	15,568,607	-	-	-	-	-	-	-	-
Investments	1,158,799,988	3,260,475	19,692,890	91,534,512	227,821,191	41,262,652	292,058,598	279,679,382	200,035,991	3,454,297
Advances	813,267,817	167,618,477	252,687,211	118,537,227	60,447,600	59,436,268	45,911,325	48,441,561	42,772,238	17,415,910
Fixed assets	62,087,777	548,237	1,369,535	10,826,983	3,334,189	6,333,409	4,493,905	6,374,279	6,235,387	22,571,853
Intangible assets	452,845	32,053	50,275	66,659	105,844	114,844	-	-	-	83,170
Deferred tax assets	9,702,816	4,083,642	(113,979)	(2,167,800)	623,346	1,551,204	1,459,567	2,301,487	3,207,025	(1,241,676)
Other assets	103,533,391	54,530,388	30,182,278	14,022,204	1,446,126	120,572	8,880	7,540	10,150	3,205,253
	2,272,682,279	354,910,917	303,868,210	232,819,785	293,778,296	108,818,949	343,932,275	336,804,249	252,260,791	45,488,807
Liabilities										
Bills payable	44,855,837	44,855,837	-	-	-	-	-	-	-	-
Borrowings	418,989,460	216,029,101	76,631,115	37,148,055	6,309,037	13,327,930	13,416,475	23,924,663	32,069,437	133,647
Deposits and other accounts	1,568,009,274	200,135,831	179,016,918	169,019,356	214,840,014	206,104,691	199,447,291	205,417,626	194,019,333	8,214
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,991,600	-	1,000	2,200	3,200	6,400	6,400	12,800	15,959,600	14,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	115,087,502	60,008,861	24,792,067	3,798,335	3,911,438	3,347,893	3,814,653	5,430,669	6,018,118	3,965,468
	2,176,933,673	521,029,630	280,441,100	209,967,946	225,063,689	222,786,914	216,684,819	234,785,758	248,066,488	18,107,329
Net assets	95,748,606	(166,118,713)	23,427,110	22,851,839	68,714,607	(113,967,965)	127,247,456	102,018,491	4,194,303	27,381,478
Share capital	11,114,254									
Reserves	24,391,414									
Surplus on revaluation of assets	899,575									
Unappropriated profit	59,229,669									
Non - controlling interest	113,694									
	95,748,606									

	Total	2021								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
					(Rupees in '000)					
Assets										
Cash and balances with treasury banks	118,599,792	118,599,792	–	–	–	–	–	–	–	–
Balances with other banks	6,803,572	6,803,572	–	–	–	–	–	–	–	–
Lendings to financial institutions	20,063,828	20,063,828	–	–	–	–	–	–	–	–
Investments	826,698,791	51,621,207	83,187,265	(410,293)	93,516,156	207,941,008	40,129,080	192,321,659	155,947,899	2,444,810
Advances	733,335,453	157,189,520	189,668,416	127,675,070	63,113,329	48,372,426	48,828,863	48,004,081	37,530,239	12,953,509
Fixed assets	55,701,205	529,855	1,921,786	1,339,608	3,322,093	12,263,117	3,662,170	5,285,103	5,787,400	21,590,073
Intangible assets	354,580	43,495	65,558	55,993	90,637	98,897	–	–	–	–
Deferred tax assets	2,103,393	3,268,463	47,707	(100,401)	250,283	(1,938,785)	7,232	811,638	917,429	(1,160,173)
Other assets	86,548,232	40,963,584	24,256,741	7,927,102	12,172,629	248,217	68,849	18,117	11,566	881,427
	1,850,208,846	399,083,316	299,147,473	136,487,079	172,465,127	266,984,880	92,696,194	246,440,598	200,194,533	36,709,646
Liabilities										
Bills payable	29,803,755	29,803,755	–	–	–	–	–	–	–	–
Borrowings	302,212,902	76,442,669	98,930,238	42,619,114	11,764,731	9,542,625	10,585,069	19,745,203	32,327,849	255,404
Deposits and other accounts	1,309,734,964	213,023,237	148,984,610	132,795,019	157,643,823	162,630,529	171,838,890	163,044,595	159,763,368	10,893
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Subordinated debt	15,995,200	–	1,000	800	1,800	3,600	3,600	7,200	8,977,200	7,000,000
Other liabilities	102,042,740	41,961,217	19,490,621	5,302,990	15,214,966	1,326,302	1,154,690	9,132,049	5,182,995	3,276,910
	1,759,789,561	361,230,878	267,406,469	180,717,923	184,625,320	173,503,056	183,582,249	191,929,047	206,251,412	10,543,207
Net assets	90,419,285	37,852,438	31,741,004	(44,230,844)	(12,160,193)	93,481,824	(90,886,055)	54,511,551	(6,056,879)	26,166,439
Share capital	11,114,254									
Reserves	20,656,466									
Surplus on revaluation of assets	6,453,983									
Unappropriated profit	52,071,442									
Non - controlling interest	123,140									
	90,419,285									

46. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs.7.0 (2021: Rs. 7.0) per share.

47. GENERAL

47.1 Captions, as prescribed by BPRD Circular No. 02 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the statement of financial position and profit and loss account.

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

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

48. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on 15 February 2023.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman

Annexure I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2022

(Rupees in '000)

S. No.	Name and address of the borrower(s)	Name of individuals / partners / directors (with CNIC Nos.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest / Mark-up Written off	Other Charges written off	Total (9+10+11)
				Principal	Interest / Mark-up	Other Charges	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	**Ghulam Noor** House No. 12/1, Street No. 21, Khayaban-e-Touheed, Phase V, DHA, Karachi.	Ghulam Noor (CNIC: 42101-5096641-9)	Ali Noor	509	67	-	576	509	67	-	576
2	**AL Noor Construction Co** Plot No. 25/E, 2nd Floor, Khayaban-e-Jami, Phase II Extension, DHA, Karachi.	Ghulam Noor (CNIC: 42101-5096641-9)	Ali Noor	-	11,082	-	11,082	-	11,082	-	11,082
3	**The Fuellers** 23 Baber Block, New Garden Town, Lahore.	Khalid Mehmood (CNIC: 35202-1345244-1)	Shah Muhammad	-	4,177	-	4,177	-	4,177	-	4,177
		Fatima Khalid (CNIC: 35202-9060744-4)	Khalid Mehmood								
4	**Tayyab Fabrics** 120/1, 8th Street, Khayaban-e-Rahat, Phase VI, DHA, Karachi.	Tausif ur Rahman (CNIC: 42301-7084145-9)	Mujtaba Hussain Ansari	31,884	3,002	-	34,886	31,884	3,002	-	34,886
5	**Khalid Jawaid & Brothers** 52-57, Aiwan-e-Tijarat Building, Aiwan-e-Tijarat Road, Karachi	Zeeem Javaid (CNIC: 42000-0469864-9)	Javaid Iqbal	17,078	3,395	-	20,473	13,743	3,395	-	17,138
		Noor Jehan (CNIC: 42101-1664282-8)	Manzoor Ahmed								
		Javaid Iqbal (CNIC: 42301-0910340-5)	Manzoor Ahmed								
		Shahid Ahmed (CNIC: 42301-0889594-7)	Manzoor Ahmed								
		Haroon Rashid (CNIC: 36302-0412296-9)	Manzoor Ahmed								
		Tariq Ahmed (CNIC: 42000-0549111-5)	Manzoor Ahmed								
		Faisal Imran (CNIC: 42301-0889596-9)	Javaid Iqbal								
6	**AL Saif Rice Mills** Garhi Khairo, Bypass Road, Usta Muhammad	Rehmat Ullah (CNIC: 53403-1408734-7)	Murad Bux	29,998	408	-	30,406	-	896	-	896
7	**Glitron Products** Plot No. 238, Atari Industrial Estate, 18 KM, Ferozepur Road, Lahore.	Aftab Ahmed (CNIC: 35201-9478238-3)	Muhammad Siddique	102,951	35,672	-	138,623	-	7,348	-	7,348
		Kashif Aftab (CNIC: 35201-9288485-3)	Aftab Ahmed								
8	**Zulfiqar & Company** Pul Sem Nala, Near Haris Kanta, Kamal Pur, Faisalabad.	Malik Zulfiqar Ali (CNIC: 42301-3754592-1)	Malik Alif Din	6,500	1,925	-	8,425	-	677	-	677
9	**Zahid** Flat # 311, 3rd Floor, BL-C, Near Nasa Colour Lab, Hasnabad Colony, North Nazimabad, Karachi.	Mr. Zahid (CNIC: 42101-1732267-7)	Mr. Bashir Ahmed	409	165	77	651	409	165	77	651
10	**Muhammad Maroof Khan** 4/7, Liaqat Avenue, Near Lavish Lawn Model Colony, Karachi	Muhammad Maroof Khan (CNIC: 42201-7898190-1)	Muhammad Zareen Khan	1,117	563	166	1,846	737	563	166	1,466
			Total	190,446	60,456	243	251,145	47,282	31,372	243	78,897

Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 178 (2021: 138) Islamic banking branches and 150 (2021: 145) Islamic banking windows at the end of the year.

	Note	2022	2021
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		**10,129,656**	8,423,970
Balances with other banks		**7,087**	6,633
Due from financial institutions		**–**	–
Investments	1	**139,707,651**	126,593,021
Islamic financing and related assets-net	2	**101,266,517**	85,209,570
Fixed assets		**960,714**	691,623
Intangible assets		**–**	–
Due from Head Office		**–**	–
Other assets		**9,004,260**	8,215,798
Total Assets		**261,075,885**	229,140,615
LIABILITIES			
Bills payable		**429,262**	306,474
Due to financial institutions		**38,932,611**	30,479,303
Deposits and other accounts	3	**177,775,602**	128,090,092
Due to Head Office		**7,016,160**	39,305,108
Subordinated debt		**–**	–
Other liabilities		**15,579,661**	16,989,976
		239,733,296	215,170,953
NET ASSETS		**21,342,589**	13,969,662
REPRESENTED BY			
Islamic Banking Fund		**7,600,000**	7,600,000
Reserves		**–**	–
Deficit on revaluation of assets		**(463,276)**	(238,060)
Unappropriated profit	5	**14,205,865**	6,607,722
		21,342,589	13,969,662
CONTINGENCIES AND COMMITMENTS	6		

The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2022 is as follows:

	Note	2022	2021
		(Rupees in '000)	
Profit / return earned	7	**25,214,470**	10,936,284
Profit / return expensed	8	**(14,002,001)**	(4,829,642)
Net Profit / return		**11,212,469**	6,106,642
Other income			
Fee and commission income		**879,793**	675,695
Dividend income		**78,529**	6,115
Foreign exchange income		**155,791**	145,850
Income / (loss) from derivatives		**–**	–
(Loss) / gain on securities		**(29,526)**	10,123
Other income		**63,276**	42,498
Total other income		**1,147,863**	880,281
Total income		**12,360,332**	6,986,923
Other expenses			
Operating expenses		**(4,569,909)**	(3,129,078)
Other charges		**(225)**	(180)
Total other expenses		**(4,570,134)**	(3,129,258)
Profit before provisions		**7,790,198**	3,857,665
(Provisions) / reversals and write offs-net		**(192,055)**	5,136
Profit for the year		**7,598,143**	3,862,801

1. **Investments by segments**

	2022				2021			
	Cost / amortised cost	**Provision for diminution**	**(eficit) / surplus**	**Carrying value**	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
	(Rupees in '000)							
Federal Government Securities								
- Ijarah Sukuks	**106,895,687**	**–**	**(78,887)**	**106, 16,800**	86,966,521	–	(489,423)	86,477,098
- Neelum helum Hydropo er Co Ltd. Sukuk	**2,021,250**	**–**	**–**	**2,021,250**	3,093,750	–	–	3,093,750
- Bai Muajjal ith Government of Pakistan	**–**	**–**	**–**	**–**	9,222,783	–	–	9,222,783
- Islamic Naya Pakistan Certificate	**,852,292**	**–**	**–**	**,852,292**	807,152	–	–	807,152
	11 ,769,229	**–**	**(78,887)**	**11 ,290, 2**	100,090,206	–	(489,423)	99,600,783
Shares								
- Listed Companies	**0,529**	**(19,253)**	**56**	**11, 2**	80,455	(54,083)	11,665	38,037
Non Government Debt Securities								
- Listed	**21,952,266**	**–**	**(2,266)**	**21,950,000**	22,243,347	–	215,177	22,458,524
- Unlisted	**,9 0,000**	**–**	**–**	**,9 0,000**	3,973,000	–	–	3,973,000
	25,892,266	**–**	**(2,266)**	**25,890,000**	26,216,347	–	215,177	26,431,524
Units of Mutual Funds	**51,022**	**(52,866)**	**17,821**	**15,977**	351,022	(52,866)	24,521	322,677
Associates								
- AL Habib Islamic Cash Fund	**100,000**	**–**	**–**	**100,000**	100,000	–	–	100,000
- AL Habib Islamic Savings Fund	**100,000**	**–**	**–**	**100,000**	100,000	–	–	100,000
	200,000	**–**	**–**	**200,000**	200,000	–	–	200,000
Total Investments	**1 0,2 ,0 6**	**(72,119)**	**(463,276)**	**1 9,707,651**	126,938,030	(106,949)	(238,060)	126,593,021

	Note	2022	2021
		(Rupees in '000)	
2. Islamic financing and related assets			
Ijarah	2.1	**2,452,842**	1,510,759
Murabaha	2.2	**10,598,735**	10,763,354
Diminishing Musharaka		**15,741,969**	14,068,266
Islamic Long Term Financing Facility (ILTFF)		**3,835,813**	2,354,060
Istisna		**5,766,719**	5,342,869
Islamic Refinance for Renewable Energy (IFRE)		**2,157,740**	36,245
Islamic Refinance for Wages & Salaries (IRWS)		**41,082**	1,220,603
Islamic Refinance for Temporary Economic Refinance Facility (ITERF)		**5,498,680**	908,150
Islamic Refinance Facility for Modernization of SME's (IRFSME)		**49,186**	–
Islamic Financing Facility for Storage of Agricultural Product (IFFSAP)		**142,438**	–
Islamic Export Refinance - Istisna (IERF)		**2,303,561**	1,116,424
Musawamah		**3,532,923**	4,583,663
Islamic Export Refinance-Musawamah		**303,750**	529,750
Running Musharaka		**2,073,941**	326,612
Islamic Export Refinance-Running Musharaka		**6,075,426**	5,263,500
Financing against Bills-Musawamah		**3,916,970**	1,580,871
Export Finance Scheme (EFS) - Discounting		**5,110,945**	–
Staff Financing		**1,438,084**	1,025,435
Musawamah Inventory		**3,947,033**	2,290,127
Advance against Istisna		**9,761,928**	7,974,093
Advance against Istisna - IERF		**7,922,393**	9,475,930
Advance against Ijarah		**444,846**	505,797
Advance against Diminishing Musharaka		**3,102,235**	4,440,130
Advance against ILTFF		**2,100,278**	1,756,300
Advance against IFRE		**451,733**	2,161,708
Advance against ITERF		**2,888,709**	6,101,556
Advance against IRFSME		–	39,925
Gross Islamic financing and related assets		**101,659,959**	85,376,127
Less: provision against Islamic financings			
- Specific		**(343,385)**	(123,001)
- General		**(50,057)**	(43,556)
		(393,442)	(166,557)
Islamic financing and related assets-net of provision		**101,266,517**	85,209,570

2.1 Ijarah

	2022						
	Cost			Accumulated depreciation			Book value
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge for the year / (deletions)	As at 31 December	as at 31 December
	(Rupees in '000)						
Plant and Machinery	583,404	– (59,612)	523,792	294,330	160,128 (47,092)	407,366	116,426
Vehicles	2,137,519	1,958,855 (738,729)	3,357,645	972,561	571,270 (503,984)	1,039,847	2,317,798
Equipment	203,408	– (93,342)	110,066	146,681	15,624 (70,857)	91,448	18,618
Total	2,924,331	1,958,855 (891,683)	3,991,503	1,413,572	747,022 (621,933)	1,538,661	2,452,842

	2021						
	Cost			Accumulated depreciation			Book value
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge for the year / (deletions)	As at 31 December	as at 31 December
	(Rupees in '000)						
Plant and Machinery	404,078	348,701 (169,375)	583,404	179,121	191,555 (76,346)	294,330	289,074
Vehicles	2,227,410	540,587 (630,478)	2,137,519	891,153	490,799 (409,391)	972,561	1,164,958
Equipment	286,147	106,718 (189,457)	203,408	190,796	91,675 (135,790)	146,681	56,727
Total	2,917,635	996,006 (989,310)	2,924,331	1,261,070	774,029 (621,527)	1,413,572	1,510,759

2.1.1 Future ijarah payments receivable

	2022			2021		
	Not later than 1 year	**Later than 1 year and less than 5 years**	**Total**	Not later than 1 year	Later than 1 year and less than 5 years	Total
	(Rupees in '000)					
Ijarah rental receivables	**976,345**	**1,707,662**	**2,684,007**	160,721	1,192,485	1,353,206

		Note	2022	2021
			(Rupees in '000)	
2.2	**Murabaha**			
	Murabaha financing	2.2.1	**7,323,675**	7,685,008
	Advances for Murabaha		**3,275,060**	3,078,346
			10,598,735	10,763,354
2.2.1	Murabaha receivable-gross			
	Less: Deferred murabaha income	2.2.2	**7,853,739**	7,929,218
	Profit receivable shown in other assets	2.2.4	**(222,743)**	(130,922)
	Murabaha financings		**(307,321)**	(113,288)
			7,323,675	7,685,008
2.2.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**7,929,218**	7,202,836
	Sales during the year		**28,763,308**	32,356,284
	Adjusted during the year		**(28,838,787)**	(31,629,902)
	Closing balance		**7,853,739**	7,929,218
2.2.3	Murabaha sale price		**7,853,740**	7,929,218
	Murabaha purchase price		**(7,323,675)**	(7,685,008)
			530,065	244,210
2.2.4	Deferred murabaha income			
	Opening balance		**130,922**	75,641
	Arising during the year		**984,087**	704,108
	Less: Recognised during the year		**(892,266)**	(648,899)
	Closing balance		**222,743**	130,922

Bank AL Habib

3. Deposits and other accounts

	2022			2021		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
			(Rupees in '000)			
Customers						
Current deposits	**62,687,584**	**2,234,196**	**64,921,780**	51,080,914	1,753,634	52,834,548
Savings deposits	**61,608,252**	**2,872,384**	**64,480,636**	44,206,742	1,946,099	46,152,841
Term deposits	**27,105,947**	**–**	**27,105,947**	19,890,218	–	19,890,218
	151,401,783	**5,106,580**	**156,508,363**	115,177,874	3,699,733	118,877,607
Financial institutions						
Current deposits	**16,506**	**–**	**16,506**	18,895	–	18,895
Savings deposits	**21,250,733**	**–**	**21,250,733**	9,193,590	–	9,193,590
	21,267,239	**–**	**21,267,239**	9,212,485	–	9,212,485
	172,669,022	**5,106,580**	**177,775,602**	124,390,359	3,699,733	128,090,092

	2022	2021
	(Rupees in '000)	
3.1 Composition of deposits		
- Individuals	**101,053,976**	76,106,049
- Government / Public Sector Entities	**1,152,775**	1,491,016
- Banking Companies	**46**	46
- Non-Banking Financial Institutions	**21,267,193**	9,212,439
- Private Sector	**54,301,612**	41,280,542
	177,775,602	128,090,092

3.1.1 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 132,980.916 million (2021: Rs. 107,417.050 million).

	2022	2021
	(Rupees in '000)	
4. Charity Fund		
Opening balance	**12,978**	41,298
Additions during the year		
Received from customers on account of delayed payment	**16,942**	232
Charity accrued but not yet received	**7,287**	478
Dividend purification amount	**–**	825
Other Non - Shariah compliant income	**409**	942
Profit on charity saving account	**1,203**	1,032
	25,841	3,509
Payments / utilization during the year		
Health	**(7,849)**	(19,131)
Social Welfare	**(5,650)**	(12,698)
Education	**(1,500)**	–
	(14,999)	(31,829)
Closing balance	**23,820**	12,978

		2022	2021
		(Rupees in '000)	
4.1	Detail of charity is as follows:		
	Afzaal Memorial Thalassemia Foundation	**849**	3,000
	Al Mustafa Trust	**1,000**	1,500
	ASF Foundation	**1,400**	939
	Bait-ul-Sukun	**1,000**	1,939
	Child Aid Association	**1,000**	1,000
	Dar-ul-Sukun	**1,000**	1,939
	Edhi Foundation	**–**	1,939
	Green Crescent Trust	**1,250**	1,939
	IDA RIEU Welfare Association	**1,000**	1,939
	Indus Hospital	**500**	1,939
	Jinnah Foundation	**1,000**	–
	Karachi Down Syndrome Program	**–**	1,000
	Lady Dufferin Hospital	**–**	1,000
	National Institute of Child Health	**–**	1,000
	Osmania Hospital	**1,000**	1,000
	Pakistan Children's Heart Foundation	**1,000**	1,939
	Pakistan Foundation Fighting Blindness	**–**	1,000
	Panah Trust	**–**	1,000
	Pink Ribbon	**–**	1,000
	SIUT	**1,000**	1,939
	The Cancer Foundation	**–**	939
	Orange Tree Foundation	**500**	–
	NOWPDP	**1,000**	–
	The Kidney Centre	**500**	1,939
		14,999	31,829
5.	**Islamic Banking Business Unappropriated Profit**		
	Opening balance	**6,607,722**	2,744,921
	Add: Islamic Banking profit for the year	**7,598,143**	3,862,801
	Closing balance	**14,205,865**	6,607,722
6.	**Contingencies and Commitments**		
	- Guarantees	**10,385,298**	10,930,898
	- Commitments	**24,096,223**	27,490,079
		34,481,521	38,420,977
7.	**Profit / Return Earned on Financing, Investments and Placement**		
	Profit earned on:		
	Financing	**8,973,841**	3,999,268
	Investments	**16,150,941**	6,915,752
	Placements	**89,688**	21,264
		25,214,470	10,936,284
8.	**Profit on Deposits and Other Dues Expensed**		
	Deposits and other accounts	**8,335,432**	3,601,731
	Due to Financial Institutions	**3,222,733**	403,087
	Due to Head Office	**2,443,836**	824,824
		14,002,001	4,829,642

9. Profit and Loss Distribution and Pool Management

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

General Pool PKR (Mudaraba)

Deposits which assume minimal risk of loss due to diversified assets being tagged thereto are parked in the general pool. In case of loss in general pool, the loss will be borne by the general pool members

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and investments are parked to share the return among the FCY deposit holders. In case of loss in a FCY general pool, the loss will be borne by the FCY general pool members.

Special Pool FCY (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

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

IERS pool is required by SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Equity Pool

Investments with relatively higher risks such as investment in shares and mutual funds are tagged to the equity pool in order to safeguard the interest of depositors. The Bank as Mudarib in the general pool is responsible for administrative costs and cost of operating fixed assets, which are financed from equity. Furthermore, subsidized financing to employees are also financed from equity as per SBP guidelines.

Special Mudaraba Financing Facility (SMFF) Pool – Open Market Operations (OMO) Injections

Special Mudaraba Financing Facility (SMFF) Pool for OMO Injection is created to invest the funds exclusively raised from SBP through Islamic Open Market Operations (OMO) in High Quality Assets including securities that are eligible as approved securities for maintaining Statutory Liquidity Requirement (SLR).

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 organizations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & Shariah clearance.

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

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

- Chemical and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and leather garments
- Investment in sukuk, shares and mutual funds
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)

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

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

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

The Bank calculates the profit of the pool at every month. Profit is distributed at the Net Income level. Net Income is calculated after deducting direct costs such as cost of Murabaha, cost of Takaful, Depreciation on Ijarah Assets, and amortization of premium on sukuks and loss of investments directly incurred in deriving that Income.

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

The Bank's profit sharing ratio during the quarter was 50% (2021: 50%) of Net Income and the depositors' profit sharing ratio was 50% (2021: 50%) of Net Income.

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

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

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

	2022				
	Distributable Income	**Mudarib Share**	**Mudarib Share**	**HIBA Amount**	**HIBA**
	(Rupees in '000)		**(Percentage)**	**(Rupees in '000)**	**(Percentage)**
LCY Pool	**15,344,469**	**4,305,910**	**28.06%**	**1,881,570**	**43.70%**
FCY Pool	**158,391**	**146,756**	**92.65%**	**15,999**	**10.90%**
	2021				
LCY Pool	6,921,290	2,821,081	40.76%	342,246	12.13%
FCY Pool	85,200	79,472	93.28%	8,594	10.81%

	2022	2021
	(Percentage)	
9.5 Profit rate earned vs. profit rate distributed to the depositors during the year		
Profit rate earned	**11.09%**	7.21%
Profit rate distributed	**6.03%**	3.34%

Complaint Handling

Under the umbrella of Customer Service Division, Complaint Management is primarily in control of upholding high FTC (Fair Treatment to Customers) standards by promptly resolving complaints and providing fair resolutions to customers.

To promote customers centricity in the culture and dynamics of BAHL, we have developed a comprehensive policy for handling customer complaints that is established on the values of fairness, transparency, promptness, visibility, and accessibility. BAHL take complaints as an effective measure to improve its services instead of considering complaints as root cause for customer dissatisfaction. Additionally, Fair Treatment to Consumers Committee (FTCC) is established to anticipate customer problems and recommend resolution that can give our customers a better experience.

In order to ensure that customer concerns are quickly resolved, Bank's customer complaint unit has been enhanced further during 2022. Additionally, training sessions have been conducted to emphasize complaint management procedures and guidelines throughout the bank.

Customers can register complaints through a variety of channels, including a call center, the bank's website, direct emails, social media, and letters delivered directly or through drop box to the customer services division. These complaints are swiftly recorded in the complaint management system. From the time a complaint is acknowledged until it is resolved, bank has a defined escalation matrix to resolve complaints, where if any complaint is not resolved within the allotted turnaround time, it is escalated to the next senior level of management to ensure resolution of the complaints on priority.

As a post resolution activity, the complaint trends and analysis are shared with Board Members, Senior Management and Business Segments. Based on the findings, root cause analysis is conducted and communicated timely with the relevant departments for reduction of customer grievance

Key Highlight: In 2022, the Bank received 383,488 complaints about 77% higher than the previous year. The complaints were investigated and closed within an average turnaround time of 4 working days.

Report of Shari'ah Board for the year ending December 31, 2022

In the name of Allah, the Beneficent, the Merciful

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

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

   I. BAHL-IBD has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.

   II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.

   III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management. On recommendations of Shari'ah Board measures are being taken to further strengthen the Pool Management system.

   IV. BAHL-IBD has a comprehensive mechanism in place to ensure Shari'ah Compliance in its overall operations.

   V. The Shari'ah Board appreciates the view and commitment of BOD towards ensuring the Shari'ah Compliance in the products, processes and operations of the BAHL-IBD. Improvement is required in level of awareness of Islamic Banking staff as well Executive Management in order to improve their understanding on the importance of Shari'ah Compliance in their respective areas, particularly in Foreign Trade Department.

   VI. The Management has committed to provided further human resources to Shari'ah Compliance Department enabling them to discharge their duties effectively.

   VII. The Bank has a well-defined mechanism in place which is sound enough to ensure that any earnings identified from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. In year 2022, charity amount of Rs. 19.033 Million has been realized, out of which an income of Rs. 0.409 Million was credited to charity due to Shari'ah non-compliance as per instructions of Shari'ah Board. An amount of Rs. 14.999 Million has been granted to various charitable institutions from available charity fund.

Mufti Sher Ali
Resident Shariah Board Member

Mufti Muhammad Hamza
Shariah Board Member

Mufti Mohib ul Haq Siddiqui
Shariah Board Member

Mufti Ismatullah Hamdullah
Chairman Shariah Board

Karachi: 15 February, 2023

شریعہ بورڈ رپورٹ بمطابق ۳۱ دسمبر ۲۰۲۲ء

بورڈ آف ڈائریکٹرز اور انتظامیہ ہی کی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائے کہ بینک الحبیب اسلامک بینکنگ ڈویژن کی سرگرمیاں ہمیشہ شریعت کے اصولوں اور شریعہ بورڈ کی ہدایات کے مطابق ہوں۔ بینک دولت پاکستان کی جانب سے جاری کردہ شریعہ گورنینس فریم ورک کے تحت بینک الحبیب اسلامک بینکنگ ڈویژن کا شریعہ بورڈ اس بات کا پابند ہے کہ وہ مجموعی شریعہ کمپلائنس ماحول پر ایک رپورٹ جمع کروائے۔

رائے تشکیل دینے کیلئے جیسا کہ اس رپورٹ میں بیان کیا گیا ہے، شریعہ کمپلائنس ڈپارٹمنٹ نے ہر قسم کے معاملے سے متعلقہ دستاویزات اور ترتیبِ عمل کے کاغذات کے آزمائشی بنیادوں پر جائزے لیے۔ شریعہ بورڈ نے پچھلے سال کے دوران شریعہ کمپلائنس اور اندرونی و بیرونی شریعہ آڈٹ کی رپورٹس کا جائزہ لیا اور ان کی بنیاد پر ہماری رائے یہ ہے کہ:

۱۔ بینک الحبیب اسلامک بینکنگ ڈویژن نے شریعہ بورڈ کے فتاویٰ، احکامات اور ہدایات کی روشنی میں شرعی اصول وضوابط کو پورا کیا۔

۲۔ بینک الحبیب اسلامک بینکنگ ڈویژن نے بینک دولت پاکستان اور اس کے شریعہ بورڈ کے شریعہ کمپلائنس کے حوالے سے جاری کردہ قوانین اور ہدایات و احکامات کی پاسداری کی۔

۳۔ بینک الحبیب اسلامک بینکنگ ڈویژن نے نفع نقصان کی تقسیم اور پول مینیجمنٹ سے متعلق بینک دولت پاکستان کے احکامات پر عمل کیا۔ شریعہ بورڈ کی تجویز پر پول مینیجمنٹ کو مزید مضبوط بنانے کے لئے اقدامات کیے جا رہے ہیں۔

۴۔ بینک الحبیب اسلامک بینکنگ ڈویژن میں تمام معاملات میں شرعی اصولوں کی پاسداری کو یقینی بنانے کے لئے جامع لائحہِ عمل موجود ہے۔

۵۔ شریعہ بورڈ پراڈکٹس طریقہ ہائے کار اور تعامل میں شریعت کی پاسداری کے حوالے سے بورڈ آف ڈائریکٹرز کے نظریے اور عزم کو سراہتا ہے۔ اسلامک بینکنگ کے عملے اور اعلیٰ انتظامیہ کی آگاہی کا معیار بہتر کرنے کی ضرورت ہے تاکہ متعلقہ شعبوں میں شریعت کی پاسداری کی فہم بہتر ہو سکے۔ خصوصاً بیرونی تجارت کے شعبے میں۔

۶۔ بینک کی انتظامیہ نے یہ عزم کیا ہے کہ شریعہ کمپلائنس ڈپارٹمنٹ کو اپنی ذمہ داریوں سے بہتر طریقے سے عہدہ برآ ہونے اور شریعہ کمپلائنس ماحول کو یقینی بنانے کیلئے مزید عملہ فراہم کریں گے۔

۷۔ بینک میں ایک مناسب وضع شدہ نظام ہے جو اس قابل ہے کہ کسی بھی غیر شرعی ذریعے یا طریقے سے حاصل کیے گئے منافع کی نشاندہی کی صورت میں اس کو صدقہ کے اکاؤنٹ میں ڈالنے اور بطریق احسن صدقہ کی مد میں لگانے کو یقینی بنا سکے ۲۰۲۲ء میں صدقے کی مد میں 19.033 ملین روپے جمع ہوئے، جن میں سے 0.409 ملین روپے کی آمدنی خیراتی اکاؤنٹ میں شریعہ کی عدم پاسداری کی وجہ سے شریعہ بورڈ کے احکام سے جمع کئے گئے۔ تقریباً 14.999 ملین روپے موجودہ خیرات فنڈ سے مختلف خیراتی اداروں کو ادا کئے گئے۔

مفتی شیر علی	مفتی محمد حمزہ	مفتی مُحب الحق صدیقی	مفتی عصمت اللہ حمد اللہ
ریزیڈنٹ شریعہ بورڈ ممبر	ممبر شریعہ بورڈ	ممبر شریعہ بورڈ	چیئرمین شریعہ بورڈ

کراچی: ۱۵ فروری ۲۰۲۳ء

بینک الحبیب اوراس کی ذیلی کمپنیاں
آڈٹ شدہ مجموعی مالیاتی حسابات پرڈائریکٹرز کی رپورٹ

بینک الحبیب کے ڈائریکٹرز کیلئے اس کی ذیلی کمپنیوں الحبیب کیپٹل مارکیٹس (پرائیوٹ) لمیٹڈ اور الحبیب ایسٹ منیجمنٹ لمیٹڈ کے آڈٹ شدہ مجموعی مالیاتی حسابات برائے ۳۱ دسمبر ۲۰۲۲ء کوختم ہونے والے سال کیلئے پیش کرنا باعثِ مسرت ہے:

	(000' روپے میں)
سالانہ منافع قبل از ٹیکس	33,055,393
ٹیکسیشن	(16,369,089)
سالانہ منافع بعداز ٹیکس	16,686,304
غیراختیاری مفاد سے منسوب شدہ نقصان	1,623
ہولڈنگ کمپنی کے شیئر ہولڈرز سے منسوب شدہ منافع	16,687,927
گزشتہ غیر مختص شدہ منافع	52,071,442
فکسڈ اثاثہ جات کی ریویلیوشن کے اضافہ میں سے منتقلی ۔ بعداز ٹیکس	112,572
دیگر جامع آمدنی ۔ بعداز ٹیکس	(205,271)
	51,978,743
تخصیص کیلئے دستیاب منافع	68,666,670
تخصیص:	
اسٹیچوٹری ریزرو میں منتقلی	(1,657,023)
نقد منافع منقسمہ ۔ ۲۰۲۱ء	(7,779,978)
	(9,437,001)
غیر مختص شدہ منافع	59,229,669
فی شیئر آمدنی (بعداز ٹیکس) ۔ ہولڈنگ کمپنی	روپے 15.01

شیئر ہولڈنگ کی ساخت

شیئر ہولڈنگ کی ساخت بمطابق ۳۱ دسمبر ۲۰۲۲ء بینک الحبیب لمیٹڈ کے مالیاتی حسابات کے ساتھ منسلک ہے۔

منصور علی خان
چیف ایگزیکٹو

عباس ڈی ۔ حبیب
چیئرمین
بورڈ آف ڈائریکٹرز

کراچی: ۱۵ فروری ۲۰۲۳ء

Bank AL Habib

۸۔ پروویڈنٹ فنڈ اور گریجویٹی فنڈ کے آڈٹ شدہ مالیاتی حسابات کی بنیاد پر ان اسکیموں کی سرمایہ کاریوں کی مالیت بمطابق ۳۱ دسمبر ۲۰۲۱ء درج ذیل ہیں:

	(000' روپے میں)
پروویڈنٹ فنڈ	9,261,904
گریجویٹی فنڈ	4,134,826

۹۔ شیئر ہولڈنگ کی ساخت اور اس سے متعلق اضافی معلومات صفحات 137، 138 اور 139 پر درج ہیں۔

۱۰۔ بورڈ نے اپنی کارکردگی کی جانچ کیلئے ایک باقاعدہ طریقہ کار منظور کیا ہے۔ بینک نے بورڈ کی جانچ کیلئے اندرونِ خانہ طریقہ کار اور اعدادی تیکنیک مع اسکور شدہ سوال نامے کا انتخاب کیا ہے۔ بورڈ کی جانچ کے دائرہ کار میں مکمل بورڈ، انفرادی ڈائریکٹرز، بورڈ کی کمیٹیاں، چیئرمین اور چیف ایگزیکٹو شامل ہیں۔ مجموعی نتائج/ حاصل شدہ معلومات سے متعلقہ پارٹیوں کو آگاہ کیا جائے گا۔ جانچ کے دوران اگر کسی شعبے میں بہتری کی گنجائش نظر آئی تو اُس کیلئے مناسب اقدامات کئے جائیں گے۔ ہر تقویمی سال کے لئے جانچ کا عمل آئندہ سال ۳۱ مارچ تک مکمل کیا جائے گا۔ مزید براں بورڈ کی کارکردگی کا جائزہ کم از کم ہر تیسرے سال ایک ایکسٹرنل انڈیپنڈنٹ جائزہ کار کے ذریعے لیا جائے گا۔ ہم نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورنینس (پی آئی سی جی) کو بورڈ کی کارکردگی کی ایکسٹرنل انڈیپنڈنٹ جائزہ کے لئے نامزد کیا ہے۔

بینک کی جانب سے منتخب کئے گئے ماہرین اور کسی بورڈ ممبر یا کلیدی ایگزیکٹو کے درمیان مفادات کا کوئی تصادم نہیں ہے۔

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

- 2,215 شیئرز ایک ایگزیکٹو کی جانب سے فروخت کئے گئے۔

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

عمومی

ہم اپنے کسٹمرز کے مسلسل اعتماد اور تائید، مقامی و غیر ملکی مالیاتی اداروں کے بھروسے اور تعاون، اور اسٹیٹ بینک آف پاکستان کے اُن کی رہنمائی پر، بے حد مشکور ہیں۔
ہم اپنے تمام اسٹاف ممبران کا بھی ان کے خلوص، لگن اور انتھک محنت پر ان کا شکریہ ادا کرتے ہیں۔

منصور علی خان
چیف ایگزیکٹو

عباس ڈی۔ حبیب
چیئرمین
بورڈ آف ڈائریکٹرز

کراچی: ۱۵ فروری ۲۰۲۳ء

• دیہی علاقوں کیلئے بینک کے برانچ نیٹ ورک میں توسیع جس سے دیہی ترقی میں مدد ملے۔

• بینک کی جانب سے براہِ راست ٹیکسز کے ذریعے سال کے دوران قومی خزانے میں 20.11 بلین روپے جمع کرائے گئے۔ مزید براں 29.78 بلین روپے سے زیادہ کی اضافی رقم ودہولڈنگ ٹیکسز، فیڈرل ایکسائز ڈیوٹیز اور سروسز پر سیلز ٹیکس کی مد میں بینک کے ذریعے منہا/ وصول کی گئی اور حکومت پاکستان/صوبائی حکومتوں کو ادا کی گئی۔

• گزشتہ 5 سالوں کے دوران بینک نے پرائم منسٹر یوتھ بزنس لون پروگرام کے تحت 7.3 ملین روپے دیئے گئے۔

کارپوریٹ اور فنانشل رپورٹنگ پر اسٹیٹمنٹ

ا۔ بینک کی جانب سے تیار کئے گئے مالیاتی حسابات، اس کے تمام کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کے معاملات کو شفاف انداز میں واضح کرتے ہیں۔

۲۔ بینک کی جانب سے باقاعدہ حساب کتاب رکھا گیا ہے۔

۳۔ مالیاتی حسابات کی تیاری میں موزوں اور درست اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئی ہیں۔ اگر اس میں کوئی تبدیلی کی گئی تو اس کو واضح انداز میں بیان کیا گیا اور اکاؤنٹنگ کے تخمینہ جات موزوں ترین اور محتاط فیصلوں پر مبنی ہیں۔

۴۔ مالیاتی حسابات کی تیاری میں انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرز اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرز، جو کہ پاکستان میں رائج ہیں، ان پر عمل کیا گیا اور ان سے اگر کسی حد تک روگردانی کی گئی تو اس کو واضح انداز میں بیان کیا گیا ہے۔

۵۔ انٹرنل کنٹرولز کا جامع نظام تیار کیا گیا ہے اور یہ موثر طور پر نافذ العمل ہے اور اس کی نگرانی بھی کی جاتی ہے۔ بورڈ کی جانب سے فنانشل رپورٹنگ پر انٹرنل کنٹرولز سے متعلق انتظامیہ کی جانچ بشمول مجموعی انٹرنل کنٹرولز کی توثیق صفحہ 32 پر درج ہے۔

۶۔ بینک کے لئے ''چلتے ہوئے کاروباری ادارے'' کا تصور مناسب ہے۔ اس ضمن میں بے یقینی کا کوئی امکان موجود نہیں ہے جو بینک کے ''چلتے ہوئے کاروباری ادارے'' کے تصور پر شکوک پیدا کرے۔

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

(ملین روپے میں)

	2022	2021	2020	2019	2018	2017
صارفین کے مجموعی ڈپازٹس	1,568,138	1,309,823	1,099,686	903,703	796,901	692,576
مجموعی ایڈوانسز	813,535	733,799	510,252	488,669	478,215	339,833
منافع قبل از ٹیکس	32,884	30,273	28,581	19,011	14,264	13,890
منافع بعد از ٹیکس	16,570	18,702	17,812	11,169	8,418	8,501
شیئر ہولڈرز کی ایکویٹی (بغیر ری ویلیوایشن)	94,344	83,569	69,570	55,489	46,283	40,409
فی شیئر آمدنی (روپے)	14.91	16.83	16.03	10.05	7.57	7.65
نقد منافع منقسمہ (٪)	70	70	45	35	25	30

- آپریشنل رسک کا انتظام بورڈ کی جانب سے منظور کردہ آڈٹ پالیسی، آپریشنل رسک پالیسی، کمپلائنز پالیسی اینڈ پروگرام، آئی ٹی اور آئی ٹی سکیورٹی پالیسیز، ہیومن ریسورس پالیسی، کنزیومر پروٹیکشن فریم ورک اور بورڈ کی جانب سے منظور شدہ آؤٹ سورسنگ پالیسی کے ذریعے کیا جاتا ہے اور اس کے ساتھ فراڈ سے تحفظ کی پالیسی، اور کنزیومر کی شکایات سے نمٹنے کی پالیسی، کو بھی مدنظر رکھا جاتا ہے۔ آپریشنل مینوئلز وطریقہ کار، انٹرنل کنٹرولز اور اہم ٹرانزیکشن کی حفاظت داری کے لئے دوہرے اختیارات کا نظام؛ کاروبار جاری رکھنے کا پلان بشمول آئی ٹی کیلئے ڈیزاسٹر ریکوری پلان اور برانچوں اور ڈویژنز کے آڈٹ کے ذریعے کیا جاتا ہے۔ بورڈ کی آڈٹ کمیٹی بینک کے آپریشنل رسک کے انتظام کے سلسلے میں رہنمائی فراہم کرتی ہے۔

اس کے علاوہ رسک مینجمنٹ پالیسی، رسک ٹالرینس اسٹیٹمنٹ اور کنٹری رسک مینجمنٹ پالیسی بینک کو درپیش ممکنہ رسک کا بندوبست کرنے میں مزید رہنمائی فراہم کرتی ہیں۔

رسک مینجمنٹ پر اسٹیٹ بینک آف پاکستان کی رہنما ہدایات پر عملدرآمد کرنے کی غرض سے بینک نے ایک علیحدہ سے رسک مینجمنٹ ڈویژن بشمول ایک مڈل آفس قائم کیا ہے جو کہ آزادانہ طور پر ٹریژری آپریشنز میں موجود خدشات کی نگرانی اور جائزے کی ذمہ داری سنبھالتا ہے۔ ڈویژن کی جانب سے کئے جانے والے اقدامات میں گورنمنٹ سیکیورٹیز کے پورٹ فولیو کی حساسیت کی جانچ؛ پورٹ فولیو کی مدت اور ترمیم شدہ دورانیے کا حساب رکھنا، میچورٹی کی عدم موافقت، اثاثہ جات اور مالی ذمہ داریوں کی شرح حساسیت کا جائزہ، فارورڈ فارن ایکسچینج گیپ پوزیشنز کا تجزیہ، ٹی ایف سیز اور شیئرز پورٹ فولیو کی مزید مفصل رپورٹنگ؛ ایکویٹیز میں ڈیلنگ اور سیٹلمنٹس کو بہتر بنانے کے طریقہ کار کی تشکیل؛ آف مارکیٹ فارن ایکسچینج ریٹس اور غیرملکی زرمبادلہ کی آمدنی کی نگرانی، آپریشنل نقصانات کے اعداد وشمار کا حصول اور اہم رسک انڈیکیٹرز کی نشاندہی، بینک کے دس بڑے رسک کی شناخت، تمام پروڈکٹس اور پروسیسز کے لئے رسک کی جانچ اور بڑے کریڈٹ رسک کے پوسٹ ڈسبرسمنٹ جائزہ کیلئے خودمختار طریقہ کار کا قیام شامل ہیں۔ بینک کے انٹرپرائز وائیڈ مربوط رسک پروفائل کی جانچ، بازل فریم ورک، رسک کا جائزہ، اہم رسک انڈیکیٹرز، انٹرنل کیپیٹل ایڈیکویسی اسسمنٹ پروسس اور اسٹریس ٹیسٹنگ، اور ری کوری پلان استعمال کرتے ہوئے انجام دی جاتی ہے۔

ادارتی سماجی ذمہ داری

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

- سال کے دوران صحت، سماجی اور تعلیمی ترقی اور عوام کی فلاح و بہبود کے لئے عطیات اور خیرات کی صورت میں 771.23 ملین روپے کی فراہمی۔
- توانائی کا بہتر استعمال، غیرضروری بجلی جلانے پر پابندی اور ماحول کو محفوظ اور صحتمند بنانے کے لئے انسدادِ تمباکونوشی کے قانون پر عملدرآمد اور ''نو اسموکنگ زون'' کا قیام۔
- کاروباری ضابطہ اخلاق اور انسدادِ بدعنوانی کے اقدامات کے تحت تمام اسٹاف ممبران کے لئے بینک کے ضابطہ اخلاق ''کوڈ آف کنڈکٹ'' اور ''اینٹی۔ برائبری اینڈ کرپشن پالیسی'' پر لازمی عملدرآمد۔
- صارفین کے تحفظ کے اقدامات اور اس ضمن میں بینک کی پروڈکٹس اور خدمات پر لاگو شیڈول آف چارجز اور شرائط وضوابط کی تشہیر۔
- اسٹاف کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کا اعتراف، دورانِ ملازمت اور باقاعدہ تربیتی پروگراموں کے ذریعے اسٹاف کیلئے سیکھنے اور ترقی کے مواقع۔
- مذہب، ذات پات اور لسانی امتیاز کے بغیر ایک شفاف طریقہ کار کے ذریعے روزگار کی فراہمی، بشمول برائے خصوصی افراد۔

مستقبل کا جائزہ

مالی سال ۲۰۲۲ء میں پاکستان کی جی ڈی پی میں 6 فیصد اضافہ ریکارڈ کیا گیا۔ یہ زراعت، صنعت اور خدمات کے تمام شعبوں میں وسیع پیمانے پر ترقی تھی۔ بڑے پیمانے پر مینوفیکچرنگ میں ترقی خاص طور پر 10 فیصد سے زیادہ متاثر کن تھی۔

اس کے فوری بعد کرنٹ اکاؤنٹ اور بجٹ خسارہ بھی بلند ترین سطح پر پہنچ گیا اور ملک کے زرمبادلہ کے ذخائر میں نمایاں کمی واقع ہوئی، جس کی بنیادی وجہ کرنٹ اکاؤنٹ خسارے میں اضافہ اور بیرونی قرضوں کی ادائیگی ہے۔

رواں سال ملک کے لئے بہت ہی چیلینجنگ ثابت ہوا جس کی وجہ غیر ملکی زرمبادلہ کے ذخائر میں کمی، روپے کی قدر میں کمی، افراطِ زر میں اضافہ اور آئی ایم ایف پروگرام میں تاخیر ہے۔ خام مال کی درآمدگی پر پابندیوں سے صنعتی پیداوار پر منفی اثر پڑسکتا ہے اور اس کے نتیجے میں جی ڈی پی کی شرح نمو میں نمایاں کمی کا امکان ہے۔ حکومت اور اسٹیٹ بینک آئی ایم ایف پروگرام کی تعمیل کو یقینی بنانے کے ساتھ ساتھ مالی اور مالیاتی اقدامات اٹھا رہے ہیں جس کا مقصد معیشت کو مستحکم کرنا ہے۔

سال کے دوران ہماری توجہ دانشمندانہ نمو اور محتاط نگرانی پر مبنی ہوگی، جو انشاءاللہ ہمیں اس مشکل وقت سے نکلنے میں مدد دے گی۔

آڈیٹرز

موجودہ آڈیٹرز ای وائی فورڈ رہوڈز، چارٹرڈ اکاؤنٹینٹس، ریٹائر ہورہے ہیں اور انہوں نے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے ۳۱ دسمبر ۲۰۲۳ء کو ختم ہونے والے سال کے لئے باہمی طور پر طے کئے جانے والے معاوضے پر ان کی بحیثیت بینک کے آڈیٹرز دوبارہ تقرری کے لئے سفارش کی ہے۔

رسک مینجمنٹ فریم ورک

بینک ہمیشہ اپنے حجم اور اس کے کاروبار کی نوعیت کے مطابق رسک مینجمنٹ فریم ورک کا حامل رہا ہے۔ یہ فریم ورک کئی سالوں میں تشکیل دیا گیا اور اس میں مزید بہتری لانے کا سلسلہ جاری ہے۔ بینک کا ایک اہم رہنما اصول، ڈپازٹرز کی رقومات کو بطور امانت تحفظ فراہم کرنا ہے۔ یہ ہی وجہ ہے کہ بینک بزنس رسک سے نمٹنے کے لئے معتدل اور محتاط رویہ اپناتا ہے۔ بینک کے رسک مینجمنٹ فریم ورک کی نمایاں خصوصیات درج ذیل ہیں:

- کریڈٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ کریڈٹ پالیسیز؛ بہتر کریڈٹ منظوری کا طریقہ کار؛ انٹرنل رسک ریٹنگز کا استعمال؛ مقرر کردہ دستاویزی ضروریات؛ پوسٹ ڈسبرسمنٹ ایڈمنسٹریشن؛ کریڈٹ سہولتوں کا جائزہ و نگرانی، اور کسٹمرز کی کریڈٹ اہلیت کی مستقل جانچ پر مشتمل ہے۔ بینک نے بڑے کریڈٹ رسک کے پیش نظر خود مختار پوسٹ ڈسبرسمنٹ جائزے کے لئے بھی طریقہ کار تشکیل دیا ہے۔ کریڈٹ پورٹ فولیو سے متعلق فیصلے بنیادی طور پر سینٹرل کریڈٹ کمیٹی کرتی ہے۔ بورڈ کی کریڈٹ رسک مینجمنٹ کمیٹی مجموعی طور پر بینک کے کریڈٹ رسک کے انتظام کی رہنمائی کرتی ہے۔
- مارکیٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ مارکیٹ رسک پالیسی اور ٹریژری اینڈ انویسٹمنٹ پالیسی، کسٹمرز اور ڈیلرز کی لمٹس کی منظوری، سرمایہ کاریوں کیلئے سینئر انتظامیہ کی منظوری اور بینک کی ایسیٹ لائیبلٹی مینجمنٹ کمیٹی (ALCO) کی جانب سے سرمایہ کاری کے پورٹ فولیو کے باقاعدہ جائزے اور نگرانی کے ذریعے کیا جاتا ہے۔ علاوہ ازیں لیکویڈیٹی رسک پالیسی بینک کی لیکویڈیٹی پوزیشن کے انتظام میں رہنمائی فراہم کرتی ہے جس کی نگرانی ٹریژری اور مڈل آفس کے ذریعے روزانہ کی بنیاد پر کی جاتی ہے۔ انویسٹمنٹ پورٹ فولیو سے متعلق فیصلے زیادہ تر (ALCO) کی جانب سے لیے جاتے ہیں۔ بورڈ کی رسک مینجمنٹ کمیٹی بینک کے مارکیٹ اور لیکویڈیٹی رسک، کیپٹل ایڈیکویسی اور مربوط رسک مینجمنٹ (جسے انٹرپرائز رسک مینجمنٹ بھی کہا جاتا ہے) کے انتظام کی رہنمائی کرتی ہے۔

ڈائریکٹرز کا ٹریننگ پروگرام

ڈائریکٹرز نے گزشتہ سالوں میں یا تو مطلوبہ ٹریننگ حاصل کرلی ہے یا وہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورنینس) ریگولیشنز 2019، میں درج مطلوبہ اہلیت کے تحت اس سے مستثنیٰ ہیں۔

ڈائریکٹرز کی ری میونریشن پالیسی

بینک کے شیئر ہولڈرز نے ''ڈائریکٹرز کے ری میونریشن کو متعین کرنے کے لئے پالیسی اور طریقہ کار'' کی منظوری دی ہے جس میں واضح کیا گیا ہے کہ:

- بورڈ اور کمیٹی کے اجلاسوں میں شرکت کیلئے نان۔ ایگزیکٹو ڈائریکٹرز کے ری میونریشن کا فیصلہ بورڈ کی جانب سے اسٹیٹ بینک کی طرف سے وقتاً فوقتاً مقرر کردہ زیادہ سے زیادہ حد کے اندر کیا جائے گا۔
- بورڈ کے چیئر مین، بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت کیلئے مقرر کردہ ری میونریشن کے علاوہ 20 فیصد اضافی فیس کے حقدار ہوں گے جو چیئر مین کی وسیع تر قابلیت، تجربے، باشعور فیصلوں کی اہلیت اور مارکیٹ روابط کو مدنظر رکھتے ہوئے طے کیا گیا ہے۔ بورڈ کی جانب سے چیئر مین، بینک کے کاروباری پلان پر عملدرآمد اور بینک کی انتظامیہ کی کارکردگی پر نگاہ رکھیں گے۔
- کُل وقتی ڈائریکٹر وہ معاوضہ حاصل کریں گے جو کہ ممبران (شیئر ہولڈرز) نے ان کیلئے طے کیا ہے۔
- اگر ڈائریکٹر/ چیئر مین کی مجموعی کارکردگی مسلسل 2 سالوں کے لئے بورڈ ممبران کی سالانہ کارکردگی کی جانچ پڑتال رپورٹ کے مطابق ''بہتری کی ضرورت'' کی کیٹیگری میں رہی ہو تو (انفرادی ڈائریکٹرز کی صورت میں) بورڈ کے چیئر مین اور (بورڈ کے چیئر مین کی صورت میں) انڈیپینڈنٹ ڈائریکٹرز و دیگر ڈائریکٹرز کم کارکردگی کے حامل ڈائریکٹر/ چیئر مین کے ری میونریشن پر از سر نو غور کریں گے۔

کریڈٹ ریٹنگ

الحمدللہ، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے طویل مدت کے لئے بینک کی ریٹنگز **AAA** (ٹرپل اے) اور مختصر مدت کے لئے **A1+** (اے ون پلس) برقرار رکھی ہیں۔ یہ طویل مدتی کریڈٹ ریٹنگ **AAA** (ٹرپل اے) بینک کے بہترین کریڈٹ کے معیار، کم ترین کریڈٹ رسک کی توقع اور بروقت مالی ذمہ داریوں سے عہدہ براء ہونے کی غیر معمولی صلاحیت کو ظاہر کرتی ہے۔

ہمارے اَنسیکیورڈ، سبارڈینیٹڈ ٹرم فنانس سرٹیفکیٹس کی ریٹنگز **AAA** (ٹرپل اے) برائے TFC-2018، TFC-2021 اور TFC-2022 اور **AA+** (ڈبل اے پلس) برائے TFC-2017 (پرپیچول) اور TFC-2022 (پرپیچول) ہیں۔ یہ ریٹنگز کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ براء ہونے کی بہت مضبوط صلاحیت ہے۔

کریڈٹ رسک مینجمنٹ کمیٹی

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
سید مظہر عباس، چیئرمین	6	6
جناب ارشد ناصر*	6	4
جناب محمد رفیق الدین مہکری**	6	4
جناب مرتضیٰ ایچ۔ حبیب	6	6
جناب کُمیل آر۔ حبیب	6	6
سید حسن علی بخاری***	6	1
جناب سفر علی لاکھانی****	6	1

رسک مینجمنٹ کمیٹی

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب عدنان آفریدی، چیئرمین	4	4
جناب انور حاجی کریم	4	4
محترمہ فرحانہ ماؤجی خان	4	4
جناب محمد رفیق الدین مہکری**	4	2
جناب کُمیل آر۔ حبیب	4	3
جناب سفر علی لاکھانی****	4	1

* جناب ارشد ناصر نے منتخب ہونے کے بعد کریڈٹ رسک مینجمنٹ کمیٹی کے تمام اجلاسوں میں شرکت کی۔

** جناب محمد رفیق الدین مہکری نے منتخب ہونے کے بعد کریڈٹ رسک مینجمنٹ کمیٹی اور رسک مینجمنٹ کمیٹی کے تمام اجلاسوں میں شرکت کی۔

*** سید حسن علی بخاری سال کے دوران کریڈٹ رسک مینجمنٹ کمیٹی کے ممبر کی حیثیت سے سبکدوش ہوئے۔ انہوں نے اپنی رکنیت کے دوران کریڈٹ رسک مینجمنٹ کمیٹی کے تمام اجلاسوں میں شرکت کی۔

**** جناب سفر علی لاکھانی سال کے دوران کریڈٹ رسک مینجمنٹ کمیٹی اور رسک مینجمنٹ کمیٹی کے ممبر کی حیثیت سے سبکدوش ہوئے۔ انہوں نے اپنی رکنیت کے دوران کریڈٹ رسک مینجمنٹ کمیٹی اور رسک مینجمنٹ کمیٹی کے تمام اجلاسوں میں شرکت کی۔

آئی ٹی کمیٹی

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب عباس ڈی۔ حبیب، چیئرمین	4	4
جناب ارشد ناصر	4	4
جناب جاوید اقبال*	4	2
جناب کُمیل آر۔ حبیب	4	3
جناب منصور علی خان	4	4
سید مظہر عباس**	4	2

آئی ایف آر ایس-9 کمیٹی

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب ارشد ناصر، چیئرمین	4	4
جناب کُمیل آر۔ حبیب	4	3
سید حسن علی بخاری***	4	1

* جناب جاوید اقبال نے منتخب ہونے کے بعد آئی ٹی کمیٹی کے تمام اجلاسوں میں شرکت کی۔

** سید مظہر عباس سال کے دوران آئی ٹی کمیٹی کے ممبر کی حیثیت سے سبکدوش ہوئے۔ انہوں نے اپنی رکنیت کے دوران آئی ٹی کمیٹی کے تمام اجلاسوں میں شرکت کی۔

*** سید حسن علی بخاری سال کے دوران آئی ایف آر ایس 9 کمیٹی کے ممبر کی حیثیت سے سبکدوش ہوئے۔ انہوں نے اپنی رکنیت کے دوران آئی ایف آر ایس 9 کمیٹی کے تمام اجلاسوں میں شرکت کی۔

کمیٹی کے اجلاس

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے تحت یہ ضروری ہے کہ بورڈ کی تمام کمیٹیوں یعنی آڈٹ کمیٹی، ہیومن ریسورس اینڈ ری میونریشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی، رسک مینجمنٹ کمیٹی، آئی ٹی کمیٹی، اور آئی ایف آر ایس-9 کمیٹی کی تشکیل کا اظہار کیا جائے۔

سال کے دوران آڈٹ کمیٹی کے 7، کریڈٹ رسک مینجمنٹ کمیٹی کے 6 اور ہیومن ریسورس اینڈ ری میونریشن کمیٹی، رسک مینجمنٹ کمیٹی، آئی ٹی کمیٹی اور آئی ایف آر ایس-9 کمیٹی کے 4 اجلاس منعقد ہوئے اور ان میں ممبران کی حاضری درج ذیل رہی:

آڈٹ کمیٹی			ہیومن ریسورس اینڈ ری میونریشن کمیٹی		
ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس	ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب محمد رفیق الدین مہکری، چیئرمین*	7	4	جناب ارشد ناصر، چیئرمین	4	4
جناب انور حاجی کریم	7	7	جناب عباس ڈی۔ حبیب	4	4
جناب ارشد ناصر	7	7	محترمہ فرحانہ ماؤجی خان	4	4
محترمہ فرحانہ ماؤجی خان*	7	4	جناب مرتضیٰ ایچ۔ حبیب***	4	2
سید مظہر عباس	7	7	سید مظہر عباس	4	4
جناب سفر علی لاکھانی**	7	2	سید حسن علی بخاری**	4	1
سید حسن علی بخاری**	7	2			

* جناب محمد رفیق الدین مہکری اور محترمہ فرحانہ ماؤجی خان نے منتخب ہونے کے بعد آڈٹ کمیٹی کے تمام اجلاسوں میں شرکت کی۔

** جناب سفر علی لاکھانی سال کے دوران آڈٹ کمیٹی کے ممبر کی حیثیت سے سبکدوش ہوئے۔ انہوں نے اپنی رکنیت کے دوران آڈٹ کمیٹی کے تمام اجلاسوں میں شرکت کی۔
سید حسن علی بخاری سال کے دوران آڈٹ کمیٹی اور ہیومن ریسورس اینڈ ری میونریشن کمیٹی کے ممبر کی حیثیت سے سبکدوش ہوئے۔ انہوں نے اپنی رکنیت کے دوران آڈٹ کمیٹی اور ہیومن ریسورس اینڈ ری میونریشن کمیٹی کے تمام اجلاسوں میں شرکت کی۔

*** جناب مرتضیٰ ایچ۔ حبیب نے منتخب ہونے کے بعد ہیومن ریسورس اینڈ ری میونریشن کمیٹی کے تمام اجلاسوں میں شرکت کی۔

بورڈ کی تشکیل درج ذیل ہے:

انڈیپینڈنٹ ڈائریکٹرز	جناب ارشد ناصر جناب جاوید اقبال جناب محمد رفیق الدین مہکری
نان۔ ایگزیکٹو ڈائریکٹرز	جناب عباس ڈی۔ حبیب جناب عدنان آفریدی جناب انور حاجی کریم جناب مرتضیٰ ایچ۔ حبیب سید مظہر عباس
ایگزیکٹو ڈائریکٹر	جناب قُمیل آر۔ حبیب
خاتون ڈائریکٹر۔ نان۔ ایگزیکٹو	محترمہ فرحانہ ماؤجی خان

جناب منصور علی خان بینک کے چیف ایگزیکٹو ہیں۔ بحثیت بینک کے سی ای او، وہ بینک کے ڈائریکٹر تصور کیے جاتے ہیں۔

بورڈ کے اجلاس

سال کے دوران بورڈ کے 4 اجلاس منعقد ہوئے اور ان میں ڈائریکٹرز کی شرکت درج ذیل رہی:

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب عباس ڈی۔ حبیب	4	4
جناب عدنان آفریدی	4	4
جناب انور حاجی کریم	4	4
جناب ارشد ناصر	4	4
محترمہ فرحانہ ماؤجی خان	4	4
جناب جاوید اقبال*	4	2
جناب محمد رفیق الدین مہکری*	4	2
جناب مرتضیٰ ایچ۔ حبیب	4	4
جناب قُمیل آر۔ حبیب	4	4
سید مظہر عباس	4	4
جناب منصور علی خان، چیف ایگزیکٹو	4	4
جناب سفر علی لاکھانی**	4	1
سید حسن علی بخاری**	4	1

* جناب جاوید اقبال اور جناب محمد رفیق الدین مہکری نے بینک کے ڈائریکٹر کی حیثیت سے منتخب ہونے کے بعد تمام اجلاسوں میں شرکت کی۔

** جناب سفر علی لاکھانی اور سید حسن علی بخاری بورڈ سے سبکدوش ہوگئے۔

اپریل۲۰۲۲ء میں، بینک نے کامیابی کے ساتھ اپنا ریٹڈ، انسکیورڈ اور سبارڈینیٹڈ پرپیچول ٹرم فنانس سرٹیفکیٹس (ٹی ایف سیز) کا نواں ایشو جس کی مالیت 7,000 ملین روپے (بشمول 3,000 ملین روپے کا ''گرین شو'' آپشن)، پرائیویٹ پلیسمنٹ کے ذریعے مکمل کرلیا ہے۔ مذکورہ پرائیوٹیلی Tier-1 ٹی ایف سی کا انتظام اور بندوبست آپ کے بینک نے خود کیا۔اس کے بعد یہ ٹی ایف سی پی ایس ایکس رول بک کے باب 5C کے مطابق پاکستان اسٹاک ایکسچینج لمیٹڈ پرلسٹڈ کیا گیا۔

مزید برآں دسمبر 2022 میں بینک نے اپنا ریٹڈ، انسکیورڈ اور سبارڈینیٹڈ ٹرم فنانس سرٹیفکیٹس (ٹی ایف سیز) کا دسواں ایشو بھی جس کی مالیت 7,000 ملین روپے (بشمول 2,000 ملین روپے کا ''گرین شو'' آپشن) پرائیویٹ پلیسمنٹ کے ذریعے مکمل کرلیا ہے۔اس Tier-2 ٹی ایف سی کا انتظام اور بندوبست بھی آپ کے بینک نے خود کیا۔

Tier-1 ٹی ایف سی کی ریٹنگز **AA+** (ڈبل اے پلس) ہے جبکہ Tier-2 ٹی ایف سی کی ریٹنگز **AAA** (ٹرپل اے) ہے۔ان ٹی ایف سیز کے ذریعے بینک کے کیپٹل ایڈوکیسی میں اضافہ ہوا ہے اور اس سے ہمارے آپریشنز کے فروغ میں مزید معاونت ملے گی۔

ایوارڈز اور اعزازات

ٹریڈ اینڈ سپلائی چین فنانس پروگرام (ٹی ایس سی ایف پی) ایوارڈ 2022

بینک نے ایشیائی ترقیاتی بینک کی جانب سے پاکستان میں سرکردہ شراکتی بینک (لیڈنگ پارٹنر بینک) کی حیثیت سے ''ٹریڈ اینڈ سپلائی چین فنانس پروگرام (ٹی ایس سی ایف پی) ایوارڈ 2022'' حاصل کیا۔ یہ ٹی ایس سی ایف پی ایوارڈ، ایشیا اور پیسیفک ریجن میں بینک کی تجارتی معاونت کے کردار کو تسلیم کرتا ہے۔اس کیٹیگری میں یہ ایوارڈ بینک نے تیسری مرتبہ حاصل کیا ہے۔

بورڈ آف ڈائریکٹرز میں تبدیلی

- جناب سفر علی لاکھانی اور سید حسن علی بخاری بورڈ سے سبکدوش ہوگئے اور انہوں نے سال ۲۰۲۲ء میں اپنے آپ کو بطور ڈائریکٹر الیکشن کیلئے پیش نہیں کیا۔
- جناب جاوید اقبال اور جناب محمد رفیق الدین مہکری ہمارے بورڈ کے نئے ممبران بنے، جن کو مارچ ۲۰۲۲ء میں بطور ڈائریکٹرز منتخب کیا گیا۔

بورڈ کے ممبران، جناب سفر علی لاکھانی اور سید حسن علی بخاری کو تقریباً ۸ سال بطور ڈائریکٹر گرانقدر خدمات سرانجام دینے پر زبردست خراجِ تحسین پیش کرتے ہیں۔ انہوں نے اس مدت کے دوران بینک کی ترقی اور کامیابی میں بھرپور کردار ادا کیا۔

بورڈ آف ڈائریکٹرز کی تشکیل

ڈائریکٹرز کی مجموعی تعداد درج ذیل ہے:

- مرد 09
- خاتون 01

10

ڈائریکٹرز کی رپورٹ

الحمداللہ بینک الحبیب کے ڈائریکٹرز کیلیئے 32ویں سالانہ رپورٹ بشمول ۳۱ دسمبر ۲۰۲۲ء کوختم ہونے والے سال کیلیئے بینک کے آڈٹ شدہ مالیاتی حسابات پیش کرنا باعث مسرت ہے۔

آپریٹنگ نتائج اوران کی تخصیص کے لئے بورڈ کی سفارشات درج ذیل ہیں:

	(000' روپے میں)
سالانہ منافع قبل ازٹیکس	32,883,852
ٹیکسیشن	(16,313,623)
سالانہ منافع بعدازٹیکس	16,570,229
گزشتہ غیرمختص شدہ منافع	51,798,069
فکسڈ اثاثہ جات کی ری ویلیوایشن کے اضافے میں سے منتقلی۔ بعدازٹیکس	112,572
دیگر جامع آمدنی۔ بعدازٹیکس	(205,271)
	51,705,370
تخصیص کیلیئے دستیاب منافع	68,275,599
تخصیص:	
اسٹیچوٹری ریزرو میں منتقلی	(1,657,023)
نقدمنافع منقسمہ۔۲۰۲۱ء	(7,779,978)
	(9,437,001)
غیرمختص شدہ منافع	58,838,598
بنیادی/معتدل فی شیئرآمدنی۔ بعدازٹیکس	14.91 روپے

۳۱ دسمبر ۲۰۲۲ء کوختم ہونے والے سال کے لئے ڈائریکٹرز نے 70% نقدمنافع منقسمہ یعنی 7.0 روپے فی شیئرتجویز کیا ہے۔

کارکردگی کا جائزہ

الحمداللہ آپ کے بینک کی کارکردگی سال کے دوران اطمینان بخش رہی۔ ڈپازٹس ایک سال قبل کے 1,309.8 بلین روپے کے مقابلے میں بڑھ کر 1,568.1 بلین روپے ہوگئے جبکہ ایڈوانسز 733.8 بلین روپے سے بڑھ کر 813.5 بلین روپے ہوگئے۔ سال کے دوران بینک کا غیرملکی تجارتی کاروباری حجم 2,879.7 بلین روپے رہا۔ سالانہ منافع قبل ازٹیکس 32.9 بلین روپے رہا جبکہ گزشتہ سال یہ منافع 30.3 بلین روپے تھا۔ جبکہ سالانہ منافع بعدازٹیکس گزشتہ سال کے 18.7 بلین روپے کے مقابلے میں 16.6 بلین روپے رہا۔ سال کا منافع بنیادی طور پر ساورن بانڈز میں پروویژن کی وجہ سے متاثر ہوا۔

سال کے دوران بینک نے 123 نئی برانچیں قائم کیں۔ بینک کا موجودہ نیٹ ورک 1,083 دفاتر پر مشتمل ہے جس میں 1,050 برانچیں ہیں۔ (بشمول 178 اسلامک بینکنگ برانچیں اور 2 اوورسیز برانچیں، بحرین اور ملائشیا) 29 ذیلی برانچیں اور 4 نمائندہ دفاتر، دبئی، استنبول، بیجنگ اور نیروبی شامل ہیں۔ بینک کی جانب سے نیٹ ورک میں توسیع کا سلسلہ جاری رہے گا۔

بورڈ کی مجموعی کارکردگی پر چیئرمین کی جانب سے جائزہ رپورٹ

الحمدللہ، میں بمسرت بورڈ کی مجموعی کارکردگی اور بینک کے اغراض ومقاصد کے حصول کے سلسلے میں بورڈ کی جانب سے ادا کیے جانے والے موثر کردار پر رپورٹ پیش کرر ہا ہوں۔

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

اس حوالے سے بورڈ کی کارکردگی کی جانچ بورڈ کے منظور کردہ طریقہ کار کے مطابق 2022 میں کی گئی جس کے تحت یہ نتیجہ اخذ کیا گیا کہ بورڈ کی مجموعی کارکردگی بشمول بینک کے مقاصد کے حصول کیلئے بورڈ کا موثر کردار بالعموم باعث اطمینان ہے۔

بورڈ کی اس کارکردگی کی جانچ کا مجموعی مقصد درج ذیل شعبوں پر توجہ مرکوز کرتے ہوئے بینک کی دیرپا توسیع وترقی کو یقینی بنانا ہے۔

اے۔ بورڈ کی تشکیل اوراس کے امور
بی۔ کارپوریٹ اسٹریٹیجی اور بزنس پلان
سی۔ بینک کی کارکردگی کی نگرانی
ڈی۔ انٹرنل آڈٹ اور انٹرنل کنٹرول
ای۔ رسک مینجمنٹ اور کمپلائنس
ایف۔ ضروری معلومات کی تشہیر
جی۔ بہتری کے لئے تجاویز

عباس ڈی۔ حبیب
چیئرمین
بورڈ آف ڈائریکٹرز

کراچی: ۱۵ فروری ۲۰۲۳ء

Branch Network

The Bank has a network of 1079 branches including 29 sub-branches, 02 overseas branches and 178 Islamic Banking branches. The Bank also has 04 representative offices and 09 booths. The Bank has branches / sub-branches / representative offices in the following cities:

- Aadha
- Abbotabad
- Abdul Hakeem
- Adda Ghulam Hussain
- Adda Mirza Tahir
- Adda Pahrianwali
- Ahmed Nagar
- Ahmed Pur East
- Ajnala
- Akbarpura
- Ali Pur Chatta
- Ali Pur,Islamabad
- Alipur
- Amin Pur Bangla
- Arif Wala
- Athara Hazari
- Attock
- Badin
- Bagh (A.K.)
- Bagh-o-Bahar
- Bahawalnagar
- Bahawalpur
- Balakot
- Bampokha
- Bannu
- Bara
- Barikot
- Basti Malook
- Batkhela
- Battagram
- Bela
- Besham
- Bhagowal Kalan
- Bhagwal
- Bhakkar
- Bhalwal
- Bhan Saeedabad
- Bhaun
- Bhawana
- Bhera
- Bhiria Road
- Bucheki
- Burewala
- Chakdara
- Chaksawari (A.K.)
- Chakwal
- Chaman
- Chamber
- Charsadda
- Chenab Nagar
- Chichawatni
- Chillas
- Chiniot
- Chishtian
- Chitral
- Chiwanda
- Choa Saiden Shah
- Chota Sahiwal
- Chowk Bahadurpur
- Chowk Bhatta
- Chowk Sarwar Shaheed
- Chowk Sureli
- Chunian
- Dadu
- Dadyal (A.K.)
- Daharki
- Dalbandin
- Danyour
- Dara Adam Khel
- Daragai Malakand
- Dari Dholay Wali
- Darman
- Darya Khan
- Darya Khan Mari
- Daska
- Daulat Nagar
- Deh 75 Nusrat
- Deh Gad
- Deh Noonari
- Deh Taib
- Dehlra
- Depalpur
- Dera Ghazi Khan
- Dera Ismail Khan
- Dera Murad Jamali
- Derianwala
- Dhamtal
- Dhudhial
- Digri
- Dina
- Dinga
- Dir
- Domala
- Dunyapur
- Dureji
- Ellahabad
- Eshanpur
- Faisalabad
- Faqirwali
- Farid Nagar
- Farooqabad
- Fateh Jang
- Fatehpur
- Fazil Pur
- Feroza
- Ferozewatoan
- Fort Abbas
- Gaddai
- Gaggo Mandi
- Gamba
- Gambat
- Garha Mor
- Gawadar
- Ghakhar
- Gharo
- Ghotki
- Ghulmat
- Gilgit
- Gohadpur
- Gojra
- Golarchi
- Gujar Khan
- Gujranwala
- Gujrat
- Gulyana
- Hafizabad
- Haidra
- Hala
- Hangu
- Harapa
- Haripur
- Haroonabad
- Hasan Abdal
- Hasilpur
- Hattar
- Havellian
- Hazro
- Head Bakaini
- Head Rajkan
- Hingorja
- Hub
- Hyderabad
- Inayat Kalay
- Islamabad
- Jacobabad
- Jahanian
- Jalalpur Jattan
- Jalalpur Pirwala
- Jalalpur Sobtian
- Jampur
- Jamshoro
- Jand
- Jandanwala
- Jaranwala
- Jatlan
- Jatoi
- Jaurah
- Jehangira
- Jehlum
- Jhang
- Joharabad
- Kabal
- Kabirwala
- Kacha Pakka
- Kahror Pacca
- Kahuta
- Kala Shah Kaku
- Kalakot
- Kalam
- Kalat
- Kalaya
- Kallar Syedan
- Kallur Kot
- Kamalia
- Kamar Mushani
- Kamoke
- Kamra
- Kandhkot
- Kandiaro
- Kankowai
- Karachi
- Karak
- Karianwala
- Karkhana Bazar Vehari
- Karor Lal Essan
- Kashmore
- Kassowal
- Kasur
- Katlang
- Khairpur
- Khairpur Natanshah
- Khairpur Tamewali
- Khanbela
- Khanewal
- Khanpur
- Khar, Bajaur Agency
- Kharan
- Kharian
- Khichiwala
- Khipro
- Khoi Ratta (A.K.)
- Khudian Khas
- Khurrianwala
- Khushab
- Khuzdar
- Khwazakhela
- Killa Saifullah
- Kingra More
- Kohat
- Kohlu
- Kot Abdul Malik
- Kot Addu
- Kot Chutta
- Kot Ghulam Muhammad
- Kot Radha Kishan
- Kot Samaba
- Kotla Arab Ali Khan
- Kotli (A.K.)
- Kotri
- Kumb

Branch Network

- Kumber
- Kunjah
- Kunri
- Kuza Bandai
- Ladhaywala
- Lahore
- Lala Musa
- Laliyan
- Landi Kotal
- Larkana
- Latifabad
- Layyah
- Liaqatpur
- Liaquatabad Thal
- Lodhran
- Loralai
- Mailsi
- Malakwal
- Malka
- Manawala
- Mandi Bahauddin
- Mandi Faizabad
- Mandiala Tegah
- Mandra
- Manga Mandi
- Mangochar
- Mangowal
- Mankera
- Mansehra
- Mardan
- Maroot
- Mastung
- Mathanichangan Swabi
- Matiari
- Matli
- Mattani
- Mehar
- Mehrabpur
- Mian Channu
- Miani Adda
- Mianwali
- Minchanabad
- Mingora
- Mirpur (A.K.)
- Mirpur Mathelo
- Mirpur Sakro
- Mirpurkhas
- Mithi
- More Eminabad
- More Khunda
- Moro
- Mulhal Mughlan
- Multan
- Multan, Khurd
- Muradabad
- Muridke
- Murree
- Muslim Bagh
- Mustafabad
- Muzaffarabad (A.K.)
- Muzaffargarh
- Naal
- Naar (A.K.)
- Naguman
- Nankhana Sahib
- Narang Mandi
- Narowal
- Naseerabad
- Nassarpur
- Naukot
- Naushehra
- Naushero Feroze
- Nawabshah
- Nawan Kot
- Noonawali
- Nooriabad
- Noushki
- Nowshera
- Nowshera Virkan
- Oghi
- Okara
- Ormara
- Pabbi
- Painsera
- Pakpattan
- Panjgur
- Panu Aqil
- Parachinar
- Pasni
- Pasrur
- Pattoki
- Peshawar
- Phalia, Mandi Bahauddin
- Phool Nagar
- Pind Dadan Khan
- Pindi Bhattian
- Pindi Bohri
- Pindi Gheb
- Pir Baba
- Pir Mahal
- Pishin
- Pull Kharan
- Pull Manda (A.K.)
- Pull Sunny
- Qaboola
- Qambar Ali Khan
- Qambar Bypass
- Qasba Gujrat
- Qazi Ahmed
- Qila Didar Singh
- Quaidabad
- Quetta
- Radhan
- Raghagan
- Rahim Yar Khan
- Rahwali
- Raiwand
- Raja Ram
- Raja Wala
- Rajanpur
- Rajoya Sadat
- Rakhni
- Rangpur Adda
- Rawalakot (A.K.)
- Rawalpindi
- Renala Khurd
- Rohaillan Wali
- Rohri
- Sadda
- Sadiqabad
- Sahib Nagar
- Sahiwal
- Sakhakot
- Sakrand
- Saleh Khana
- Samar Bagh
- Sambrial
- Sanghar
- Sanghoi
- Sangla Hill
- Sanjarpur
- Sara e Alamgir
- Sardar Garh
- Sargodha
- Satyana Bangla
- Sawabi
- Sehwan
- Shabqadar
- Shahdadkot
- Shahdadpur
- Shaher Sultan
- Shahi Wala
- Shahkas
- Shahkot
- Shahpur Chakar
- Shakargarh
- Shakrila
- Shamozoi
- Sharaqpur
- Sheikh Wahan
- Sheikhupura
- Shewa Adda
- Shikarpur
- Shorkot
- Shujabad
- Sialkot
- Sibi
- Skardu
- Sorab
- Sowari
- Sujawal
- Sukkur
- Sultan Colony
- Sumandari
- Takhtbhai
- Talagang
- Talbani
- Tanda
- Tandlianwala
- Tando Adam
- Tando Allahyar
- Tando Bagho
- Tando Jam
- Tando Muhammad Khan
- Tangi
- Tank
- Taranada Muhammad Pannah
- Tarnol
- Tausna Sharif
- Taxila
- Thari Mirwah
- Tharu Shah
- Thatta
- Thikriyan More
- Thull
- Tibba Sultanpur
- Timergara
- Toba Tek Singh
- Tootkay
- Turbat
- Ubauro
- Uch Sharif
- Ugoki
- Umerkot
- Usman Shah Huri
- Usta Muhammad
- Uthal
- Wah Cantt
- Warri
- Wazirabad
- Winder, Lasbela
- Yazman
- Zafarwal
- Zahir Pir
- Zhob

Overseas Branches

- Manama (Bahrain)
- Labuan (Malaysia)

Representative Offices

- Bejing, China
- Dubai, U.A.E
- Istanbul, Turkey
- Nairobi, Kenya

Principal Office
Mackinnons Building, I. I. Chundrigar Road, Karachi.
Phones: (92-21) 32412421, 32446916 & 111-786-110
Fax: (92-21) 32419752

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

E - DIVIDEND BANK MANDATE FORM

Mandatory Requirements of Bank Account Details with International Bank Account Number (IBAN) for Electronic Credit of Cash Dividend Payment as per Companies Act 2017

I, Mr. / Ms. / Mrs. ____________________________ S/o, D/o, W/o, ____________________________________
hereby authorize **Bank AL Habib Limited** (the Bank) to send / directly credit cash dividends declared by the Bank, in my bank account as detailed below:

Details of Shareholder of Bank AL Habib Limited	
Name of the Shareholder	
Father /Husband Name	
Folio No. /CDC Account and Participant's I.D	
CNIC No. / NICOP No.	
Passport No. *(in case of foreign shareholder)*	
NTN *(in case of corporate shareholder)*	
Cell number of shareholder	
Landline number of shareholder *(if any)*	
E-mail address of shareholder	
Shareholder's Bank Account Details:	
Title of Bank Account *(the bank account title must be in the name of the title holder/principal holder of the shares)*	
International Bank Account Number (IBAN) –*24 digits* "**Mandatory**"	P K
(Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the Bank AL Habib Limited and Central Depository Company of Pakistan Limited (CDC) will not be held responsible, in any manner, for any loss or delay in your cash dividend payment)	
Bank's name	
Branch name	
Branch address	

It is stated that the above-mentioned information is valid and correct and in case of any change therein, I/we will immediately intimate the Bank's Share Registrar accordingly.

____
Signature of Shareholder

(For individual shareholder, signature must be as per specimen signature registered with Bank AL Habib Limited, please also enclose legible copy of CNIC/NICOP as applicable. In case of corporate entity, signature of authorized person with company stamp is required)

Please note that:

- The shareholders who hold shares in Physical Form are requested to fill the above mentioned E-Dividend Bank Mandate Form and send it to the Bank's Share Registrar address; **i.e.; CDC Share Registrar Services Limited, CDC House, 99-B, Block B, Main Shahrah-e-Faisal, Karachi-74400, Pakistan. Tel: 0800-23275**
- The shareholders who hold shares in Book-Entry Form are requested to fill the above mentioned E-Dividend Bank Mandate Form and send it to the relevant Broker/Participants/Investor Account Services of the Central Depository Company of Pakistan Limited where the shareholders' CDC account is being dealt.
- Bank AL Habib Limited and CDC shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, or failure in performance of any of its obligations whatsoever, caused due to incorrect payment instructions provided by the shareholder and/or due to any event beyond the control of the Bank.
- In case of non-receipt of IBAN with bank details, as requested above, future cash dividend, if any, could be withheld according to the directives of Securities and Exchange Commission of Pakistan.

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 Thirty-second Annual General Meeting of the Bank to be held on Tuesday, March 21, 2023 and at any adjournment thereof.

As witness my/our hand this__________________day of_________________2023.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

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

Witnesses:

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

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

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

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

The proxy forms, together with the power of attorney (if any), under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting (no account shall be taken of any part of the day that is not a working day).

مختارنامہ (پراکسی فارم)

میں/ہم ______________ ساکن ______________ بحثیت ممبر (رکن) بینک الحبیب لمیٹڈ اور حامل ______________

عام حصص، بمطابق شیئر رجسٹر فولیو نمبر/ سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر ______________

ممبر (رکن) محترم/ محترمہ ______________ فولیو نمبر/ سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر ______________ کو

یا اُن کی غیر حاضری میں ممبر (رکن) محترم/ محترمہ ______________ فولیو نمبر/ سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر ______________

کو اپنے/ ہمارے ایماء پر بروز منگل ۲۱ مارچ ۲۰۲۳ء کو بینک الحبیب لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے بینک کے بتیسویں سالانہ اجلاسِ 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 ______________ ۲۰۲۳ء کو دستخط کیئے 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 ہو اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پراکسی) شرکت کرنے، بولنے اور ووٹ دینے کا حق تفویض کرسکتا 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 بحثیت 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 نامے (پراکسی فارمز) بمعہ نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) بینک کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے (اس دن کا کوئی بھی حصہ اس میں شامل نہ ہوگا اگر وہ ایام کار نہ ہو)۔