HBL

HABIB BANK
حبیب بینک

BANKING BEYOND BORDERS

ANNUAL REPORT 2013

Banking Beyond Borders

As Pakistan's worldwide bank, HBL offers banking solutions to customers in 29 countries spanning 4 continents. Our tradition of personalised service and our capacity to respond to customer needs, make us the largest bank in the country for cross border trade and remittances.

Through our network of 1,547 branches across Pakistan, we pursue financial inclusion with vigour. Our 1,303 ATMs nationwide offer unmatched convenience and we maintain our lead in providing solutions through alternate delivery channels.

We continue to expand our franchise and enhance our capacity through a balanced approach to capital preservation and growth.

We are HBL. We offer banking beyond borders.

United Kingdom

HBL has been operating in the UK since 1964. HBL UK offers banking products and solutions through its network of 9 branches covering London, Birmingham, Glasgow, Manchester and Leicester.

Big Ben,
London

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Corporate Information

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Nauman K. Dar
President & CEO

Mr. Sajid Zahid
Director

Mr. R. Zakir Mahmood
Director

Mr. Moez Ahamed Jamal
Director

Mr. Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Board Committees

Audit Committee

Mr. Moez Ahamed Jamal
Chairman

Mr. Sajid Zahid
Member

Dr. Najeeb Samie
Member

Mr. Salim Amlani
Secretary

Risk Management Committee

Mr. R. Zakir Mahmood
Chairman

Mr. Nauman K. Dar
Member

Mr. Agha Sher Shah
Member

Mr. Rizwan Haider
Secretary

Human Resource and Remuneration Committee

Mr. Sultan Ali Allana
Chairman

Mr. Nauman K. Dar
Member

Mr. Sajid Zahid
Member

Mr. Moez Ahamed Jamal
Member

Dr. Razi Azmat
Secretary

Chief Financial Officer
Mr. Ayaz Ahmed

Legal Advisor
Mandviwala and Zafar
Legal Consultants and Advocates

Company Secretary
Ms. Nausheen Ahmad

Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Registrars
Central Depository Company of Pakistan Limited
CDC House, 99 - B, Block 'B',
S.M.C.H.S., Main Shahrah-e-Faisal,
Karachi - 74400, Pakistan.
Customer Support Services
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Email: info@cdcpak.com
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HBL Shares Office
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Habib Bank Plaza
I.I. Chundrigar Road,
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Phone: (92-21) 32418000 [50 lines]

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Habib Bank Limited
4th Floor, Habib Bank Tower,
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Islamabad, Pakistan.
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Fax: (92-51) 2872205

Websites
Corporate Website:
www.hbl.com

Internet Banking:
www.hblibank.com

Management

Mr. Nauman K. Dar
President & CEO

Mr. Ayaz Ahmed
Chief Financial Officer

Mr. Rizwan Haider
Chief Risk Officer

Mr. Salim Amlani
Chief Internal Auditor

Mr. Salahuddin Manzoor
Global Treasurer

Mr. Anwar Zaidi
Head - Financial Institutions &
Global Trade Services

Mr. Faiq Sadiq
Head - Payment Services

Ms. Nausheen Ahmad
Company Secretary &
Head Legal

Dr. Razi Azmat
Head - Human Resources

Mr. Mohammad Ali
Head - Distribution Pakistan &
Chief Representative Islamabad

Mr. Tauqeer Mazhar
Head - Distribution Central &
Chief Representative Punjab

Mr. Shahid Fakhruddin
GM - International Risk

Mr. Wajahat Rasul Khan
GM - Network Management, International

Mr. Nadeem Ahmad
GM - Delivery Channels
Branches - Domestic & International

Ms. Sima Kamil
Head - Branch Banking

Mr. Aman Aziz Siddiqui
Head - Strategy & Investments

Mr. Tariq M. Akbar
Head - Global Operations

Mr. Faisal Anwar
Chief Compliance Officer

Mr. Aamir Irshad
Head - Corporate &
Investment Banking

Mr. Mudassir H. Khan
Chief Information Officer

Mr. Hassan Raza
Head - Structured Credits

Mr. Shahid Ghaffar
Head - Investor Relations &
Corporate Representation

Mr. Mubashar Maqbool
Head - Commercial Banking

Mr. Mirza Saleem Baig
Head - Islamic Banking

Mr. Aamir Kureshi
Head - Global Consumer Banking

Mr. Tulu Islam
GM - Business Continuity Planning /
Disaster Recovery

Ms. Sobia Chughtai
Head - Corporate Central

Vision

"Enabling people to advance with confidence and success"

Mission

"To make our customers prosper, our staff excel and create value for shareholders"

Our Values

Our values are the main principles that define our culture and are brought to life in our attitudes and behaviour. Our values make us unique and unmistakable.

Progressiveness

We believe in the advancement of society through the adoption of enlightened working practices, innovative new products and processes, and a spirit of enterprise.

Customer Focus

We understand fully the needs of our customers and adapt our products and services to meet these. We always strive to put the satisfaction of our customers first.

Excellence

This is at the core of everything we do. Only through being the very best can we hope to be successful and grow.

Integrity

Our success depends upon trust. Our customers - and society in general - expect us to possess and steadfastly adhere to high moral principles and professional standards.

Meritocracy

We believe in giving opportunities and advantages to our employees on the basis of their ability and rewarding achievement.

Worldwide Presence

Branches / Subsidiaries / Affiliates

Afghanistan	**Kabul:**	Main Branch Serena Hotel
Bahrain	**Manama** **Muharraq** **Riffa**	Main FCB Branch/OBU
Bangladesh	**Chittagong** **Dhaka:** **Sylhet**	 Gulshan Karwan Bazar Motijheel Naya Bazar Uttara
Belgium	**Brussels**	
China	**Beijing:**	Representative Office
France	**Paris**	
Hong Kong	Habib Finance International Limited (Subsidiary)	
Iran	**Tehran:**	Representative Office
Kenya	**Malindi** **Mombasa** **Nairobi** Diamond Trust Bank Kenya Limited (Affiliate) 93 branches across Kenya, Tanzania, Uganda and Burundi	
Kyrgyz Republic	Kyrgyz Investment & Credit Bank (Affiliate) 31 branches in Kyrgyz Republic and 1 representative office in Kazakhstan	
Lebanon	**Beirut**	
Maldives	**Male**	
Mauritius	**Chemin Grenier** **Curepipe** **Flacq** **Port Louis** **Rose Hill**	
Nepal	Himalayan Bank Limited (Affiliate) 41 branches	

Netherlands	Rotterdam	
Oman	Muscat:	Al-Khuwair
		Central (Ruwi)
		Muttrah
		Seeb
		Walja Area
	Nizwa	
	Salalah	
	Sohar	
Seychelles	Mahe	
Singapore	Main Branch	
Sri Lanka	Colombo:	Main Branch / F.C.B.U.
		Lake View
	Kalmunai	
Switzerland	Habibsons Bank Limited (Subsidiary)	
	Zurich	
Turkey	Istanbul	

UAE	Al Ain	
	Abu Dhabi:	Main Branch
		Sheikh Zayed Road
	Dubai:	Bur Dubai
		Deira
		Naif Road
	Sharjah	
UK	Habib Allied International Bank plc (Subsidiary)	
	Birmingham	
	Glasgow	
	Leicester	
	London:	Edgware Road
		Green Street
		Southhall
		Whitechapel Road
	Manchester	
	Habibsons Bank Limited (Subsidiary)	
	London	
USA	New York City	

UAE

HBL UAE was established in 1967 as one of the pioneer banks in the country. The Bank currently operates throughout the country with its network of 7 branches in Dubai, Abu Dhabi, Al Ain and Sharjah.

Burj Khalifa,
Dubai

Key Performance Indicators

Sustained delivery to shareholders, clients and customers

2013 Performance

Rs1.401 trillion
deposits

up 15 percent

1,594 branches
worldwide

up 54 branches

Rs36.1 billion
profit before tax

up 1.6 percent

1,303 ATMs

up from 750 ATMs

Looking ahead to 2014, we will continue our transformation.

Board of Directors

Sultan Ali Allana
Chairman

Mr. Sultan Ali Allana has been Chairman of the Board of Directors of HBL since February 2004. He has over 28 years of experience in the financial and banking industry.

Mr. Sultan Ali Allana also serves on the Boards of The Aga Khan Fund for Economic Development, Tourism Promotion Services Pakistan Limited, Jubilee Holdings Limited (East Africa) and Jubilee Life Insurance Company Limited.

Nauman K. Dar
President & CEO

Mr. Nauman K. Dar, President & CEO of Habib Bank Limited, is a banker with over 31 years of banking experience.

Mr. Nauman K. Dar also serves as Chairman of Habibsons Bank Limited, UK and Chairman of Habib Finance International Limited, Hong Kong. He is also Director of Habib Allied International Bank plc, UK.

Sajid Zahid
Director

Mr. Sajid Zahid is a Barrister with over 38 years experience in Corporate and Commercial Law.

Mr. Sajid Zahid is Joint Senior Partner at Orr, Dignam & Co. and is a Director of Pakistan Petroleum Limited.

R. Zakir Mahmood
Director

Mr. R. Zakir Mahmood has over 34 years of banking experience and retired as President & CEO of HBL in 2012, having served in that position for 12 years.

Mr. R. Zakir Mahmood is also the Chairman of Habib Allied International Bank plc, UK and Kyrgyz Investment and Credit Bank, Kyrgyzstan. He also serves as Director of Diamond Trust Bank Kenya Limited, Khushali Bank and Jubilee General Insurance Company Limited.

Moez Ahamed Jamal
Director

Mr. Moez Ahamed Jamal has experience of over 35 years in the financial sector.

Mr. Moez Ahamed Jamal currently serves on the Board of Diamond Trust Bank Kenya Limited and Marcuard Family Office in Switzerland. He is a Partner of JAAM AG, an investment advisory company in Switzerland.

Agha Sher Shah
Director

Mr. Agha Sher Shah has over 27 years of experience in the financial sector.

Mr. Agha Sher Shah is currently Chairman and Chief Executive of Bandhi Sugar Mills. He is also Director of Attock Refinery Limited, Sui Southern Gas Company Limited, Thatta Cement Company Limited, Newport Containers Terminal (Private) Limited and Triton LPG (Private) Limited.

Dr. Najeeb Samie
Director

Dr. Najeeb Samie has over 33 years of experience in the corporate and financial sector.

Dr. Najeeb Samie is currently the Managing Director of PIA Investments Limited and is a Director of the Roosevelt Hotel Corporation and the Parisien Management Company Limited, amongst other tourism related companies.

Chairman's Message

Banking Beyond Borders

"Our direct and indirect presence through our affiliates and associates now give our customers access to 29 countries, making us Pakistan's largest worldwide bank."

The past year has been a significant one for HBL. We launched branchless banking and entered areas with no banking facilities available before, we expanded our ATM network to take a lead position, we implemented product solutions in key international locations to bring us at par with competition and we enhanced our financial inclusion endeavours to scale new heights. In 2013 we pushed ourselves further than we ever have before.

Our growth trajectory remained intact and we recorded pre-tax profit of over Rs. 36 billion ($343m) and post-tax profits of Rs. 23 billion ($218m). Our balance sheet growth of 7% was achieved on the back of a robust growth in deposits where we added over Rs. 186 billion ($1.7b), setting a new high of achieving Rs. 1.7 trillion ($16.2b) in terms of banking assets. Our capital adequacy ratio at close of the year was an impressive 15.39% on parameters as prescribed under Basel III, as recently implemented by SBP.

While technological innovation and new initiatives remained at the forefront of our strategic thrust, we strengthened our traditional banking product offerings, including cash management, trade finance and remittances. As a result, earnings on account of fees, commissions and foreign exchange exceeded previous year's records to register a net contribution on a pre-tax basis of Rs. 19.3 billion ($183.4m).

New branches were established in Sri Lanka, Bangladesh and in the UAE, with the aim of positioning the bank for growing scale. Linkages with our affiliate and associated banks were synchronised to capitalise on international trade and remittance opportunities.

Our direct and indirect presence through our affiliates and associates now give our customers access to 29 countries, making us Pakistan's largest worldwide bank.

A Bank For Everyone, Everywhere

A total of 49 new branches were established in Pakistan in 2013, bringing our total nationwide branch footprint to 1,547.

We continued to make a mark in the consumer banking segment. We completed the acquisition and migration of Citibank Pakistan's consumer business, including their card portfolio. Outreach has been greatly enhanced as we launched the Point of Sale network and added over 1.5 million customers during the year to the bank's active client base of 5 million.

Our focus on the SME sector remained undeterred in pursuit of supporting the country's economic backbone. We repositioned and enhanced our lending capacity thereby registering a 7% growth in the risk assets deployed by the bank for this segment and 20% in our rural/agri banking segment. Alternate delivery channels, including mobile vans to access remote areas were introduced.

Banking products and savings solutions targeted for the youth of the country continued to be pursued through the Universities and Colleges. Simplified and cost effective deposit schemes were introduced for small businesses and households, particularly for the women.

Virtual Connection

HBL branches across the country are now on-line with the entire network operating on real time basis. Our disaster recovery sites have been strengthened and new sites are currently under development to ensure security and continuity of the banking business.

The Management has taken strides to put us a step ahead of the game and we are confident that we will see the bank, going from strength to strength, Insha'Allah.

Our Raison D'etre

HBL is an intrinsic part of the nation's fabric. The Bank has a legacy of resonating with its customers through generations; the customers of the 60's and 70's connected with "Mera Bhi tu Hai" and the people of today identify with "Jahan Khwab Wahan HBL". At every point in time, HBL aims to stay relevant for its consumers.

The trust and faith placed in us by our customers over the decades is the secret to our success. It is our customers that make this institution unique. We take this opportunity to thank them and all our stakeholders.

Our Heroes

We are proud of our achievers. Our greatest strength is our people who are committed to the bank and its future course. We salute these heroes for what they have achieved.

Meritocracy continues to be a key part of our ethos. Focus on training and personal development will remain at the forefront of our strategy. HBL is committed to investing in its people and we will continue to design the best training programs for our staff at all levels.

Looking Forward

Despite the global challenges and more importantly the challenges that face our economy, we remain confident of our strategic direction. We have cast our sight on achieving milestones to position the bank as an institution of repute and standing in the global context. Our AAA rating in Pakistan is testament to our determination. Compliance at all levels in our line of business is of paramount importance. We will continue to safeguard our shareholders' interest by ensuring best practice across all business lines, operating processes and monitoring systems.

In line with the previous years we will be pleased to present before our shareholders at the forthcoming AGM a final cash dividend of Rs. 2, which will on a full year basis result in a total dividend of Rs. 8 and a share bonus of 10%.

Sultan Ali Allana
Chairman

Directors' Report

On behalf of the Board of Directors, I am pleased to present the Consolidated Financial Statements and the Auditors' Report for the year ended December 31, 2013.

Macroeconomic Review

In 2013 democracy came of age in Pakistan as an elected government completed its tenure for the first time and handed over power in an orderly transition following a democratic election. This was well received by the markets and investor sentiment remained buoyant throughout the year with the Karachi Stock Exchange touching an all time high index of 25,261 points as at December 31, 2013. Despite a fairly stable political outlook and positive sentiments, the economy remains under pressure due to continuing energy shortage, sub optimal tax to GDP ratio and challenging law and order situation. To mitigate the strained balance of payments position the Government has entered into an Extended Fund Facility with IMF which will help achieve economic stability.

During the period under review banks faced a challenging regulatory environment as the discount rate witnessed high volatility and, the minimum rate on savings accounts was linked to the Repo rate, putting further pressure on spreads. I am happy to report that despite a difficult macroeconomic environment, in the period under review HBL has shown robust performance maintaining its leadership position in the market.

Financial Performance

The financials of the Group are summarised below:-

	2013	2012 (Restated)
	Rupees in million	
Profit after tax	23,027	22,791
Un-appropriated profit bought forward	67,215	56,808
Profit attributable to equity holders of the Bank	22,863	22,692
Other Comprehensive Income-net of tax	(103)	(571)
Transferred from surplus on revaluation of fixed assets- net of tax	61	248
	22,821	22,369
Profit available for appropriation	90,036	79,177
Appropriations:		
Transfer to statutory reserves	(2,225)	(2,209)
Cash dividend	(4,849)	(4,408)
Issued as bonus shares	(1,212)	(1,102)
1st interim cash dividend	(5,334)	(4,243)
2nd interim cash dividend	(2,667)	-
Total appropriations	(16,287)	(11,962)
Un-appropriated Profit carried forward	73,749	67,215
Basic and Diluted Earnings after tax-Rupees per Share	17.15	17.02

Balance Sheet Growth

HBL's deposits increased by 15.3% to Rs. 1.401 trillion as on December 31, 2013 from Rs. 1.215 trillion on December 31, 2012. The Bank was successful in delivering an impressive improvement in the deposit mix, with Current Accounts showing a growth of 30% to Rs. 411.5 billion improving CASA ratio to 73% as on December 31, 2013 as against 67% in the corresponding period last year. Overall deposit growth remained strong despite a targeted reduction of high cost deposits. Advances at Rs 563.7 billion registered a robust growth of 12.87% from Rs 499.8 billion. Overall the balance sheet size grew by 7% to Rs 1.715 trillion. With strong risk management, Net NPLs were reduced to 15.30 billion from 15.98 billion in 2012, registering an improvement in Net NPL to Advances ratio to 2.71% from 3.81% in 2012.

The Capital Adequacy Ratio (CAR) under SBP mandated BASEL III approach improved to 15.39% as at December 31, 2013, as against a corresponding 15.31 % as of December 31, 2012.

Stable Earnings

Net Interest Income decreased marginally by 4.8% closing at Rs. 55 billion. The decline in Net Interest Income was linked to the lower discount rate and increase in the minimum rate on PLS Savings Accounts. Non Mark-up Income increased by 21.1 % to Rs. 19.3 billion. This was predominately based on increased fee commission and brokerage income by 22.2% as well as higher investment income from dividends and capital gains. As a result, Total Operating Income net of provisions increased by 8.9 % to Rs. 72.9 billion.

2013 witnessed significant increase in investment in technology and infrastructure resulting in higher than normal administrative costs. Despite this 17.25% increase in total expenses, the profit before and after tax was Rs. 36.1 billion, and Rs. 23 billion respectively, as against Rs. 35.6 billion, and Rs. 22.8 billion in 2012. The earnings per share was Rs. 17.15 for 2013, as against Rs. 17.02 for 2012.

The strong financial performance by HBL was largely due to a combination of growth in deposits and improvement in deposit mix as well as containing credit provisions and realising strong recoveries. Strong performance was also made possible by contributions from Global Treasury as it fully leveraged its leadership position. The bank is now well positioned for robust future growth.

The retail bank maintained its dominant position, building further on our excellent relationships with customers, wherein our retail network was able to respond to the changing market dynamics and shifting goalposts in dealing effectively with a volatile interest rate environment. The achievement was supported by a strong service quality culture. Improving service is an ongoing journey and HBL is committed to providing service excellence to its customers.

During the year the retail and Islamic banking branch network was expanded. The international network added 2 branches each in Bangladesh and Mauritius, as well as 1 branch in Bahrain, expanding the total international branch network to 47.

HBL continues to maintain its leading position in rural banking by being the top rural lender amongst private commercial banks, posting a growth in advances of over 20% through the launch of a number of new products.

2013 was a successful year for the corporate and investment banking business in terms of securing and implementing mandates for corporate finance and capital raising. Consequently, HBL was able to successfully execute 2 of the 3 initial public offerings during the year. The Bank completed the first ever USD denominated preference share issue in Pakistan, advised on the largest merger and acquisition deal, was mandated as a joint arranger for Thar Coal and Power projects and won the mandate for the largest retail distribution of Sukuks for K-Electric which has been successfully completed in record time. It also continues to focus on providing cross border solutions to its customers by leveraging HBL's extensive domestic and international network which now spans 29 countries through its subsidiaries and affiliates.

The creation of a specialised structured credit function in 2013 has been a successful initiative as evident by a significant reduction in credit provisioning and increased recoveries and finalisation of restructurings of distressed credits. During the year, the Bank completed an Internal Capital Adequacy Assessment Process (ICAAP) document in line with revised SBP guidelines and continues to automate processes to enhance its risk monitoring capability.

HBL continues to make investments in technology and infrastructure to expand its outreach to the unbanked sector to ensure financial inclusion of the underprivileged. Consequently, HBL continues to invest in Alternate Delivery Channels, focusing on new business areas as a key objective for the Bank. HBL successfully launched branchless banking in April 2013 which provides domestic remittance and utility bill payment facilities. The Bank has now installed over 1,300 ATMs becoming the Industry leader. It has also become the largest issuer of debit cards in Pakistan with a total of 2.2 million cards and has the largest completely online branch network.

The success of HBL is rooted in the competence and commitment of its dedicated staff. The Bank has invested heavily in staff training and development and is committed to strive for excellence in customer service and to play its part in the development of the communities it serves.

Rating

JCR VIS (Credit Rating Agency of Pakistan) has assigned entity ratings of the Bank to "AAA / A-1+" (AAA / A-One Plus) with 'Stable' outlook.

Awards

During the period under review HBL was conferred with the following awards:

(i) Best Retail Bank in Pakistan for 2012 by the Asian Banker.

(ii) Best Bank in Pakistan by Euromoney.

(iii) Corporate Excellence Award in the Financial Category by Management Association of Pakistan.

(iv) Pakistan's No.1 Foreign Exchange Bank by Euromoney.

Future Outlook

The announcement of the privatisation programme, coupled with approval of the IMF programme and partial resolution of the circular debt issue has provided a boost to the economy and the GDP growth outlook for 2014. The positive outlook can further strengthen with improvement in the law and order situation, availability of energy and implementation of a successful privatisation programme.

The Management of the Bank is fully aware of the challenges being faced by the economy and the opportunities offered. The Bank has made huge investments in human capital, technology and product development, and is well positioned to serve customers through cross-selling, cash management, transactional services, alternate delivery channels and a focus on Rural and SME sectors. Based on its balance sheet footing, and strong investment banking credentials, and effective risk management, it is well positioned to participate in viable projects of national importance, and in supporting the industrial development of the country.

Dividend

The Board has recommended a final dividend of Rs. 2 per share for the year ended December 31, 2013. The Board had earlier declared and paid interim dividend @ Rs.6 per share, making total dividend for the year to Rs. 8 per share. In addition to the above, the Board has also decided to issue Bonus Shares at the rate of 10 percent in proportion of 10 shares for every 100 shares held.

Meetings of the Board:

	Board Meeting		Audit Committee Meeting		Risk Management Committee Meeting		Human Resource and Remuneration Committee Meeting	
	Meetings held during tenure	Attendance	Meetings held during tenure	Attendance	Meetings held during tenure	Attendance	Meetings held during tenure	Attendance
Mr. Sultan Ali Allana	6	6	N/A	N/A	N/A	N/A	6	6
Mr. Nauman K. Dar	6	6	N/A	N/A	4	4	6	6
Mr. Meez Ahamed Jamal	6	6	4	4	N/A	N/A	6	6
Mr. Sajid Zahid	6	6	4	4	4	4	N/A	N/A
Mr. R. Zakir Mahmood	6	6	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Agha Sher Shah*	5	5	N/A	N/A	0	0	N/A	N/A
Dr. Najeeb Samie**	3	3	0	0	N/A	N/A	N/A	N/A

N/A - not applicable

* Mr. Agha Sher Shah was appointed Director on March 22, 2013 and became a member of the Risk Management Committee on November 29, 2013.

** Dr. Najeeb Samie was appointed Director on August 22, 2013 and became a member of the Audit Committee on November 29, 2013.

* Mr. Agha Sher Shah was appointed Director on March 22, 2013 and became a member of the Risk Management Committee on November 29, 2013.

** Dr. Najeeb Samie was appointed Director on August 22, 2013 and became a member of the Audit Committee on November 29, 2013.

Changes in Directorships

In the period under review, the casual vacancies arising due to the resignations of Mr. Mushtaq Malik and Mr. Sikander Mustafa Khan were filled through the appointment of Mr. Agha Sher Shah (effective March 22, 2013) and Dr. Najeeb Samie (effective August 22, 2013). The resignation of Mr. Ahmed Jawad has created a casual vacancy which is to be filled by a Government nominee Director. The Board of Directors places on record its deepest appreciation for the contribution made by the outgoing Directors and welcomes the new Directors.

Auditors

The retiring Auditors, Messrs Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, are eligible for reappointment as per Code of Corporate Governance. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for the appointment of Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as the auditors of the Bank for the Financial Year 2014.

Statement under Section XVI of the Code of Corporate Governance:

The Board is committed to ensure that requirements of corporate governance set by Securities and Exchange Commission of Pakistan are fully met and the Directors are pleased to report that:

a) The financial statements prepared by the management of the Bank present a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.

b) Proper books of accounts of the Bank have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) The Bank has followed international accounting standards (as applicable to Banks in Pakistan) in the preparation of accounts and there is no departure from the said standards.

e) As a continuous process, efforts have been made to effectively implement the internal control system. HBL is in the process of adopting an internationally accepted COSO Internal Control – Integrated Framework as part of compliance with SBP Internal Control Guidelines. The Bank has also evaluated its Internal Control over Financial Reporting (ICFR) using the US PCAOB Auditing Standard (AS – 5). A dedicated Management Testing and Reporting Framework for ICFR is being developed as a part of COSO implementation project.

f) There are no doubts about the Bank's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance as detailed in the Regulations.

h) Key operating and financial data for the last ten years is presented in the financial statements under the section "Progress since 2003 to 2013 – Consolidated".

i) The Directors, CEO, CFO and Company Secretary have confirmed that neither they nor their spouses are engaged in the business of stock brokerage.

j) Risk Management, Audit and Human Resource and Remuneration Committees constituted by the Board are functioning efficiently in accordance with their Terms of Reference. The Board has met regularly and held six meetings in the year.

The Statement of Internal Control, Statement of Compliance with Review Report and the Auditors' reports are attached to the Financial Statements.

Statement of Corporate Social Responsibility – (CSR)

HBL as a responsible Corporate Citizen is committed to fulfilling its role to serve society in areas such as health, education, low cost housing, disaster mitigation, environment protection, preservation of craft, culture and heritage, arts, poverty alleviation, empowerment of women, rural/socio economic development, entrepreneurial development and strengthening of civil society.

To achieve its CSR goals, the Bank established the HBL Foundation in 2009 with the mandate to promote development and well-being of the people, with the objective of improving their quality of life. The Bank donates annually to the Foundation towards achievement of its objective.

HBL is an equal opportunity employer based on merit without any discrimination in race, religion and gender. It provides extensive in-house training facilities for the continuous personal development of its employees.

Value of Investments in employee retirement benefits fund:

The following is the value of investments of provident, gratuity, pension and benevolent funds maintained by the Group, based on the latest audited financial statements.

	Rupees in million
Employees' Provident Fund	8,496
Employees' Pension Fund	4,832
Employees' Gratuity Fund	1,293
Employees' Benevolent Fund – Executive and Officers	1,099
Employees' Benevolent Fund – Clerical and Non-Clerical	410

Pattern of Shareholding:

The pattern of Shareholding as at December 31, 2013 is annexed with the Report.

Training programmes attended by Directors:

Details have been provided in Statement of Compliance.

Appreciation and Acknowledgement:

I would like to appreciate the efforts of our Regulators and the Government of Pakistan, in particular the Ministry of Finance and the State Bank of Pakistan, for developing and strengthening the banking and financial industry through an improved regulatory and governance framework.

I would also like to take this opportunity to thank on behalf of the Board and Management of the Group, the customers and the shareholders for entrusting their confidence in us and we assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance & compliance in all our endeavours. I would also like to acknowledge the efforts and dedication demonstrated by our employees towards the growth of HBL.

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
February 27, 2014

Financial Highlights

(Consolidated)

	2013	2012 (Restated)	Variance Percentage
	Rupees In Million		
FINANCIAL POSITION			
Deposits	1,401,230	1,214,964	15
Balance Sheet size	1,715,271	1,610,474	7
Advances - Net	563,701	499,818	13
Liquid Assets	935,427	920,709	2
Net Worth	142,434	132,730	7
PROFIT & LOSS			
Total Net Income (net of interest cost)	74,339	73,720	1
Total Expenditure	36,854	31,114	18
Provision against loans & Others	1,351	7,045	(81)
Pre-Tax Profit	36,133	35,562	2
Profit after Taxation	23,027	22,792	1
Earnings per share (Rs/Share)	17.15	17.02	1
FINANCIAL RATIOS	Percentage		
Non-Interest Income to Total Income	26	22	
Total Assets Growth Rate	7	41	
Net Non-Performing Loans to Net advances	3	3	
Coverage Ratio	72	73	
Capital Adequacy Ratio	15.39	15.31	
Total Risk Weighted Assets on Total Assets	49	48	
Net Advances to Deposits	40	41	
Liquid Asset to Deposits Ratio	67	76	
Return on Average Assets	1	2	
Return on Average Equity	18	21	
OTHERS	Rupees In Million		
Home Remittances	307,630	271,090	13
Exports / Imports Remittances	649,308	544,192	19
Number of Branches	1,594	1,540	4
Number of Staff	13,842	13,978	(1)

Progress Since 2003 To 2013 - At A Glance

(Consolidated)

	2003	2004	2005	2006	2007	2008	2009	2010	2011 (Restated)	2012 (Restated)	2013
	(Rs. in Millions)										
Balance Sheet											
Shareholders Equity & Revaluation Surplus	23,485	31,190	40,331	52,530	59,274	65,418	83,227	95,038	108,178	131,502	140,548
Total Assets	434,932	487,765	528,894	594,062	689,001	749,807	863,925	924,699	1,139,647	1,610,474	1,715,271
Total Deposits	360,648	404,629	432,545	459,140	531,298	597,091	682,750	747,375	933,632	1,214,964	1,401,230
Advances (net of Provision)	183,654	259,089	316,882	349,433	382,173	456,356	454,662	459,750	457,368	499,818	563,701
Investments (net of Provision)	158,871	134,523	107,384	119,587	175,197	129,833	216,468	254,909	418,604	797,095	826,062
Operating Results											
Total Income (net of interest cost)	21,363	23,588	32,870	38,971	39,875	48,133	53,830	59,757	71,181	73,720	74,339
Total Expenditure	9,803	13,789	15,766	17,204	18,382	21,814	23,149	24,953	30,380	31,114	36,854
Provision for Non-performing Loans & Others	5,804	2,552	3,270	2,927	7,823	9,388	9,300	7,764	6,745	7,045	1,351
Provision for Taxation	1,452	1,484	4,187	6,140	3,749	6,068	7,981	10,006	11,895	12,770	13,106
Profit before Taxation	5,469	7,247	13,834	18,840	13,670	16,932	21,382	27,040	34,056	35,562	36,133
Profit after Taxation	4,018	5,763	9,647	12,700	9,921	10,864	13,401	17,034	22,161	22,792	23,027
Others											
Home Remittances	46,326	47,423	54,759	66,656	79,322	94,530	128,970	158,693	226,536	271,090	307,630
Imports Remittances	139,515	162,402	153,392	189,125	178,684	298,933	245,006	320,115	327,172	284,746	367,984
Exports Remittances	118,642	134,090	118,882	117,593	129,742	172,518	177,101	229,379	281,093	259,446	281,324
Number of Branches	1,470	1,469	1,470	1,477	1,489	1,508	1,494	1,501	1,506	1,540	1,594
Number of Staff of HBL	18,800	18,625	16,314	14,572	14,552	14,123	13,211	13,269	13,661	13,978	13,842

Oman

HBL was established in Oman in 1972, making it one of the country's oldest institutions in the banking sector. It currently operates with a network of 8 branches across the country.

Clock Tower,
Muscat

Statement of Internal Control

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievements of the Bank's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. Management assumes the responsibility of establishing and maintaining adequate internal controls and procedures under the policies approved by the Board. In this connection the Bank has documented Procedures and Manuals, which incorporate the internal controls applicable while conducting any banking transactions. These procedures are revised and updated as and when required.

The Internal Audit Group (IAG) of the Bank reviews the adequacy and implementation of internal controls on a regular basis and deficiencies if any are followed up until they are rectified. Quarterly updates on unresolved significant issues highlighted by the IAG are reviewed by the Audit Committee of the Board of Directors together with the recommendations for improvements.

The system of internal control is designed to minimise the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance against material misstatements or loss. The system of internal controls being followed by the Bank is considered adequate and sound in design and is being effectively implemented and monitored.

HBL is in compliance with the requirements and timelines of the Staged Roadmap for implementation of the State Bank of Pakistan (SBP) Internal Control Guidelines. The Bank has adopted internationally accepted COSO Internal Control – Integrated Framework for overall set of Internal Controls and is submitting quarterly status reports on the progress of the Bank's compliance with the Internal Controls over Financial Reporting (ICFR) based on the roadmap issued vide BSD Circular dated February 24, 2009, duly approved by the Board Audit Committee. The External Auditors of the Bank completed the Long Form Report on the Bank's internal controls as of September 30, 2012, which was submitted to SBP in January 2013. In light of SBP instructions, the Long Form Report as of December 31, 2013, is to be submitted latest by June 30, 2014.

Faisal Anwar
Chief Compliance Officer

Ayaz Ahmed
Chief Financial Officer

Salim Amlani
Chief Internal Auditor

Sri Lanka

HBL has been operating in Sri Lanka since 1951 with its network of 3 branches in Colombo and Kalmunai.

Galle Lighthouse,
Galle

Review Report

To the Members, Statement of Compliance with the best practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2013 prepared by the Board of Directors of Habib Bank Limited (the Bank) to comply with the Listing Regulations of the respective stock exchanges, where the Bank is listed.

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

As part of our audit of 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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, effective for the year ended 31 December 2013.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: February 27, 2014
Karachi

Bangladesh

HBL has been operating in Bangladesh since 1976. The Bank offers a wide range of services with its network of 7 branches across Dhaka, Chittagong and Sylhet.

Parliament House, Dhaka

Statement of Compliance

With the best practices of the Code of Corporate Governance for the year ended December 31, 2013

This Statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 35 of the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a Listed Company is managed in compliance with the best practices of corporate governance.

The Board has adopted the Code and applies the principles in the following manner:

- The Board comprises of eight Directors of which one Director is an executive Director appointed under Section 200(2) of the Companies Ordinance 1984 being the Chief Executive Officer of the Company. The remaining Directors are all non-executive Directors of which three Directors are categorised as Independent Directors.
- The Directors have confirmed that none of them is serving as a Director in more than seven listed companies.
- All the resident Directors have confirmed that they are registered taxpayers and none of them have defaulted in the payment of any loans to a banking company, a development financial institution or non-banking finance company or stock exchange.
- The Board of Directors of Habib Bank Limited was elected in 2012 for a three-year term which will expire on March 26, 2015.
- The Board currently has one casual vacancy, which as represented by the Ministry of Finance, is to be filled under Section 183 of the Companies Ordinance, 1984.
- The Board has adopted a vision / mission statement, overall corporate strategy and significant policies of the Bank. The Bank maintains a complete record / log of all policies alongwith the dates on which these were approved or amended including the dates when these are required to be updated.
- All the major decisions relating to investment and disinvestment of funds are taken in accordance with the policies laid down by the Board of Directors.
- The Board of Directors has approved the appointment, remuneration and terms and conditions of employment of the Chief Executive Officer.
- All meetings of the Board of Directors were chaired by Mr. Sultan A. Allana, Chairman of the Board. The Board met six times during the year and closely monitored the Company's performance. The Committees of the Board also met regularly during the year. Written notices of the Board meetings, alongwith agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated. The Chief Financial Officer and the Company Secretary also attended the meetings of the Board.
- As the Directors had undergone training with the Institute of Directors, UK at the onset of their Term on the Board, this year no training was planned. However, an orientation for the new Directors joining the Board was organised.
- The Board has approved the appointments of the Chief Financial Officer, Head of Internal Audit and Company Secretary including their remuneration and terms and conditions of their employment.
- The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The Directors' Chief Executive Officer and Executives do not hold any interest in the shares of the Bank, except as mentioned in the Pattern of Shareholding.
- The Bank has circulated the Code of Ethics and Business Conduct, which has been approved by the Board of Directors. The same has been placed on the HBL website.

- The Chief Executive Officer and Chief Financial Officer have duly endorsed the financial statements of the Bank before its approval by the Board.

- The Bank has complied with the applicable corporate and financial reporting requirements of the Code.

- The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan and the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan. The Auditors have also confirmed that they or any of the partners of the firm, their spouses and minor children do not hold any shares in the Bank.

- The Statutory Auditors or the persons associated with them have not been appointed to provide services other than approved services and the Auditors have confirmed that they have observed IFAC guidelines in this regard.

- The Board Audit Committee comprises of three members, all of whom are non-executive Directors including the Chairman of the Committee. The Board Risk Management Committee comprises of three members with a majority of non-executive Directors and the Chairman of the Committee is a non-executive Director. The Board HR and Remuneration Committee comprises of four members, of which three members are non-executive Directors. The Chairman of the HR and Remuneration Committee is a non-executive Director.

- An effective Internal Audit Group is in place. The Head of Internal Audit reports directly to the Board Audit Committee.

- The Audit Committee met four times during the year 2013. On the recommendation of the Audit Committee, the Board approves the Financial Statements of the Company. The Terms of Reference of the Audit Committee have been formulated and approved by the Board.

- The other Board Committees met as follows:
  i. Board Risk Management Committee four times in the year.
  ii. Board Human Resource and Remuneration Committee six times in the year.

- The Company confirms that all other material principles contained in the Code have been complied with.

- The 'Closed period' prior to announcement of interim / final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to Directors, employees and stock exchanges.

- Material / price sensitive information has been disseminated among all market participants at once through the stock exchanges.

This Statement of Compliance with best practices of corporate governance is being published and circulated alongwith the Annual Report of the Bank.

For and on behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
February 27, 2014

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report

To the members - Consolidated

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Habib Bank Limited ("the Bank") and its subsidiary companies as at 31 December 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions / conclusions on the financial statements of Habib Bank Limited and its subsidiary companies namely HBL Asset Management Limited, First Habib Bank Modaraba and HBL Currency Exchange (Private) Limited.The financial statements of remaining subsidiary companies were audited / reviewed by other firms of Chartered Accountants whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors.The financial statements of Habib Bank Financial Services (Private) Limited are unaudited.

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Habib Bank Limited and its subsidiary companies as at 31 December 2013 and the results of their operations for the year then ended.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: February 27, 2014
Karachi

Consolidated Statement of Financial Position

As at December 31, 2013

2013 (US $ in '000)	2012 (Restated)		Note	2013 (Rupees in '000)	2012 (Restated)
		ASSETS			
1,286,278	1,492,809	Cash and balances with treasury banks	5	135,476,687	157,229,517
544,429	455,544	Balances with other banks	6	57,341,769	47,980,032
334,884	235,731	Lendings to financial institutions	7	35,271,477	24,828,255
7,843,014	7,567,981	Investments	8	826,062,308	797,094,548
5,352,033	4,745,500	Advances	9	563,700,737	499,817,906
244,068	224,376	Operating fixed assets	10	25,706,315	23,632,324
48,451	57,503	Deferred tax asset	11	5,103,072	6,056,483
632,416	511,138	Other assets	12	66,609,013	53,835,409
16,285,573	15,290,582			1,715,271,378	1,610,474,474
		LIABILITIES			
184,404	179,855	Bills payable	13	19,422,316	18,943,207
1,024,114	1,866,498	Borrowings	14	107,864,424	196,588,138
13,303,918	11,535,422	Deposits and other accounts	15	1,401,229,814	1,214,963,700
25,000	51,656	Sub-ordinated loan	16	2,633,115	5,440,654
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Deferred tax liability		-	-
395,801	396,954	Other liabilities	17	41,687,455	41,809,119
14,933,237	14,030,385			1,572,837,124	1,477,744,818
1,352,336	1,260,197	**NET ASSETS**		142,434,254	132,729,656
		REPRESENTED BY:			
		Shareholders' equity			
126,609	115,099	Share capital	18	13,335,023	12,122,748
413,487	373,886	Reserves		43,550,373	39,379,354
700,206	638,171	Unappropriated profit		73,748,915	67,215,111
1,240,302	1,127,156	Total equity attributable to the equity holders of the Bank		130,634,311	118,717,213
17,908	11,652	Non-controlling interest		1,886,116	1,227,207
94,126	121,389	Surplus on revaluation of assets - net of deferred tax	19	9,913,827	12,785,236
1,352,336	1,260,197			142,434,254	132,729,656
		CONTINGENCIES AND COMMITMENTS	20 & 21		

The annexed notes 1 to 49 and annexures I to V form an integral part of these consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2013

2013	2012 (Restated)		Note	2013	2012 (Restated)
(US $ in '000)				(Rupees in '000)	
1,141,450	1,108,693	Mark-up / return / profit / interest earned	22	120,222,773	116,772,653
619,106	560,291	Mark-up / return / profit /interest expensed	23	65,207,109	59,012,392
522,344	548,402	Net mark-up / profit / interest income		55,015,664	57,760,261
15,217	68,777	Provision against loans and advances	9.3	1,602,738	7,243,887
213	67	Charge against off-balance sheet obligations	17.1	22,427	7,015
(2,139)	(4,594)	Reversal against diminution in the value of investments	8.7	(225,306)	(483,865)
-	-	Bad debts written off directly		-	-
13,291	64,250			1,399,859	6,767,037
509,053	484,152	Net mark-up / profit / interest income after provisions		53,615,805	50,993,224
		Non mark-up / interest income			
78,725	64,426	Fee, commission and brokerage income		8,291,686	6,785,687
7,210	4,654	Dividend income		759,345	490,213
16,952	16,047	Share of profit of associates and joint venture		1,785,462	1,690,100
21,829	24,383	Income from dealing in foreign currencies		2,299,131	2,568,079
21,969	12,918	Gain on sale of securities	24	2,313,847	1,360,596
(122)	240	Unrealised (loss)/gain on held for trading securities	8.13	(12,815)	25,253
36,901	28,865	Other income	25	3,886,624	3,040,178
183,464	151,533	Total non mark-up / interest income		19,323,280	15,960,106
692,517	635,685			72,939,085	66,953,330
		Non mark-up / interest expense			
342,842	288,451	Administrative expenses	26	36,109,857	30,381,020
(459)	2,638	Other provisions / write offs - net	12.1	(48,390)	277,848
220	174	Other charges	27	23,175	18,285
6,847	6,783	Workers Welfare Fund	28	721,115	714,420
349,450	298,046	Total non mark-up / interest expenses		36,805,757	31,391,573
343,067	337,639	**Profit before taxation**		36,133,328	35,561,757
		Taxation	29		
100,737	121,649	- current		10,610,047	12,812,589
(1,116)	3,999	- prior years		(117,510)	421,210
24,816	(4,403)	- deferred		2,613,696	(463,640)
124,437	121,245			13,106,233	12,770,159
218,630	216,394	**Profit after taxation**		23,027,095	22,791,598
		Attributable to:			
217,073	215,447	Equity holders of the Bank		22,863,123	22,691,922
(718)	(533)	Non-controlling interest		(75,652)	(56,174)
2,275	1,480	Minority investor of HBL Funds		239,624	155,850
218,630	216,394			23,027,095	22,791,598
				----------Rupees----------	
		Basic and diluted earnings per share	30	17.15	17.02

The annexed notes 1 to 49 and annexures I to V form an integral part of these consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2013

2013 (US $ in '000)	2012 (Restated)		2013 (Rupees in '000)	2012 (Restated)
218,630	216,394	**Profit for the year**	23,027,095	22,791,598
		Other comprehensive income		
(2,275)	(1,480)	Minority share of HBL funds transferred to other liabilities	(239,624)	(155,850)
		Items to be reclassified to profit or loss in subsequent periods:		
19,679	48,449	Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	2,072,653	5,102,885
		Items not to be reclassified to profit or loss in subsequent periods:		
(978)	(5,422)	Effect of actuarial gains and losses - net of tax	(103,025)	(571,053)
235,056	257,941	**Comprehensive income transferred to equity**	24,757,099	27,167,580
		Components of comprehensive income not reflected in equity		
		Items to be reclassified to profit or loss in subsequent periods:		
(26,684)	31,666	(Deficit) / surplus on revaluation of investments - net of tax	(2,810,482)	3,335,125
		Items not to be reclassified to profit or loss in subsequent periods:		
-	14,197	Surplus on revaluation of fixed assets - net of tax	-	1,495,301
208,372	303,804		21,946,617	31,998,006
		Total comprehensive income attributable to:		
207,599	303,765	Equity holders of the Bank	21,865,245	31,993,919
450	(496)	Non-controlling interest	47,387	(52,260)
323	535	Minority investor	33,985	56,347
208,372	303,804		21,946,617	31,998,006

The annexed notes 1 to 49 and annexures I to V form an integral part of these consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2013

	Attributable to shareholders of the Bank							Non-controlling interest	Total
	Share capital	Reserves					Sub Total		
		Exchange translation reserve	Statutory reserves		Revenue reserves				
			Joint venture and subsidiaries	Bank	General	Unappropriated profit			
	(Rupees in '000)								
Balance as at December 31, 2011 (As previously reported)	11,020,680	9,887,221	300,424	15,884,298	6,073,812	56,980,697	100,147,132	1,236,290	101,383,422
Effect of retrospective change in accounting policy as referred in note no. 4.1.1	-	-	-	-	-	(172,909)	(172,909)	-	(172,909)
Balance as at December 31, 2011 - Restated	11,020,680	9,887,221	300,424	15,884,298	6,073,812	56,807,788	99,974,223	1,236,290	101,210,513
Total comprehensive income for the year									
Profit for the year ended December 31, 2012 - Restated	-	-	-	-	-	22,847,772	22,847,772	(56,174)	22,791,598
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(155,850)	(155,850)	-	(155,850)
- Other comprehensive income									
Effect of retrospective change in accounting policy as referred in note no. 4.1.1	-	-	-	-	-	(571,053)	(571,053)	-	(571,053)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	5,024,599	-	-	-	-	5,024,599	78,286	5,102,885
	-	5,024,599	-	-	-	22,120,869	27,145,468	22,112	27,167,580
Transactions with owners, recorded directly in equity									
Final cash dividend paid at Rs. 4 per share for the year ended December 31, 2011	-	-	-	-	-	(4,408,272)	(4,408,272)	-	(4,408,272)
Half year interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	(4,242,962)	(4,242,962)	-	(4,242,962)
Cash dividend paid at Rs. 1.475 per certificate by modaraba	-	-	-	-	-	-	-	(52,713)	(52,713)
Issued as bonus shares	1,102,068	-	-	-	-	(1,102,068)	-	-	-
	1,102,068	-	-	-	-	(9,753,302)	(8,651,234)	(52,713)	(8,703,947)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	248,756	248,756	-	248,756
Transferred to statutory reserve	-	-	52,583	2,156,417	-	(2,209,000)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	21,518	21,518
Balance as at December 31, 2012 - Restated	12,122,748	14,911,820	353,007	18,040,715	6,073,812	67,215,111	118,717,213	1,227,207	119,944,420
Total comprehensive income for the year									
Profit for the year ended December 31, 2013	-	-	-	-	-	23,102,747	23,102,747	(75,652)	23,027,095
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(239,624)	(239,624)	-	(239,624)
- Other comprehensive income									
Effect of actuarial gain and losses	-	-	-	-	-	(103,025)	(103,025)	-	(103,025)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	1,946,186	-	-	-	-	1,946,186	126,467	2,072,653
	-	1,946,186	-	-	-	22,760,098	24,706,284	50,815	24,757,099
Transactions with owners, recorded directly in equity									
Final Cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	-	(4,849,099)	(4,849,099)	-	(4,849,099)
1st interim cash dividend paid at Rs. 4 per share	-	-	-	-	-	(5,334,009)	(5,334,009)	-	(5,334,009)
2nd interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	(2,667,005)	(2,667,005)	-	(2,667,005)
Cash dividend at Rs. 1.475 per certificate by modaraba	-	-	-	-	-	-	-	(52,713)	(52,713)
Issued as bonus shares	1,212,275	-	-	-	-	(1,212,275)	-	-	-
	1,212,275	-	-	-	-	(14,062,388)	(12,850,113)	(52,713)	(12,902,826)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	60,927	60,927	-	60,927
Transferred to statutory reserve	-	-	33,784	2,191,049	-	(2,224,833)	-	-	-
Non-controlling interest acquired in HAIB during the period	-	-	-	-	-	-	-	664,235	664,235
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(3,428)	(3,428)
Balance as at December 31, 2013	13,335,023	16,858,006	386,791	20,231,764	6,073,812	73,748,915	130,634,311	1,886,116	132,520,427

The annexed notes 1 to 49 and annexures I to V form an integral part of these consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2013

2013 (US $ in '000)	2012 (Restated)		Note	2013 (Rupees in '000)	2012 (Restated)
		CASH FLOWS FROM OPERATING ACTIVITIES			
343,067	337,640	Profit before taxation		36,133,328	35,561,757
(24,162)	(20,701)	Dividend income and share of profit of associates and joint venture		(2,544,807)	(2,180,313)
(21,969)	(12,918)	Gain on sale of securities		(2,313,847)	(1,360,596)
(46,131)	(33,619)			(4,858,654)	(3,540,909)
296,936	304,021			31,274,674	32,020,848
		Adjustment for:			
14,541	13,494	Depreciation		1,531,558	1,421,212
2,610	757	Amortisation		274,850	79,704
(2,139)	(4,594)	Reversal against diminution in the value of investments		(225,306)	(483,865)
15,217	68,777	Provision against loans and advances		1,602,738	7,243,887
122	(240)	Unrealised loss / (gain) on held for trading securities		12,815	(25,253)
1,472	1,693	Exchange loss on sub-ordinated loan / Goodwill - net		155,057	178,325
(522)	293	(Gain) / loss on sale of operating fixed assets - net		(55,030)	30,821
131	(453)	Loss / (gain) on sale of non-banking asset - net		13,756	(47,707)
(247)	2,705	Miscellaneous provisions		(25,963)	284,863
31,185	82,432			3,284,475	8,681,987
328,121	386,453			34,559,149	40,702,835
		(Increase) / decrease in operating assets			
(99,153)	159,059	Lendings to financial institutions		(10,443,222)	16,752,774
(33,022)	(259,410)	Investments - held for trading		(3,477,986)	(27,322,283)
(621,750)	(471,819)	Advances		(65,485,569)	(49,694,137)
(88,062)	(85,198)	Other assets		(9,275,128)	(8,973,417)
(841,987)	(657,368)			(88,681,905)	(69,237,063)
		Increase / (decrease) in operating liabilities			
4,549	47,935	Bills payable		479,109	5,048,705
(842,384)	1,491,645	Borrowings		(88,723,714)	157,106,878
1,768,496	2,671,097	Deposits and other accounts		186,266,114	281,332,175
1,154	24,137	Other liabilities		121,221	2,542,170
931,815	4,234,814			98,142,730	446,029,928
417,949	3,963,899			44,019,974	417,495,700
(133,059)	(125,300)	Income tax paid - net		(14,014,343)	(13,197,145)
284,890	3,838,599	**Net cash flows from operating activities**		30,005,631	404,298,555
		CASH FLOWS FROM INVESTING ACTIVITIES			
(243,221)	(3,253,541)	Net investments		(25,617,126)	(342,677,896)
6,904	4,651	Dividend income received		727,194	489,850
(35,402)	(38,787)	Fixed capital expenditure		(3,728,668)	(4,085,247)
-	(1,847)	Goodwill		-	(194,483)
818	1,716	Proceeds from sale of fixed assets		86,173	180,783
555	760	Proceeds from sale of non-banking asset		58,500	80,000
18,478	47,706	Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates		1,946,186	5,024,599
(251,868)	(3,239,342)	**Net cash flows used in investing activities**		(26,527,741)	(341,182,394)
		CASH FLOWS FROM FINANCING ACTIVITIES			
1,201	743	Exchange adjustment on translation of non-controlling interest in subsidiary		126,467	78,286
(29,865)	-	Repayment of subordinated loan		(3,145,470)	-
(122,004)	(82,925)	Dividend paid		(12,849,980)	(8,734,026)
(150,668)	(82,182)	**Net cash flows used in financing activities**		(15,868,983)	(8,655,740)
(117,646)	517,075	(Decrease) / increase in cash and cash equivalents during the year		(12,391,093)	54,460,421
1,847,135	1,353,212	Cash and cash equivalents at beginning of the year		194,548,738	142,526,488
101,218	78,066	Effects of exchange rate changes on cash and cash equivalents		10,660,811	8,222,640
1,948,353	1,431,278			205,209,549	150,749,128
1,830,707	1,948,353	**Cash and cash equivalents at end of the year**	31	192,818,456	205,209,549

The annexed notes 1 to 49 and annexures I to V form an integral part of these consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's Registered office is at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad and Principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on all three stock exchanges in Pakistan. The Bank operates 1,546 (2012: 1,497) branches inside Pakistan including 38(2012: 33) Islamic Banking Branches and 48 branches (2012: 43) outside the country including Karachi Export Processing Zone (KEPZ).

Holding company

Habib Bank Limited, Pakistan

Subsidiaries

- Habib Finance International Limited, Hong Kong – wholly owned
- Habib Bank Financial Services (Private) Limited, Pakistan – wholly owned
- HBL Currency Exchange (Private) Limited, Pakistan – wholly owned
- HBL Asset Management Limited, Pakistan – wholly owned
- Habib Allied International Bank Plc., United Kingdom – shareholding at 88.07%
- Habibsons Bank Limited, United Kingdom – shareholding at 88.07%
- First Habib Bank Modaraba, Pakistan
- HBL Stock Fund, Pakistan – shareholding 81.57%
- HBL Multi Asset Fund, Pakistan - shareholding 86.33%
- HBL Income Fund, Pakistan - shareholding 67.97%

The subsidiary company of the Bank, Habib Bank Financial Services (Private) Limited exercises control over Habib Bank Modaraba as its management company and also has a direct economic interest in it. The Bank has consolidated the financial statements of the modaraba as the ultimate holding company. Habibsons Bank Limited is wholly owned subsidiary of Habib Allied International Bank Plc.

The Board of Directors of Habib Bank Financial Services (Private) Limited, the management company of First Habib Bank Modaraba, in their meeting held on January 15, 2014 have decided to take necessary steps for voluntary winding up of First Habib Bank Modaraba under Companies Ordinance, 1984. The decision has been communicated to all three stock exchanges in Pakistan and Securities and Exchange Commission of Pakistan and necessary winding up steps are underway. Accordingly, statement of financial position and profit and loss account have been separately disclosed in "Annexure V" of these consolidated financial statements.

The Bank's subsidiary, Habib Allied International Bank Plc, UK has issued 750,000 new ordinary shares to the minority investor and consequently, the shareholding of the Bank is diluted to 88.07% from 90.5% .

2 BASIS OF PRESENTATION

- In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- The US Dollar amounts shown in the consolidated financial statements are stated solely for information convenience. The statement of consolidated financial position and profit and loss account for the year ended December 31, 2013 and 2012 have been converted using the exchange rate of Rs. 105.3246 per US Dollar.

2.1 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except that certain classes of fixed assets are stated at revalued amounts less accumulated depreciation, trading and available for sale investments, derivative financial instruments and forward foreign exchange contracts are measured at fair value.

The consolidated financial statements are presented in Pakistan Rupees, which is Bank's functional currency. The amounts are rounded to nearest thousand.

2.2 Basis of consolidation

- Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain economic benefits from its activities.

- The consolidated financial statements incorporate the financial statements of the Bank and the financial statements of subsidiary companies from the date that control commences until the date that control ceases. The financial statements of such subsidiary companies are incorporated on a line-by-line basis and the investment held by the Bank is eliminated against the corresponding share capital of subsidiaries in the consolidated financial statements.
- Material intra-group balances and transactions are eliminated.
- Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Associates and joint ventures are accounted for using the equity method.

2.3 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Classification of investments (refer 4.4)
ii) Valuation and impairment of available for sale equity investments and associates (refer 4.13)
iii) Provision against non performing advances (refer 4.5)
iv) Fixed assets, depreciation and amortisation (refer 4.6)
v) Fair value of derivatives (refer 4.18)
vi) Defined benefits plans and other benefits (refer 4.9)

2.3.1 Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

3 STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP and Securities and Exchange Commission of Pakistan (SECP). Whenever the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the said directives shall prevail.

The SBP, vide its BSD Circular Letter No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, the SECP has deferred applicability of IFRS - 7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated April 28, 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 the SBP through various circulars.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after period mentioned below:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after January 1, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this IFRIC is not likely to have a significant impact on the Group's financial position.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment affects presentation only and has no material impact on the Group's financial position.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after January 1, 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendment has no material impact on the Group's financial position.

- Amendments in IAS 32 Financial Instruments: "Presentation Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014). These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the Statement of financial position. It is clarified that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. Further clarifying offsetting criteria to settlement systems, the IAS 32 requires the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. These amendments are likely to affect presentation of assets and liabilities in the Group's financial position.

- IFAS 3 – "Profit and Loss Sharing on Deposits" (effective for annual periods beginning on or after June 12, 2013). The standard mainly requires presenting all the remunerative deposits of Islamic banking (IB) as redeemable capital and to disclose the bases applied by IB in the allocation of profits between owners' equity and Profit and loss account holders, bases applied by the IB for charging expenses to profit and loss account holders and for charging of provisions, such as provision for non performing accounts, provisions on impairment etc and the parties to whom they revert once they are no longer required. The standard also requires disclosing the Incentive profit, concentration of resources of profit and loss deposits, maturity profile and sources of finance. This standard would result in certain changes in disclosures on financial statements of the Group.

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

	IASB Effective date (annual periods beginning Standard on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 CHANGE IN ACCOUNTING POLICIES

4.1.1 ACCOUNTING FOR EMPLOYEE BENEFITS - IAS19

The IAS 19 (Employee Benefit) has been revised effective January 01, 2013. The revised IAS 19 amends the accounting for defined benefit plans and actuarial gains and losses that are now required to be recognized in other comprehensive income (OCI) and permanently excluded from profit and loss. Unvested past service cost is to be recognized in profit and loss when amendment occurs. Previously the actuarial gains and losses were recognised in profit and loss account and past service cost were recognised over the vesting period.

Effect of retrospective change in accounting policy are as follows:

	2012	2011
	(Rupees in '000)	
Impacts on Financial Position		
(Decrease)/ increase in defined benefit obligation - net of tax	(10,788)	172,909
Increase/ (decrease) in unappropriated profit	10,788	(172,909)

	2013	2012
	(Rupees in '000)	
Impacts on Profit and Loss		
Decrease in defined benefit obligation - net of tax	117,687	1,062,239
Basic and diluted earnings per share	0.09	0.80
Impacts on Other Comprehensive Income		
Actuarial losses on defined benefit plans - net of tax	(103,025)	(571,053)

4.1.2 EFFECT OF IJARAH TRANSACTIONS

During the year, the Group has changed its accounting policy in respect of recognition of Ijarah income, depreciation and impairment of Ijarah assets.

As per the new accounting policy, Ijarah income is recognized over a lease term on a systematic basis which takes into account the effective yield on Ijarah assets and represents the pattern of benefits derived from the use of Ijarah assets. Previously, Ijarah income was recognized as and when Ijarah rentals becomes due.

Further, the Group has also revised its policy with regard to the recognition of impairment loss on expected sale of the Ijarah assets and the determination of depreciable amount and its allocation over the lease term. Under the new policies, the depreciable amount of an Ijarah asset is determined after taking into account the unilateral commitment given by the customer to purchase the Ijarah assets at the expiry of the lease term. The depreciable amount so determined is allocated to the lease term using a reducing balance method to match with the pattern of Ijarah income.

Previously the depreciable amount of Ijarah assets were determined without taking into account the unilateral commitment from the customer for the purchase of Ijarah assets at the end of the lease term and the said unilateral commitment was recognized as impairment over the lease term.

The above revision in accounting policies are in line with the requirement of IFAS 2 "Ijarah" and IAS 16 "Property, Plant and Equipment" and the Group believes that the same would result in better presentation about the effects of the Ijarah transactions on the Group's financial position and financial performance. The above change in accounting policies did not have any material effect on the overall financial position and the net profit for the current and prior years.

4.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury and other banks in current and deposit accounts.

4.3 Lendings / borrowings (reverse repo / repo)

Where securities are sold subject to a commitment to re-purchase them at a pre-determined price, they remain on the statement of financial position and a liability is recorded in respect of the consideration received in “borrowings”. Conversely, securities purchased under analogous commitments to resell are not recognized on the statement of financial position and the consideration paid is recorded in "lendings to financial institutions".

The difference between the sale and purchase price is recognized as mark-up / return expensed or earned on time proportion basis as the case may be.

4.4 Investments

The Group classifies its investment portfolio into the following categories:

Held-for-trading

These are securities, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term trading exists.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

Investments, including those referred to in para above, are accounted for as follows:

- Quoted securities are carried at fair value.
- Unquoted equity securities are valued at lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.
- Securities classified as held-to-maturity are carried at amortised cost less impairment loss if any.

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 those categorised as held for trading includes transaction costs associated with the investments. In case of investments classified as held for trading, transaction costs are expensed in the profit and loss account.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the SBP.

Any unrealized surplus / deficit arising on revaluation of investments classified as 'held-for-trading' are taken to the profit and loss account and unrealized surplus / deficit arising on revaluation of investments classified as 'available-for-sale' is taken directly to "surplus / deficit on revaluation of securities" in the statement of financial position.

Investment in associates / joint venture

Associates and joint venture are accounted for using the equity method of accounting. Under the equity method, the investment is initially recongized at cost and the carrying amount is increased/decreased to recognize the investor's share of the profit and loss / reserve of the investee subsequent to the date of acquisition.

4.5 Advances

Advances are stated net of provision against non-performing advances. Provision against non-performing advances of Pakistan operations and domestic subsidiaries, including general provision is made in accordance with the requirements of the prudential regulations issued by the SBP. Provision against non-performing advances of overseas branches and subsidiary companies are made as per the requirements of the respective regulatory regimes. Advances are written off when there are no realistic prospects of recovery in accordance with the requirements of the prudential regulations issued by the SBP or the requirements of respective regulatory regimes.

Fully provided non-performing advances placed in 'loss' category for more than three years (previously five years), and where chances of recovery is remote, are transferred to a separate category along with its related provision for monitoring purposes. The net impact of this transfer in the statement of financial position and the profit and loss account is Nil (2012: Nil). The aggregate amount of non-performing advances and the related provision transferred to a separate category amounted to Rs. 24.352 billion (2012: Rs. 18.622 billion). Analysis of the movement of Rs. 5.73 billion is disclosed in note 9.3 to the financial statements. These non-performing advances and related provision are not included in analytical break-ups in other notes to the financial statements.

Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Net investment in finance lease is included in advances to customers.

Ijarah

Assets given on Ijarah, after taking into account the estimated residual value, are stated at cost less accumulated depreciation using reducing balance method over the Ijarah term. The residual value of an Ijarah asset is determined after taking into account the unilateral commitment given by the customer to purchase the Ijarah assets at the expiry of Ijarah term. Impairment of the Ijarah assets is recognized only upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceeds its recoverable amount. The residual value of the Ijarah asset is the estimated amount which could obtain from the disposal of assets as defined in para 6 IAS 16 – Property, Plant and Equipment.

These Ijarah are shown under advances and further analysis is provided in "Annexure V" of these consolidated financial statements.

4.6 Operating fixed assets and depreciation

4.6.1 Tangible

Fixed assets and capital work-in-progress, are stated at cost, except for land and buildings which are carried at revalued amount less accumulated depreciation, where applicable, and accumulated impairment losses (if any).

Cost of fixed assets of foreign branches and subsidiary companies include exchange differences arising on translation at year-end rates. 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. Surplus arising on revaluation is credited to the 'surplus on revaluation of fixed assets' account (net of deferred tax). Under the provision of the Companies Ordinance, 1984, deficit arising on revaluation of fixed assets is adjusted against the balance in the above surplus account.

Surplus on revaluation of fixed assets to the extent of the incremental depreciation charged on the related assets is transferred by the Bank to un-appropriated profits (net of deferred tax).

All operating assets are being depreciated over their expected useful lives using the straight-line method from the date the assets are available for use.

Depreciation is calculated so as to write-off the assets over their expected useful lives at the rates specified in note 10.3 to these consolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each date of statement of financial position.

Depreciation on addition and deletion of tangible assets during the year is charged in proportion to the period of use.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred. However, renewals are capitalized.

Gains or losses arising on the disposal of fixed assets are included in income currently. Surplus on revaluation of fixed assets (net of deferred tax) realized on disposal and incremental depreciation during the year is transferred directly to un-appropriated profit.

4.6.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. Amortization is charged at the rate stated in note 10.2. Amortization on additions and deletions of intangible assets during the year is charged in proportion to the period of use. The useful lives and amortization method are reviewed and adjusted, if appropriate at each date of statement of financial position. Intangible assets having an indefinite useful life are stated at acquisition cost less impairment, if any.

4.6.3 Goodwill

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. Goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirements of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognized in the profit and loss account.

4.7 Borrowings / deposits

a) Borrowings / deposits are recorded at the proceeds received.

b) The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

4.8 Sub - Ordinated Loan

Sub-ordinated loan is initially recorded at the amount of proceeds received. Mark-up accrued on sub-ordinated debt is charged to the profit and loss account.

4.9 Employee benefits

The Bank operates the following schemes for its employees:

i) Approved Pension Fund (Defined benefit scheme)

For those who opted for pension scheme introduced in 1977, the Bank operates a pension scheme to its executives / officers and clerical employees. However, for the executives / officers this benefit is based on the salary and services as at March 31, 2005. The Provident Fund and Gratuity benefit were offered to such executives / officers in respect of the future service after that date. Last year, the Bank shifted the gross pension calculation basis to the last drawn basic salary at the time of retirement. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

ii) Approved Gratuity Fund (Defined benefit scheme)

For those who did not opt for pension scheme introduced in 1977 and opted for Gratuity scheme instead and for the new employees hired on or after 01.01.2002, the Bank operates approved gratuity scheme. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

iii) Provident Fund (Defined contributory scheme)

Under this scheme, both employees and the Bank contributes to the fund.

iv) Benevolent Fund (Defined contributory scheme)

The Bank operates funded benevolent schemes for its executives / officers and clerical employees. Under this scheme, the employees of the Bank are entitled to receive defined grants / facilities during their service and after retirement. The benevolent fund plan covers all the employees of the Bank. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

v) Post Retirement Medical Benefits

The Bank also provides post retirement medical benefits to its officers/executives and clerical employees retiring before December 31, 2005. The employees under officers and executives cadre are entitled to receive lump sum payments in lieu of post retirement medical facilities as a full and final settlement, effective January 01, 2006 onwards. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

vi) Compensated Absences

The Bank also makes provision in the financial statements for its liabilities towards compensated absences. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

vii) Other Post Retirement Benefits

The scheme offers a maximum of six months' benefits to executives retiring after completing 25 years of service. However in case of death of an executive, the house rent benefit is paid for one year. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

Actuarial gain / loss

Actuarial gain / loss arise out of differences between actuarial assumptions and actual experience are recognized in other comprehensive income when they occur except for re-measurement of liability of compensated absences which is recognised in profit or loss.

Past Service Cost

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognise past service cost as an expense when the plan amendment or curtailment occurs and when the Bank recognises related restructuring costs or termination benefits whichever is earlier.

Other schemes

Employee benefits offered by subsidiary companies are as follows:

Habib Allied International Bank Plc. United Kingdom	Defined Contribution Pension scheme
Habibsons Bank Limited, United Kingdom	Defined Contribution Pension scheme
Habib Finance International Limited, Hong Kong	Provident fund and long service payment scheme

4.10 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to Pakistani rupees at the exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the date of statement of financial position. The fair value of forward cover taken from the SBP for foreign currency deposits is added / deducted from value of foreign currency deposits. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

Foreign operations

The assets and liabilities of foreign operations are translated to Pakistani rupees at exchange rates prevailing at the date of statement of financial position. The income and expenses of foreign operations are translated at average rate of exchange for the year.

Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign operations i.e., foreign branches, subsidiaries, joint ventures or associates which are taken to equity under "Exchange Translation Reserve" and are recognized in profit or loss account on disposal.

Commitments

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

4.11 Revenue recognition

Advances and investments

Income on advances is recognized on a time proportion basis as per terms of contract. Debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortized through the profit and loss account over the remaining maturity, using the effective yield method.

Interest or mark-up / profit recoverable on classified advances and investments is recognized on receipt basis. Interest / mark-up / profit on rescheduled / restructured advances and investments is recognized as permitted by the regulations of the SBP or overseas regulatory authorities of countries where the branches / companies operate, except where in the opinion of the management it would not be prudent to do so.

Dividend income from investments (other than those which are accounted for under the equity method) is recognized when the right to receive it is established.

Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) 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. Repossessed vehicles on account of loan default are recorded in memorandum account.

Unrealized lease income is suspensed on classified leases, in accordance with the requirements of the Prudential Regulations of the SBP. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

Murabaha

Murabaha transactions are reflected as receivable at the invoiced amount. However, the profit on that sale revenue not due for payment is deferred by recording a credit to the "Deferred Murabaha Income" account.

Ijarah

Ijarah income is recognized over a lease term on a systematic basis which takes into account the effective yield on Ijarah assets and represents the pattern of benefits derived from the use of Ijarah assets.

Letters of credit and guarantees

Commission on letters of credit and guarantees etc. is recognized on time proportion basis.

Customer Loyalty Programmes

The revenue from award credits for loyalty points earned on use of various products of the Group is measured by reference to their fair value and is recognised when award credits are redeemed.

Fee, Commission and Brokerage Income

Fee, Commission and Brokerage income is recognized on accrual basis

4.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity.

Current

Current taxation is the tax payable on taxable income earned from local as well as foreign operations for the year using tax rates enacted at the date of statement of financial position and, any adjustments to tax payable relating to prior years.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized on differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

4.13 Impairment

i) Available for sale equity securities

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

ii) Impairment in associates and subsidiaries

The Group considers that the decline in the recoverable value of the investment in associates and subsidiaries below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable amount falls below the carrying value and is charged to the profit and loss account. Subsequent reversal of impairment loss, upto the cost of the investment in associates and subsidiaries, is credited to the profit and loss account.

iii) Impairment in non-financial assets

The carrying amount of the Groups' assets (other than deferred tax asset) are reviewed at each date of statement of financial position to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account except for an impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not the exceed the revaluation surplus. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

4.14 Provision for guarantee claim

Provision for guarantee claim is recognized when intimated and reasonable certainty exists that the Group will settle the obligation. Expected recoveries are recognized by debiting customer's account. Charge to profit and loss account is stated net of expected recoveries.

4.15 Other provisions

Other provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each date of statement of financial position and are adjusted to reflect the current best estimate.

4.16 Off setting

Financial assets and financial liabilities are set-off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set-off and the Group intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

4.17 Financial Assets and Liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, bills payable, borrowings, deposits, sub-ordinated loans and certain other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the relevant policy notes.

4.18 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken directly to the profit and loss account.

4.19 Dividend distribution

Declarations of dividend to holders of the equity instruments of the Group are recognised as liability in the period in which it is approved.

4.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic and diluted earnings per share is calculated by dividing profit for the year attributable to equityholders of the Group by the weighted average number of ordinary shares outstanding during the year.

4.21 Share issuance cost

Share issuance cost directly attributable to issuance of shares, is recognized as deduction from the share premium account.

4.22 Segment reporting

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

Business segments

- *Retail Banking*

  Consists of retail lending, deposits and banking services to private individuals and small businesses including credit cards.

- *Corporate / Commercial*

  Consists of lendings for project finance, trade finance, corporate and commercial customers and investment banking, includes advices and placements to corporate mergers and acquisitions, underwriting, privatizations and securitization.

- *Treasury*

  Involves the businesses of proprietary trading, fixed income, equity and foreign exchanges.

- *International Banking*

  It represents Group's operations in overseas countries and is considered a separate segment for monitoring purposes.

- *Head Office*

  This includes balances held at Head Office level for regulatory requirements or other operational reasons and business segments not shown separately. This also includes statutory liquidity and shareholders equity related balances and their associated cost / income.

Geographical segments

The group operates in following geographic regions, being:

- Pakistan
- Asia Pacific (including South Asia)
- Europe
- North America
- Middle East
- Others

5. CASH AND BALANCES WITH TREASURY BANKS	Note	2013	2012
		(Rupees in '000)	
In hand including National Prize Bonds			
Local currency		19,514,276	20,759,210
Foreign currency		4,029,550	3,591,355
		23,543,826	24,350,565
With State Bank of Pakistan in			
Local currency current account	5.2	33,096,322	33,565,059
Foreign currency current account	5.2	5,270,462	4,996,232
Foreign currency deposit account	5.1 / 5.3	15,728,111	14,953,636
		54,094,895	53,514,927
With other Central Banks in			
Foreign currency current account	5.1 / 5.4	38,444,961	49,948,770
Foreign currency deposit account	5.1 / 5.4	3,172,913	13,723,506
		41,617,874	63,672,276
With National Bank of Pakistan in			
Local currency current account		**16,220,092**	**15,691,749**
		135,476,687	157,229,517

5.1 The above balances include remunerative accounts amounting to Rs. 35,182.789 million (2012: Rs. 62,144.813 million).

5.2 This represents current accounts maintained for Cash Reserve Requirement of the SBP.

5.3 This represents deposit accounts maintained for Special Cash Reserve Requirement of the SBP and US Dollar Settlement account maintained with the SBP. This carries mark-up at the annual rate of 0% (2012: 0%).

5.4 Balances held with the Central Banks of respective countries are in accordance with the requirements of the local statutory / regulatory requirements. Since, the Group operates in different countries, these carry varied mark-up rates as given by the Central Banks of respective countries.

6. BALANCES WITH OTHER BANKS	Note	2013	2012
		(Rupees in '000)	
In Pakistan			
On current account		775,657	526,832
On deposit account	6.1	2,781,035	402,282
		3,556,692	929,114
Outside Pakistan	6.2		
On current account		17,989,405	8,519,315
On deposit account		35,795,672	38,531,603
		53,785,077	47,050,918
		57,341,769	47,980,032

6.1 These deposit accounts carry annual markup rates ranging from 7.5% to 10% (2012: 8.5%).

6.2 This includes remunerative current account balance amounting to Rs. 886.323 million (2012: Rs. 743.075 million). Since, the Group operates in different countries, these carry varied mark-up rates as given by the external banks of respective countries.

7. LENDINGS TO FINANCIAL INSTITUTIONS	Note	2013	2012
		(Rupees in '000)	
7.1. **In local currency**			
Call money lendings	7.2.1	6,842,250	6,780,000
Repurchase agreement lendings (reverse repo)	7.2	28,429,227	18,048,255
		35,271,477	24,828,255

7.2 Securities held as collateral against lendings to financial institutions	Note	2013 Held by Group	2013 Further given as collateral	2013 Total	2012 Held by Group	2012 Further given as collateral	2012 Total
		(Rupees in '000)					
Market treasury bills	7.2.1	28,429,227	-	28,429,227	15,763,590	-	15,763,590
Pakistan investment bonds	7.2.1	-	-	-	2,284,665	-	2,284,665
		28,429,227	-	28,429,227	18,048,255	-	18,048,255

7.2.1 Market value of securities held as collateral against lendings to financial institutions as at December 31, 2013 amounted to Rs. 28,443.866 million (2012: Rs. 18,095.918 million). These carry annual mark-up rates ranging from 7.8% to 12.2% (2012: 7% to 9.75%) and 9.55% to 10.40% (2012: 6.5% to 9.5%) for call money lendings and repurchase agreement lendings respectively.

8. INVESTMENTS 8.1 Investments by type	Note	2013 Held by Group	2013 Given as collateral	2013 Total	2012 Held by Group	2012 Given as collateral	2012 Total
		(Rupees in '000)					
Held-for-trading (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		11,942,763	-	11,942,763	2,203,724	-	2,203,724
- Market Treasury Bills		23,209,005	-	23,209,005	28,676,723	-	28,676,723
Fully paid-up ordinary shares							
- Listed companies		5,878	-	5,878	31,195	-	31,195
Overseas Government Securities		300,135	-	300,135	348,908	-	348,908
Investments of Mutual Funds		128,241	-	128,241	847,486	-	847,486
		35,586,022	-	35,586,022	32,108,036	-	32,108,036
Held-to-Maturity Securities (HTM)	8.3						
Federal Government Securities							
- Pakistan Investment Bonds	8.8 - 8.10	36,957,274	-	36,957,274	43,323,255	-	43,323,255
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		738,666	-	738,666	764,005	-	764,005
Debentures and Corporate Debt Instruments / Units							
- Listed securities		15,981,315	-	15,981,315	18,925,557	-	18,925,557
- Unlisted securities		6,440,729	-	6,440,729	2,556,920	-	2,556,920
Overseas Government securities		20,237,949	-	20,237,949	16,522,872	-	16,522,872
		80,355,933	-	80,355,933	82,092,609	-	82,092,609
Available-for-Sale Securities (AFS)							
Federal Government Securities							
- Market Treasury Bills	8.8	533,321,012	48,151,773	581,472,785	405,856,222	157,998,809	563,855,031
- Pakistan Investment Bonds	8.8	50,570,687	-	50,570,687	46,136,502	-	46,136,502
- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	425,000
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		22,676,455	-	22,676,455	31,649,959	-	31,649,959
Overseas Government Securities		6,080,334	-	6,080,334	2,482,359	-	2,482,359
Fully paid-up ordinary shares							
- Listed companies		5,545,079	-	5,545,079	4,232,888	-	4,232,888
- Unlisted companies		772,840	-	772,840	769,510	-	769,510
Debentures and Corporate Debt Instruments / Units							
- Listed securities		22,942,991	2,163,371	25,106,362	12,488,366	-	12,488,366
- Unlisted securities		4,926,991	-	4,926,991	6,530,892	-	6,530,892
NIT Units		11,113	-	11,113	11,113	-	11,113
Preference shares		250,000	-	250,000	100,000	-	100,000
Investments of mutual funds		4,056,718	-	4,056,718	3,031,747	-	3,031,747
		651,579,220	50,315,144	701,894,364	513,714,558	157,998,809	671,713,367
Investment in Associates and Joint Venture	8.4	9,652,402	-	9,652,402	8,352,908	-	8,352,908
		777,173,577	50,315,144	827,488,721	636,268,111	157,998,809	794,266,920
Provision for diminution / impairment in the value of investments including associates	8.7	(1,532,339)	-	(1,532,339)	(1,755,518)	-	(1,755,518)
Net investment		775,641,238	50,315,144	825,956,382	634,512,593	157,998,809	792,511,402
(Deficit) / surplus on revaluation of held for trading securities	8.13	(12,815)	-	(12,815)	25,253	-	25,253
(Deficit) / surplus on revaluation of available for sale securities	19.2	98,900	(122,077)	(23,177)	4,655,074	(177,149)	4,477,925
Surplus on revaluation of investment of associates	19.2	141,918	-	141,918	79,968	-	79,968
Total investments at market value		775,869,241	50,193,067	826,062,308	639,272,888	157,821,660	797,094,548

8.2 Investments by segments

	Note	2013	2012
		(Rupees in '000)	
Federal Government Securities			
- Market Treasury Bills		604,681,790	592,531,754
- Pakistan Investment Bonds		99,470,724	91,663,481
- Government of Pakistan Guaranteed Bonds		425,000	425,000
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		23,415,121	32,413,964
Overseas Government Securities		26,618,418	19,354,139
Fully paid-up Ordinary Shares			
- Listed companies		5,550,957	4,264,083
- Unlisted companies		772,840	769,510
Debentures and Corporate Debt Instruments / Units			
- Listed securities		41,087,677	31,413,923
- Unlisted securities		11,367,720	9,087,812
Preference Shares		250,000	100,000
NIT Units		11,113	11,113
Investments of mutual funds		4,184,959	3,879,233
Investment in Associates and Joint Venture	8.4	9,652,402	8,352,908
		827,488,721	794,266,920
Less: Provision for diminution / impairment in the value of investments including associates	8.7	(1,532,339)	(1,755,518)
Net investment		825,956,382	792,511,402
(Deficit) / surplus on revaluation of held for trading securities	8.13	(12,815)	25,253
(Deficit) / surplus on revaluation of available for sale securities	19.2	(23,177)	4,477,925
Surplus on revaluation of investment of associates	19.2	141,918	79,968
		826,062,308	797,094,548

8.3 The market value of securities classified as "held-to-maturity" as at December 31, 2013 amounted to Rs. 81,284.503 million (2012: Rs. 84,153.250 million).

8.4 Investment in associates and joint venture company

	2013	2012
	(Rupees in '000)	
Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding - 18% (2012: 18%) - Unlisted		
Opening balance	719,649	561,913
Share of profit for the year - net of tax	165,580	145,716
Exchange translation reserve for the year	65,747	50,624
Dividend received during the year	(45,305)	(38,604)
	905,671	719,649
Diamond Trust Bank Kenya Limited - Holding - 11.91% (2012: 11.68%) - Listed		
Opening balance	2,904,447	2,000,634
Investment during the year	78,960	321,021
Share of profit for the year - net of tax	541,876	475,664
Surplus on investment / fixed assets	6,781	37,868
Exchange translation reserve for the year	190,736	109,388
Dividend received during the year	(56,284)	(40,128)
	3,666,516	2,904,447
Himalayan Bank Limited, Nepal, - Holding - 20% (2012: 20%) - Listed		
Opening balance	1,312,090	1,074,062
Share of profit for the year - net of tax	163,388	253,705
Exchange translation reserve for the year	(47,507)	56,161
Dividend received during the year	(71,488)	(71,838)
	1,356,483	1,312,090
Jubilee General Insurance Company Limited, - Holding - 17.20% (2012: 16.24%) - Listed		
Opening balance	1,172,463	935,504
Investment during the year	79,329	139,800
Share of profit for the year - net of tax	163,684	141,486
Dividend received during the year	(58,446)	(44,327)
	1,357,030	1,172,463

	Note	2013	2012
		(Rupees in '000)	
Jubilee Life Insurance Company Limited, Holding - 17.95% (2012: 17.95%) - Listed			
Opening balance		577,891	518,781
Share of profit for the year - net of tax		140,021	92,875
Dividend received during the year		(78,785)	(33,765)
		639,127	577,891
HBL Money Market Fund, Holding - 1.03% (2012: 3.18%) - Listed			
Opening balance		309,829	231,315
(Divestment) / investment during the year		(146,000)	52,000
Share of profit for the year		23,782	26,393
(Deficit) / surplus on investment		(28)	121
		187,583	309,829
	8.5.2		
HBL Islamic Stock Fund, Holding - 86.84% (2012: 97.65%) - Listed			
Opening balance		350,282	256,349
Share of profit for the year		113,367	65,524
Surplus on investment		50,831	28,409
		514,480	350,282
HBL Islamic Money Market Fund, Holding - 63.73% (2012: 73.14%) - Listed			
Opening balance		293,195	267,158
Share of profit for the year		24,906	26,041
Surplus / (deficit) on investment		3	(4)
		318,104	293,195
HBL Pension Equity SubFund, Holding - 73.69% (2012: 92.53%) - Unlisted			
Opening balance		42,897	29,713
Share of profit for the year		18,359	3,281
Surplus on investment		1,597	9,903
		62,853	42,897
HBL Pension Debt SubFund, Holding - 35.01% (2012: 44.50%) - Unlisted			
Opening balance		33,656	30,169
Share of profit for the year		2,920	3,416
(Deficit) / surplus on investment		(57)	71
		36,519	33,656
HBL Pension Money Market SubFund, Holding - 35.63% (2012: 39.55%)- Unlisted			
Opening balance		33,525	30,169
Share of profit for the year		2,994	3,338
(Deficit) / surplus on investment		(22)	18
		36,497	33,525
HBL Islamic Pension Equity SubFund, Holding - 68.32% (2012: 83.44%)- Unlisted			
Opening balance		43,432	29,598
Share of profit for the year		18,131	4,275
Surplus on investment		2,564	9,559
		64,127	43,432
HBL Islamic Pension Debt SubFund, Holding - 59.12% (2012: 65.25%)- Unlisted			
Opening balance		33,092	30,200
Share of profit for the year		2,698	2,983
Surplus / (deficit) on investment		152	(91)
		35,942	33,092
HBL Islamic Pension Money Market SubFund, Holding - 72.75% (2012: 61.47%) - Unlisted			
Opening balance		33,156	30,199
Share of profit for the year		2,725	3,049
Surplus / (deficit) on investment		129	(92)
		36,010	33,156
		9,216,942	7,859,604

8.4.1 The market value of shares of above investments in listed associates as at December 31, 2013 amounted to Rs. 14,985.487 million (2012: Rs. 9,972.507 million).

8.5 The Group has significant influence in Diamond Trust Bank Kenya Limited, Kyrgyz Investment and Credit Bank, Jubilee General Insurance Company Limited and Jubilee Life Insurance Company Limited because of Aga Khan Fund for Economic Development's (parent of Group) holding in these entities.

8.5.1 The investments have been tested for impairment under the policy of the Group as given in note 4.13 and provision has been made where required and disclosed in note 8.7.

8.5.2 The Group has subscribed for units of these funds. Currently, the holding of the Group is high due to initial investments which are expected to go down with sale of units. Accordingly, these investments have been accounted for as investment in associates under IAS 28.

8.6 Summary of financial information of associates and joint venture company

	2013					
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit
		(Rupees in '000)				
Diamond Trust Bank Kenya Limited	September 30, 2013	180,030,367	154,772,544	25,257,823	14,007,834	4,388,996
Himalayan Bank Limited, Nepal	October 16, 2013	76,788,925	70,339,414	6,449,511	1,269,879	192,537
Kyrgyz Investment and Credit Bank	September 30, 2013	29,251,187	24,096,315	5,154,872	1,850,723	765,654
Jubilee Life Insurance Company Limited	September 30, 2013	30,384,164	28,535,035	1,849,129	94,656	587,478
Jubilee General Insurance Company Limited	September 30, 2013	13,532,000	9,093,038	4,438,962	3,296,673	720,066
HBL Money Market Fund	December 31, 2013	14,055,708	86,174	13,969,534	1,068,118	906,410
HBL Islamic Stock Fund	December 31, 2013	600,377	8,536	591,841	125,936	114,077
HBL Islamic Money Market Fund	December 31, 2013	509,152	3,790	505,362	38,981	31,389
HBL Pension Equity Sub Fund	December 31, 2013	89,790	4,099	85,691	23,988	22,045
HBL Pension Debt Sub Fund	December 31, 2013	101,505	532	100,973	8,082	6,002
HBL Pension Money Market Sub Fund	December 31, 2013	99,088	528	98,560	8,554	6,383
HBL Islamic Pension Equity Sub Fund	December 31, 2013	99,516	5,567	93,949	26,551	24,327
HBL Islamic Pension Debt Sub Fund	December 31, 2013	59,637	338	59,299	4,776	3,444
HBL Islamic Pension Money Market Sub Fund	December 31, 2013	48,220	300	47,920	4,354	3,115

	2012					
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit
		(Rupees in '000)				
Diamond Trust Bank Kenya Limited	September 30, 2012	146,682,771	126,868,021	19,814,750	13,721,613	3,225,369
Himalayan Bank Limited, Nepal	October 16, 2012	62,117,775	56,421,320	5,696,454	1,168,732	220,475
Kyrgyz Investment and Credit Bank	December 31, 2011	16,408,390	12,777,420	3,630,970	1,438,107	558,965
Jubilee Life Insurance Company Limited	September 30, 2012	21,001,275	19,408,222	1,593,053	107,922	360,791
Jubilee General Insurance Company Limited	September 30, 2012	10,860,248	7,030,003	3,830,245	2,828,804	583,993
HBL Money Market Fund	December 31, 2012	8,835,789	52,299	8,783,490	1,042,378	913,188
HBL Islamic Stock Fund	December 31, 2012	375,442	8,925	366,517	81,347	67,853
HBL Islamic Money Market Fund	December 31, 2012	414,391	3,305	411,086	44,249	35,567
HBL Pension Equity Sub Fund	December 31, 2012	46,635	310	46,325	4,265	3,429
HBL Pension Debt Sub Fund	December 31, 2012	74,793	414	74,379	5,976	5,768
HBL Pension Money Market Sub Fund	December 31, 2012	83,241	320	82,921	5,801	5,831
HBL Islamic Pension Equity Sub Fund	December 31, 2012	52,476	408	52,068	5,745	4,915
HBL Islamic Pension Debt Sub Fund	December 31, 2012	50,515	334	50,181	4,245	3,773
HBL Islamic Pension Money Market Sub Fund	December 31, 2012	53,328	233	53,095	4,144	3,856

8.7 **Particulars of provision held against diminution in value of investments**

The balances disclosed in note 8.1 and 8.2 are stated net of provision held. The analysis of total provision held is as follows:

	Note	2013	2012
		(Rupees in '000)	
Opening balance		1,755,518	2,364,383
Charge for the year		14,645	78,441
Reversal		(76,214)	(235,367)
Impairment charge on listed securities		55,171	130,434
Impairment reversal on listed securities		(218,908)	(457,373)
Total reversal - net		(225,306)	(483,865)
Write offs		-	(125,000)
Other movement		2,127	-
Closing balance	8.7.1	1,532,339	1,755,518

8.7.1 **Particulars of provision in respect of type and segment**

Held-to-Maturity securities		
- Debentures and corporate debt instruments	19,953	17,623
Available-for-sale securities		
- Fully paid-up ordinary shares		
- Listed companies	339,219	358,552
- Unlisted companies	62,754	57,982
- Debentures and corporate debt instruments	227,939	295,374
- Units	49,473	171,086
- Investments of mutual funds	255,623	281,640
Associate	577,378	573,261
	1,532,339	1,755,518

8.8 Investments held for maintaining the liquidity requirements of the SBP amounted to Rs. 177,133 million as at December 31, 2013 (2012: Rs. 151,245 million).

8.9 Investments include Rs. 227.471 million as at December 31, 2013 (2012: Rs. 543.114 million) pledged with the SBP against TT/DD discounting facilities and demand loan facilities.

8.10 Investments include Rs. 9.999 million as at December 31, 2013 (2012: Rs. 9.992 million) pledged with the Controller of Military Accounts in lieu of Regimental Fund Accounts being maintained at various branches of the bank.

8.11 Investments include strategic investments amounting to Rs. 3,469 million as at December 31, 2013 (2012: Rs. 3,311 million) under BPD circular letter no. 16 of 2006 dated August 1, 2006.

8.12 Information relating to investments including credit ratings in shares of listed and unlisted companies, redeemable capital and bonds, required to be disclosed as part of the financial statements by the SBP, is given in Annexure" I" and is an integral part of these financial statements.

8.13 **Unrealized (loss) / gain on revaluation of held for trading securities**

	2013	2012
	(Rupees in '000)	
Market Treasury Bills	(36,427)	16,298
Pakistan Investment Bonds	3,750	11,699
Shares	69	(1,447)
Overseas Government Securities	-	2,033
Investments of mutual funds	19,793	(3,330)
	(12,815)	25,253

	Note	2013	2012
9. ADVANCES		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		406,203,223	386,290,218
Outside Pakistan		128,264,928	98,673,662
		534,468,151	484,963,880
Net investment in finance lease - in Pakistan	9.1.3	5,496,069	4,729,126
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		11,191,546	12,122,572
Payable outside Pakistan		54,915,098	43,972,534
		66,106,644	56,095,106
Provision against advances	9.3	(42,370,127)	(45,970,206)
		563,700,737	499,817,906

9.1 Particulars of advances

9.1.1	In local currency	379,288,135	366,324,313
	In foreign currency including foreign currency financing by domestic branches amounting to Rs. 33,170.873 million (2012: Rs. 19,631.886 million)	184,412,602	133,493,593
		563,700,737	499,817,906
9.1.2	Short term (for upto one year)	405,613,402	346,365,974
	Long term (for over one year)	158,087,335	153,451,932
		563,700,737	499,817,906

9.1.3 Net investment in finance lease

	2013				2012			
	Not later than one year	Later than one and less than five years	More than five years	Total	Not later than one year	Later than one and less than five years	More than five years	Total
	(Rupees in '000)							
Lease rentals receivable	102,483	5,713,897	1,299,210	7,115,590	23,491	5,039,444	1,108,417	6,171,352
Residual value	111	6,189	1,407	7,707	31	6,605	1,453	8,089
Gross investment in finance lease	102,594	5,720,086	1,300,617	7,123,297	23,522	5,046,049	1,109,870	6,179,441
Unearned finance income	(5,186)	(1,257,213)	(364,829)	(1,627,228)	(1,474)	(1,132,010)	(316,831)	(1,450,315)
Net investment in finance lease	97,408	4,462,873	935,788	5,496,069	22,048	3,914,039	793,039	4,729,126

9.2 **Classification of non-performing loans is as follows:**

Category of classification	2013								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	764,334	-	764,334	-	-	-	764,334	-	764,334
Substandard*	6,429,774	1,080,436	7,510,210	1,323,148	260,394	1,583,542	5,106,626	820,042	5,926,668
Doubtful	1,844,431	974,400	2,818,831	900,550	431,161	1,331,711	943,881	543,239	1,487,120
Loss	25,535,645	18,887,145	44,422,790	24,274,924	13,029,567	37,304,491	1,260,721	5,857,578	7,118,299
	34,574,184	20,941,981	55,516,165	26,498,622	13,721,122	40,219,744	8,075,562	7,220,859	15,296,421
General provision	-	-	-	952,973	1,197,410	2,150,383	-	-	-
	34,574,184	20,941,981	55,516,165	27,451,595	14,918,532	42,370,127	8,075,562	7,220,859	15,296,421

* This includes Government guaranteed non-performing loan amounting to Rs. 1,065.738 million.

Category of classification	2012								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	626,140	-	626,140	-	-	-	626,140	-	626,140
Substandard	5,609,462	3,771,528	9,380,990	1,360,027	1,112,015	2,472,042	4,249,435	2,659,513	6,908,948
Doubtful	4,333,278	1,899,356	6,232,634	2,110,217	1,220,517	3,330,734	2,223,061	678,839	2,901,900
Loss	30,200,379	13,180,592	43,380,971	28,267,188	9,664,547	37,931,735	1,933,191	3,516,045	5,449,236
	40,769,259	18,851,476	59,620,735	31,737,432	11,997,079	43,734,511	9,031,827	6,854,397	15,886,224
General provision	-	-	-	1,532,092	703,603	2,235,695	-	-	-
	40,769,259	18,851,476	59,620,735	33,269,524	12,700,682	45,970,206	9,031,827	6,854,397	15,886,224

9.2.1 Classification of overseas non-performing advances and provision there against and general provisioning of overseas advances have been made in accordance with the accounting policy as referred in note 4.5.

9.3 **Particulars of provision against advances**

	Note	2013			2012		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		43,734,511	2,235,695	45,970,206	44,307,124	1,778,924	46,086,048
Exchange adjustment / other movements		1,119,288	47,615	1,166,903	362,172	59,245	421,417
Charge for the year		5,714,234	750,866	6,465,100	13,236,984	493,156	13,730,140
Reversals		(3,064,490)	(883,793)	(3,948,283)	(5,467,801)	(95,630)	(5,563,431)
Net charge against loans and advances		2,649,744	(132,927)	2,516,817	7,769,183	397,526	8,166,709
Write off	9.5	(412,584)	-	(412,584)	(2,710,584)	-	(2,710,584)
Transfer to / from special category		(5,729,343)	-	(5,729,343)	(5,000,011)	-	(5,000,011)
Write off in special category	9.5	(227,793)	-	(227,793)	(70,551)	-	(70,551)
Reversal in special category		(914,079)	-	(914,079)	(922,822)	-	(922,822)
Net movement in separate category		(6,871,215)	-	(6,871,215)	(5,993,384)	-	(5,993,384)
Closing balance		40,219,744	2,150,383	42,370,127	43,734,511	2,235,695	45,970,206
In local currency		25,780,951	952,973	26,733,924	31,737,432	1,532,092	33,269,524
In foreign currency		14,438,793	1,197,410	15,636,203	11,997,079	703,603	12,700,682
		40,219,744	2,150,383	42,370,127	43,734,511	2,235,695	45,970,206

9.4 **Forced sale value (FSV) against non performing advances**

In accordance with BSD Circular No. 1 dated October 21, 2011 issued by SBP, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at December 31, 2013 would have been higher by Rs. 1,126.14 million and profit before taxation for the year ended December 31, 2013 would have been higher by approximately Rs 581.45 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in retained earnings net of tax amounting to Rs. 731.989 million would not be available for the distribution of cash and stock dividend to shareholders.

	2013	2012
	(Rupees in '000)	
9.5 Particulars of write-offs		
9.5.1 Against provisions	640,377	2,781,135
9.5.2 Analysis of write-offs		
Rs. 500,000 and above in Pakistan (Note 9.6)	250,724	115,275
Below Rs. 500,000 in Pakistan and overseas	389,653	2,665,860
	640,377	2,781,135

9.6 Details of advances written-off of Rs 500,000 and above

The statement required under sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 in respect of written-off advances or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2013 is given in Annexure II.

9.7 During the previous year, the Bank entered into contract with Citi Bank N.A., Pakistan to acquire its consumer portfolio. The transaction was approved by the Competition Commission of Pakistan and during the year, the Bank also obtained approval from the SBP. Pursuant to such acquisition of portfolio, the Bank's gross advances increased by Rs. 1,537.411 million as at December 31, 2013.

9.8 Particulars of advances to directors, associated companies, etc.

	2013			2012		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
	(Rupees in '000)					
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons:						
- in respect of directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	1,800,700	1,843,700	491,638	1,516,400	1,549,100	443,704
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	686,173	724,785	36,440	371,200	382,000	64,257
Debts due by companies or firms in which the directors of the Group / Parent are interested as directors, partners, advisors or in the case of private companies as members	1,033,786	2,553,045	673,786	792,234	1,284,393	100,000

The disclosure of the year-end balance, limit /amount sanctioned and the highest amount outstanding during the year is considered the most meaningful information to represent the amount of the transactions and the amount of outstanding balances during the year.

* (These represent staff advances given by the Group to its executives as per their terms of employment)

** (Maximum amount has been arrived at by reference to month end balance)

	Note	2013	2012
		(Rupees in '000)	
10. OPERATING FIXED ASSETS			
Capital work-in-progress	10.1	885,436	1,713,276
Intangible assets			
- Goodwill		2,149,889	1,967,015
- Computer software	10.2	746,703	241,848
Tangible fixed assets	10.3	21,924,287	19,710,185
		25,706,315	23,632,324

10.1 Capital work-in-progress

Civil works	527,175	948,078
Others	358,261	765,198
	885,436	1,713,276

10.2 **Intangible assets**

Description	2013							
	COST			AMORTISATION			Book value as at December 31, 2013	Rate of amortization %
	As at January 1, 2013	Additions / (deletions) during the year	As at December 31, 2013	As at January 1, 2013	Charge for the year / (Amortisation on deletions)	As at December 31, 2013		
	(Rupees in '000)							
Computer software	1,752,531	779,705 (2,627)	2,529,609	1,510,683	274,850 (2,627)	1,782,906	746,703	33.33

Description	2012							
	COST			AMORTISATION			Book value as at December 31, 2012	Rate of amortization %
	As at January 1, 2012	Additions / (deletions) during the year	As at December 31, 2012	As at January 1, 2012	Charge for the year (Amortisation on deletions)	As at December 31, 2012		
	(Rupees in '000)							
Computer software	1,559,048	194,006 (523)	1,752,531	1,431,469	79,704 (490)	1,510,683	241,848	33.33

10.3 **Tangible fixed assets**

Description	2013									
	COST / REVALUATION				DEPRECIATION					
	As at January 1, 2013	Additions / (deletions) / Adjustment during the year	Surplus / (deficit) / on revaluation during the year	As at December 31, 2013	As at January 1, 2013	Charge for the year / (depreciation on deletions) / adjustments	Surplus / (deficit) / on revaluation reversed during the year	As at December 31, 2013	Book value as at December 31, 2013	Rate of depreciation %
	(Rupees in '000)									
Land	10,958,592	255,018 (10,396) 395,540	-	11,598,754	-	- - -	-	-	11,598,754	-
Building	5,952,650	867,183 (14,613) (314,099)	-	6,491,121	622,766	169,301 (187) 45,398	-	837,278	5,653,843	1.67
Machinery	547,688	57,618	-	605,306	26,210	56,989	-	83,199	522,107	10
Leasehold improvements	2,579,399	553,321 (3,275)	-	3,129,445	1,779,359	379,515 (3,975)	-	2,154,899	974,546	20
Furniture and fixtures and office equipments	8,630,671	1,823,900 (561,911) 114,298	-	10,006,958	6,654,553	890,923 (556,934) 4,192	-	6,992,734	3,014,224	20-33
Vehicles	401,682	76,751 (52,436) (1,412)	-	424,585	277,609	34,830 (50,392) 1,725	-	263,772	160,813	10
	29,070,682	3,633,791 (642,631) 194,327	-	32,256,169	9,360,497	1,531,558 (611,488) 51,315	-	10,331,882	21,924,287	

Description	2012									
	COST / REVALUATION				DEPRECIATION					
	As at January 1, 2012	Additions / (deletions) / Adjustment during the year	Surplus / (deficit) / on revaluation during the year	As at December 31, 2012	As at January 1, 2012	Charge for the year / (depreciation on deletions) / adjustments	Surplus / (deficit) / on revaluation reversed during the year	As at December 31, 2012	Book value as at December 31, 2012	Rate of depreciation %
	(Rupees in '000)									
Land	9,388,643	559,767 (156,864) (1,526)	1,168,572	10,958,592	-	- - -	-	-	10,958,592	-
Building	5,638,063	612,904 (72,589) 176,984	(402,712)	5,952,650	879,104	169,191 (42,740) 69,415	(452,204)	622,766	5,329,884	1.67
Machinery	610,107	46,637 (15,275)	(93,781)	547,688	463,533	124,900 (15,275)	(546,948)	26,210	521,478	10
Leasehold improvements	2,238,639	344,867 (4,107)	-	2,579,399	1,434,869	346,848 (2,358)	-	1,779,359	800,040	20
Furniture and fixtures and office equipments	7,522,727	1,245,103 (343,876) 206,717	-	8,630,671	6,069,550	736,970 (323,460) 171,493	-	6,654,553	1,976,118	20-33
Vehicles	398,812	28,550 (33,839) 8,159	-	401,682	259,295	43,303 (31,146) 6,157	-	277,609	124,073	10
	25,796,991	2,837,828 (626,550) 390,334	672,079	29,070,682	9,106,351	1,421,212 (414,979) 247,065	(999,152)	9,360,497	19,710,185	

10.4 Habib Bank Limited's (HBL) domestic properties were revalued by independent professional valuers as on June 30, 2012. These properties were revalued by Iqbal A. Nanjee & Co., professional valuers on the basis of market value. The revaluation had resulted in increasing the surplus on revaluation of fixed assets by Rs. 1,695.912 million. HBL property of Lebanon branch was revalued as on November 23, 2012 by Banking Control Commission of Lebanon resulted in a surplus of Rs. 15.721 million. HBL property of KEPZ branch was revalued on July 27, 2012 by J & M Associates , licensed valuer, on market value basis resulted in a surplus of Rs. 8.255 million. Moreover, properties of Habib Allied International Bank Plc., United Kingdom (subsidiary) were revalued by Walker Fraser Steele, Chartered Surveyors and Property Link Professional Surveys Limited as on December 11, 2012 and December 03, 2012 respectively. This revaluation had resulted in a deficit of Rs. 48.658 million. These revaluations had resulted in a cumulative surplus of Rs. 1,671.231 million . Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Domestic	Lebanon	KEPZ	UK
	(Rupees in '000)			
Land	9,288,588	-	232	-
Building	4,092,845	14,158	2,102	210,417

The movement in surplus on revaluation of properties is given in note 19.1 to these financial statements.

10.5 **Details of disposal of fixed assets**

The information relating to disposal of fixed assets in aggregate having book value exceeding Rs. 250,000 or cost exceeding Rs. 1 million (whichever is lower), is required to be disclosed as part of the financial statements by the SBP is given in Annexure III and is an integral part of these consolidated financial statements.

10.6 At December 31, 2013 cost / valuation of properties and equipment retired from active service and held for disposal purposes amounted to Rs. 7.442 million (2012: Rs. 3.824 million). The cost / valuation of fully depreciated properties and equipment that are still in the Group's use, as at the above date, amounted to Rs. 5,842.312 million (2012: Rs. 5,116.025 million).

11. DEFERRED TAX ASSET

	Note	2013	2012
		(Rupees in '000)	
Deductible temporary differences on			
- recognised tax losses		186,349	849,867
- provision against investments		(309,495)	(167,641)
- provision against doubtful debts & Off-balance sheet		4,972,311	6,396,134
- liabilities written back under section 34(5) of the Income Tax Ordinance (ITO)		1,255,056	1,329,865
- provision against others		116,170	116,510
- revaluation of investments	19.2	267,086	(1,361,584)
		6,487,477	7,163,151
Taxable temporary differences on			
- fixed assets		(1,384,405)	(1,106,668)
Net deferred tax asset recognised by the Group		5,103,072	6,056,483

11.1 **Movement in temporary differences during the year**

	Balance as at January 1, 2012	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2012	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2013
	(Rupees in '000)						
Deductible temporary differences on							
- recognised tax losses	561,549	201,023	87,295	849,867	(695,133)	31,615	186,349
- provision against investments	96,475	(264,116)	-	(167,641)	(141,854)	-	(309,495)
- provision against doubtful debts & Off-balance sheet	6,144,996	251,138	-	6,396,134	(1,423,823)	-	4,972,311
- liabilities written back under section 34(5) of the ITO	972,498	357,367	-	1,329,865	(74,809)	-	1,255,056
- provision against others	116,810	(300)	-	116,510	(340)	-	116,170
- revaluation of investments	233,699	-	(1,595,283)	(1,361,584)	-	1,628,670	267,086
Taxable temporary differences on							
- fixed assets	(850,139)	(81,472)	(175,057)	(1,106,668)	(277,737)	-	(1,384,405)
	7,275,888	463,640	(1,683,045)	6,056,483	(2,613,696)	1,660,285	5,103,072

12. OTHER ASSETS

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
Income / mark-up / profit accrued in local currency		13,934,193	13,921,481
Income / mark-up / profit accrued in foreign currency		1,976,354	1,538,216
Advances, deposits, advance rent and other prepayments		2,741,026	1,965,830
Advances against murabaha		909,307	366,226
Advance taxation (payments less provisions)		14,348,153	10,826,347
Advances for subscription of shares / TFCs		232,642	-
Stationery and stamps on hand		32,252	42,494
Accrued income		580,725	511,274
Due from Government of Pakistan / SBP		1,034,167	2,547,755
Unrealised gain on forward foreign exchange contract / derivative instruments		2,084,266	595,829
Non-banking assets acquired in satisfaction of claims [market value Rs. 2,300.575 million (2012: Rs. 3,093.330 million)]		2,220,722	2,573,070
Receivable from National Savings Centre / Clearing in transit		26,111,810	18,982,481
Claims against fraud and forgeries		166,155	202,973
Others		652,343	322,292
		67,024,115	54,396,268
Provision held against other assets	12.1	(415,102)	(560,859)
Other Assets - net		66,609,013	53,835,409

12.1 **Provision against other assets**

Opening balance	560,859	314,337
Charge for the year	144,729	281,768
Reversal	(193,119)	(3,920)
Net (reversal) / charge	(48,390)	277,848
Write off	(107,567)	(36,946)
Exchange adjustment	10,200	5,620
Closing balance	415,102	560,859

13. BILLS PAYABLE

	Note	2013	2012
		(Rupees in '000)	
In Pakistan		18,552,992	18,363,545
Outside Pakistan		869,324	579,662
		19,422,316	18,943,207

14. BORROWINGS

In Pakistan		87,352,602	182,427,695
Outside Pakistan		20,511,822	14,160,443
		107,864,424	196,588,138

14.1 Particulars of borrowings

In local currency		85,618,861	182,427,695
In foreign currency		22,245,563	14,160,443
		107,864,424	196,588,138

14.2 Details of borrowings

Secured			
Borrowings from State Bank of Pakistan under:			
- Export refinance scheme	14.3	17,584,707	16,845,030
- Long term financing facility - locally manufactured and imported plant & machinery	14.3	5,464,963	5,074,278
- Long term finance - export oriented projects	14.3	480,741	974,062
- Refinance facility for modernization of SMEs		4,608	12,649
- Financing facility for Storage of Agricultural Produce		9,169	15,277
- Scheme for revival of SMEs and Agricultural activities in flood affected areas		9,170	7,590
Repurchase agreement borrowings	14.4	50,072,621	157,998,809
		73,625,979	180,927,695
Unsecured			
In Pakistan			
- Interbank call money borrowing	14.5	13,726,623	1,500,000
Outside Pakistan			
- Overdrawn nostro accounts	14.6	1,203,173	1,056,635
- Borrowings of overseas branches and subsidiaries	14.6	19,308,649	13,103,808
		20,511,822	14,160,443
		34,238,445	15,660,443
		107,864,424	196,588,138

14.3 Borrowings from SBP under the export and export oriented projects refinance schemes of the SBP are secured by the bank's cash and security balances held by the SBP. These carry annual mark-up rates ranging from 8.4% to 8.8% (2012: 7.2% to 9.8%).

14.4 These carry annual mark-up rates ranging from 6.5% to 10.2% (2012: 8.8% to 9.2%).

14.5 These carry annual mark-up rates ranging from 9.15% to 10.25% (2012: 8.0% to 9.0%).

14.6 Since, the Group operates in different countries, these carry varied mark-up rates as given by the external banks of respective countries.

15. DEPOSITS AND OTHER ACCOUNTS

	2013	2012
	(Rupees in '000)	
Customers		
Current accounts - non-remunerative	402,564,215	310,567,157
Savings chequing account	611,241,490	493,206,809
Fixed deposits	365,989,421	391,066,656
	1,379,795,126	1,194,840,622
Financial institutions		
Current accounts - non-remunerative	8,926,506	5,969,114
Savings chequing account	4,551,714	4,490,688
Fixed deposits	7,956,468	9,663,276
	21,434,688	20,123,078
	1,401,229,814	1,214,963,700

15.1 Particulars of deposits

In local currency	1,067,231,220	938,670,082
In foreign currency {including foreign currency deposits of domestic branches of Rs. 110,230.583 million (2012: Rs. 101,599.466 million)}	333,998,594	276,293,618
	1,401,229,814	1,214,963,700

16 SUB-ORDINATED LOAN

The Group has obtained loan from "International Finance Corporation" (IFC) amounting to US $ 50 million. The principal amount is repayable in four equal half yearly instalments from June 2013 to December 2014. Interest is payable on bi - annual basis commencing from December 2007 at LIBOR + 1.75%. Two instalments of US $ 12.5 million each have been paid in June 2013 and December 2013 respectively. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtness of the Group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

17. OTHER LIABILITIES

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
Mark-up / return / profit payable in local currency		17,191,034	18,127,380
Mark-up / return / profit payable in foreign currency		1,170,279	975,296
Security deposits		531,990	534,848
Accrued expenses		4,163,235	5,362,869
Unrealised loss on forward foreign exchange contracts / derivative instruments		2,019,306	387,057
Unclaimed dividends		134,789	120,912
Dividend payable		76,317	23,471
Provision for employees' compensated absences	33.2.8	1,845,749	1,806,835
Provision for post retirement medical benefits	33.2.3	2,225,250	2,182,363
Provision against off-balance sheet obligations	17.1	1,118,799	1,083,490
Branch adjustment account		2,156,299	2,951,593
Provision for staff retirement benefits		611,545	631,959
Payable to defined benefit plan		341,541	1,200,419
Amounts due to minority investors in funds consolidated by HBL		1,295,234	1,343,065
Provision for workers welfare fund		2,603,892	1,895,524
Unearned income		211,279	342,457
Qarza-e-Hasna Fund		342,952	344,585
Duties and taxes payable		1,356,205	1,031,456
Insurance payable		162,322	148,889
Reward point payable		228,166	57,946
Payable to HBL foundation		252,387	557,189
Others		1,648,885	699,516
		41,687,455	41,809,119

17.1 Provision against off-balance sheet obligations

Opening balance	1,083,490	1,209,983
Charge for the year	109,403	133,485
Reversal	(86,976)	(126,470)
Net charge	22,427	7,015
Other movement	-	(157,585)
Exchange adjustment	12,882	24,077
Closing balance	1,118,799	1,083,490

18. SHARE CAPITAL

18.1 Authorised capital

2013	2012			
Number of shares in '000				
3,000,000	3,000,000	Ordinary shares of Rs. 10 each	30,000,000	30,000,000

18.2 Issued, subscribed and paid-up capital

2013	2012			
Number of shares in '000				
		Ordinary shares of Rs. 10 each		
690,000	690,000	Fully paid in cash	6,900,000	6,900,000
643,502	522,275	Issued as bonus shares	6,435,023	5,222,748
1,333,502	1,212,275		13,335,023	12,122,748

18.3 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

18.4 **Statutory reserves**

Every banking company incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.

18.5 **Dividends**

After December 31, 2013 the following dividends were proposed by the Directors for 2013. The dividends have not been provided for and, there are no income tax consequences.

	Note	2013	2012
		(Rupees in '000)	
Cash dividend: Rs. 2 per share in addition to Rs. 6 already paid (2012 : Rs. 4 per share in addition to Rs. 3.5 already paid)		2,667,005	4,849,099
Bonus share: 1 share for every 10 shares held (2012 : 1 share for 10 shares held)		1,333,502	1,212,275

19. **SURPLUS ON REVALUATION OF ASSETS - net of deferred tax**

Surplus arising on revaluation of:			
- fixed assets	19.1	9,528,000	9,588,927
- investments	19.2	385,827	3,196,309
Surplus on revaluation of assets - net of deferred tax		9,913,827	12,785,236

19.1 **Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets as at January 1	10,514,994	9,143,739
Surplus on revaluation of Group's properties recognised during the year	-	1,671,231
Surplus realised on disposal of revalued properties during the year	(1,269)	(155,285)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(59,658)	(93,471)
Related deferred tax liability of incremental depreciation charged during the year	(32,154)	(50,347)
Related deferred tax liability on disposal of revalued properties	(2,348)	(873)
Surplus on revaluation of fixed assets as at December 31	10,419,565	10,514,994
Less: related deferred tax liability on		
- revaluation as at January 1	926,067	801,357
- revaluation of Group's properties recognised during the year	-	175,930
- surplus realised on disposal of revalued properties during the year	(2,348)	(873)
- incremental depreciation charged during the year transferred to profit and loss account	(32,154)	(50,347)
	891,565	926,067
	9,528,000	9,588,927

19.2 **Surplus on revaluation of investments**

Market Treasury Bills	(1,197,179)	1,863,369
Pakistan Investment Bonds	(492,676)	1,490,249
Government of Pakistan Sukuk and US Dollar / Euro Bonds	287,648	(103,195)
Listed Securities	1,258,245	800,331
NIT Units	22,288	11,283
Other Investments	98,497	415,888
	(23,177)	4,477,925
Surplus on revaluation of investment of associates	141,918	79,968
Related deferred tax asset / (liability)	267,086	(1,361,584)
	385,827	3,196,309

20. CONTINGENCIES AND COMMITMENTS

	2013	2012
	(Rupees in '000)	
20.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of:		
- Government	262,993	306,856
- Financial institutions	295,000	295,000
- Others	40,017,999	35,337,468
	40,575,992	35,939,324
20.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	550,968	535,006
- Financial institutions	1,894,819	3,610,133
- Others	39,344,089	41,118,227
	41,789,876	45,263,366
20.3 Trade-related commitments		
Credit cash	60,418,378	78,028,544
Credit documentary acceptances	17,855,293	18,535,338
Credit acceptances	48,660,293	37,882,972
	126,933,964	134,446,854
20.4 Other contingencies		
Claims against the Group not acknowledged as debts	33,826,739	33,504,140

20.5 Commitments in respect of forward lending

The Group makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	2013	2012
20.6 Commitments in respect of forward foreign and local exchange contracts	(Rupees in '000)	
Purchase	261,889,315	167,104,754
Sale	262,090,382	167,168,508

The above commitments have maturities falling within one year.

Commitments in respect of foreign currency options		
Purchase	649,846	1,317,948
Sale	649,846	1,317,948
Commitments in respect of Cross Currency Swaps		
Purchase	1,121,412	3,659,009
Sale	1,105,785	3,659,009
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	245,757	444,199
Sale	490,757	291,449
20.7 Commitments for acquisition of operating fixed assets / intangibles	943,750	663,125

20.8 The income tax returns of the Bank have been submitted upto and including the Bank's financial year 2012. The tax authorities have concluded the audit of years 2002 through 2012.

As per Rule 8(A) of the Seventh Schedule, amounts provided for in tax year 2008 (December 2007) and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 1.191 billion (2012: Rs. 2.494 billion).

21 DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.

The Bank as an Authorized Derivative Dealer (ADD) is an active participant in the Pakistan derivatives market. Although the ADD license covers only the transactions mentioned below (permitted under the Financial Derivatives Business Regulations issued by the SBP), the Bank offers a wide variety of derivatives products to satisfy customers' needs, specific approval for which is sought from the SBP on a transaction by transaction basis:

(a) Foreign Currency Options
(b) Forward Rate Agreements
(c) Interest Rate Swaps
(d) Cross Currency Swaps

These transactions cover the aspects of both market making and hedging.

The authority for approving policies lies with the Board of Directors the (BoD) and the Board Risk Management Committee (BRMC). The Market Risk Committee (MRC) has been assigned the responsibility of ensuring meticulous compliance with these policies.

With regard to derivatives, the MRC is authorized to:
- Review the derivatives business with reference to market risk exposure and assign various limits in accordance with the risk appetite of the Bank.
- Review the Derivatives Business Policy and recommend approval to the BRMC / BoD.
- Review and approve derivatives product programs.
- Authorize changes in procedures and processes regarding derivatives and structured products.

Overall responsibility for derivatives trading activity lies with the Treasury and Capital Markets Group (TCM).

Measurement & monitoring of market and credit risk exposure and limits and its reporting to the senior management and the BoD is done by Market & Treasury Risk (MTR), which also coordinates with the business regarding approvals for derivatives risk limits. Treasury Operations records derivatives activity in the Bank's books, and handles its reporting to the SBP.

21.1 Product Analysis

Counterparties	2013					
	Interest Rate Swaps		FX Options		Cross Currency Swaps	
	No. of Contracts	Notional Principal* (Rupees in '000)	No. of Contracts	Notional Principal* (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)
With Banks for						
Hedging	1	245,757	5	649,845	1	579,161
Market Making	-	-	2	202,524	1	542,251
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	3	490,757	3	447,323	1	1,105,785
Total						
Hedging	1	245,757	5	649,845	1	579,161
Market Making	3	490,757	5	649,847	2	1,648,036

Counterparties	2012					
	Interest Rate Swaps		FX Options		Cross Currency Swaps	
	No. of Contracts	Notional Principal* (Rupees in '000)	No. of Contracts	Notional Principal* (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	1	291,449	49	1,317,948	4	3,659,009
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	2	444,199	49	1,317,948	4	3,659,009
Total						
Hedging	-	-	-	-	-	-
Market Making	3	735,648	98	2,635,896	8	7,318,018

* At the exchange rate prevailing at the end of the reporting year.

21.2 **Maturity Analysis**

2013

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
		(Rupees in '000)			
Upto I Month	-	-	-	-	-
1 to 3 Months	2	1,158,323	(7,577)	7,839	262
3 Months to 6 Months	4	690,312	(6,423)	6,423	-
6 Months to 1 Year	6	609,379	(2,624)	2,624	-
1 to 2 Years	-	-	-	-	-
2 to 3 Years	3	1,313,873	-	38,003	38,003
3 to 5 Years	2	491,516	(9,428)	9,767	339
	17	4,263,403	(26,052)	64,656	38,604

2012

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
		(Rupees in '000)			
Upto I Month	2	40,932	(56)	56	-
1 to 3 Months	34	1,890,874	(14,858)	15,076	218
3 Months to 6 Months	67	2,536,207	(19,786)	18,299	(1,487)
6 Months to 1 Year	2	4,481,268	(297)	1,794	1,497
1 to 2 Years	2	1,157,383	(2,862)	5,737	2,875
2 to 3 Years	-	-	-	-	-
3 to 5 Years	2	582,898	(14,935)	15,442	507
	109	10,689,562	(52,794)	56,404	3,610

22. MARK-UP / RETURN / PROFIT / INTEREST EARNED

	2013	2012
	(Rupees in '000)	
On advances to		
- Customers	47,849,606	52,638,723
- Financial institutions	260,841	314,565
On investments		
- Available-for-sale	62,664,436	53,386,033
- Held-for-trading	1,594,054	1,452,756
- Held-to-maturity	5,160,613	5,661,289
On deposits with financial institutions	1,167,436	1,240,767
On lendings to financial institutions	1,525,787	2,078,520
	120,222,773	116,772,653

23. MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

Deposits	56,317,780	51,225,796
Securities sold under repurchase agreement borrowings	6,380,194	4,903,995
Other short term borrowings	2,034,387	2,451,644
Long term borrowings	474,748	430,957
	65,207,109	59,012,392

24. GAIN ON SALE OF SECURITIES -NET

Federal Government Securities		
- Market treasury bills	283,706	585,362
- Pakistan investment bonds	215,008	115,490
Listed shares	1,743,869	458,804
Other securities	71,264	200,940
	2,313,847	1,360,596

25. OTHER INCOME

Incidental charges	2,405,543	2,389,294
Rent on lockers	510,443	391,073
Gain / (loss) on sale of operating fixed assets - net	55,030	(30,821)
(Loss) / gain on sale of non-banking asset - net	(13,756)	47,707
Rent on property	129,724	104,354
Recovery against written-off loans	235,989	32,277
Liabilities no longer required written back	19,055	-
Compensation received on tax refunds	381,781	-
Management fee income	116,470	105,384
Derivative income	46,345	910
	3,886,624	3,040,178

26. ADMINISTRATIVE EXPENSES

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
Salaries, allowances, etc.		17,895,841	16,373,821
Charge for defined benefit / contribution plan and other benefits		1,235,097	710,210
Non-executive directors' fees		10,300	19,800
Brokerage and commission		98,853	56,668
Rent, taxes, insurance, electricity, etc		4,301,188	3,367,047
Legal and professional charges		656,622	749,657
Consultancy charges		1,302,560	335,535
Communications		924,402	694,982
Repairs and maintenance		1,910,993	1,352,943
Stationery and printing		837,032	637,304
Auditors' remuneration	26.1	176,001	166,660
Advertisement and publicity		1,208,159	1,197,453
Amortisation	10.2	274,850	79,704
Depreciation	10.3	1,531,558	1,421,212
Entertainment		193,152	159,622
Travelling		428,413	425,674
Conveyance		152,403	127,075
Training		185,140	221,047
Security charges		1,133,159	893,233
Remittance charges		220,753	150,079
Donations	26.3	286,059	254,886
Documentation and processing charges		892,245	559,289
Subscription		70,609	25,387
Others		184,468	401,732
		36,109,857	30,381,020

26.1 Auditors' remuneration

	2013	2012
	(Rupees in '000)	
Audit fee	4,426	3,959
Fee for interim review	4,025	3,600
Fee for audit of local branches of Habib Bank Limited	10,664	9,209
Special certifications / examinations and sundry advisory services	10,868	1,791
Out of pocket expenses	3,655	2,938
	33,638	21,497
Overseas subsidiaries / branches and domestic subsidiaries	142,363	145,163
	176,001	166,660

26.2 The Bank operates a short term employee benefit scheme which includes cash award / special bonus for all employees. Under this scheme, the bonus for all Executives, including the Chief Executive Officer is determined on the basis of employees' evaluation and the Bank's performance during the year. The aggregate amount determined for the eligible employees in respect of the above scheme relating to all Executives and for the Key Management Personnel of the Bank amounted to Rs. 966.132 million (2012: Rs. 1,318.538 million) and Rs. 555.401 million (2012: Rs. 946.006 million) respectively.

26.3 Details of the donations in excess of Rs. 100,000 and above are given in Annexure IV.

27. OTHER CHARGES

	2013	2012
	(Rupees in '000)	
Penalties imposed by State Bank of Pakistan	23,175	18,285

28 WORKERS WELFARE FUND

The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the bank is liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher.

29. TAXATION

		2013	2012
		(Rupees in '000)	
			(Restated)
For Pakistan - for the year	- current	9,258,426	11,246,684
	- deferred	2,613,696	(463,640)
For Pakistan - prior year		(119,302)	422,246
For Overseas - for the year		1,351,621	1,565,905
For Overseas - prior year		1,792	(1,036)
		13,106,233	12,770,159

The Bank's branches in Azad Jammu & Kashmir region are included in overseas for taxation purpose.

29.1 Relationship between tax expense and accounting profit

Accounting profit for the current year	36,133,328	35,561,757
Tax on income @ 35% (2012: 35%)	12,646,665	12,446,615
- Reduced rate income	(542,691)	(423,083)
- Penalty imposed by SBP	8,111	6,400
- Tax losses	695,132	-
- Prior year charge	(117,510)	421,210
- Others	416,526	319,017
Tax charge for the current year	13,106,233	12,770,159

30. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year attributable to equityholders of the Bank	22,863,123	22,691,922
	(Number)	
Weighted average number of ordinary shares	1,333,502,280	1,333,502,280
	(Rupees)	
Basic and diluted earnings per share	17.15	17.02

31. CASH AND CASH EQUIVALENTS

	Note	2013	2012
		(Rupees in '000)	
Cash and balance with treasury banks	5	135,476,687	157,229,517
Balance with other banks	6	57,341,769	47,980,032
		192,818,456	205,209,549

32. STAFF STRENGTH

	(Number)	
Permanent	13,825	13,960
Others	17	18
Total staff strength	13,842	13,978

33. DEFINED BENEFIT PLANS AND OTHER BENEFITS

33.1 Principal actuarial assumptions

The latest actuarial valuation for pension and gratuity schemes was carried out as at December 31, 2013 using the Projected Unit Credit Actuarial Cost Method and assuming that no indexation of pension will take place. The following significant assumptions were used for the valuation of these schemes:

	2013	2012
	---------Per annum---------	
Valuation discount rate	13%	12%
Expected rate of increase in salary level	12%	11%
Expected rate of return on funds invested	13%	12%

33.2 Pension, gratuity, benevolent fund schemes and other benefits

33.2.1 Fair value of plan assets and present value of defined benefits obligations of these schemes as at December 31, 2013 are as follows:

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2013	2012	2013	2012	2013	2012	2013	2012
	---------- (Rupees in '000) ----------							
		(Restated)		(Restated)		(Restated)		(Restated)
Fair value of plan assets	6,108,485	5,030,128	227,282	204,657	1,658,153	1,587,950	-	-
Present value of defined benefit obligation	(6,432,871)	(6,132,451)	(244,437)	(302,753)	(1,105,881)	(1,175,073)	(2,225,250)	(2,182,363)
Asset / (liability) recognised in the balance sheet	(324,386)	(1,102,323)	(17,155)	(98,096)	552,272	412,877	(2,225,250)	(2,182,363)

33.2.1.1 The surplus on benevolent fund has not been accounted for as this is a contributory scheme with contribution both from the employees and the Bank.

33.2.2 The following amounts have been charged / (credited) to the profit and loss account in respect of the above-referred schemes:

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2013	2012	2013	2012	2013	2012	2013	2012
	---------- (Rupees in '000) ----------							
		(Restated)		(Restated)		(Restated)		(Restated)
Current service cost	47,970	46,029	8,313	11,315	25,764	19,529	51,766	27,756
Net mark up	72,798	33,227	5,877	5,832	(54,289)	(30,509)	244,513	303,459
Past service cost	-	17,343	-	(5,601)	-	(376,129)	-	(535,374)
Contributions - employees	-	-	-	-	(39,530)	(38,164)	-	-
Charge / (reversal) for the year	120,768	96,599	14,190	11,546	(68,055)	(425,273)	296,279	(204,159)

33.2.3 **Movement in amounts (receivable from) / payable to defined benefit plans**

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees in '000)							
		(Restated)		(Restated)		(Restated)		(Restated)
Opening balance	1,102,323	146,920	98,096	44,863	(412,877)	(8,450)	2,182,363	2,455,614
Charge / (reversal) for the year	120,768	96,599	14,190	11,546	(68,055)	(425,273)	296,279	(204,159)
Contributions during the year	(991,355)	(1,100,000)	(98,246)	-	(39,530)	(38,164)	(289,510)	(242,630)
Other comprehensive income	92,650	658,804	3,115	41,687	(31,810)	59,010	36,118	173,538
Benefits payable	-	1,300,000	-	-	-	-	-	-
Closing balance	324,386	1,102,323	17,155	98,096	(552,272)	(412,877)	2,225,250	2,182,363

33.2.4 The significant portion of the assets comprises of debt securities.

33.2.5 **Movement of present value of defined benefit obligation**

Opening balance	(6,132,451)	(4,161,705)	(302,753)	(374,205)	(1,175,073)	(1,469,644)	(2,182,363)	(2,455,614)
Current service cost	(47,970)	(46,029)	(8,313)	(11,315)	(25,764)	(19,529)	(51,766)	(27,756)
Mark-up cost	(699,505)	(599,617)	(30,195)	(40,197)	(133,821)	(160,808)	(244,513)	(303,459)
Benefits paid	606,483	415,881	102,253	129,999	119,793	89,182	289,510	242,630
Past Service Cost	-	(1,317,343)	-	5,601	-	376,129	-	535,374
Acturial (Loss) / Gain	(159,428)	(423,638)	(5,429)	(12,636)	108,984	9,597	(36,118)	(173,538)
Closing balance	(6,432,871)	(6,132,451)	(244,437)	(302,753)	(1,105,881)	(1,175,073)	(2,225,250)	(2,182,363)

33.2.6 **Movement of fair value of plan assets**

	Pension		Gratuity		Benevolent	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Opening balance	5,030,128	4,014,786	204,657	329,342	1,587,950	1,478,094
Return on plan assets	626,708	566,390	24,318	34,365	188,110	191,317
Employer contribution	991,353	1,100,000	98,246	-	39,530	38,164
Employee contributions	-	-	-	-	39,530	38,164
Benefits paid	(606,483)	(415,881)	(102,253)	(129,999)	(119,793)	(89,182)
Actuarial gain / (loss) on plan assets	66,779	(235,167)	2,314	(29,051)	(77,174)	(68,607)
Closing balance	6,108,485	5,030,128	227,282	204,657	1,658,153	1,587,950

33.2.7 **Actual return on plan assets**

	Pension		Gratuity		Benevolent	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Expected return on plan assets	626,708	566,390	24,318	34,365	188,110	191,317
Actuarial gain / (loss) on plan assets	66,779	(235,167)	2,314	(29,051)	(77,174)	(68,607)
Actual return on plan assets	693,487	331,223	26,632	5,314	110,936	122,710

33.2.8 **Other long term benefits - Employee compensated absences**

The liability of the Bank in respect of employee compensated absences as at December 31, 2013, amounted to Rs. 1,845.749 million (2012: Rs. 1,806.835 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 132.622 million (2012 : Rs. 155.466 million) is included in administrative expenses (note 26 to these financial statements) under 'Charge for defined benefit plans and other benefits' account head. Prior year calculation did not take into account the liability of Leave Preparatory to Retirement (LPR) which should have been taken. This resulted in revision of the present value of defined benefit obligation of prior year amounting to Rs. 318 million (net of tax).

33.2.9 **Composition of fair value of plan assets**

	2013		2012	
	Fair value		Fair value	
	(Rupees in '000)	%	(Rupees in '000)	%
Pension fund				
Bonds	5,080,507	83.17	4,582,736	91.11
Equities	754,228	12.35	415,304	8.26
Others (including bank balances)	273,750	4.48	32,088	0.63
	6,108,485	100.00	5,030,128	100.00
Gratuity Fund				
Bonds	18,825	8.28	202,776	99.08
Others (including bank balances)	208,457	91.72	1,881	0.92
	227,282	100.00	204,657	100.00
Benevolent Fund				
Bonds	1,168,006	70.44	1,579,006	99.44
Others (including bank balances)	490,147	29.56	8,944	0.56
	1,658,153	100.00	1,587,950	100.00

As per actuarial recommendations, the expected return on plan assets was assumed at 13% per annum on Pension Fund assets, Gratuity Fund assets and Benevolent Fund assets. The expected return on plan assets was determined by considering the expected returns available on the underlying assets.

33.2.10 **Sensitivity analysis of defined benefit obligations**

	+1% discount rate	-1% discount rate	+1% salary increase rate	-1% salary increase rate
	(Rupees in '000)			
Pension Fund	5,947,389	7,087,843	6,827,257	6,071,417
Gratuity Fund	240,853	248,150	248,140	240,790
Benevolent Fund	1,032,488	1,207,622	1,105,881	1,105,881
Post retirement medical benefit	2,023,518	2,382,534	2,246,056	2,181,294
Employee compensated absences	1,788,931	1,907,365	1,907,365	1,788,931

33.2.11 **Expected contributions to be paid to the funds in the next financial year**

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent fund scheme.
Based on actuarial advice, the management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2014, subject to the provisions of the Trust Deeds, would be as follows:

	2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
	(Rupees in '000)				
Expected charge / (reversal) for the year	89,494	8,757	(49,508)	350,669	322,204

33.2.12 **Five year data on surplus/ (deficit) of the plans and experience adjustments**

	2013	2012	2011	2010	2009
	(Rupees in '000)				
Pension Fund					
Present value of defined benefit obligations	(6,432,871)	(6,132,451)	(4,161,705)	(3,752,490)	(3,823,669)
Fair value of plan assets	6,108,485	5,030,128	4,014,787	3,629,930	11,308,988
(Deficit) / surplus	(324,386)	(1,102,323)	(146,918)	(122,560)	7,485,319
Experience adjustments on plan liabilities [(loss) / gain]	(159,428)	(423,638)	(132,145)	351,250	(130,299)
Experience adjustments on plan assets [(loss) / gain]	66,779	(235,167)	164,373	(433,160)	492,159
Gratuity Fund					
Present value of defined benefit obligations	(244,437)	(302,753)	(374,205)	(363,236)	(335,598)
Fair value of plan assets	227,282	204,657	329,342	314,910	770,148
(Deficit) / surplus	(17,155)	(98,096)	(44,863)	(48,326)	434,550
Experience adjustments on plan liabilities [(loss) / gain]	(5,429)	(12,636)	1,608	(10,321)	14,581
Experience adjustments on plan assets [gain / (loss)]	2,314	(29,051)	19,122	(21,601)	51,792

	2013	2012	2011	2010	2009
	(Rupees in '000)				
Benevolent Fund					
Present value of defined benefit obligations	(1,105,881)	(1,175,073)	(1,469,644)	(1,405,002)	(1,432,930)
Fair value of plan assets	1,658,153	1,587,950	1,478,094	1,281,248	1,170,236
Surplus / (deficit)	552,272	412,877	8,450	(123,754)	(262,694)
Experience adjustments on plan liabilities [gain / (loss)]	108,984	9,597	28,649	136,963	273,358
Experience adjustments on plan assets [(loss) / gain]	(77,174)	(68,607)	83,402	6,668	(43,186)
Post retirement medical benefit					
Present value of defined benefit obligations	(2,225,250)	(2,182,363)	(2,455,614)	(2,244,246)	(2,180,320)
Experience adjustments on plan liabilities [(loss) / gain]	(36,118)	(173,538)	(71,735)	80,259	242,351

34. DEFINED CONTRIBUTION PLAN

HABIB BANK LIMITED (BANK)

34.1 Provident Fund

For employees hired on or after January 01, 2002 and for those who did not opt for the Bank's Pension scheme introduced in 1977, the bank operates an approved Provident Fund under which both the Bank and employees contribute at following rates:

6% of the Basic Salary	For Executives & Officers
12% of the Basic Salary	For Clerical Staff

For Contractual Employees as per their Service Contracts.

The staff who are covered by the Bank's Pension plan now also eligible for Provident fund benefits effective from April 04, 2005 by contributing 6% of the basic pay. Bank also makes equal contributions for these employees.

Payments are made to the employees on retirement, death, resignation and discharge as specified in the rules of the Fund.

The total assets of the Fund were Rs. 11,445.951 million as at December 31, 2012 (2011: Rs. 10,538.559 million).

34.2 Subsidiary companies

Habib Finance International Limited, Hongkong

Habib Finance International Limited, Hong Kong is maintaining the following two schemes for its employees.

Provident Fund

The company is required to contribute at 5% of salary of all of its employees, subject to a maximum contribution of HK $ 1,250. Employees who earn HK $ 6,500 or more per month are also required to contribute the same amount. Those who earn less than HK $ 6,500 per month have an option to contribute to the fund.

Long Service Payment

The company is required to pay long service payment at 2/3rd of employee's last month's full wages or 2/3rd of HK $ 22,500 whichever is lower, for every year of service. The maximum payment is the total amount of wages earned during the last 12 months or HK $ 390,000 whichever is lower.

Habib Allied International Bank Plc., United Kingdom

Habib Allied International Bank Plc (HAIB) is maintaining a defined contribution pension scheme for its employees. Employer's contribution is 6% of basic salary, whereas contribution from the employee is voluntary. HAIB also makes defined contribution towards personal pension plans of some of the staff members as per their terms of employment.

Habibsons Bank Limited

Habibsons Bank Limited is maintaining a defined contribution pension scheme for its employees. Employer's contribution for employees of Habibsons Bank Limited is upto 5% of basic salary with a matching contribution from the scheme members.

35. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Group President / Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Remuneration / fee of non executives directors	-	-	17,756	26,147	-	-
Managerial remuneration (including allowances)	30,600	31,711	-	-	5,779,307	4,900,155
Contribution to provident and benevolent fund	1,692	1,271	-	-	144,185	122,683
Medical	149	221	-	-	287,655	237,760
House-rent, maintenance, furnishing, others	1,170	3,358	-	-	-	-
Utilities	1,340	516	-	-	-	-
Conveyance	1,894	791	-	-	-	-
	36,845	37,868	17,756	26,147	6,211,147	5,260,598
Number of persons	1	2	7	6	3,081	2,688

The Chief Executive Officer and certain Executives are provided with free club memberships and the Chairman / Chief Executive Officer are also provided with free use of the Group's maintained cars in accordance with their entitlement.

In addition to the above, all executives, including Chief Executive Officer of the Bank are also entitled to certain short term employee benefits which are disclosed in note 26.2 to these financial statements.

36. RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development (AKFED), S.A, Switzerland holds 51% shares of the Bank. The Group has related party relationship with its associated undertakings, joint venture company (refer note 8.4), associates of AKFED Group entities, employee benefit schemes (refer note 4.9) of the Group / related party, and members of the Key Management Personnel of the Group / related party, including both Executive and Non-Executive Directors.

Banking transactions with the related parties are executed on arm's length basis i.e. substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other then those under terms of employment. Details of advances to related parties are given in note 9.8 to these consolidated financial statements. Contributions to and accruals in respect of staff retirement and other benefit schemes are made in accordance with the actuarial valuation / terms of the contribution plan.

Details of transactions with related parties and balances with them as at the year-end were as follows:

	2013				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	(Rupees in '000)				
Statement of financial position					
Deposits	3,450,508	-	7,467,809	159,678	1,105,198
Maximium Deposits during the year	4,208,820	-	7,942,206	159,678	3,833,229
Borrowings	3,094,280	-	737,272	-	-
Investments	-	-	7,860,459	1,356,483	-
Markup / Other Receivable	-	-	272,262	-	-
Mark-up / Other Payable	-	-	-	-	338,135
Placements / Lendings	1,412,680	-	736,717	-	-
Overdrawn Nostro	548,068	-	640,686	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss					
Interest / Other Income	100,350	-	3,184,368	250,857	-
Interest / Other Expense	337,613	-	732,687	-	485,180
Others					
Other contingencies	436,646	-	-	-	-
Securities Held as custodian	8,761,370	485,000	25,888,500	-	14,454,615

	2012				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	(Rupees in '000)				
Statement of financial position					
Deposits	3,876,800	-	6,934,694	-	2,961,756
Maximium Deposits during the year	3,942,716	-	7,140,124	-	2,963,637
Borrowings	1,451,441	-	-	-	-
Investments	-	-	7,120,785	1,312,091	-
Markup / Other Receivable	-	-	220,000	-	-
Mark-up / Other Payable	-	-	-	-	1,221,221
Placements / Lendings	1,330,363	-	-	-	-
Overdrawn Nostro	656,893	-	292,891	-	-
Impairment provision	-	-	573,261	-	-
Profit and Loss					
Interest / Other Income	221,970	-	2,577,340	362,436	-
Interest / Other Expense	324,603	-	683,085	-	278,856
Others					
Other contingencies	361,835	-	-	-	127,318
Securities Held as custodian	4,808,720	762,000	17,945,000	-	12,378,000

36.1 The donations given in note 26 and annexure IV of these consolidated financial statements include donations to HBL Foundation. The Foundation was established by the Board of Directors of HBL to promote development and advance the welfare and well being of the people with the object of improving their quality of life. Liability to the fund is shown in note no. 17.

36.2 **Key Management Personnel**

Key Management Personnel comprises Members of Management Committee, Regional Management, Country Managers and Senior Executives:

	2013	2012
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,698,162	1,481,639
Contribution to provident and benevolent fund	25,416	23,269
Medical	49,793	41,328
	1,773,371	1,546,236
Number of persons	188	181

In addition, Key Management Personnel are paid short-term employee benefits which are disclosed in note 26.2.

37. RISK MANAGEMENT FRAMEWORK

Risk taking is central to banking activity. Success in any venture in general and the banking business in particular is dependent on how well an institution manages its risk. The main goal is to minimize risk and be proactive in efficiently identifying, assessing, measuring (as far as possible), monitoring and controlling risks to an organisation's strategic advantage.

As Group plans to continue diversifying its business and ensuring sustained growth and profitability amidst increasing competitiveness and challenges in the banking industry and works to implement the comprehensive risk management, capital adequacy and internal control standards enforced by the SBP. To this end, the Bank has a well defined Risk Management Framework comprising of an effective risk management strategy, risk management structure and a policy framework.

Risk Management Structure

The Bank's risk management approach is underpinned by an appropriate risk management structure. This structure is represented by various lines of defence in order to ensure that the risks are managed effectively on an entity level:

Supervisory Level	Board of Directors	Board Risk Management Committee and Board Audit Committee
	Management	ALCO, Management Risk Committee, Credit Risk Management Committee, Operational Risk Management Committee etc.
Risk Initiation - Operating Units/ Risk Owners		All Business and Support Groups i.e., Corporate, Investment Banking, Commercial, Retail, Treasury, IT, HR, etc.
Risk Control		Risk Management Group, Compliance
Risk Assurance		Internal Audit and Business Risk Review

Board of Directors (BoD)

The Board provides strategic direction for effective risk management and has the ultimate responsibility for managing all material risks that the Bank is/ may be exposed to, and for ensuring that the required human resources, culture, practices and systems are in place to address such risks. In discharging these responsibilities for overall risk management, the Board has established the Board Risk Management Committee.

Board Risk Management Committee (BRMC)

BRMC is a Board level oversight committee and is the highest risk related policy making and oversight body for all types of risks faced by the Bank, notably credit, market, liquidity and operational risks. It comprises of three directors of the Board (majority being non-executive). The Committee is supported by the Chief Risk Officer (CRO) and other executives as required. BRMC assists the Board in determining the strategic direction of the Bank by providing them the risk perspective.

Asset & Liability Committee (ALCO)

ALCO is the focal point for defining and leading the entire asset liability management process within the Bank. In this regard, ALCO also has responsibility for oversight of all market and liquidity risks. It is chaired by the President/CEO and has representation from all business groups, CRO, Chief Financial Officer (CFO), and Head of Market Risk.

Management Risk Committee (MRC)

Management Risk Committee is a senior management body headed by the President that mainly covers risks on integrated basis from an overall perspective of strategy, policy/ framework development, assessment/ measurement tools, MIS framework and Basel II implementation, whereas routine aspects in relation to such risks are managed by designated risk departments. In addition, the Bank has other senior management committees i.e., Credit Risk Management Committee, ALCO and ORMC to manage more specifically the credit, market liquidity and operational risks respectively.

Credit Risk Management Committee (CRMC)

Credit Risk Management Committee, at the functional level, has the responsibility to translate the decisions about strategy into framework, policies and standards for the origination, approval, disbursement, monitoring and reporting of credits and also to participate with the business line management in setting up the Bank's target portfolio profile and limits and in monitoring alignment with the risk strategies, appetite and limits etc. approved by the competent authorities. The CRMC is chaired by the CRO with the members comprising of Senior Credit Officers representing Corporate, Commercial and Retail Lending, representatives of Credit Policy and Credit Administration and Group Head Treasury. The risk management function is independent of business group / divisions.

Operational Risk Management Committee (ORMC)

Operational Risk Management Committee is a senior management body responsible for operational risk management within the Bank both from the strategic as well as tactical perspectives. The Committee has representation from Risk Management Group, Operations, Global Compliance Group and Finance, being headed by the CRO as its Chairman.

Risk Management Group (RMG)

For effective implementation of the risk management framework, a dedicated function i.e. Risk Management Group operates within the Bank, independent from the other business units, support functions as well as the Internal Audit function. RMG is responsible to perform the functions pertaining to development and oversight of risk strategy, policy, framework, methodology and MIS. The Group is headed by a designated Group Executive i.e. CRO reporting to the President but with an independent reporting line to BRMC.

RMG has designated separate personnel/departments to cater to the following significant areas with each of them reporting to

- Credit Policy & Portfolio Management
- Credit Approvals
- Credit Administration
- Consumer Risk Management
- Market & Liquidity Risk Management
- Basel II and Systems Implementation

The Operational Risk Management Division (ORMD) operates within Global Compliance Group (GCG) independent from the other business units, support functions as well as the Internal Audit function. The Head ORMD is one of the members of the Operational Risk Committee which is chaired by the CRO. In this manner, issues and matters concerning operational risk are independently communicated to CRO so as to enable knowledge of the Bank-wide risks. The key issues are reported to BRMC through the forum of the Operational Risk Committee and/ or MRC, where applicable. In addition, the Head ORMD has a dotted reporting relationship with the CRO.

Business Risk Review (BRR)

BRR working under Internal Audit provide independent assessment to the Board and the senior management of the Bank's risk management framework that includes policies, procedures, methodologies, reporting, and systems.

Credit Risk Management

Credit risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with the agreed contract terms. Credit risk makes up the largest part of the Bank's risk exposures. The Bank's credit process is guided by centrally established credit policies, rules and guidelines with the objective to maintain a well-diversified portfolio while generating a reliable and consistent return.

Credit risk policies are established by the Credit Policy Committee/ CRO and approved by the Board through the Board Risk Management Committee. The Bank has a system of checks and balances in place around the extension of credit that are:

- An independent risk management function.
- Approval rules based on three-initial system and co-guarantor approach.
- An independent audit and risk review function.

The Credit Risk Strategy as outlined in Overall Risk Appetite document reflects Bank's tolerance for risk i.e. credit risk appetite. This, as a minimum, reflects Bank's strategy to grant credit based on various products, economic sectors, client segments etc.,target markets giving due consideration to risks specific to each target market.

Salient features of our credit approval process are delineated below:

- Every extension of credit to any counterparty requires approval by the personnel having credit approval authorities.
- All Business groups must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate/ pre-defined level.
- Credit approval authority is assigned to individuals according to their qualifications and experience.

Certain groups of exposures/ facilities are managed under product programs, which are approved by various levels of approving authorities as defined in the Credit Policy Manual. Each product program contains detailed credit criteria, regulatory, compliance and documentation requirements.

The Bank uses internal risk rating system to supplement the credit risk measurement procedure for all Corporate and Commercial, and Retail exposures. All in all, over 90% of all exposures are rated. All obligor risk ratings are validated and approved by authorized personnel belonging to both the business units and risk management function. The Bank is currently involved with external consultants to introduce more effective internal risk rating framework that will be aligned with the Foundation Internal Ratings Based (FIRB) approach of the Basel II accord.

Stress testing on the credit portfolio is performed according to the guidelines issued by SBP at defined frequency. The scope of stress testing is being expanded to include scenarios in addition to those defined in the SBP guidelines.

The disbursement, administration and monitoring of credit facilities is managed by Credit Administration Department (CAD) that operates under the CRO as part of the Risk Management Group. CAD is also responsible for collateral/ documents management.

The Bank monitors its credit portfolio on a continuing basis. Procedures are in place to identify, at an early stage, credit exposures for which there may be a risk of loss. The objective of an early warning system is to address potential problems at a stage where viable options are most likely to be available. Early detection of problem advances is a tenet of the Bank's credit culture and is intended to ensure that greater attention is paid to such exposure. The Bank has established a Structured Assets function to manage problem credits and the function negotiates with problem borrowers and recommends restructuring and/ or rescheduling of stuck up advances to the senior management. Cases where the possibilities of economically viable means of recovery are exhausted, legal proceedings are initiated. The Bank follows the guidelines of SBP or the Regulators under which it is operating in other countries for classification/ provisioning/ write-off of problem advances.

Country Risk

The Bank has in place a comprehensive Country Risk Policy. Limits are established for Cross Border Transfer Risk (CBTR) based on the ratings assigned by the internationally recognized rating agencies. The limit utilization is controlled at Head office level and country risk exposures are reported to BRMC at defined frequency. CBTR arises from exposure to counterparties in Countries other than the country where exposure is located. The Bank defines transfer risk as arising where an otherwise solvent and willing debtor is unable to meet it's obligation due to the imposition of governmental or regulatory controls restricting its ability to perform under its obligation towards its foreign liabilities.

Market Risk Management

It is the risk of loss due to adverse movements in market rates or prices, such as foreign exchange rates, interest rates and equity prices. It emanates from the trading activities mainly carried out by Treasury and investments/ structural positions housed in banking book.

Market risk at the Bank level is managed by the RMG under the supervision of ALCO supported by the Treasury Middle Office (TMO). The Bank carries a limited amount of market risk the bulk of which is located in the banking book stemming from the mismatches in structural assets and liabilities positions.

Interest Rate Risk

Interest rate risk is the uncertainity about the change in an investments's value due to changes in interest rates, including changes in the shape of the yield curve. Interest rate risk is inherent in the business of a financial institution and results due to the mismatches in the contractual maturities or repricing of assets and liabilities on its balance sheet. Substantial part of the Bank's assets and liabilities are subject to floating rates which significantly reduces the exposure to changes in interest rates. The Bank is exposed to interest rate risk as a result of mismatches on a relatively small part of its assets and liabilities. The major portion related to this risk is reflected in the banking book owing to the retail activities and investments qualifying for statutory reserve requirements. The overall potential impact of the mismatches on the earnings in short term and economic value of the portfolio in the long term is not material and is being managed with in the tolerance limits approved by the Board. The Bank uses simulation and duration gap models to measure and monitor the interest rate sensitivity on the potential earnings and the Bank's economic value of equity.

Foreign Exchange Risk

The Bank's assets are typically funded in the same currency as that of the business transacted to eliminate foreign exchange exposure. However, the Bank is obliged to maintain a reasonable open position in various currencies resulting from the sizeable trade related transactions handled across the Bank. Foreign exchange risks are controlled and monitored through the limits approved by ALCO within the overall limit advised by SBP. The regulatory limit for foreign exchange is relatively small compared to the size of the Bank; which restricts the risk generated through the foreign exchange actvities of the Bank.

End-of-the-day positions are marked to market daily according to the guidelines of SBP and sensitivity is conducted in line with the internal market risk policy of the Bank. The intra- day positions are managed by treasury through stop loss/ dealers limits.

Liquidity Risk Management

Liquidity risk is the risk that the Bank will be unable to meet its cash flow obligations as they become due, at a reasonable cost, because of an inability to liquidate assets, or to obtain adequate funding. ALCO has the responsibility for the formulation of overall strategy and oversight of the asset liability management. The Bank follows a comprehensive liquidity risk management policy duly approved by ALCO and the Board. The policy stipulates maintenance of various ratios, funding preferences, and evaluation of Bank's liquidity under normal and crisis situation (stress testing). To comply with the policy, the Bank has also conducted a behavioral study on its demand deposits to evaluate the ability of the Bank to retain its core deposits , which may not reflect in their maturity profile. Such evaluation forms part of the liquidity management process to realistically project the reliance on such funding sources. As a result of close monitoring and strict policy towards reliance on core deposit, the Bank has been able to avoid concentration/ reliance on volatile deposit in its books. A comprehensive contingency plan to deal with crisis situation is also in place.

Operational Risk Management (ORM)

In line with the approved Operational Risk Management Policy, Bank has instituted an Operational Risk Management Division (ORMD). Operational Risk Management Policy and a detailed ORM Framework has been prepared and implemented. Operational Risk Coordinators (ORCs) have been assigned from more than 20 departments of the Bank being responsible for implementation of the ORM Framework in coordination with ORMD. The Bank has been granted permission/certification by SBP to move to the more advanced approach i.e, Alternative Standardised Approach (ASA) under Basel II with a capital floor i.e., operational risk charge under ASA should not fall below a certain percentage of operational risk capital charge calculated under BIA for initial 3 years . Capital floors are 90% for 2012, 80% for 2013 and 70% for 2014. HBL is the first Pakistani bank to achieve this milestone.

The Bank's ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators, Operational Loss Data Management, Operational Risk Reporting, Capital Calculation etc. Detailed RCSA exercises are conducted at regular intervals across the Bank, the results of which are continually evaluated against the losses. Operational loss data collection and evaluation has been underway since 2009. The Bank has also established Key Risk Indicators (KRI) and is monitoring them at regular intervals. Operational risk reports are regularly submitted to the senior management.

Derivatives risk management

There are a number of risks undertaken by the Bank, which need to be monitored and assessed as explained in note 21 to these financial statements.

Credit Risk

Credit risk refers to the risk of non-performance or default by a party (a customer, guarantor, trade counterparty, third party, etc.), resulting in an adverse impact on the Bank's profitability. Credit risk associated with derivatives transactions is categorized into settlement risk and pre-settlement risk. The credit limit proposals for derivatives transactions are reviewed by the MTR Head who recommends appropriate limits to the Credit Committee for approval. The credit exposure of each counterparty is estimated and monitored by Treasury Middle Office on a daily basis.

Market Risk

The Bank, as a policy, hedges back-to-back all Options transactions. In addition, the Bank minimizes the exchange rate risk on its Cross Currency Swaps portfolio by hedging the exposure in the interbank market. To manage the interest rate risk of Interest Rate Derivatives, the Bank has implemented various limits which are monitored and reported by Treasury Middle Office on a daily basis.

Liquidity Risk

Derivatives transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk.
The liquidity risk arises from the fact that in Pakistan interest rate derivatives generally have a uni-directional demand, and no perfect hedge is available. The Bank mitigates its risk by limiting the portfolio in terms of tenor, notional and sensitivity limits, and can also hedge its risk by taking on and off balance sheet positions in the interbank market, where available.

Operational risk

The staff involved in the process of trading, settlement and risk management of derivatives are carefully trained to deal with the complexities involved in the process. Adequate systems and controls are in place to carry out derivatives transactions smoothly. Each transaction is processed in accordance with the product program or transaction memo, which contains detailed accounting and operational aspects of the transaction to further mitigate operational risk. In addition, the Treasury Middle Office and the Compliance and Control Department are assigned the responsibility of monitoring any deviation from policies and procedures. The Bank's Audit and Inspection Group also reviews this function, which covers regular review of systems, transactional processes, accounting practices and end-user roles and responsibilities.

The Bank uses a derivatives system which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis. Treasury Middle Office produces various reports for higher management (BoD, BRMC, MRC, etc) on a periodic basis. These reports provide details of the derivatives business profile containing outstanding positions, profitability, risk exposures and the status of compliance with limits.

Risk Management alignment with Basel II and III project

The Bank is one of the few financial institutions in Pakistan planning to adopt the Foundation Internal Ratings Based (FIRB) Approach for credit risk and Internal Models Approach (IMA) for Market Risk (Alternate Standardized Approach for operational risk has already been adopted) under the Basel II Framework and consequently enhancing the quality of risk management processes, methodologies, systems and reporting. In order to undertake the Basel II initiatives in a systematic manner and in full compliance with the related requirements, the Bank has sought the services of an international firm. Bank's Basel II Program includes a number of aspects involving organizational alignments, enhancements in the existing policies, procedures, processes and controls, development of new risk frameworks, existing system upgrades, selection and deployment of various risk applications, development of advanced risk management tools and methodologies and introduction of improved risk reporting MIS. A lot of effort has already gone into aligning Bank's risk management structure, policies, procedures and systems with the requirements of Basel II while the remaining initiatives are currently being undertaken in an integrated manner with plans for completion in due course. The Bank also realizes the criticality of quality human resource and is already in the process of augmenting the skill set by necessary induction and training measures to enable undertaking of planned initiatives and consistently implementing the new risk management framework in line with Basel II. Once completed, the Bank expects to achieve a number of significant business benefits from its Basel II program with more robust risk management and internal control environment in line with international best practices.
Bank is currently engaged in the deployment of a comprehensive suite of advanced systems for Loan Origination, Credit Administration/ Collateral Management, and Internal Risk Ratings as part of FIRB related initiatives for credit risk.

Scope of application of Basel III framework

State Bank of Pakistan through BPRD circular no. 06 dated August 15, 2013 has required all Banks/DFIs to measure their capital adequacy in a transitional manner, based on Basel III instructions. It is intended to be implemented fully in 2019.

Given the level of financial depth, Basel III guideline was destined to be implemented for the following reasons in particular:
- Improving the capital base and resilience (emphasis on quality of core capital).
- Solution for both firm specific (micro prudential) and system wide (macro prudential).
- Ensure appropriate leverage ratio.
- Resilience during stress regime i.e. capital buffers.

Basel III guideline applies to the consolidated as well as standalone basis which comprises of subsidiaries, associates and Joint venture. List of subsidiaries, associates and Joint venture have been provided in note no. 1 and 8.4 of these consolidated financial statements respectively. Subsidiaries are fully consolidated; whereas equity method has been used to incorporate associates and Joint venture as mentioned in note 2.2.

38. **CAPITAL ADEQUACY**

38.1 **Capital structure**

The risk weighted assets to capital ratio is calculated in accordance with the SBP's guidelines on capital adequacy.

		2013		2012	
		Basel III Transit	Pre-Basel III treatment	Basel III Transit	Pre-Basel III treatment
		----------(Rupees in '000)----------			
Common Equity Tier 1 capital (CET1): Instruments and reserves					
Fully Paid-up Capital		13,335,023		12,122,748	
Balance in Share Premium Account		-		-	
Reserve for issue of Bonus Shares		-		-	
General/ Statutory Reserves		26,692,367		24,467,534	
Gain/(Losses) on derivatives held as Cash Flow Hedge		-		-	
Unappropriated profit		73,748,915		67,215,111	
Non-controlling interest		1,886,116		1,227,207	
CET 1 before Regulatory Adjustments		115,662,421		105,032,600	
Common Equity Tier 1 capital: Regulatory adjustments					
Goodwill		2,149,889		1,967,015	
All other intangibles		813,548		680,845	
Shortfall of provisions against classified assets		-		2,758,267	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		-	-	-	-
Defined-benefit pension fund net assets		-		-	
Reciprocal cross holdings		325,324		203,760	
Cash flow hedge reserve		-		-	
Investment in own shares		265,912		139,617	
Securitization gain on sale		-		-	
Capital shortfall of regulated subsidiaries		-		-	
Deficit on account of revaluation from bank's holdings of property/ AFS		-		-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		-	-	-	-
Amount exceeding 15% threshold					
of which: significant investments in the common stocks of financial entities		-	-	-	-
of which: deferred tax assets arising from temporary differences		-	-	-	-
National specific regulatory adjustments applied to CET1 capital					
Investment in TFCs of other banks exceeding the prescribed limit		-	-	-	-
Any other deduction specified by SBP (mention details)		-	-	-	-
Regulatory adjustment applied to CET1		2,662,298	-	2,237,421	-
Total regulatory adjustments applied to CET1		6,216,971		7,986,925	
Common Equity Tier 1	(a)	109,445,450		97,045,675	
Additional Tier 1 (AT 1) Capital					
Qualifying Additional Tier-1 instruments plus any related share premium		-		-	
of which: Classified as equity		-		-	
of which: Classified as liabilities		-		-	
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		-		-	
of which: instrument issued by subsidiaries subject to phase out		-		-	
AT1 before regulatory adjustments		-		-	
Additional Tier 1 Capital: regulatory adjustments					
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-		-	
Investment in own AT1 capital instruments		-		-	
Reciprocal cross holdings in Additional Tier 1 capital instruments		-		-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-	-	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-		-	
Total of Regulatory Adjustment applied to AT1 capital		-		-	
Additional Tier 1 capital					
Additional Tier 1 capital recognized for capital adequacy	(b)	-		-	
Tier 1 Capital (CET1 + admissible AT1)	(c = a+b)	109,445,450		97,045,675	

		2013		2012	
		Basel III Transit	Pre-Basel III treatment	Basel III Transit	Pre-Basel III treatment
		----------(Rupees in '000)----------			
Tier 2 Capital					
Qualifying Tier 2 capital instruments under Basel III		-		-	
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		-		1,068,917	
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		-		-	
of which: instruments issued by subsidiaries subject to phase out		-		-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		2,150,383		1,460,695	
Revaluation Reserves					
Revaluation reserves on Property		4,287,600		4,315,017	
Unrealized Gains/Losses on AFS		173,622		1,438,339	
		4,461,222		5,753,356	
Foreign Exchange Translation Reserves		16,858,006		14,911,820	
Undisclosed/Other Reserves (if any)		-		-	
Tier 2 before regulatory adjustments		23,469,611		23,194,788	
Tier 2 Capital: regulatory adjustments					
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		2,662,298	-	2,237,421	-
Reciprocal cross holdings in Tier 2 instruments		-		-	
Investment in own Tier 2 capital instrument		-		-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-	-	-
Amount of Regulatory Adjustment applied to Tier 2 capital		2,662,298		2,237,421	
Tier 2 capital		20,807,313		20,957,367	
Tier 2 capital recognized for capital adequacy		20,807,313		20,957,367	
Excess Additional Tier 1 capital recognized in Tier 2 capital		-		-	
Total Tier 2 capital admissible for capital adequacy	(d)	20,807,313		20,957,367	
TOTAL CAPITAL (Tier 1 + admissible Tier 2)	(e=c+d)	130,252,763		118,003,042	
Total Credit Risk Weighted Assets	(f)	616,731,615		543,003,107	
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		617,322,851		543,346,484	
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		-		-	
of which: deferred tax assets		-		-	
of which: Defined-benefit pension fund net assets		-		-	
of which: others		-		-	
Total Market Risk Weighted Assets	(g)	122,243,772		114,728,173	
Total Operational Risk Weighted Assets	(h)	107,112,245		113,273,880	
Total Risk Weighted Assets	(i=f+g+h)	846,087,632		771,005,160	
Capital Ratios and buffers (in percentage of risk weighted assets)					
CET1 to total RWA	(a/i)	12.94%		12.59%	
Tier-1 capital to total RWA	(c/i)	12.94%		12.59%	
Total capital to RWA	(e/i)	15.39%		15.31%	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		10.00%		10.00%	
of which: capital conservation buffer requirement		-		-	
of which: countercyclical buffer requirement		-		-	
of which: D-SIB or G-SIB buffer requirement		-		-	
CET1 available to meet buffers (as a percentage of risk weighted assets)		-		-	
Other information:					
Minimum capital requirements prescribed by SBP					
CET1 minimum ratio		5.00%		-	
Tier 1 minimum ratio		6.50%		-	
Total capital minimum ratio		10.00%		10.00%	
Amounts subject to thresholds deductions					
Non-significant investments in the capital of other financial entities		1,314,335		342,342	
Significant investments in the common stock of financial entities		8,288,128		7,049,840	
Deferred tax assets arising from temporary differences (net of related tax liability)		5,103,072		6,056,483	
Applicable caps on the inclusion of provisions in Tier 2					
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		2,150,383		1,460,695	
Cap on inclusion of provisions in Tier 2 under standardized approach		7,709,145		6,787,539	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		-		-	
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		-		-	

38.2 Risk-Weighted Exposures

	2013		2012	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	(Rupees in '000)			
Credit Risk				
Balance Sheet Items				
Cash and cash equivalents	192,818,456	33,227,051	205,209,549	33,408,235
Lendings to financial institutions	35,271,477	2,615,267	24,828,255	2,263,852
Investments	826,062,308	63,591,336	797,094,548	41,968,842
Advances	563,700,737	371,940,100	499,817,906	317,437,004
Operating fixed assets	25,706,315	22,742,878	23,632,324	20,984,464
All other assets	71,712,085	23,780,846	59,891,892	25,310,772
	1,715,271,378	517,897,478	1,610,474,474	441,373,169
Off Balance Sheet items				
Financial guarantees / acceptances	92,565,772	73,019,683	80,414,988	73,038,788
Performance related commitments	29,124,897	11,061,840	35,671,636	11,160,898
Trade-related commitments	87,609,163	11,479,084	99,562,920	13,678,165
Lending of securities or posting of securities as collateral	242,524	48,505	177,148	3,658
Commitments with certain drawdown	943,750	943,750	663,125	663,125
Unutilized limits	1,026,218	260,754	6,133,567	1,933,632
Outstanding Foreign Exchange Contracts / Derivatives				
-Purchase	263,906,330	776,429	172,525,910	590,667
-Sale	264,336,770	1,244,092	172,436,914	561,005
	739,755,424	98,834,137	567,586,208	101,629,938
Credit risk-weighted exposures		616,731,615		543,003,107
Market Risk				
General market risk		50,475,263		53,006,438
Specific market Risk		7,281,312		5,902,263
Foreign exchange risk		64,487,197		55,819,472
Market risk-weighted exposures		122,243,772		114,728,173
Operational Risk		107,112,245		113,273,880
Total Risk-Weighted Exposures		846,087,632		771,005,160

38.3 **Capital structure reconciliation**

	As per published financial statements 2013	Under regulatory scope of consolidation 2013
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	135,476,687	135,476,687
Balances with other banks	57,341,769	57,341,769
Lendings to financial institutions	35,271,477	35,271,477
Investments	826,062,308	821,502,958
Advances	563,700,737	565,851,120
Operating fixed assets	25,706,315	22,742,878
Deferred tax asset	5,103,072	5,103,072
Other assets	66,609,013	66,609,013
Total assets	1,715,271,378	1,709,898,974
Liabilities & Equity		
Bills payable	19,422,316	19,422,316
Borrowings	107,864,424	107,864,424
Deposits and other accounts	1,401,229,814	1,401,229,814
Sub-ordinated loans	2,633,115	2,633,115
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	41,687,455	41,687,455
Total liabilities	1,572,837,124	1,572,837,124
Share capital	13,335,023	13,335,023
Reserves	43,550,373	43,550,373
Unappropriated profit	73,748,915	68,376,511
Non-controlling interest	1,886,116	1,886,116
Surplus on revaluation of assets	9,913,827	9,913,827
Total liabilities & equity	1,715,271,378	1,709,898,974

38.3.1 **Detail of capital structure reconciliation**

	As per published financial statements 2013	Under regulatory scope of consolidation 2013	Reference
Assets	(Rupees in '000)		
Cash and balances with treasury banks	135,476,687	135,476,687	
Balances with other banks	57,341,769	57,341,769	
Lendings to financial institutions	35,271,477	35,271,477	
Investments	826,062,308	821,502,958	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	3,968,114	c
of which: reciprocal crossholding of capital instrument	-	325,324	d
of which: investment in own shares	-	265,912	e
Advances	563,700,737	565,851,120	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	-	2,150,383	g
Operating fixed assets	25,706,315	22,742,878	
of which: Goodwill	-	2,149,889	j
of which: Intangibles	-	813,548	k
Deferred Tax Assets	5,103,072	5,103,072	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	66,609,013	66,609,013	
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	1,715,271,378	1,709,898,974	
Liabilities & Equity			
Bills payable	19,422,316	19,422,316	
Borrowings	107,864,424	107,864,424	
Deposits and other accounts	1,401,229,814	1,401,229,814	
Sub-ordinated loans	2,633,115	2,633,115	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	41,687,455	41,687,455	
Total liabilities	1,572,837,124	1,572,837,124	
Share capital	13,335,023	13,335,023	
of which: amount eligible for CET1	-	13,335,023	s
of which: amount eligible for AT1	-	-	t
Reserves	43,550,373	43,550,373	
of which: portion eligible for inclusion in CET1	-	26,692,367	u
of which: portion eligible for inclusion in Tier 2	-	16,858,006	v
Unappropriated profit	73,748,915	68,376,511	w
Non-controlling interest	1,886,116	1,886,116	
of which: portion eligible for inclusion in CET1	-	1,886,116	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	9,913,827	9,913,827	
of which: Revaluation reserves on Property	-	9,528,000	aa
of which: Unrealized Gains/Losses on AFS	-	385,827	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	1,715,271,378	1,709,898,974	

	2013 (Rupees in '000)	Reference
38.3.2 **Component of capital reported by the Group**		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital	13,335,023	
Balance in Share Premium Account	-	(s)
Reserve for issue of Bonus Shares	-	
General/ Statutory Reserves	26,692,367	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	73,748,915	(w)
Non-controlling interest	1,886,116	(x)
CET 1 before Regulatory Adjustments	115,662,421	
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill	2,149,889	(j) - (o)
All other intangibles	813,548	(k) - (p)
Shortfall of provisions against classified assets	-	(f)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r} * x%
Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
Reciprocal cross holdings	325,324	(d)
Cash flow hedge reserve	-	
Investment in own shares	265,912	
Securitization gain on sale	-	
Capital shortfall of regulated subsidiaries	-	
Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
Amount exceeding 15% threshold	-	
of which: significant investments in the common stocks of financial entities	-	
of which: deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments applied to CET1 capital	-	
Investment in TFCs of other banks exceeding the prescribed limit	-	
Any other deduction specified by SBP (mention details)	-	
Regulatory adjustment applied to CET1	2,662,298	
Total regulatory adjustments applied to CET1	6,216,971	
Common Equity Tier 1	109,445,450	
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium	-	
of which: Classified as equity	-	(t)
of which: Classified as liabilities	-	(m)
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
of which: instrument issued by subsidiaries subject to phase out	-	
AT1 before regulatory adjustments	-	

	2013 (Rupees in '000)	Reference
Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
Investment in own AT1 capital instruments	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
Total of Regulatory Adjustment applied to AT1 capital	-	
Additional Tier 1 capital	-	
Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)	109,445,450	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	-	(n)
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
of which: instruments issued by subsidiaries subject to phase out	-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,150,383	(g)
Revaluation Reserves eligible for Tier 2		
of which: portion pertaining to Property	4,287,600	
of which: portion pertaining to AFS securities	173,622	portion of (aa)
	4,461,222	
Foreign Exchange Translation Reserves	16,858,006	(v)
Undisclosed/Other Reserves (if any)	-	
Tier 2 before regulatory adjustments	23,469,611	
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,662,298	
Reciprocal cross holdings in Tier 2 instruments	-	
Investment in own Tier 2 capital instrument	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
Amount of Regulatory Adjustment applied to Tier 2 capital	2,662,298	
Tier 2 capital	20,807,313	
Tier 2 capital recognized for capital adequacy	20,807,313	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	20,807,313	
TOTAL CAPITAL (Tier 1 + admissible Tier 2)	130,252,763	

38.4 Main Features of Regulatory Capital Instruments

Issuer	Habib Bank Limited
Unique identifier	HBL
Governing law(s) of the instrument	Relevant Capital Market Laws
Regulatory treatment	
Transitional Basel III rules	Common Equity Tier 1
Post-transitional Basel III rules	Common Equity Tier 1
Eligible at solo / group / group & solo	Group and Standalone
Instrument type	Ordinary shares
Amount recognized in regulatory capital (Currency in PKR thousands)	13,335,023
Par value of instrument	Rs. 10 per share
Accounting classification	Shareholders' equity
Original date of issuance	1947
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	Not applicable
Optional call date, contingent call dates and redemption amount	Not applicable
Subsequent call dates, if applicable	Not applicable
Coupons / dividends	
Fixed or floating dividend/ coupon	Not applicable
Coupon rate and any related index/ benchmark	Not applicable
Existence of a dividend stopper	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	Not applicable
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger (s)	Not applicable
If convertible, fully or partially	Not applicable
If convertible, conversion rate	Not applicable
If convertible, mandatory or optional conversion	Not applicable
If convertible, specify instrument type convertible into	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable
Write-down feature	
If write-down, write-down trigger(s)	Not applicable
If write-down, full or partial	Not applicable
If write-down, permanent or temporary	Not applicable
If temporary write-down, description of write-up mechanism	Not applicable
Position in subordination hierarchy in liquidation	Sub-ordinated loan
Non-compliant transitioned features	Not applicable
If yes, specify non-compliant features	Not applicable

38.5 Risk-Weighted Exposures

	Note	Capital Requirements 2013	Capital Requirements 2012	Risk Weighted Assets 2013	Risk Weighted Assets 2012
		(Rupees in '000)			
Credit Risk					
On-balance sheet					
Other sovereigns, GOP, PG, SBP other than PKR		5,176,190	4,664,013	51,761,898	46,640,130
PSE's		2,740,601	611,759	27,406,006	6,117,593
Banks		3,303,384	2,880,096	33,033,836	28,800,960
Corporates		28,795,721	25,897,122	287,957,209	258,971,218
Retail Portfolio		5,711,113	4,424,599	57,111,125	44,245,989
Secured by residential property		370,999	271,415	3,709,987	2,714,153
Past due loans		1,105,370	1,178,256	11,053,701	11,782,556
Listed Equity investments		622,225	595,583	6,222,249	5,955,831
Unlisted equity investments		263,735	308,467	2,637,345	3,084,669
Investments in fixed assets		2,274,288	2,098,446	22,742,878	20,984,463
Other assets		1,426,124	1,207,561	14,261,244	12,075,607
		51,789,750	44,137,317	517,897,478	441,373,169
Off-balance sheet					
Non-market related		9,681,362	10,047,812	96,813,617	100,478,116
Market related		202,052	115,182	2,020,520	1,151,822
		9,883,414	10,162,994	98,834,137	101,629,938
Market Risk					
Interest Rate Risk		3,471,810	3,797,410	43,397,625	47,467,626
Equity Position Risk		1,148,716	915,286	14,358,950	11,441,075
Foreign Exchange Risk		5,158,976	4,465,558	64,487,197	55,819,472
		9,779,502	9,178,254	122,243,772	114,728,173
Operational Risk - Restricted to 80% of Basis Indicator Approach		8,568,980	9,061,910	107,112,245	113,273,880
		80,021,646	72,540,475	846,087,632	771,005,160
Capital Adequacy Ratio					
Total eligible regulatory capital held	38.1	130,252,763	118,003,042		
Total risk weighted assets	38.5	846,087,632	771,005,160		
Capital adequacy ratio		15.39%	15.31%		

38.6 Capital management

The Group's lead regulator SBP sets and monitors capital requirements for the Bank and the Group as a whole. In addition the Group's branches and subsidiaries outside Pakistan are also required to follow capital requirements applicable in respective countries.

In implementing current capital requirements, SBP requires the Group to maintain a prescribed ratio of 10% total capital to total risk-weighted assets. The Group calculates requirements for market risk in its trading portfolios based upon the methodology provided by SBP which takes account of specific and general market risk, capital charge for interest rate risk and equity price risk using the maturity method.

The Group's regulatory capital is analysed into three tiers:

- Tier I capital, which includes ordinary share capital, capital and other reserves except exchange translation reserve, non-controlling interest and retained profit.
- Tier II capital includes revaluation surplus, exchange translation reserve, subordinated debt and impairment allowances not kept against identified debts.
  The revaluation surplus is allowable as tier II capital upto 45% of the reserve. Subordinated debt is limited to 50% of Tier I capital.
- Tier III supplementary capital consists of short term subordinated debt solely for the purpose of meeting a proportion of the Capital requirements for market risks. The bank currently does not have any Tier III capital.

Total of Tier II and III capital is limited to Tier I capital.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk. Ratings for assets are applied using various ECAI's and aligned with appropriate risk buckets. Collaterals if any, are used as an outflow adjustment. Risk weights notified, are applied at net adjusted exposure. Collaterals used include: Government of Pakistan guarantees for advances and investments in PSE / GOP, deposits / margins, lien on deposits, saving certificates and lending of securities (repo & reverse repo).

39. CURRENCY RISK

	2013				2012 (Restated)			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)				(Rupees in '000)			
Pakistan Rupee	1,255,919,256	1,144,751,762	(24,787,576)	86,379,918	1,192,960,839	1,099,430,222	(16,620,430)	76,910,187
United States Dollar	213,081,536	221,281,901	4,091,178	(4,109,187)	184,107,763	178,846,874	2,881,140	8,142,029
Great Britain Pound	76,228,969	60,987,278	7,178,602	22,420,293	87,197,491	78,429,060	5,585,491	14,353,922
UAE Dirham	46,709,216	44,369,475	5,208,127	7,547,868	38,601,511	32,614,238	2,132,838	8,120,111
Japanese Yen	106,757	2,683	(96,927)	7,147	326,750	7,066	(98,030)	221,654
Euro	20,133,161	24,704,725	8,734,457	4,162,893	15,170,172	21,251,437	6,456,019	374,754
Other Currencies	103,092,483	76,739,300	(327,861)	26,025,322	92,109,948	67,165,921	(337,028)	24,606,999
	1,715,271,378	1,572,837,124	-	142,434,254	1,610,474,474	1,477,744,818	-	132,729,656

40. MATURITIES OF ASSETS AND LIABILITIES

40.1 In accordance with BSD Circular Letter No.03 of 2011, issued by SBP, the Group is required to report assets and liabilities with stated maturities as per their remaining maturities, whereas, assets and liabilities which do not have any contractual maturities should be reported as per their 'expected maturities ' calculated on the basis of an objective and systematic behavioural study approved by ALCO committee.

	2013									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	135,476,687	45,421,348	15,187,321	18,776,392	5,429,248	978,750	1,200,542	1,550,549	11,784,666	35,147,871
Balances with other banks	57,341,769	39,088,344	15,231,567	1,575,672	399,534	1,046,652	-	-	-	-
Lendings to financial institutions	35,271,477	34,471,477	800,000	-	-	-	-	-	-	-
Investments	826,062,308	464,838,278	29,829,628	24,094,164	53,720,554	39,596,853	50,887,713	35,191,030	47,609,353	80,294,735
Advances	563,700,737	64,991,327	62,737,940	80,197,109	57,014,532	14,464,481	23,301,282	207,502,176	44,449,132	9,042,758
Operating fixed assets	25,706,315	-	-	-	-	-	-	-	-	25,706,315
Deferred tax asset	5,103,072	-	-	-	-	1,020,614	1,020,614	2,041,230	1,020,614	-
Other assets	66,609,013	28,620,004	19,151,525	3,292,847	13,323,915	-	-	2,220,722	-	-
	1,715,271,378	677,430,778	142,937,981	127,936,184	129,887,783	57,107,350	76,410,151	248,505,707	104,863,765	150,191,679
Liabilities										
Bills payable	19,422,316	4,393,933	6,184,331	8,844,052	-	-	-	-	-	-
Borrowings from financial institutions	107,864,424	75,921,752	14,877,699	11,087,338	185,173	272,378	227,588	2,120,512	3,171,984	-
Deposits and other accounts - note 40.2	1,401,229,814	208,857,341	164,587,183	86,084,166	157,314,756	29,635,404	27,314,118	45,227,447	343,738,885	338,470,514
Sub-ordinated loan	2,633,115	-	-	1,316,558	1,316,557	-	-	-	-	-
Other liabilities	41,687,455	23,293,187	8,442,485	4,560,952	1,449,874	673,499	673,499	2,593,959	-	-
	1,572,837,124	312,466,213	194,091,698	111,893,066	160,266,360	30,581,281	28,215,205	49,941,918	346,910,869	338,470,514
Net gap	142,434,254	364,964,565	(51,153,717)	16,043,118	(30,378,577)	26,526,069	48,194,946	198,563,789	(242,047,104)	(188,278,835)
Share capital	13,335,023									
Reserves	43,550,373									
Unappropriated profit	73,748,915									
Non-controlling interest	1,886,116									
Surplus on revaluation of assets - net of tax	9,913,827									
	142,434,254									

	2012									(Restated)
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	157,229,517	67,399,391	12,528,160	13,842,674	7,082,095	1,230,227	1,243,842	1,947,969	26,113,659	25,841,500
Balances with other banks	47,980,032	39,664,657	5,199,893	2,606,114	509,368	-	-	-	-	-
Lendings to financial institutions	24,828,255	23,928,255	900,000	-	-	-	-	-	-	-
Investments	797,094,548	428,497,241	28,595,557	29,006,478	50,578,387	25,311,269	43,912,676	70,733,837	49,896,739	70,562,364
Advances	499,817,906	60,891,094	47,380,037	57,107,155	35,340,593	22,325,373	13,058,012	219,245,784	39,924,777	4,545,081
Operating fixed assets	23,632,324	-	-	-	-	-	-	-	485,282	23,147,042
Deferred tax asset	6,056,483	-	-	-	-	1,211,297	1,211,297	2,422,592	1,211,297	-
Other assets	53,835,409	27,289,354	10,613,855	8,124,352	5,234,778	-	-	2,573,070	-	-
	1,610,474,474	647,669,992	105,217,502	110,686,773	98,745,221	50,078,166	59,425,827	296,923,252	117,631,754	124,095,987
Liabilities										
Bills payable	18,943,207	4,014,796	6,121,182	8,807,229	-	-	-	-	-	-
Borrowings from financial institutions	196,588,138	173,077,127	10,001,104	11,651,182	69,444	168,158	179,672	420,057	1,021,394	-
Deposits and other accounts - note 40.2	1,214,963,700	176,992,841	125,179,223	119,959,846	157,791,841	24,964,498	24,663,381	38,565,298	276,417,841	270,428,931
Sub-ordinated loan	5,440,654	-	-	-	-	4,857,485	-	-	583,169	-
Other liabilities	41,809,119	40,096,924	902,257	378,136	84,629	43,430	43,430	260,313	-	-
	1,477,744,818	394,181,688	142,203,766	140,796,393	157,945,914	30,033,571	24,886,483	39,245,668	278,022,404	270,428,931
Net gap	132,729,656	253,488,304	(36,986,264)	(30,109,620)	(59,200,693)	20,044,595	34,539,344	257,677,584	(160,390,650)	(146,332,944)
Share capital	12,122,748									
Reserves	39,379,354									
Unappropriated profit	67,215,111									
Non-controlling interest	1,227,207									
Surplus on revaluation of assets - net of tax	12,785,236									
	132,729,656									

40.2 Expected maturity dates do not differ significantly from the contract dates except for the maturity of Rs. 878.257 billion (2012: Rs. 722.938 billion) of deposits representing retail deposit accounts considered by the Group as stable core source of funding of its operations.

40.3 In accordance with BSD Circular Letter No.02 dated January 14, 2013, issued by SBP, the Group is required to report maturity gaps of assets and liabilities on contractual basis which are as follows:

	2013									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	135,476,687	133,824,597	636,137	236,990	513,643	-	265,320	-	-	-
Balances with other banks	57,341,769	48,951,779	6,053,966	1,289,372	-	1,046,652	-	-	-	-
Lendings to financial institutions	35,271,477	34,471,477	800,000	-	-	-	-	-	-	-
Investments	826,062,308	237,516,953	215,667,890	199,709,313	20,322,844	35,925,275	47,379,418	29,374,465	3,401,605	36,764,545
Advances	563,700,737	232,322,080	54,988,423	81,907,620	36,395,279	12,318,550	24,538,598	67,787,058	47,261,116	6,182,013
Operating fixed assets	25,706,315	247,665	495,336	743,005	1,486,009	2,086,583	2,086,583	1,494,852	869,228	16,197,054
Deferred tax asset	5,103,072	5,103,072	-	-	-	-	-	-	-	-
Other assets	66,609,013	50,390,187	2,545,110	3,817,665	9,856,051	-	-	-	-	-
	1,715,271,378	742,827,810	281,186,862	287,703,965	68,573,826	51,377,060	74,269,919	98,656,375	51,531,949	59,143,612
Liabilities										
Bills payable	19,422,316	19,422,316	-	-	-	-	-	-	-	-
Borrowings from financial institutions	107,864,424	75,460,832	5,272,236	18,920,338	1,907,990	183,088	599,401	2,932,310	2,588,229	-
Deposits and other accounts	1,401,229,814	1,121,342,190	116,234,554	48,267,530	84,564,864	1,067,548	17,767,532	7,113,005	4,872,591	-
Sub-ordinated loan	2,633,115	-	-	1,316,557	1,316,558	-	-	-	-	-
Other liabilities	41,687,455	41,367,343	-	-	320,112	-	-	-	-	-
	1,572,837,124	1,257,592,681	121,506,790	68,504,425	88,109,524	1,250,636	18,366,933	10,045,315	7,460,820	-
Net gap	142,434,254	(514,764,871)	159,680,072	219,199,540	(19,535,698)	50,126,424	55,902,986	88,611,060	44,071,129	59,143,612
Share capital	13,335,023									
Reserves	43,550,373									
Unappropriated profit	73,748,915									
Non-controlling interest	1,886,116									
Surplus on revaluation of assets - net of tax	9,913,827									
	142,434,254									

	2012									(Restated)
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	157,229,517	155,247,383	1,740,557	241,577	-	-	-	-	-	-
Balances with other banks	47,980,032	43,512,445	3,398,599	559,620	509,368	-	-	-	-	-
Lendings to financial institutions	24,828,255	4,890,000	590,000	19,348,255	-	-	-	-	-	-
Investments	797,094,548	140,355,205	132,415,193	122,767,842	268,626,128	26,008,517	29,685,690	55,166,647	3,794,999	18,274,327
Advances	499,817,906	195,108,998	60,508,971	66,737,451	24,010,554	20,292,368	13,285,118	67,843,049	45,170,308	6,861,089
Operating fixed assets	23,632,324	112,614	225,228	337,842	675,683	1,351,367	1,351,367	1,666,193	989,010	16,923,020
Deferred tax asset	6,056,483	6,056,483	-	-	-	-	-	-	-	-
Other assets	53,835,409	41,501,040	2,294,508	3,441,762	6,598,099	-	-	-	-	-
	1,610,474,474	586,784,168	201,173,056	213,434,349	300,419,832	47,652,252	44,322,175	124,675,889	49,954,317	42,058,436
Liabilities										
Bills payable	18,943,207	18,943,207	-	-	-	-	-	-	-	-
Borrowings from financial institutions	196,588,138	171,791,404	2,722,388	15,992,420	237,218	183,231	280,804	450,219	2,970,723	1,959,731
Deposits and other accounts	1,214,963,700	879,658,222	106,348,755	91,714,151	101,301,935	10,376,721	10,075,604	9,389,746	6,043,738	54,828
Sub-ordinated loan	5,440,654	-	-	1,214,371	1,214,371	2,428,744	-	-	583,168	-
Other liabilities	41,809,119	41,470,524	-	-	338,595	-	-	-	-	-
	1,477,744,818	1,111,863,357	109,071,143	108,920,942	103,092,119	12,988,696	10,356,408	9,839,965	9,597,629	2,014,559
Net gap	132,729,656	(525,079,189)	92,101,913	104,513,407	197,327,713	34,663,556	33,965,767	114,835,924	40,356,688	40,043,877

Share capital	12,122,748
Reserves	39,379,354
Unappropriated profit	67,215,111
Non-controlling interest	1,227,207
Surplus on revaluation of assets - net of tax	12,785,236
	132,729,656

40.4 The Group has assets and liabilities that have contractual or non-contractual maturities. The Group conducts empirical and statistical studies to assess the expected maturity of assets and liabilities with non-contractual maturities. The behavioral maturities of Demand deposits are determined on the basis of an empirical study conducted by the bank, based on the past five years of data. The attrition rate of deposits is determined based on historically observed monthly data of all Current and Saving Deposit accounts. The parameters used to determine the stickiness of deposits in the study are accounts with balances above a minimum level and monthly change in account balances.
Overdraft facilities are a part of the loan portfolio that roll-over periodically and are constantly a part of the balance sheet. The core or stable part of this asset category can be considered to have a behavioral maturity of a longer tenor. Although, contractually such facilities are short-term, they are generally rolled over periodically; such as working capital financing for commercial borrowers. Hence these assets need to be analyzed as having a core portion which is stable and constantly appears on the balance sheet and a non-core portion that is relatively volatile. Statistical analysis is used to ascertain the change in maturity profiling over time based on the cyclical changes in the outstanding amount against overdraft facilities.

41. YIELD / INTEREST RATE RISK

41.1 Interest rate risk management

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. In accordance with BSD Circular Letter No.03 of 2011, issued by the SBP, the Group is required to report interest rate sensitivity gap of assets and liabilities on the basis of an objective and systematic behavioural study approved by ALCO committee.

	2013											
			Exposed to yield / interest risk									Not exposed to yield / interest risk
	Effective yield / interest rate	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years	
	(Rupees in '000)											
On-balance sheet assets												
Financial assets												
Cash and balances with treasury banks	1.51%	135,476,687	22,439,509	636,137	236,990	513,643	-	265,320	-	-	-	111,385,088
Balances with other banks		57,341,769	29,624,917	6,307,514	1,277,977	399,534	1,046,652	-	-	-	-	18,685,175
Lendings to financial institutions	9.08%	35,271,477	34,471,477	800,000	-	-	-	-	-	-	-	-
Investments	9.01%	826,062,308	219,851,383	222,920,603	208,905,758	34,410,231	29,276,960	48,432,664	29,359,465	2,094,609	21,016,315	9,794,320
Advances	10.31%	563,700,737	86,669,346	233,233,139	157,760,152	34,403,064	8,545,404	7,900,089	13,684,755	7,575,945	13,928,843	-
Other assets		49,519,834	-	-	-	-	-	-	-	-	-	49,519,834
		1,667,372,812	393,056,632	463,897,393	368,180,877	69,726,472	38,869,016	56,598,073	43,044,220	9,670,554	34,945,158	189,384,417
Financial liabilities												
Bills payable		19,422,316	-	-	-	-	-	-	-	-	-	19,422,316
Borrowings from financial institutions	7.94%	107,864,424	73,645,064	13,821,042	11,084,726	185,173	272,378	227,588	4,253,296	3,171,984	-	1,203,173
Deposits and other accounts	4.63%	1,401,229,814	146,042,320	122,303,164	606,958,464	83,492,442	10,491,519	8,280,551	7,124,510	5,014,309	31,813	411,490,722
Sub-ordinated loan	3.15%	2,633,115	-	-	2,633,115	-	-	-	-	-	-	-
Other liabilities		39,083,563	-	-	-	-	-	-	-	-	-	39,083,563
		1,570,233,232	219,687,384	136,124,206	620,676,305	83,677,615	10,763,897	8,508,139	11,377,806	8,186,293	31,813	471,199,774
On-balance sheet gap		97,139,580	173,369,248	327,773,187	(252,495,428)	(13,951,143)	28,105,119	48,089,934	31,666,414	1,484,261	34,913,345	(281,815,357)
Non - financial net assets		45,294,674										
Total net assets		142,434,254										
Off-balance sheet financial instruments												
Foreign and local currency forward purchases		261,889,315	106,177,866	119,852,560	31,385,545	4,473,344	-	-	-	-	-	-
Foreign and local currency forward sales		(262,090,382)	(137,570,066)	(70,721,902)	(52,349,064)	(1,449,350)	-	-	-	-	-	-
Foreign Currency Options Purchases		649,846	-	-	345,156	304,690	-	-	-	-	-	-
Foreign Currency Options Sales		(649,846)	-	-	(345,156)	(304,690)	-	-	-	-	-	-
Cross Currency Swaps- Long Position		1,121,412	-	579,162	-	-	-	542,250	-	-	-	-
Cross Currency Swaps- Short Position		(1,105,785)	-	(579,162)	-	-	-	(526,623)	-	-	-	-
Interest rate swaps - long position		245,757	-	-	-	-	-	-	245,757	-	-	-
Interest rate swaps - short position		(490,757)	-	-	-	-	-	(245,000)	(245,757)	-	-	-
Off-balance sheet gap		(430,440)	(31,392,200)	49,130,658	(20,963,519)	3,023,994	-	(229,373)	-	-	-	-
Total yield / interest risk sensitivity gap			141,977,048	376,903,845	(273,458,947)	(10,927,149)	28,105,119	47,860,561	31,666,414	1,484,261	34,913,345	(281,815,357)
Cumulative yield / interest risk sensitivity gap			141,977,048	518,880,893	245,421,946	234,494,797	262,599,916	310,460,477	342,126,891	343,611,152	378,524,497	96,709,140

	Effective yield / interest rate	2012 Total	Exposed to yield / interest risk: Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years	(Restated) Not exposed to yield / interest risk
		(Rupees in '000)										
On-balance sheet assets												
Financial assets												
Cash and balances with treasury banks	1.29%	157,229,517	31,691,240	1,740,557	241,577	-	-	-	-	-	-	123,556,143
Balances with other banks		47,980,032	31,978,407	4,363,535	2,007,023	509,368	-	-	-	-	-	9,121,699
Lendings to financial institutions	9.19%	24,828,255	23,928,255	900,000	-	-	-	-	-	-	-	-
Investments	9.86%	797,094,548	117,109,490	138,833,835	127,847,162	271,627,505	21,678,967	31,686,130	63,680,980	2,592,987	13,604,616	8,432,876
Advances	11.44%	499,817,906	69,630,063	208,604,370	155,634,392	21,781,792	8,629,971	7,678,177	10,652,751	6,327,215	10,879,175	-
Other assets		41,043,232	-	-	-	-	-	-	-	-	-	41,043,232
		1,567,993,490	274,337,455	354,442,297	285,730,154	293,918,665	30,308,938	39,364,307	74,333,731	8,920,202	24,483,791	182,153,950
Financial liabilities												
Bills payable		18,943,207	-	-	-	-	-	-	-	-	-	18,943,207
Borrowings from financial institutions	8.48%	196,588,138	169,558,936	10,001,104	11,609,008	69,444	168,158	179,672	2,923,788	1,021,393	-	1,056,635
Deposits and other accounts	5.05%	1,214,963,700	115,375,747	112,505,297	542,344,847	90,068,645	10,240,069	10,043,352	9,389,747	6,043,738	54,828	318,897,430
Sub-ordinated loan	2.42%	5,440,654	-	-	5,440,654	-	-	-	-	-	-	-
Other liabilities		39,913,595	-	-	-	-	-	-	-	-	-	39,913,595
		1,475,849,294	284,934,683	122,506,401	559,394,509	90,138,089	10,408,227	10,223,024	12,313,535	7,065,131	54,828	378,810,867
On-balance sheet gap		92,144,196	(10,597,228)	231,935,896		203,780,576	19,900,711	29,141,283	62,020,196	1,855,071	24,428,963	(196,656,917)
Non - financial net assets		40,585,460										
Total net assets		132,729,656										
Off-balance sheet financial instruments												
Foreign and local currency forward purchases		167,104,754	81,824,461	54,362,697	8,926,051	21,991,545	-	-	-	-	-	-
Foreign and local currency forward sales		(167,168,508)	(92,419,684)	(55,530,874)	(4,525,573)	(14,692,377)	-	-	-	-	-	-
Foreign Currency Options Purchases		1,317,948	20,466	446,463	851,019	-	-	-	-	-	-	-
Foreign Currency Options Sales		(1,317,948)	(20,466)	(446,463)	(851,019)	-	-	-	-	-	-	-
Cross Currency Swaps- Long Position		3,659,009	-	498,872	340,811	2,240,634	578,692	-	-	-	-	-
Cross Currency Swaps- Short Position		(3,659,009)	-	(498,872)	(340,811)	(2,240,634)	(578,692)	-	-	-	-	-
Interest rate swaps - long position		444,199	-	-	152,750	-	-	-	291,449	-	-	-
Interest rate swaps - short position		(291,449)	-	-	-	-	-	-	(291,449)	-	-	-
Off-balance sheet gap		88,996	(10,595,223)	(1,168,177)	4,553,228	7,299,168	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(21,192,451)	230,767,719	(269,111,127)	211,079,744	19,900,711	29,141,283	62,020,196	1,855,071	24,428,963	(196,656,917)
Cumulative yield / interest risk sensitivity gap			(21,192,451)	209,575,268	(59,535,859)	151,543,885	171,444,596	200,585,879	262,606,075	264,461,146	288,890,109	92,233,192

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments are based on quoted market prices and unquoted investments are estimated using the break-up value / cost. Fair value of these investments has been disclosed in note 8.

Fair value of fixed term loans, other assets and other liabilities cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 4.5

The maturity and repricing profile and effective rates are stated in notes 40 and 41 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

43. CONCENTRATION OF CREDIT AND DEPOSITS

43.1 Segment by class of business

	2013					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	20,637,527	3.41	8,158,714	0.58	9,840,860	4.70
Agribusiness	33,347,549	5.50	9,125,263	0.65	640,714	0.31
Textile	73,395,501	12.11	6,418,201	0.46	9,742,948	4.66
Cement	5,000,950	0.83	287,287	0.02	2,162,976	1.03
Sugar	5,243,573	0.87	881,537	0.06	429,587	0.21
Shoes and leather garments	2,212,751	0.37	701,396	0.05	398,490	0.19
Automobile and transportation equipment	11,138,854	1.84	2,084,181	0.15	1,452,092	0.69
Financial	46,308,048	7.64	18,195,412	1.30	26,668,049	12.74
Hotel & Tourism	776,674	0.13	59,203	-	590,267	0.28
Research & Development	-	-	3,655,048	0.26	-	-
Insurance	115,100	0.02	14,784,238	1.06	3,570	-
Electronics and electrical appliances	7,860,222	1.30	1,465,995	0.10	7,112,813	3.40
Oil and Gas	9,557,980	1.58	11,367,325	0.81	2,781,704	1.33
Power and energy	47,452,100	7.83	9,386,420	0.67	14,908,666	7.12
Education & medical	1,504,911	0.25	6,515,987	0.47	469,970	0.22
Telecommunication	8,355,079	1.38	1,945,262	0.14	2,409,238	1.15
Printing & publishing	4,578,942	0.76	1,910,327	0.14	239,159	0.11
Construction	2,478,976	0.41	2,873,567	0.21	839,239	0.40
Mining & quarrying	358,545	0.06	88,072	0.01	-	-
Food, tobacco and beverages	12,359,042	2.04	3,770,579	0.27	2,144,877	1.02
Public / Government - note 43.1.1	121,816,497	20.10	201,770,421	14.40	79,234,064	37.86
Whole sale & retail trade	56,382,493	9.30	72,044,450	5.14	8,053,917	3.85
Metal and allied	10,255,671	1.69	4,109,817	0.29	2,136,587	1.02
Individual	43,728,266	7.22	669,135,885	47.75	536,020	0.26
Farming, cattle and dairy	1,470,863	0.24	476,183	0.03	1,144,038	0.55
Trust funds and non profit organization	1,890,583	0.31	18,454,030	1.32	2,000	-
Others	77,844,167	12.81	331,565,014	23.66	35,357,987	16.90
	606,070,864	100.00	1,401,229,814	100.00	209,299,832	100.00

	2012					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	19,468,110	3.57	3,118,068	0.26	9,384,070	4.35
Agribusiness	30,587,210	5.60	8,447,539	0.70	1,177,448	0.55
Textile	63,009,631	11.54	6,145,156	0.51	10,001,514	4.64
Cement	7,246,217	1.33	528,574	0.04	1,867,508	0.87
Sugar	4,541,841	0.83	985,057	0.08	228,854	0.11
Shoes and leather garments	2,006,137	0.37	1,412,628	0.12	438,351	0.20
Automobile and transportation equipment	13,529,358	2.48	3,934,404	0.32	2,917,870	1.35
Financial	36,606,597	6.71	12,355,608	1.02	25,737,058	11.93
Hotel & Tourism	694,152	0.13	1,509,521	0.12	-	-
Research & Development	-	-	2,590,386	0.21	-	-
Insurance	7,920	-	6,920,406	0.57	2,798	-
Electronics and electrical appliances	7,198,273	1.32	535,400	0.04	9,027,838	4.19
Oil and Gas	15,408,200	2.82	20,406,572	1.68	9,351,427	4.34
Power and energy	48,949,545	8.97	2,081,579	0.17	7,203,956	3.34
Education & medical	1,707,995	0.31	5,209,530	0.43	688,827	0.32
Telecommunication	11,062,237	2.03	5,497,887	0.45	5,636,432	2.61
Printing & publishing	2,242,204	0.41	561,451	0.05	584,433	0.27
Construction	1,580,885	0.29	2,769,333	0.23	905,536	0.42
Mining & quarrying	336,696	0.06	71,838	0.01	6,353	-
Food, tobacco and beverages	10,186,498	1.87	1,743,612	0.14	6,307,186	2.92
Public / Government - note 43.1.1	108,733,346	19.92	224,259,941	18.46	75,137,622	34.84
Whole sale & retail trade	53,406,904	9.79	67,159,702	5.53	7,646,532	3.55
Metal and allied	6,674,683	1.22	893,627	0.07	1,817,383	0.84
Individual	34,827,183	6.38	617,942,138	50.86	434,950	0.20
Farming, cattle and dairy	1,390,679	0.25	833,252	0.07	892,901	0.41
Trust funds and non profit organization	2,633,761	0.48	36,945,855	3.04	216,748	0.10
Others	61,751,850	11.32	180,104,636	14.82	38,035,949	17.65
	545,788,112	100.00	1,214,963,700	100.00	215,649,544	100.00

43.1.1 **Public / Government sector**

	2013					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	-	-	40,575	0.02	-	-
Agribusiness	27,069,994	22.22	3,360,964	1.67	-	-
Automobile and transportation equipment	9,123,157	7.49	-	-	-	-
Financial	1,292,496	1.06	3,239,276	1.61	8,556,433	10.80
Insurance	-	-	9,526,299	4.72	39,204	0.05
Oil and Gas	44,741,634	36.73	43,467,346	21.54	38,785,530	48.95
Power and energy	33,456,769	27.46	13,836,863	6.86	2,216,283	2.80
Education & medical	179,695	0.15	31,670,921	15.70	353,868	0.45
Telecommunication	297,000	0.24	1,667,543	0.83	-	-
Printing & publishing	-	-	73,938	0.04	-	-
Construction	-	-	2,025,309	1.00	-	-
Metal and allied	1,094,158	0.90	106,982	0.05	-	-
Defence	3,614,745	2.97	3,348,720	1.66	27,180,472	34.30
Ports and shipping	-	-	7,471,268	3.70	46,431	0.06
Others	946,849	0.78	81,934,417	40.6	2,055,843	2.59
	121,816,497	100.00	201,770,421	100.00	79,234,064	100.00

	2012					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	-	-	796,775	0.36	-	-
Agribusiness	53,203,715	48.93	2,015,387	0.90	-	-
Automobile and transportation equipment	9,376,200	8.62	1,802,571	0.80	778,000	1.04
Financial	1,272,738	1.17	10,482,294	4.67	5,214,493	6.94
Insurance	28,671	0.03	11,083,639	4.94	39,204	0.05
Oil and Gas	6,488,699	5.97	58,806,784	26.22	15,448,245	20.56
Power and energy	32,254,161	29.66	11,786,817	5.26	13,640,879	18.15
Education & medical	77,032	0.07	34,019,358	15.17	54,896	0.07
Telecommunication	219,000	0.20	3,911,077	1.74	603,743	0.80
Printing & publishing	-	-	59,062	0.03	-	-
Construction	-	-	43,304	0.02	-	-
Foods, tobacco & beverages	178,520	0.16	-	-	-	-
Metal and allied	1,065,738	0.98	2,588,793	1.15	-	-
Defence	2,751,521	2.53	6,540,664	2.92	38,150,530	50.77
Ports and shipping	-	-	18,414,971	8.21	56,928	0.08
Others	1,817,351	1.68	61,908,445	27.61	1,150,704	1.54
	108,733,346	100.00	224,259,941	100.00	75,137,622	100.00

43.1.2 **Segment by sector**

	2013					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	121,816,497	20.10	201,770,421	14.40	79,234,064	37.86
Private	484,254,367	79.90	1,199,459,393	85.60	130,065,768	62.14
	606,070,864	100.00	1,401,229,814	100.00	209,299,832	100.00

	2012					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	108,733,346	19.92	224,259,941	18.46	75,137,622	34.84
Private	437,054,766	80.08	990,703,759	81.54	140,511,922	65.16
	545,788,112	100.00	1,214,963,700	100.00	215,649,544	100.00

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Chemical and pharmaceuticals	348,650	251,763	698,212	657,978
Agribusiness	3,276,004	2,124,084	3,528,254	2,022,877
Textile	16,794,764	14,983,846	17,046,457	13,236,615
Cement	905,486	226,596	1,987,083	1,021,996
Sugar	337,914	196,947	415,058	335,353
Shoes and leather garments	185,697	159,233	171,650	156,665
Automobile and transportation equipment	1,222,371	1,057,047	1,863,621	1,811,157
Financial	1,935,835	1,800,000	40,000	40,000
Hotel and Tourism	56,390	37,642	226,913	226,913
Electronics and electrical appliances	2,904,423	2,904,423	2,881,516	2,708,716
Oil and Gas	2,247,576	852,146	2,185,183	798,374
Power and energy	-	-	1,710,239	1,709,227
Education & medical	12,657	12,439	529,511	524,968
Telecommunication	1,102	728	35,845	35,845
Printing & publishing	343,480	220,063	217,892	205,392
Construction	1,380,739	1,269,589	3,323,051	1,559,469
Mining & quarrying	999	999	65,462	999
Food, tobacco and beverages	320,124	237,283	366,030	310,429
Whole sale & retail trade	5,687,326	4,581,103	6,439,657	5,237,659
Metal and allied	2,321,654	984,395	1,058,915	907,076
Individual	2,208,806	1,530,606	1,517,840	1,095,430
Farming, cattle and dairy	313,137	171,647	295,167	124,512
Trust funds and non profit organization	-	-	2,500	2,500
Others	12,711,031	6,617,165	13,014,679	9,004,361
	55,516,165	40,219,744	59,620,735	43,734,511

43.2.1 **Segment by sector**

Private	52,457,257	38,226,574	58,846,362	42,960,138
Public / Government	3,058,908	1,993,170	774,373	774,373
	55,516,165	40,219,744	59,620,735	43,734,511

44. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(35,560)	24,193	59,573	6,768	42	55,016
Inter segment revenue - net	64,421	(17,758)	(56,510)	-	9,847	-
Non-funded income	6,693	2,563	4,232	5,500	335	19,323
Net interest and non-mark-up income	35,554	8,998	7,295	12,268	10,224	74,339
Total expenses including provision (excluding impairment)	15,552	2,454	204	9,545	10,610	38,365
Impairment against investments	-	-	(143)	-	(16)	(159)
Inter segment administrative cost	6,915	1,383	199	762	(9,259)	-
Total expenses including provision	22,467	3,837	260	10,307	1,335	38,206
Profit before tax	13,087	5,161	7,035	1,961	8,889	36,133
Segment assets (gross)	159,617	332,367	791,780	332,760	143,065	1,759,589
Segment non-performing loans	6,848	4,758	-	20,942	22,968	55,516
Segment provision required including general provision	6,720	2,943	140	14,920	19,595	44,318
Segment liabilities including equity	978,409	167,196	66,657	248,779	254,230	1,715,271
Segment return on net liability / asset %	9.29%	10.00%	9.14%	4.87%	4.82%	-
Segment cost of funds (%)	5.38%	7.45%	8.20%	1.23%	0.96%	-

	2012					(Restated)
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(32,293)	31,245	52,174	6,491	143	57,760
Inter segment revenue - net	66,479	(24,462)	(49,679)	-	7,662	-
Non-funded income	5,327	2,528	2,897	4,696	512	15,960
Net interest and non-mark-up income	39,513	9,311	5,392	11,187	8,317	73,720
Total expenses including provision (excluding impairment)	14,896	4,953	201	9,613	8,823	38,486
Impairment against investments	-	130	(224)	-	(233)	(327)
Inter segment administrative cost	6,153	1,231	177	678	(8,239)	-
Total expenses including provision	21,049	6,314	154	10,291	351	38,159
Profit before tax	18,464	2,997	5,238	896	7,966	35,561
Segment assets (gross)	140,414	359,738	767,922	294,658	96,029	1,658,761
Segment non-performing loans	8,884	31,660	-	18,851	226	59,621
Segment provision required including general provision	7,971	25,444	348	12,787	1,737	48,287
Segment liabilities including equity	892,734	140,299	170,051	194,683	212,707	1,610,474
Segment return on net liability / asset %	10.79%	11.57%	10.36%	5.15%	5.18%	-
Segment cost of funds (%)	5.71%	8.99%	9.44%	1.43%	0.97%	-

45. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, Habib Bank Limited acts as security agent for arrangement and distribution of the term finance certificates and also engages in investment portfolio services as custodian on behalf of its customers.

46. GEOGRAPHICAL SEGMENT ANALYSIS

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	32,942,527	1,382,861,224	83,264,569	164,166,272
Asia Pacific (including South Asia)	869,543	62,577,693	17,671,166	4,531,338
Europe	(386,656)	118,561,657	14,291,488	11,600,114
North America	271,845	17,486,983	2,354,337	4,121,292
Middle East	1,050,152	113,017,334	17,554,450	20,877,907
Others	1,385,917	20,766,487	7,298,244	4,002,909
	36,133,328	1,715,271,378	142,434,254	209,299,832

	2012			(Restated)
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	32,891,501	1,330,502,301	77,228,542	153,177,654
Asia Pacific (including South Asia)	843,658	55,468,258	17,490,040	9,141,894
Europe	(1,164,553)	101,382,475	12,046,482	27,092,519
North America	183,715	32,425,638	2,107,370	1,030,673
Middle East	1,486,890	76,720,030	18,007,412	24,516,405
Others	1,320,546	13,975,772	5,849,810	690,399
	35,561,757	1,610,474,474	132,729,656	215,649,544

47. ISLAMIC BANKING BUSINESS

In order to meet the guidelines for Shariah Compliance in Islamic Banking Institutions (IBI), statement of financial position and profit and loss account of IBI as at December 31, 2013 is given in annexure V. Further, detailed disclosures are also given in the said annexure to comply instructions issued by SBP to improve transparency and standardization in IBIs profit and loss distribution policies and practices dated November 19, 2012 and BSD circular letter No. 3 dated January 22, 2013.

48. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on February 27, 2014.

49. GENERAL

49.1 These consolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BSD Circulars No. 4 and 7 dated February 17, 2006 and April 20, 2010 respectively and related clarifications / modifications.

49.2 The comparative figures have been re-arranged and reclassified for comparison purposes.

President and Chief Executive Officer | **Director** | **Director** | **Director**

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Detail of Domestic Investments - Consolidated

ANNEXURE - I

For the year ended December 31, 2013

1 **Particulars of investments held in listed companies**

1.1 Ordinary shares	Number of Shares held	Paid-up value per Share (Rupees)	Total paid-up value	Cost	Market Value	Short Term Rating
			----------(Rupees in '000)----------			
Kot Addu Power Company Limited	12,281,500	10	122,815	599,963	758,383	A-1+
United Bank Limited	4,600,000	10	46,000	586,439	609,730	A-1+
Hub Power Company Limited	10,000,000	10	100,000	605,245	607,200	A-1+
Pakistan Petroleum Limited	2,400,000	10	24,000	499,781	513,504	N/A
Pakistan Telecommunication Company Limited	17,647,000	10	176,470	503,147	501,881	N/A
Fauji Fertilizer Company Limited	3,908,000	10	39,080	444,290	437,540	N/A
Lucky Cement Limited	1,020,400	10	10,204	275,249	305,987	N/A
Pakistan State Oil	800,084	10	8,001	269,986	265,804	A-1+
Bank Al Habib Limited	6,139,000	10	61,390	241,581	255,075	A-1+
Pakistan Oilfields Limited	459,100	10	4,591	223,956	228,499	N/A
Bank Alfalah Limited	8,000,000	10	80,000	190,711	216,320	A-1+
National Refinery Limited	1,000,000	10	10,000	271,466	215,520	A-1+
Dawood Hercules Corporation Limited	1,830,000	10	18,300	102,851	102,700	N/A
Engro Corporation Limited	563,700	10	5,637	89,951	89,279	A-1
TRG Pakistan Limited	10,000,000	10	100,000	100,000	88,700	N/A
Nishat Power Limited	2,810,500	10	28,105	84,482	84,484	A-1
Attock Petroleum Limited	150,000	10	1,500	68,891	74,954	N/A
Fauji Cement Company Limited	4,500,000	10	45,000	61,120	71,775	N/A
Agri Tech Limited	5,562,428	10	55,624	194,691	70,476	N/A
DG Khan Cement Company Limited	700,000	10	7,000	58,556	60,011	N/A
MCB Bank Limited	100,000	10	1,000	28,544	28,117	A-1+
Oil and Gas Development Company Limited	100,000	10	1,000	26,815	27,636	A-1+
Nishat Chunian Power Limited	315,000	10	3,150	10,888	10,956	A-2
Nishat Mills Limited	50,800	10	508	6,475	6,464	A-1+
Lafarage Pakistan Cement Limited	400,000	10	4,000	3,267	3,344	N/A
Askari Commercial Bank Limited	100,000	10	1,000	1,365	1,400	A-1+
Sui Southern Gas Company	50,000	10	500	1,246	1,203	A-1+
				5,550,956	5,636,942	

1.2 Ordinary shares held by Mutual Funds						
Bank Alfalah Limited	4,000,000	10	40,000	97,865	108,160	A-1+
DG Khan Cement Company Limited	3,319,948	10	33,199	209,483	284,619	N/A
Engro Corporation Limited	500,000	10	5,000	80,069	79,190	A-1
Habib Bank Limited	1,682,610	10	16,826	216,952	280,374	A-1+
Hub Power Company Limited	4,139,045	10	41,390	172,610	251,323	A-1+
ICI Pakistan	482,900	10	4,829	106,156	122,183	N/A
Kot Addu Power Company Limited	1,599,575	10	15,996	80,224	98,774	A-1+
Lucky Cement Limited	393,524	10	3,935	53,730	118,006	N/A
Maple Leaf Cement Factory Limited	7,000,000	10	70,000	188,737	192,010	B
MCB Bank Limited	800,000	10	8,000	223,767	224,936	A-1+
National Foods Limited	487,500	10	4,875	176,645	215,354	A-1
Nishat Chunian Limited	2,000,000	10	20,000	119,896	120,400	A-2
Nishat Chunian Power Limited	4,200,471	10	42,005	92,049	146,092	A-2
Nishat Mills Limited	1,986,429	10	19,864	199,060	252,753	A-1+
Oil and Gas Development Company Limited	790,507	10	7,905	148,231	218,464	A-1+
Packages Limited	585,000	10	5,850	151,886	159,489	A-1+
Pakistan National Shipping Corporation	1,520,000	10	15,200	119,460	127,878	A-1+
Pakistan Petroleum Limited	1,033,066	10	10,331	166,523	221,035	N/A
Pakistan State Oil	690,000	10	6,900	218,156	229,232	A-1+
Pakistan Telecommunication Company Limited	6,000,000	10	60,000	182,799	170,640	N/A
Pioneer Cement Limited	1,920,000	10	19,200	68,050	73,536	N/A
United Bank Limited	2,026,148	10	20,261	195,096	268,566	A-1+
				3,267,444	3,963,014	

1.3 Units	Number of units held	Paid-up value per unit (Rupees)	Total paid-up value	Cost	Market Value	Short Term Rating
			----------(Rupees in '000)----------			
JS Growth Fund	1,000,000	10	10,000	79,273	125,880	***
National Investment Trust	673,546	10	6,735	11,113	33,401	N/A
				90,386	159,281	

1.4 Term finance certificates	Number of certificates held	Paid-up value per certificate (Rupees)	Total paid-up value	Cost	Market Value	Medium to Long Term Rating
			----------(Rupees in '000)----------			
Bank Al Habib Limited	60,000	5,000	300,000	298,920	313,866	AA

1.5 Term finance certificates held by HBL Mutual Funds						
Bank Al Habib Limited	9,000	5,000	45,000	44,958	48,419	AA
Standard Chartered Bank	8,000	5,000	40,000	40,000	40,150	AAA
				84,958	88,569	

2 **Particulars of investment held in unlisted companies**

2.1 **Ordinary shares**

	Percentage of holding	Number of Shares	Paid-up value per Share (Rupees)	Cost	Break-up value	Based on accounts as at	Name of Chief Executive	Short Term Rating
				-----(Rupees in '000)-----				
SME Bank Limited	0.83%	1,987,501	10	13,475	8,703	September 30, 2013	Mr. Nasser Durani	A-3
Khushhali bank Limited	17.60%	30,000,000	10	300,000	437,748	December 31, 2012	Mr. Muhammad Ghalib Nishtar	A-1
Saif Power Limited	8.35%	32,268,354	10	322,683	539,744	December 31, 2012	Mr. Omar Saifullah Khan	A-1
Central Despository Company	6.35%	4,124,901	10	6,346	110,529	June 30, 2013	Mr. Muhammad Hanif Jakhura	N/A
National Institutional Facilitation Technologies (Private) Limited	9.07%	1,478,228	10	1,526	91,014	June 30, 2013	Mr. M.M. Khan	N/A
First Woman Bank Limited	15.46%	23,095,324	10	63,300	271,782	September 30, 2013	Ms. Charmaine Hidayatullah	A-2
National Investment Trust Limited	8.33%	79,200	10	100	857,865	June 30, 2013	Mr. Manzoor Ahmed	N/A
DHA Cogen Limited	19.87%	66,260,300	10	-	(1,655,356)	December 31, 2012	Mr. Seraj Ul Haq	N/A
				707,430	662,029			

2.2 **Preference Shares**

	No. of Shares	Paid-up value per Share (Rupees)	Total paid-up value	Cost	Short Term Rating
			------(Rupees in '000)-------		
National Investment Trust Limited	10,000,000	10	100,000	100,000	N/A
Silk Bank Limited	60,000,000	10	600,000	150,000	A-2
				250,000	

2.3 **Term finance certificates**

	Number of certificates held	Paid-up value per certificate (Rupees)	Total paid-up value	Cost	Market Value	Short term Rating
			----------(Rupees in '000)----------			
Bank Alfalah Limited	40,000	5,000	200,000	199,680	210,992	N/A
Allied Bank Limited	14,277	5,000	71,385	35,607	35,771	N/A
Faysal Bank Limited	65,000	5,000	325,000	287,125	299,109	N/A
Bank Al Habib Limited	28,000	5,000	140,000	139,716	144,023	N/A
Pak Arab Fertilizers Limited	400,000	5,000	2,000,000	500,000	503,445	N/A
World Call Telecom Limited	96,000	5,000	480,000	205,591	205,591	N/A
				1,367,719	1,398,931	

2.4 **Term finance certificates held by HBL Mutual Funds**

Engro Fertilizer Limited - Perpetual I	28,000	5,000	140,000	140,000	133,429	N/A
Faysal Bank Limited	12,758	5,000	63,790	31,844	31,974	N/A
				171,844	165,403	

2.5 **Units**

	Number of units held	Paid-up value per unit (Rupees)	Total paid-up value	Cost	Market Value	Short Term Rating
			----------(Rupees in '000)----------			
UBL Islamic Sovereign Fund	99,523	100	9,952	10,000	10,000	N/A

3 Particulars of investments held in bonds

		Terms of Redemption			
		Principal	Interest / Profit	Rate of Interest / Profit	Book Value
					(Rupees in '000)
3.1	**Bonds (Guaranteed by Government)**				
	Pakistan International Airline	Semi Annual	Semi Annual	6-Month Kibor + 85 BPS	2,972,500
3.2	**Bonds**				
	Quetta Textile Mills Limited	Quarterly	Quarterly	6-Month Kibor + 175 BPS	68,966
	GOP Ijarah Sukuk	On Maturity	Semi Annual	6 Month Tbill	1,518
	Engro Fertilizer Sukuks	On Maturity	Semi Annual	6 Months KIBOR + 150 BPS	49,865
					120,349
3.3	**Investment by Islamic Banking Business**				
	GOP Ijarah Sukuk VII	On Maturity	Semi Annual	6 Month Tbill	2,220,024
	GOP Ijarah Sukuk VIII	On Maturity	Semi Annual	6 Month Tbill	4,860,000
	GOP Ijarah Sukuk IX	On Maturity	Semi Annual	6 Month Tbill	1,700,648
	GOP Ijarah Sukuk X	On Maturity	Semi Annual	6 Month Tbill	503,139
	GOP Ijarah Sukuk XI	On Maturity	Semi Annual	6 Month Tbill	1,000,447
	GOP Ijarah Sukuk XIII	On Maturity	Semi Annual	6 Month Tbill	7,665,905
	Engro Fertilizer Limited	On Maturity	Semi Annual	6 Months KIBOR + 150 BPS	143,995
	Ghani Glass	Quarterly	Quarterly	3 Months KIBOR + 180 BPS	252,416
	Sui Southern Gas Company	Quarterly	Semi Annual	6 Months KIBOR + 75 BPS	1,000,000
	WAPDA	On Maturity	Semi Annual	6 Months KIBOR + 175 BPS	1,700,000
	HSBC Sukuk	On Maturity	Semi Annual	3.57%	217,457
	Saudi Electric	On Maturity	Semi Annual	2.67%	215,892
	IBD Trust Services	On Maturity	Semi Annual	1.36%	212,537
					21,692,460
3.4	**Certificates of Investments**				
	UBL Ameen	On Maturity	Monthly	8.50%	18,000

		Terms of Redemption				
		Principal	Interest / Profit	Rate of Interest / Profit	Book Value	Market Value
					---(Rupees in '000)---	
3.5	**Foreign Currency notes and bonds**					
	Gazprom OAO Via Gaz Capital SA	On Maturity	Annual	8.13%	308,543	311,028
	Vodafone Group PLC	On Maturity	Annual	4.63%	445,307	445,775
	E.ON International Finance BV	On Maturity	Annual	5.13%	349,317	349,131
	Orange SA	On Maturity	Annual	5.00%	935,860	930,823
	Banco do Brasil SA/Cayman	On Maturity	Semi Annual	4.50%	541,478	541,000
	Corp Andina de Fomento	On Maturity	Semi Annual	3.75%	273,855	274,028
	HSBC Bank Brasil SA	On Maturity	Semi Annual	4.00%	544,932	540,315
	Korea National Oil Corp	On Maturity	Semi Annual	4.00%	595,491	599,610
	Macquarie Group Ltd	On Maturity	Semi Annual	7.30%	544,298	545,529
	ORIX Corp	On Maturity	Semi Annual	4.71%	456,812	457,957
	Turkey Government International Bond	On Maturity	Semi Annual	7.25%	562,541	556,746
	Tencent Holdings Ltd	On Maturity	Semi Annual	4.63%	561,910	562,909
	Bank of Tokyo-Mitsubishi UFJ Ltd	On Maturity	Semi Annual	1.65%	531,073	520,725
	BBVA Bancomer SA/Texas	On Maturity	Semi Annual	4.50%	332,998	333,352
	Kookmin Bank	On Maturity	Semi Annual	7.25%	214,608	216,316
	Perusahaan Penerbit SBSN Indonesia	On Maturity	Semi Annual	8.80%	323,315	322,262
	Export-Import Bank of Korea	On Maturity	Semi Annual	5.25%	158,521	158,666
	Abu Dhabi National Energy Co	On Maturity	Semi Annual	5.88%	585,907	585,499
	Eurasian Development Bank	On Maturity	Semi Annual	7.38%	299,445	304,155
	VTB Bank OJSC Via VTB Capital SA	On Maturity	Semi Annual	6.47%	218,526	222,130
	Sberbank of Russia Via SB Capital SA	On Maturity	Semi Annual	5.50%	325,119	334,553
	SABIC Capital I BV	On Maturity	Semi Annual	3.00%	323,804	326,053
	Gazprom OAO Via Gaz Capital SA	On Maturity	Semi Annual	5.09%	550,490	559,379
	Saudi Electricity Global Sukuk Co	On Maturity	Semi Annual	2.67%	540,953	541,316
	SoQ Sukuk A Q.S.C	On Maturity	Semi Annual	2.10%	531,608	526,781
	Mitsubishi Corp	On Maturity	Semi Annual	1.88%	1,059,501	1,056,722
					12,116,212	12,122,760

Detail of Advances Written-Off

ANNEXURE - II

Detail of Advances written-off for the year ended December 31, 2013 is disclosed in Annexure II of Unconsolidated Financial Statements.

Details of Disposal of Operating Fixed Assets Consolidated

ANNEXURE - III

For the year ended December 31, 2013

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	---------- (Rupees in '000)----------					
FURNITURE & FIXTURES						
	1,145	1,145	-	14	Tender	National Traders
	1,337	1,337	-	2	Tender	
	1,233	1,233	-	10	Tender	Ahsan & Brothers
	1,001	99	902	902	Insurance Claim	Jubilee General Insurance Company Limited
	4,716	3,814	902	928		
LAND & BUILDING						
	11,133	-	11,133	11,133	Sale	Compensation of building structure received from City Government Lahore
	7,867	182	7,685	7,850	Sale	Mr. Afzal Ahmed Siddiqui
	6,009	5	6,004	6,400	Sale	M/s. Aftab Imran Goods Transport Company
	25,009	187	24,822	25,383		
MOTOR VEHICLES						
	1,080	1,039	41	790	Auction	Mr. Anjum
	1,080	1,080	-	785	Auction	
	1,080	1,080	-	795	Auction	
	1,080	1,080	-	805	Auction	
	1,080	1,080	-	775	Auction	Mr. Syed Riaz Ahmed
	1,080	1,080	-	800	Auction	
	1,080	1,080	-	805	Auction	
	1,080	1,080	-	810	Auction	
	1,080	1,080	-	755	Auction	Mr. Sher Wali Khan
	1,080	1,080	-	705	Auction	
	1,080	1,021	59	660	Auction	
	1,080	1,005	75	790	Auction	Mr. Muhammad Shahid
	1,080	1,005	75	850	Auction	
	1,080	1,080	-	790	Auction	Mr. Abdul Aziz Shah
	1,080	1,080	-	700	Auction	Mr. Murtaza Bashir Abbasi
	1,080	1,080	-	780	Auction	Mr. Muhammad Jawed
	1,080	1,005	75	840	Auction	Mr. Syed Raheem Shah
	1,080	1,005	75	800	Auction	Mr. Muhammad Ayaz
	2,290	2,290	-	1,200	Auction	Mr. Muhammad Masood
	1,308	1,308	-	659	Tender	Mr. Shanoor Alam
	7,192	6,112	1,080	4,178	Insurance Claim	M/S Amana Takaful
	5,290	5,290	-	238	Auction	Mr. Aman Aziz Siddiqui
	35,520	34,040	1,480	20,310		
Assets having cost of less than Rs. 1 million and book value of less than Rs.250,000	577,386	573,447	3,939	39,552		
	642,631	**611,488**	**31,143**	**86,173**		

Detail of Donations in excess of Rs. 100,000

ANNEXURE - IV

Detail of donations for the year ended December 31, 2013 is disclosed in Annexure IV of Unconsolidated Financial Statements.

1 FINANCIAL POSITION OF FIRST HABIB BANK MODARABA

Statement of financial position of First Habib Bank Modaraba as at December 31, 2013 is as follows:

	2013	2012
	(Rupees in '000)	
1.1 ASSETS		
Cash and balances with treasury banks	10	2
Balances with other banks	44,392	10,164
Investments	115,045	145,621
Advances	685,789	661,665
Operating fixed assets	280	516
Other assets	7,111	37,179
	852,627	855,147
LIABILITIES		
Other liabilities	162,885	168,390
NET ASSETS	689,742	686,757
REPRESENTED BY		
Certificate Capital	397,072	397,072
Reserves	249,550	238,081
Unappropriated profit	31,462	43,816
	678,084	678,969
Surplus on revaluation of investments	11,658	7,788
	689,742	686,757

2 PROFIT AND LOSS ACCOUNT OF FIRST HABIB BANK MODARABA

Profit earned	309,073	277,275
Profit expensed	-	106
Net profit earned	309,073	277,169
Provision against doubtful lease rentals	2,076	(2,058)
Depreciation on assets given on Ijarah	235,813	196,683
	237,889	194,625
Net profit after depreciation and provisions	71,184	82,544
Other income		
Dividend income	2,000	1,500
Others	8,965	14,225
Total other income	10,965	15,725
	82,149	98,269
Other expenses		
Administrative expenses	24,802	22,678
Net profit for the year	57,347	75,591

The Statement of the financial position and profit and loss account of the Islamic Banking Business is disclosed in Annexure V of unconsolidated financial statements.

HBL Domestic Network

Name of Region	Number of Branches
Karachi	146
Hyderabad	56
Sukkur	49
Quetta	38
Multan	98
Bawalpure	57
Sahiwal	78
Faisalabad	94
Lahore	101
Sialkot	73
Gujranwala	68
Gujrat	68
Sargodha	75
Jhelum	74
Islamabad	121
Mardan	91
Peshawar	102
Muzaffarbad	36
Mirpur A.K	53
Islamic Banking	38
Commercial	19
Corporate (Including K.E.P.Z)	12
	1,547

Subsidiaries

Habib Bank Financial Services (Private) Limited
HBL Currency Exchange (Private) Limited
HBL Asset Management Limited
First Habib Bank Modarba
HBL Stock Fund
HBL Multi Asset Fund
HBL Income Fund

Affiliates

Jubilee General Insurance Company Limited
Jubilee Life Insurance Company Limited
HBL Money Market Fund
HBL Islamic Stock Fund
HBL Islamic Money Market Fund
HBL Pension Equity Sub Fund
HBL Pension Debt Sub Fund
HBL Pension Money Market Sub Fund
HBL Islamic Pension Equity Sub Fund
HBL Islamic Pension Debt Sub Fund
HBL Islamic Pension Money Market Sub Fund

UNCONSOLIDATED FINANCIAL STATEMENTS

Directors' Report

On behalf of the Board of Directors, I am pleased to present the Unconsolidated Financial Statements and the Auditors' Report for the year ended December 31, 2013.

Macroeconomic Review

In 2013 democracy came of age in Pakistan as an elected government completed its tenure for the first time and handed over power in an orderly transition following a democratic election. This was well received by the markets and investor sentiment remained buoyant throughout the year with the Karachi Stock Exchange touching an all time high index of 25,261 points as at December 31, 2013. Despite a fairly stable political outlook and positive sentiments, the economy remains under pressure due to continuing energy shortage, sub optimal tax to GDP ratio and challenging law and order situation. To mitigate the strained balance of payments position the Government has entered into an Extended Fund Facility with IMF which will help achieve economic stability.

During the period under review banks faced a challenging regulatory environment as the discount rate witnessed high volatility and, the minimum rate on savings accounts was linked to the Repo rate, putting further pressure on spreads. I am happy to report that despite a difficult macroeconomic environment, in the period under review HBL has shown robust performance maintaining its leadership position in the market.

Financial Performance

The financials of the Bank are summarised below:-

	2013	2012 (Restated)
	Rupees in million	
Profit after tax	21,910	22,000
Un-appropriated profit bought forward	61,820	52,055
Profit attributable to equity holders of the Bank	21,910	22,000
Other Comprehensive Income-net of tax	(103)	(571)
Transferred from surplus on revaluation of fixed assets- net of tax	61	245
	21,869	21,674
Profit available for appropriation	83,689	73,729
Appropriations:		
Transfer to statutory reserves	(2,191)	(2,156)
Cash dividend	(4,849)	(4,408)
Issued as bonus shares	(1,212)	(1,102)
1st interim cash dividend	(5,334)	(4,243)
2nd interim cash dividend	(2,667)	-
Total appropriations	(16,253)	(11,909)
Un-appropriated Profit carried forward	67,436	61,820
Basic and Diluted Earnings after tax-Rupees per Share	16.43	16.50

Balance Sheet Growth

HBL's deposits increased by 15.4% to Rs. 1.317 trillion as on December 31, 2013 from Rs. 1.141 trillion on December 31, 2012. The Bank was successful in delivering an impressive improvement in the deposit mix, with Current Accounts showing a growth of 32.7% to Rs. 379.5 billion improving CASA ratio to 75% as on December 31, 2013 as against 68.1% in the corresponding period last year. Overall deposit growth remained strong despite a targeted reduction of high cost deposits. Advances at Rs 523.8 billion registered a robust growth of 13.86% from Rs 460 billion. Overall the balance sheet size grew by 6.2% to Rs 1.612 trillion. With strong risk management, Net NPLs were reduced to 9.7 billion from 11.1 billion in 2012, registering an improvement in Net NPL to Advances ratio to 1.85% from 2.40% in 2012.

The Capital Adequacy Ratio (CAR) under SBP mandated BASEL III approach improved to 14.32% as at December 31, 2013, as against a corresponding 14.54 % as of December 31, 2012.

Stable Earnings

Net Interest Income decreased marginally by 4.7% closing at Rs. 53.4 billion. The decline in Net Interest Income was linked to the lower discount rate and increase in the minimum rate on PLS Savings Accounts. Non Mark-up Income increased by 22 % to Rs. 15.1 billion. This was predominately based on increased fee commission and brokerage income by 27.1% as well as higher investment income from dividends and capital gains. As a result, Total Operating Income net of provisions increased by 6.8 % to Rs. 67.5 billion.

2013 witnessed significant increase in investment in technology and infrastructure resulting in higher than normal administrative costs. Despite this 16.79% increase in total expenses, the profit before and after tax was Rs. 33.7 billion, and Rs. 21.9 billion respectively, as against Rs. 34.2 billion, and Rs. 22 billion in 2012. The earnings per share was Rs. 16.43 for 2013, as against Rs. 16.5 for 2012.

The strong financial performance by HBL was largely due to a combination of growth in deposits and improvement in deposit mix as well as containing credit provisions and realising strong recoveries. Strong performance was also made possible by contributions from Global Treasury as it fully leveraged its leadership position. The bank is now well positioned for robust future growth.

The retail bank maintained its dominant position, building further on our excellent relationships with customers, wherein our retail network was able to respond to the changing market dynamics and shifting goalposts in dealing effectively with a volatile interest rate environment. The achievement was supported by a strong service quality culture. Improving service is an ongoing journey and HBL is committed to providing service excellence to its customers.

During the year the retail and Islamic banking branch network was expanded. The international network added 2 branches each in Bangladesh and Mauritius, as well as 1 branch in Bahrain, expanding the total international branch network to 47.

HBL continues to maintain its leading position in rural banking by being the top rural lender amongst private commercial banks, posting a growth in advances of over 20% through the launch of a number of new products.

2013 was a successful year for the corporate and investment banking business in terms of securing and implementing mandates for corporate finance and capital raising. Consequently, HBL was able to successfully execute 2 of the 3 initial public offerings during the year. The Bank completed the first ever USD denominated preference share issue in Pakistan, advised on the largest merger and acquisition deal, was mandated as a joint arranger for Thar Coal and Power projects and won the mandate for the largest retail distribution of Sukuks for K-Electric which has been successfully completed in record time. It also continues to focus on providing cross border solutions to its customers by leveraging HBL's extensive domestic and international network which now spans 29 countries through its subsidiaries and affiliates.

The creation of a specialised structured credit function in 2013 has been a successful initiative as evident by a significant reduction in credit provisioning and increased recoveries and finalisation of restructurings of distressed credits. During the year, the Bank completed an Internal Capital Adequacy Assessment Process (ICAAP) document in line with revised SBP guidelines and continues to automate processes to enhance its risk monitoring capability.

HBL continues to make investments in technology and infrastructure to expand its outreach to the unbanked sector to ensure financial inclusion of the underprivileged. Consequently, HBL continues to invest in Alternate Delivery Channels, focusing on new business areas as a key objective for the Bank. HBL successfully launched branchless banking in April 2013 which provides domestic remittance and utility bill payment facilities. The Bank has now installed over 1,300 ATMs becoming the Industry leader. It has also become the largest issuer of debit cards in Pakistan with a total of 2.2 million cards and has the largest completely online branch network.

The success of HBL is rooted in the competence and commitment of its dedicated staff. The Bank has invested heavily in staff training and development and is committed to strive for excellence in customer service and to play its part in the development of the communities it serves.

Rating

JCR VIS (Credit Rating Agency of Pakistan) has assigned entity ratings of the Bank to "AAA / A-1+" (AAA / A-One Plus) with 'Stable' outlook.

Awards

During the period under review HBL was conferred with the following awards:

(i) Best Retail Bank in Pakistan for 2012 by the Asian Banker.

(ii) Best Bank in Pakistan by Euromoney.

(iii) Corporate Excellence Award in the Financial Category by Management Association of Pakistan.

(iv) Pakistan's No.1 Foreign Exchange Bank by Euromoney.

Future Outlook

The announcement of the privatisation programme, coupled with approval of the IMF programme and partial resolution of the circular debt issue has provided a boost to the economy and the GDP growth outlook for 2014. The positive outlook can further strengthen with improvement in the law and order situation, availability of energy and implementation of a successful privatisation programme.

The Management of the Bank is fully aware of the challenges being faced by the economy and the opportunities offered. The Bank has made huge investments in human capital, technology and product development, and is well positioned to serve customers through cross-selling, cash management, transactional services, alternate delivery channels and a focus on Rural and SME sectors. Based on its balance sheet footing, and strong investment banking credentials, and effective risk management, it is well positioned to participate in viable projects of national importance, and in supporting the industrial development of the country.

Dividend

The Board has recommended a final dividend of Rs. 2 per share for the year ended December 31, 2013. The Board had earlier declared and paid interim dividend @ Rs.6 per share, making total dividend for the year to Rs. 8 per share. In addition to the above, the Board has also decided to issue Bonus Shares at the rate of 10 percent in proportion of 10 shares for every 100 shares held.

Meetings of the Board:

	Board Meeting		Audit Committee Meeting		Risk Management Committee Meeting		Human Resource and Remuneration Committee Meeting	
	Meetings held during tenure	Attendance	Meetings held during tenure	Attendance	Meetings held during tenure	Attendance	Meetings held during tenure	Attendance
Mr. Sultan Ali Allana	6	6	N/A	N/A	N/A	N/A	6	6
Mr. Nauman K. Dar	6	6	N/A	N/A	4	4	6	6
Mr. Moez Ahamed Jamal	6	6	4	4	N/A	N/A	6	6
Mr. Sajid Zahid	6	6	4	4	4	4	N/A	N/A
Mr. R. Zakir Mahmood	6	6	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Agha Sher Shah*	5	5	N/A	N/A	0	0	N/A	N/A
Dr. Najeeb Samie**	3	3	0	0	N/A	N/A	N/A	N/A

N/A - not applicable

* Mr. Agha Sher Shah was appointed Director on March 22, 2013 and became a member of the Risk Management Committee on November 29, 2013.

** Dr. Najeeb Samie was appointed Director on August 22, 2013 and became a member of the Audit Committee on November 29, 2013.

Changes in Directorships

In the period under review, the casual vacancies arising due to the resignations of Mr. Mushtaq Malik and Mr. Sikander Mustafa Khan were filled through the appointment of Mr. Agha Sher Shah (effective March 22, 2013) and Dr. Najeeb Samie (effective August 22, 2013). The resignation of Mr. Ahmed Jawad has created a casual vacancy which is to be filled by a Government nominee director. The Board of Directors places on record its deepest appreciation for the contribution made by the outgoing directors and welcomes the new directors.

Auditors

The retiring Auditors, Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants are eligible for reappointment as per Code of Corporate Governance. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for the appointment of Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as the auditors of the Bank for the Financial Year 2014.

Statement under Section XVI of the Code of Corporate Governance:

The Board is committed to ensure that requirements of corporate governance set by Securities and Exchange Commission of Pakistan are fully met and the Directors are pleased to report that:

a) The financial statements prepared by the management of the Bank present a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.

b) Proper books of accounts of the Bank have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) The Bank has followed international accounting standards (as applicable to Banks in Pakistan) in the preparation of accounts and there is no departure from the said standards.

e) As a continuous process, efforts have been made to effectively implement the internal control system. HBL is in the process of adopting an internationally accepted COSO Internal Control – Integrated Framework as part of compliance with SBP Internal Control Guidelines. The Bank has also evaluated its Internal Control over Financial Reporting (ICFR) using the US PCAOB Auditing Standard (AS – 5). A dedicated Management Testing and Reporting Framework for ICFR is being developed as a part of COSO implementation project.

f) There are no doubts about the Bank's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance as detailed in the Regulations.

h) Key operating and financial data for the last ten years is presented in the financial statements under the section "Progress since 2003 to 2013 – Consolidated".

i) The Directors, CEO, CFO and Company Secretary have confirmed that neither they nor their spouses are engaged in the business of stock brokerage.

j) Risk Management, Audit and Human Resource and Remuneration Committees constituted by the Board are functioning efficiently in accordance with their Terms of Reference. The Board has met regularly and held six meetings in the year.

The Statement of Internal Control, Statement of Compliance with Review Report and the Auditors' reports are attached to the Financial Statements.

Statement of Corporate Social Responsibility – (CSR)

HBL as a responsible Corporate Citizen is committed to fulfilling its role to serve society in areas such as health, education, low cost housing, disaster mitigation, environment protection, preservation of craft, culture and heritage, arts, poverty alleviation, empowerment of women, rural/socio economic development, entrepreneurial development and strengthening of civil society.

To achieve its CSR goals, the Bank established the HBL Foundation in 2009 with the mandate to promote development and well-being of the people, with the objective of improving their quality of life. The Bank donates annually to the Foundation towards achievement of its objective.

HBL is an equal opportunity employer based on merit without any discrimination in race, religion and gender. It provides extensive in-house training facilities for the continuous personal development of its employees.

Value of Investments in employee retirement benefits fund:

The following is the value of investments of provident, gratuity, pension and benevolent funds maintained by the Bank, based on the latest audited financial statements.

	Rupees in million
Employees' Provident Fund	8,496
Employees' Pension Fund	4,832
Employees' Gratuity Fund	1,293
Employees' Benevolent Fund – Executive and Officers	1,099
Employees' Benevolent Fund – Clerical and Non-Clerical	410

Pattern of Shareholding:

The pattern of Shareholding as at December 31, 2013 is annexed with the Report.

Training programmes attended by Directors:

Details have been provided in Statement of Compliance.

Appreciation and Acknowledgement:

I would like to appreciate the efforts of our Regulators and the Government of Pakistan, in particular the Ministry of Finance and the State Bank of Pakistan, for developing and strengthening the banking and financial industry through an improved regulatory and governance framework.

I would also like to take this opportunity to thank on behalf of the Board and Management of the Bank, the customers and the shareholders for entrusting their confidence in us and we assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance & compliance in all our endeavours. I would also like to acknowledge the efforts and dedication demonstrated by our employees towards the growth of HBL.

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
February 27, 2014

Auditors' Report

To the members - Unconsolidated

We have audited the annexed unconsolidated statement of financial position of Habib Bank Limited (the Bank) as at 31 December 2013 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income , unconsolidated statement of changes in equity and unconsolidated cash flow statement, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 95 branches which have been audited by us and 36 branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

(b) in our opinion:

(i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as mentioned in note 4.1 to the accompanying financial statements, with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2013 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: February 27, 2014
Karachi

Unconsolidated Statement of Financial Position

As at December 31, 2013

2013 (US $ in '000)	2012 (Restated)		Note	2013 (Rupees in '000)	2012 (Restated)
		ASSETS			
1,234,480	1,446,238	Cash and balances with treasury banks	5	130,021,065	152,324,425
329,664	226,989	Balances with other banks	6	34,721,738	23,907,534
334,884	235,731	Lendings to financial institutions	7	35,271,477	24,828,255
7,547,958	7,378,953	Investments	8	794,985,681	777,185,323
4,973,757	4,368,121	Advances	9	523,858,986	460,070,634
218,164	201,141	Operating fixed assets	10	22,978,009	21,185,101
52,697	54,531	Deferred tax asset	11	5,550,304	5,743,464
619,708	500,940	Other assets	12	65,270,545	52,761,331
15,311,312	14,412,644			1,612,657,805	1,518,006,067
		LIABILITIES			
183,703	179,243	Bills payable	13	19,348,470	18,878,652
999,669	1,824,039	Borrowings	14	105,289,762	192,116,187
12,504,111	10,834,743	Deposits and other accounts	15	1,316,990,511	1,141,164,975
25,000	50,000	Sub-ordinated loan	16	2,633,115	4,857,485
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Deferred tax liability		-	-
371,300	363,442	Other liabilities	17	39,106,941	38,688,220
14,083,783	13,251,467			1,483,368,799	1,395,705,519
1,227,529	1,161,177	**NET ASSETS**		129,289,006	122,300,548
		REPRESENTED BY:			
		Shareholders' equity			
126,609	115,099	Share capital	18	13,335,023	12,122,748
375,000	345,005	Reserves		39,496,771	36,337,497
640,264	586,952	Unappropriated profit		67,435,578	61,820,458
1,141,873	1,047,056			120,267,372	110,280,703
85,656	114,121	Surplus on revaluation of assets - net of deferred tax	19	9,021,634	12,019,845
1,227,529	1,161,177			129,289,006	122,300,548
		CONTINGENCIES AND COMMITMENTS	20 & 21		

The annexed notes 1 to 49 and annexures I to V form an integral part of these unconsolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2013

2013 (US $ in '000)	2012 (Restated)		Note	2013 (Rupees in '000)	2012 (Restated)
1,122,062	1,086,164	Mark-up / return / profit / interest earned	22	118,180,771	114,399,790
614,712	553,756	Mark-up / return / profit /interest expensed	23	64,744,258	58,324,168
507,350	532,408	Net mark-up / profit / interest income		53,436,513	56,075,622
11,718	53,345	Provision against loans and advances	9.3	1,234,188	5,618,514
213	67	Charge against off-balance sheet obligations	17.1	22,427	7,015
(2,019)	(3,776)	Reversal against diminution in the value of investments	8.7	(212,630)	(397,705)
-	-	Bad debts written off directly		-	-
9,912	49,636			1,043,985	5,227,824
497,438	482,772	Net mark-up / profit / interest income after provisions		52,392,528	50,847,798
		Non mark-up / interest income			
70,668	55,596	Fee, commission and brokerage income		7,443,076	5,855,599
8,198	4,893	Dividend income		863,450	515,378
18,239	21,437	Income from dealing in foreign currencies		1,921,035	2,257,827
13,268	9,126	Gain on sale of securities	24	1,397,410	961,241
(310)	271	Unrealised (loss)/gain on held for trading securities	8.13	(32,608)	28,583
33,513	26,315	Other income	25	3,529,745	2,771,622
143,576	117,638	Total non mark-up / interest income		15,122,108	12,390,250
641,014	600,410			67,514,636	63,238,048
		Non mark-up / interest expense			
315,418	265,367	Administrative expenses	26	33,221,292	27,949,621
(1,308)	2,638	Other provisions / write offs - net	12.1	(137,757)	277,848
220	174	Other charges	27	23,175	18,285
6,579	6,605	Workers Welfare Fund	28	692,881	695,673
320,909	274,784	Total non mark-up / interest expenses		33,799,591	28,941,427
320,105	325,626	**Profit before taxation**		33,715,045	34,296,621
		Taxation	29		
96,325	117,028	- current		10,145,345	12,325,920
(1,133)	4,009	- prior		(119,302)	422,246
16,886	(4,287)	- deferred		1,778,512	(451,568)
112,078	116,750			11,804,555	12,296,598
208,027	208,876	**Profit after taxation**		21,910,490	22,000,023
				----------Rupees----------	
		Basic and diluted earnings per share	30	16.43	16.50

The annexed notes 1 to 49 and annexures I to V form an integral part of these unconsolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2013

2013 (US $ in '000)	2012 (Restated)		2013 (Rupees in '000)	2012 (Restated)
208,028	208,878	**Profit for the year**	21,910,490	22,000,023
		Other comprehensive income		
		Items to be reclassified to profit or loss in subsequent periods:		
9,193	37,763	Effect of translation of net investment in foreign branches	968,225	3,977,384
		Items not to be reclassified to profit or loss in subsequent periods:		
(978)	(5,422)	Effect of actuarial gains and losses - net of tax	(103,025)	(571,053)
216,243	241,219	**Comprehensive income transferred to equity**	22,775,690	25,406,354
		Components of comprehensive income not reflected in equity		
		Items to be reclassified to profit or loss in subsequent periods:		
(27,887)	25,985	(Deficit) / surplus on revaluation of investments - net of tax	(2,937,119)	2,736,818
		Items not to be reclassified to profit or loss in subsequent periods:		
-	14,497	Surplus on revaluation of fixed assets - net of tax	-	1,526,929
188,356	281,701	**Total comprehensive income**	19,838,571	29,670,101

The annexed notes 1 to 49 and annexures I to V form an integral part of these unconsolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2013

	Share Capital	RESERVES				Total
		Exchange translation reserve	Statutory	Revenue Reserves		
				General	Unappropriated profit	
	(Rupees in '000)					
Balance as at December 31, 2011 (As previously reported)	11,020,680	8,245,586	15,884,298	6,073,812	52,228,646	93,453,022
Effect of retrospective change in accounting policy as referred in note no. 4.1.1	-	-	-	-	(172,909)	(172,909)
Balance as at December 31, 2011 - Restated	11,020,680	8,245,586	15,884,298	6,073,812	52,055,737	93,280,113
Total comprehensive income for the year						
Profit for the year ended December 31, 2012 - Restated	-	-	-	-	22,000,023	22,000,023
- Other comprehensive income						
Effect of retrospective change in accounting policy as referred in note no. 4.1.1	-	-	-	-	(571,053)	(571,053)
Effect of translation of net investment in foreign branches	-	3,977,384	-	-	-	3,977,384
	-	3,977,384	-	-	21,428,970	25,406,354
Transactions with owners, recorded directly in equity						
Final cash dividend paid at Rs. 4 per share for the year ended December 31, 2011	-	-	-	-	(4,408,272)	(4,408,272)
Half year interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	(4,242,962)	(4,242,962)
Issued as bonus shares	1,102,068	-	-	-	(1,102,068)	-
	1,102,068	-	-	-	(9,753,302)	(8,651,234)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	245,470	245,470
Transferred to statutory reserves	-	-	2,156,417	-	(2,156,417)	-
Balance as at December 31, 2012 - Restated	12,122,748	12,222,970	18,040,715	6,073,812	61,820,458	110,280,703
Total comprehensive income for the year						
Profit for the year ended December 31, 2013	-	-	-	-	21,910,490	21,910,490
- Other comprehensive income						
Effect of actuarial gain and losses	**-**	**-**	**-**	**-**	**(103,025)**	**(103,025)**
Effect of translation of net investment in foreign branches	-	968,225	-	-	-	968,225
	-	968,225	-	-	21,807,465	22,775,690
Transactions with owners, recorded directly in equity						
Final cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	(4,849,099)	(4,849,099)
1st interim cash dividend paid at Rs. 4 per share	-	-	-	-	(5,334,009)	(5,334,009)
2nd interim cash dividend paid at Rs. 2 per share	-	-	-	-	(2,667,005)	(2,667,005)
Issued as bonus shares	1,212,275	-	-	-	(1,212,275)	-
	1,212,275	-	-	-	(14,062,388)	(12,850,113)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	61,092	61,092
Transferred to statutory reserve	-	-	2,191,049	-	(2,191,049)	-
Balance as at December 31, 2013	13,335,023	13,191,195	20,231,764	6,073,812	67,435,578	120,267,372

The annexed notes 1 to 49 and annexures I to V form an integral part of these unconsolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2013

2013 (US $ in '000)	2012 (Restated)		Note	2013 (Rupees in '000)	2012 (Restated)
		CASH FLOWS FROM OPERATING ACTIVITIES			
320,105	325,626	Profit before taxation		33,715,045	34,296,621
(8,198)	(4,893)	Dividend income		(863,450)	(515,378)
(13,268)	(9,126)	Gain on sale of securities		(1,397,410)	(961,241)
(21,466)	(14,019)			(2,260,860)	(1,476,619)
298,639	311,607			31,454,185	32,820,002
		Adjustment for:			
13,783	12,798	Depreciation		1,451,704	1,347,848
2,600	745	Amortisation		273,800	78,344
(2,019)	(3,776)	Reversal against diminution in the value of investments		(212,630)	(397,705)
11,718	53,345	Provision against loans and advances		1,234,188	5,618,514
310	(271)	Unrealised loss /(gain) on held for trading securities		32,608	(28,583)
3,208	3,420	Exchange loss on sub-ordinated loans		337,931	360,200
(519)	277	(Gain) / loss on sale of operating fixed assets - net		(54,707)	29,144
131	(453)	Loss / (gain) on sale of non-banking asset - net		13,756	(47,707)
(1,095)	2,705	Miscellaneous provisions		(115,330)	284,863
28,117	68,790			2,961,320	7,244,918
326,756	380,397			34,415,505	40,064,920
		(Increase) / decrease in operating assets			
(99,153)	159,059	Lendings to financial institutions		(10,443,222)	16,752,774
(39,850)	(252,980)	Investments - held for trading		(4,197,231)	(26,645,032)
(617,354)	(469,290)	Advances		(65,022,540)	(49,427,759)
(84,813)	(83,663)	Other assets		(8,932,899)	(8,811,806)
(841,170)	(646,874)			(88,595,892)	(68,131,823)
		Increase / (decrease) in operating liabilities			
4,461	47,320	Bills payable		469,818	4,984,150
(824,370)	1,503,862	Borrowings		(86,826,425)	158,393,693
1,669,368	2,524,162	Deposits and other accounts		175,825,536	265,856,378
2,331	24,602	Other liabilities		245,337	2,590,880
851,790	4,099,946			89,714,266	431,825,101
337,376	3,833,469			35,533,879	403,758,198
(128,738)	(120,271)	Income tax paid - net		(13,559,328)	(12,667,500)
208,638	3,713,198	**Net cash flows from operating activities**		21,974,551	391,090,698
		CASH FLOWS FROM INVESTING ACTIVITIES			
(157,116)	(3,275,618)	Net investments		(16,548,166)	(345,003,167)
8,411	4,900	Dividend income received		885,921	516,090
(33,696)	(37,534)	Fixed capital expenditure		(3,548,984)	(3,952,777)
810	1,324	Proceeds from sale of fixed assets		85,279	139,491
555	760	Proceeds from sale of non-banking asset		58,500	80,000
9,193	37,762	Effect of translation of net investment in foreign branches		968,225	3,977,384
(171,843)	(3,268,406)	**Net cash flows used in investing activities**		(18,099,225)	(344,242,979)
		CASH FLOWS FROM FINANCING ACTIVITIES			
(24,328)	-	Repayment of subordinated loan		(2,562,301)	-
(121,550)	(82,427)	Dividend paid		(12,802,181)	(8,681,645)
(145,878)	(82,427)	**Net cash flows used in financing activities**		(15,364,482)	(8,681,645)
(109,083)	362,365	(Decrease) / increase in cash and cash equivalents during the year		(11,489,156)	38,166,074
1,605,280	1,252,289	Cash and cash equivalents at beginning of the year		169,075,607	131,896,727
67,947	58,573	Effects of exchange rate changes on cash and cash equivalents		7,156,352	6,169,158
1,673,227	1,310,862			176,231,959	138,065,885
1,564,144	1,673,227	**Cash and cash equivalents at end of the year**	31	164,742,803	176,231,959

The annexed notes 1 to 49 and annexures I to V form an integral part of these unconsolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's Registered office is at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad and Principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on all three stock exchanges in Pakistan. The Bank operates 1,546 (2012: 1,497) branches inside Pakistan including 38(2012: 33) Islamic Banking Branches and 48 branches (2012: 43) outside the country including Karachi Export Processing Zone (KEPZ).

2 BASIS OF PRESENTATION

- These unconsolidated financial statements represents separate financial statements of Habib Bank Limited. The unconsolidated financial statements of the Bank are being issued separately.

- In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

- The US Dollar amounts shown in the unconsolidated financial statements are stated solely for information convenience. The statement of unconsolidated financial position and profit and loss account for the year ended December 31, 2013 and 2012 have been converted using the exchange rate of Rs. 105.3246 per US Dollar.

2.1 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except that certain classes of fixed assets are stated at revalued amounts less accumulated depreciation, trading and available for sale investments, derivative financial instruments and forward foreign exchange contracts are measured at fair value.

The unconsolidated financial statements are presented in Pakistan Rupees, which is Bank's functional currency. The amounts are rounded to nearest thousand.

2.2 Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Classification of investments (refer 4.4)
ii) Valuation and impairment of available for sale equity investments and associates (refer 4.13)
iii) Provision against non performing advances (refer 4.5)
iv) Fixed assets, depreciation and amortisation (refer 4.6)
v) Fair value of derivatives (refer 4.18)
vi) Defined benefits plans and other benefits (refer 4.9)

2.2.1 Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP and Securities and Exchange Commission of Pakistan (SECP). Whenever the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by SBP and SECP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the said directives shall prevail.

The SBP, vide its BSD Circular Letter No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, the SECP has deferred applicability of IFRS - 7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated April 28, 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 the SBP through various circulars.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after period mentioned below:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after January 1, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this IFRIC is not likely to have a significant impact on the Bank's financial position.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment affects presentation only and has no material impact on the Bank's financial position.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after January 1, 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendment has no material impact on the Bank's financial position.

- Amendments in IAS 32 Financial Instruments: "Presentation Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014). These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the Statement of financial position. It is clarified that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. Further clarifying offsetting criteria to settlement systems, the IAS 32 requires the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. These amendments are likely to affect presentation of assets and liabilities in the Bank's financial position.

- IFAS 3 – "Profit and Loss Sharing on Deposits" (effective for annual periods beginning on or after June 12, 2013). The standard mainly requires presenting all the remunerative deposits of Islamic banking (IB) as redeemable capital and to disclose the bases applied by IB in the allocation of profits between owners' equity and Profit and loss account holders, bases applied by the IB for charging expenses to profit and loss account holders and for charging of provisions, such as provision for non performing accounts, provisions on impairment etc and the parties to whom they revert once they are no longer required. The standard also requires disclosing the Incentive profit, concentration of resources of profit and loss deposits, maturity profile and sources of finance. This standard would result in certain changes in disclosures on financial statements of the Bank.

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

	IASB Effective date (annual periods beginning Standard on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 CHANGE IN ACCOUNTING POLICIES

4.1.1 ACCOUNTING FOR EMPLOYEE BENEFITS - IAS19

The IAS 19 (Employee Benefit) has been revised effective January 01, 2013. The revised IAS 19 amends the accounting for defined benefit plans and actuarial gains and losses that are now required to be recognized in other comprehensive income (OCI) and permanently excluded from profit and loss. Unvested past service cost is to be recognized in profit and loss when amendment occurs. Previously the actuarial gains and losses were recognised in profit and loss account and past service cost were recognised over the vesting period.

Effect of retrospective change in accounting policy are as follows:

	2012	2011
	(Rupees in '000)	
Impacts on Financial Position		
(Decrease)/ increase in defined benefit obligation - net of tax	(10,788)	172,909
Increase/ (decrease) in unappropriated profit	10,788	(172,909)

	2013	2012
	(Rupees in '000)	
Impacts on Profit and Loss		
Decrease in defined benefit obligation - net of tax	117,687	1,062,239
Basic and diluted earnings per share	0.09	0.80
Impacts on Other Comprehensive Income		
Actuarial losses on defined benefit plans - net of tax	(103,025)	(571,053)

4.1.2 EFFECT OF IJARAH TRANSACTIONS

During the year, the Bank has changed its accounting policy in respect of recognition of Ijarah income, depreciation and impairment of Ijarah assets.

As per the new accounting policy, Ijarah income is recognized over a lease term on a systematic basis which takes into account the effective yield on Ijarah assets and represents the pattern of benefits derived from the use of Ijarah assets. Previously, Ijarah income was recognized as and when Ijarah rentals becomes due.

Further, the Bank has also revised its policy with regard to the recognition of impairment loss on expected sale of the Ijarah assets and the determination of depreciable amount and its allocation over the lease term. Under the new policies, the depreciable amount of an Ijarah asset is determined after taking into account the unilateral commitment given by the customer to purchase the Ijarah assets at the expiry of the lease term. The depreciable amount so determined is allocated to the lease term using a reducing balance method to match with the pattern of Ijarah income.

Previously the depreciable amount of Ijarah assets were determined without taking into account the unilateral commitment from the customer for the purchase of Ijarah assets at the end of the lease term and the said unilateral commitment was recognized as impairment over the lease term.

The above revision in accounting policies are in line with the requirement of IFAS 2 "Ijarah" and IAS 16 "Property, Plant and Equipment" and the Bank believes that the same would result in better presentation about the effects of the Ijarah transactions on the Bank's financial position and financial performance. The above change in accounting policies did not have any material effect on the overall financial position and the net profit for the current and prior years.

4.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury and other banks in current and deposit accounts.

4.3 Lendings / borrowings (reverse repo / repo)

Where securities are sold subject to a commitment to re-purchase them at a pre-determined price, they remain on the statement of financial position and a liability is recorded in respect of the consideration received in “borrowings”. Conversely, securities purchased under analogous commitments to resell are not recognized on the statement of financial position and the consideration paid is recorded in “lendings to financial institutions".

The difference between the sale and purchase price is recognized as mark-up / return expensed or earned on time proportion basis as the case may be.

4.4 Investments

The Bank classifies its investment portfolio into the following categories:

Held-for-trading

These are securities, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term trading exists.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

Investments, including those referred to in para above, are accounted for as follows:

- Quoted securities are carried at fair value.
- Unquoted equity securities are valued at lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.
- Securities classified as held-to-maturity are carried at amortised cost less impairment loss if any.

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 those categorised as held for trading include transaction costs associated with the investments. In case of investments classified as held for trading, transaction costs are expensed in the profit and loss account.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the SBP.

Any unrealized surplus / deficit arising on revaluation of investments classified as 'held-for-trading' is taken to the profit and loss account and unrealized surplus / deficit arising on revaluation of investments classified as 'available-for-sale' is taken directly to "surplus / deficit on revaluation of securities" in the statement of financial position.

Investment in subsidiaries / associates / joint venture

Investments in subsidiaries, associates and joint ventures are recorded at cost less impairment if any.

4.5 Advances

Advances are stated net of provision against non-performing advances. Provision against non-performing advances of Pakistan operations including general provision is made in accordance with the requirements of the prudential regulations issued by the SBP. Provision against non-performing advances of overseas branches are made as per the requirements of the respective regulatory regimes. Advances are written off when there are no realistic prospects of recovery in accordance with the requirements of the prudential regulations issued by the SBP or the requirements of respective regulatory regimes.

Fully provided non-performing advances placed in 'loss' category for more than three years (previously five years), and where chances of recovery is remote, are transferred to a separate category along with its related provision for monitoring purposes. The net impact of this transfer in the statement of financial position and the profit and loss account is Nil (2012: Nil). The aggregate amount of non-performing advances and the related provision transferred to a separate category amounted to Rs. 24.352 billion (2012: Rs. 18.622 billion). Analysis of the movement of Rs. 5.73 billion is disclosed in note 9.3 to the financial statements. These non-performing advances and related provision are not included in analytical break-ups in other notes to the financial statements.

Finance lease receivables

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

Ijarah

Assets given on Ijarah, after taking into account the estimated residual value, are stated at cost less accumulated depreciation using reducing balance method over the Ijarah term. The residual value of an Ijarah asset is determined after taking into account the unilateral commitment given by the customer to purchase the Ijarah assets at the expiry of Ijarah term. Impairment of the Ijarah assets is recognized only upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceeds its recoverable amount. The residual value of the Ijarah asset is the estimated amount which could obtain from the disposal of assets as defined in para 6 IAS 16 – Property, Plant and Equipment.

These Ijarah are shown under advances and further analysis is provided in "Annexure V" of these unconsolidated financial statements.

4.6 Operating fixed assets and depreciation

4.6.1 Tangible

Fixed assets and capital work-in-progress, are stated at cost, except for land and buildings which are carried at revalued amount less accumulated depreciation, where applicable, and accumulated impairment losses (if any).

Cost of fixed assets of foreign branches include exchange differences arising on translation at year-end rates. 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. Surplus arising on revaluation is credited to the 'surplus on revaluation of fixed assets' account (net of deferred tax). Under the provision of the Companies Ordinance, 1984, deficit arising on revaluation of fixed assets is adjusted against the balance in the above surplus account.

Surplus on revaluation of fixed assets to the extent of the incremental depreciation charged on the related assets is transferred by the Bank to un-appropriated profits (net of deferred tax).

All operating assets are being depreciated over their expected useful lives using the straight-line method from the date the assets are available for use.

Depreciation is calculated so as to write-off the assets over their expected useful lives at the rates specified in note 10.3 to these unconsolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each date of statement of financial position.

Depreciation on addition and deletion of tangible assets during the year is charged in proportion to the period of use.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred. However, renewals are capitalized.

Gains or losses arising on the disposal of fixed assets are included in income currently. Surplus on revaluation of fixed assets (net of deferred tax) realized on disposal and incremental depreciation during the year is transferred directly to un-appropriated profit.

4.6.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. Amortization is charged at the rate stated in note 10.2. Amortization on additions and deletions of intangible assets during the year is charged in proportion to the period of use. The useful life and amortization method are reviewed and adjusted, if appropriate at each date of statement of financial position. Intangible assets having an indefinite useful life are stated at acquisition cost less impairment, if any.

4.7 Borrowings / deposits

a) Borrowings / deposits are recorded at the proceeds received.

b) The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

4.8 Sub - Ordinated Debt

Sub-ordinated debt is initially recorded at the amount of proceeds received. Mark-up accrued on sub-ordinated debt is charged to the profit and loss account.

4.9 Employee benefits

The Bank operates the following schemes for its employees:

i) Approved Pension Fund (Defined benefit scheme)

For those who opted for pension scheme introduced in 1977, the Bank operates a pension scheme to its executives / officers and clerical employees. However, for the executives / officers this benefit is based on the salary and services as at March 31, 2005. The Provident Fund and Gratuity benefit were offered to such executives / officers in respect of the future service after that date. Last year, the Bank shifted the gross pension calculation basis to the last drawn basic salary at the time of retirement. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

ii) Approved Gratuity Fund (Defined benefit scheme)

For those who did not opt for pension scheme introduced in 1977 and opted for Gratuity scheme instead and for the new employees hired on or after 01.01.2002, the Bank operates approved gratuity scheme. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

iii) Provident Fund (Defined contributory scheme)

Under this scheme, both employees and the Bank contributes to the fund.

iv) Benevolent Fund (Defined contributory scheme)

The Bank operates funded benevolent schemes for its executives / officers and clerical employees. Under this scheme, the employees of the Bank are entitled to receive defined grants / facilities during their service and after retirement. The benevolent fund plan covers all the employees of the Bank. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

v) Post Retirement Medical Benefits

The Bank also provides post retirement medical benefits to its officers/executives and clerical employees retiring before December 31, 2005. The employees under officers and executives cadre are entitled to receive lump sum payments in lieu of post retirement medical facilities as a full and final settlement, effective January 01, 2006 onwards. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

vi) Compensated Absences

The Bank also makes provision in the financial statements for its liabilities towards compensated absences. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

vii) Other Post Retirement Benefits

The scheme offers a maximum of six months' benefits to executives retiring after completing 25 years of service. However in case of death of an executive, the house rent benefit is paid for one year. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

Actuarial gain / loss

Actuarial gain / loss arise out of differences between actuarial assumptions and actual experience are recognized in other comprehensive income when they occur except for re-measurement of liability of compensated absences which is recognised in profit or loss.

Past Service Cost

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognise past service cost as an expense when the plan amendment or curtailment occurs and when the Bank recognises related restructuring costs or termination benefits whichever is earlier.

4.10 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to Pakistani rupees at the exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the date of statement of financial position. The fair value of forward cover taken from the SBP for foreign currency deposits is added / deducted from value of foreign currency deposits. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

Foreign operations

The assets and liabilities of foreign operations are translated to Pakistani rupees at exchange rates prevailing at the date of statement of financial position. The income and expense of foreign operations are translated at average rate of exchange for the year.

Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign operations i.e., foreign branches which are taken to equity under "Exchange Translation Reserve" and are recognized in profit or loss account on disposal.

Commitments

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

4.11 Revenue recognition

Advances and investments

Income on advances is recognized on a time proportion basis as per terms of contract. Debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortized through the profit and loss account over the remaining maturity, using the effective yield method.

Interest or mark-up / profit recoverable on classified advances and investments is recognized on receipt basis. Interest / mark-up / profit on rescheduled / restructured advances and investments is recognized as permitted by the regulations of the SBP or overseas regulatory authorities of countries where the branches / companies operate, except where in the opinion of the management it would not be prudent to do so.

Dividend income from investments is recognized when the right to receive is established.

Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) 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. Repossessed vehicles on account of loan default are recorded in memorandum account.

Unrealized lease income is suspensed on classified leases, in accordance with the requirements of the Prudential Regulations of the SBP. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

Murabaha

Murabaha transactions are reflected as receivable at the invoiced amount. However, the profit on that sale revenue not due for payment is deferred by recording a credit to the "Deferred Murabaha Income" account.

Ijarah

Ijarah income is recognized over a lease term on a systematic basis which takes into account the effective yield on Ijarah assets and represents the pattern of benefits derived from the use of Ijarah assets.

Letters of credit and guarantees

Commission on letters of credit and guarantees etc. is recognized on time proportion basis.

Customer Loyalty Programmes

The revenue from award credits for loyalty points earned on use of various products of the Bank is measured by reference to their fair value and is recognised when award credits are redeemed.

Fee, Commission and Brokerage Income

Fee, Commission and Brokerage income is recognized on accrual basis.

4.12 **Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity.

Current

Current taxation is the tax payable on taxable income earned from local as well as foreign operations for the year using tax rates enacted at the date of statement of financial position and, any adjustments to tax payable relating to prior years.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized on differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

4.13 **Impairment**

i) Available for sale equity securities

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

ii) Impairment in associates and subsidiaries

The Bank considers that the decline in the recoverable value of the investment in associates and subsidiaries below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable amount falls below the carrying value and is charged to the profit and loss account. Subsequent reversal of impairment loss, upto the cost of the investment in associates and subsidiaries, is credited to the profit and loss account.

iii) Impairment in non-financial assets

The carrying amount of the Bank's assets (other than deferred tax asset) are reviewed at each date of statement of financial position to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account except for an impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not the exceed the revaluation surplus. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

4.14 **Provision for guarantee claim**

Provision for guarantee claim is recognized when intimated and reasonable certainty exists that the Bank will settle the obligation. Expected recoveries are recognized by debiting customer's account. Charge to profit and loss account is stated net of expected recoveries.

4.15 **Other provisions**

Other provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each date of statement of financial position and are adjusted to reflect the current best estimate.

4.16 **Off setting**

Financial assets and financial liabilities are set-off and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set-off and the Bank intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

4.17 **Financial Assets and Liabilities**

Financial instruments carried on the statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, bills payable, borrowings, deposits, sub-ordinated loans and certain other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the relevant policy notes.

4.18 **Derivative financial instruments**

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken directly to the profit and loss account.

4.19 **Dividend distribution**

Declarations of dividend to holders of the equity instruments of the Bank are recognised as liability in the period in which it is approved.

4.20 **Earnings per share**

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

4.21 **Share issuance cost**

Share issuance cost directly attributable to issuance of shares, is recognized as deduction from the share premium account.

4.22 **Segment reporting**

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

Business segments

- *Retail Banking*

  Consists of retail lending, deposits and banking services to private individuals and small businesses including credit cards.

- *Corporate / Commercial Banking*

  Consists of lendings for project finance, trade finance, corporate and commercial customers and investment banking, includes advices and placements to corporate mergers and acquisitions, underwriting, privatizations and securitization.

- *Treasury*

  Involves the businesses of proprietary trading, fixed income, equity and foreign exchanges.

- *International Banking Group*

  It represents Bank's operations in overseas countries and is considered a separate segment for monitoring purposes.

- *Head Office*

  This includes balances held at Head Office level for regulatory requirements or other operational reasons and business segments not shown separately. This also includes statutory liquidity and shareholders equity related balances and their associated cost / income.

Geographical segments

The Bank operates in following geographic regions, being:

- Pakistan
- Asia Pacific (including South Asia)
- Europe
- North America
- Middle East
- Others

	Note	2013	2012
		(Rupees in '000)	
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand including National Prize Bonds			
Local currency		19,514,276	20,759,209
Foreign currency		3,453,649	3,241,284
		22,967,925	24,000,493
With State Bank of Pakistan in			
Local currency current account	5.2	33,095,825	33,564,976
Foreign currency current account	5.2	5,270,462	4,996,232
Foreign currency deposit account	5.1 / 5.3	15,728,111	14,953,636
		54,094,398	53,514,844
With other Central Banks in			
Foreign currency current account	5.1 / 5.4	33,565,737	45,393,834
Foreign currency deposit account	5.1 / 5.4	3,172,913	13,723,505
		36,738,650	59,117,339
With National Bank of Pakistan in			
Local currency current account		16,220,092	15,691,749
		130,021,065	152,324,425

5.1 The above balances include remunerative accounts amounting to Rs. 35,182.789 million (2012: Rs. 62,144.813 million).

5.2 This represents current accounts maintained for Cash Reserve Requirement of the SBP.

5.3 This represents deposit accounts maintained for Special Cash Reserve Requirement of the SBP and US Dollar Settlement account maintained with the SBP. This carries mark-up at the annual rate of 0% (2012: 0%).

5.4 Balances held with the Central Banks of respective countries are in accordance with the requirements of the local statutory / Regulatory requirements. Since, the Bank operates in different countries, these carry varied mark-up rates as given by the Central Banks of respective countries.

	Note	2013	2012
		(Rupees in '000)	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		612,708	288,510
On deposit account	6.1	2,000,035	402,282
		2,612,743	690,792
Outside Pakistan	6.2		
On current account		7,941,046	5,605,490
On deposit account		24,167,949	17,611,252
		32,108,995	23,216,742
		34,721,738	23,907,534

6.1 These deposit accounts carry annual markup rates ranging from 7.5% to 10% (2012: 8.5%).

6.2 This includes remunerative current account balance amounting to Rs. 886.323 million (2012: Rs. 743.075 million). Since, the Bank operates in different countries, these carry varied mark-up rates as given by the external banks of respective countries.

	Note	2013	2012
		(Rupees in '000)	
7. LENDINGS TO FINANCIAL INSTITUTIONS			
7.1 In local currency			
Call money lendings	7.2.1	6,842,250	6,780,000
Repurchase agreement lendings (reverse repo)	7.2	28,429,227	18,048,255
		35,271,477	24,828,255

7.2 Securities held as collateral against lendings to financial institutions	Note	2013 Held by bank	2013 Further given as collateral	2013 Total	2012 Held by bank	2012 Further given as collateral	2012 Total
		(Rupees in '000)					
Market treasury bills	7.2.1	28,429,227	-	28,429,227	15,763,590	-	15,763,590
Pakistan investment bonds	7.2.1	-	-	-	2,284,665	-	2,284,665
		28,429,227	-	28,429,227	18,048,255	-	18,048,255

7.2.1 Market value of securities held as collateral against lendings to financial institutions as at December 31, 2013 amounted to Rs. 28,443.866 million (2012: Rs. 18,095.918 million). These carry mark-up rates ranging from 7.8% to 12.2% per annum (2012: 7.0% to 9.75% per annum) and 9.55% to 10.40% per annum (2012: 6.5% to 9.5% per annum) for call money lendings and repurchase agreement lendings respectively.

8. INVESTMENTS	Note	2013 Held by bank	2013 Given as collateral	2013 Total	2012 Held by bank	2012 Given as collateral	2012 Total
		(Rupees in '000)					
8.1 Investments by type							
Held for Trading securities (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		11,942,763	-	11,942,763	2,203,724	-	2,203,724
- Market Treasury Bills		23,209,005	-	23,209,005	28,676,723	-	28,676,723
Fully paid-up ordinary shares							
- Listed companies		5,878	-	5,878	31,195	-	31,195
Overseas Government Securities		300,135	-	300,135	348,908	-	348,908
		35,457,781	-	35,457,781	31,260,550	-	31,260,550
Held-to-maturity securities (HTM)	8.4						
Federal Government Securities							
- Pakistan Investment Bonds	8.8 - 8.10	36,857,744	-	36,857,744	43,217,624	-	43,217,624
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		738,666	-	738,666	-	-	-
Debentures and Corporate Debt Instruments / Units							
- Listed securities		2,329,538	-	2,329,538	1,705,748	-	1,705,748
- Unlisted securities		6,381,489	-	6,381,489	2,507,730	-	2,507,730
Overseas Government securities		14,161,147	-	14,161,147	12,198,340	-	12,198,340
		60,468,584	-	60,468,584	59,629,442	-	59,629,442
Available-for-sale Securities (AFS)							
Federal Government Securities							
- Market Treasury Bills	8.8	533,321,012	48,151,773	581,472,785	405,856,222	157,998,809	563,855,031
- Pakistan Investment Bonds	8.8	50,570,687	-	50,570,687	46,136,502	-	46,136,502
- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	425,000
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		22,676,455	-	22,676,455	31,599,959	-	31,599,959
Overseas Government Securities		600,771	-	600,771	2,482,359	-	2,482,359
Fully paid-up ordinary shares							
- Listed companies		5,539,588	-	5,539,588	4,229,365	-	4,229,365
- Unlisted companies		768,100	-	768,100	769,510	-	769,510
Debentures and Corporate Debt Instruments / Units							
- Listed securities		13,747,597	2,163,371	15,910,968	12,488,366	-	12,488,366
- Unlisted securities	8.3	11,545,100	-	11,545,100	11,623,246	-	11,623,246
NIT Units		11,113	-	11,113	11,113	-	11,113
Preference shares		250,000	-	250,000	100,000	-	100,000
		639,455,423	50,315,144	689,770,567	515,721,642	157,998,809	673,720,451
Investment in Subsidiary Companies	8.5	6,617,229	-	6,617,229	5,690,591	-	5,690,591
Investment in Associates and Joint Venture	8.6	4,755,297	-	4,755,297	4,592,905	-	4,592,905
		746,754,314	50,315,144	797,069,458	616,895,130	157,998,809	774,893,939
Provision for diminution / impairment in the value of investments including associates	8.7	(1,265,379)	-	(1,265,379)	(1,473,880)	-	(1,473,880)
Net investment		745,488,935	50,315,144	795,804,079	615,421,250	157,998,809	773,420,059
(Deficit)/surplus on revaluation of held for trading securities	8.13	(32,608)	-	(32,608)	28,583	-	28,583
(Deficit)/surplus on revaluation of available for sale securities	19.2	(663,713)	(122,077)	(785,790)	3,913,830	(177,149)	3,736,681
Total investments at market value		744,792,614	50,193,067	794,985,681	619,363,663	157,821,660	777,185,323

8.2 Investments by segments	Note	2013	2012
		(Rupees in '000)	
Federal Government Securities			
- Market treasury bills		604,681,790	592,531,754
- Pakistan investment bonds		99,371,194	91,557,850
- Government of Pakistan guaranteed bonds		425,000	425,000
- Government of Pakistan bonds / Sukuk / (US Dollar / Euro)		23,415,121	31,599,959
Overseas Government Securities		15,062,053	15,029,607
Fully paid-up Ordinary Shares			
- Listed companies		5,545,466	4,260,560
- Unlisted companies		768,100	769,510
Debentures and Corporate Debt Instruments / Units			
- Listed securities		18,240,506	14,194,114
- Unlisted securities	8.3	17,926,589	14,130,976
NIT units		11,113	11,113
Preference shares		250,000	100,000
Investment in subsidiary companies	8.5	6,617,229	5,690,591
Investment in associates and joint venture company	8.6	4,755,297	4,592,905
		797,069,458	774,893,939
Provision for diminution / impairment in the value of investments including associates	8.7	(1,265,379)	(1,473,880)
Net investment		795,804,079	773,420,059
(Deficit)/surplus on revaluation of held for trading securities	8.13	(32,608)	28,583
(Deficit)/surplus on revaluation of available for sale securities	19.2	(785,790)	3,736,681
		794,985,681	777,185,323

8.3 This includes investment in the Variable Rate Subordinated Loan Notes issued by Habib Allied International Bank Plc, UK (Subsidiary) amounting to Rs. 6,635.450 million equivalent US $ 63 million (2012: Rs. 5,148.804 equivalent US $ 53 million) . These notes are perpetual and are repayable either at the option of the Bank or five years after receipt of repayment notice from the note holder. The Financial Services Authority (FSA) approval is required prior to repayment. Interest is payable on a six monthly basis at 6 month LIBOR + 5.5% to 5.75%.

8.4 The market value of investment classified as held-to-maturity (HTM) and investment in listed associates and joint venture is as follows:

	December 31, 2013		December 31, 2012	
	Book value	Market value	Book value	Market value
	(Rupees in '000)			
- Investment classified as held-to-maturity	60,468,584	61,382,087	59,629,442	61,533,198
- Investment in listed associates and joint venture	3,719,066	14,985,487	3,556,674	9,972,507

8.5 Investment in subsidiaries	Note	2013	2012
		(Rupees in '000)	
Habib Allied International Bank Plc - Holding 88.07% (2012: 90.5%)	8.5.1	2,564,558	2,139,834
Habib Finance International Limited, Hong Kong - wholly owned		1,188,402	686,488
Habib Bank Financial Services (Private) Limited - wholly owned		32,500	32,500
HBL Currency Exchange (Private) Limited - wholly owned		400,000	400,000
HBL Asset Management Limited - wholly owned		100,000	100,000
HBL Income Fund 67.97% (2012: 56.19%) - listed		739,586	739,586
HBL Multi Asset Fund 86.33% (2012: 89.96%) - listed		248,181	248,181
HBL Stock Fund 81.57% (2012: 81.08%) - listed		1,344,002	1,344,002
		6,617,229	5,690,591

8.5.1 The Bank has invested £ 3.86 million to acquire 1,926,917 right shares of the Bank's subsidiary, Habib Allied International Bank, Plc. UK (HAIB). Further, HAIB has issued 750,000 new ordinary shares to the minority investor and consequently, the shareholding of the Bank is diluted to 88.07% from 90.5%.

	Note	2013	2012
		(Rupees in '000)	
8.6 Investment in associates and joint venture company			
Himalayan Bank Limited, Nepal - Holding 20% (2012: 20%) - Listed		7,197	7,197
Diamond Trust Bank Kenya Limited - Holding 11.91% (2012: 11.68%) - Listed		1,634,411	1,555,452
Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding 18% (2012: 18%) - Unlisted		256,231	256,231
Jubilee General Insurance Company Limited - Holding 17.20% (2012: 16.24%) - Listed		1,609,054	1,525,621
Jubilee Life Insurance Company Limited - Holding 17.95% (2012: 17.95%) - Listed		468,404	468,404
HBL Money Market Fund - Holding 1.03% (2012: 1.51%) - Listed		100,000	100,000
HBL Islamic Money Market Fund - Holding 63.73% (2012: 73.14%) - Listed		250,000	250,000
HBL Islamic Stock Fund - Holding 86.84% (2012: 97.65%) - Listed		250,000	250,000
HBL Pension Equity Sub Fund - Holding 73.69% (2012: 92.53%) - Unlisted		30,000	30,000
HBL Pension Debt Sub Fund - Holding 35.01% (2012: 44.5%) - Unlisted		30,000	30,000
HBL Pension Money Market Sub Fund - Holding 35.63% (2012: 39.55%) - Unlisted	8.6.1.1	30,000	30,000
HBL Islamic Pension Equity Sub Fund - Holding 68.32% (2012: 83.44%) - Unlisted		30,000	30,000
HBL Islamic Pension Debt Sub Fund - Holding 59.12% (2012: 65.25%) - Unlisted		30,000	30,000
HBL Islamic Pension Money Market Sub Fund - Holding 72.75% (2012: 61.47%) - Unlisted		30,000	30,000
		4,755,297	4,592,905

8.6.1 The Bank has significant influence in Diamond Trust Bank Kenya Limited, Kyrgyz Investment and Credit Bank, Jubilee General Insurance Company Limited and Jubilee Life Insurance Company Limited because of Aga Khan Fund for Economic Development's (parent of Bank) holding in these entities.

8.6.1.1 The Bank has subscribed for units of these funds. Currently, the holding of the Bank is high due to initial investments which are expected to go down with sale of units. Accordingly, these investments have been accounted for under IAS 28 "Investments in Associates and Joint Ventures".

8.6.2 The investments have been tested for impairment under the policy of the Bank as given in note 4.13 and provision has been made where required and disclosed in note 8.7.

8.6.3 **Summary of financial information of associates and joint venture company**

	2013					
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit
		(Rupees in '000)				
Diamond Trust Bank Kenya Limited	September 30,2013	180,030,367	154,772,544	25,257,823	14,007,834	4,388,996
Himalayan Bank Limited, Nepal	October 16,2013	76,788,925	70,339,414	6,449,511	1,269,879	192,537
Kyrgyz Investment and Credit Bank	September 30,2013	29,251,187	24,096,315	5,154,872	1,850,723	765,654
Jubilee Life Insurance Company Limited	September 30,2013	30,384,164	28,535,035	1,849,129	94,656	587,478
Jubilee General Insurance Company Limited	September 30,2013	13,532,000	9,093,038	4,438,962	3,296,673	720,066
HBL Money Market Fund	December 31,2013	14,055,708	86,174	13,969,534	1,068,118	906,410
HBL Islamic Stock Fund	December 31,2013	600,377	8,536	591,841	125,936	114,077
HBL Islamic Money Market Fund	December 31,2013	509,152	3,790	505,362	38,981	31,389
HBL Pension Equity Sub Fund	December 31,2013	89,790	4,099	85,691	23,988	22,045
HBL Pension Debt Sub Fund	December 31,2013	101,505	532	100,973	8,082	6,002
HBL Pension Money Market Sub Fund	December 31,2013	99,088	528	98,560	8,554	6,383
HBL Islamic Pension Equity Sub Fund	December 31,2013	99,516	5,567	93,949	26,551	24,327
HBL Islamic Pension Debt Sub Fund	December 31,2013	59,637	338	59,299	4,776	3,444
HBL Islamic Pension Money Market Sub Fund	December 31,2013	48,220	300	47,920	4,354	3,115

	2012					
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit
		(Rupees in '000)				
Diamond Trust Bank Kenya Limited	September 30, 2012	146,682,771	126,868,021	19,814,750	13,721,613	3,225,369
Himalayan Bank Limited, Nepal	October 16, 2012	62,117,775	56,421,320	5,696,454	1,168,732	220,475
Kyrgyz Investment and Credit Bank	December 31, 2011	16,408,390	12,777,420	3,630,970	1,438,107	558,965
Jubilee Life Insurance Company Limited	September 30, 2012	21,001,275	19,408,222	1,593,053	107,922	360,791
Jubilee General Insurance Company Limited	September 30, 2012	10,860,248	7,030,003	3,830,245	2,828,804	583,993
HBL Money Market Fund	December 31, 2012	8,835,789	52,299	8,783,490	1,042,378	913,188
HBL Islamic Stock Fund	December 31, 2012	375,442	8,925	366,517	81,347	67,853
HBL Islamic Money Market Fund	December 31, 2012	414,391	3,305	411,086	44,249	35,567
HBL Pension Equity Sub Fund	December 31, 2012	46,635	310	46,325	4,265	3,429
HBL Pension Debt Sub Fund	December 31, 2012	74,793	414	74,379	5,976	5,768
HBL Pension Money Market Sub Fund	December 31, 2012	83,241	320	82,921	5,801	5,831
HBL Islamic Pension Equity Sub Fund	December 31, 2012	52,476	408	52,068	5,745	4,915
HBL Islamic Pension Debt Sub Fund	December 31, 2012	50,515	334	50,181	4,245	3,773
HBL Islamic Pension Money Market Sub Fund	December 31, 2012	53,328	233	53,095	4,144	3,856

		Note	2013	2012
			(Rupees in '000)	
8.7	**Particulars of provision held against diminution in value of investments**			
	The balances disclosed in note 8.1 and 8.2 are stated net of provision held. The analysis of total provision held is as follows:			
	Opening balance		1,473,880	1,996,585
	Charge for the year		4,772	-
	Reversal		(74,480)	(189,908)
	Impairment charge on listed securities		55,171	129,770
	Impairment reversal on listed securities		(198,093)	(337,567)
	Total reversal - net		(212,630)	(397,705)
	Write offs		-	(125,000)
	Other Movement		4,129	-
	Closing balance	8.7.1	1,265,379	1,473,880
8.7.1	**Particulars of provision in respect of type and segment**			
	Held-to-Maturity securities (HTM)			
	- Debentures and Corporate Debt Instruments		10,578	17,623
	Available-for-sale Securities (AFS)			
	- *Fully paid-up ordinary shares*			
	- Listed companies		337,251	358,556
	- Unlisted companies		62,754	57,982
	- Debentures and Corporate Debt Instruments		227,939	295,374
	- Units		49,473	171,084
	Associates		577,384	573,261
			1,265,379	1,473,880

8.8 Investments held for maintaining the liquidity requirements of the SBP amounted to Rs. 177,133 million as at December 31, 2013 (2012: Rs. 151,245 million).

8.9 Investments include Rs. 227.471 million as at December 31, 2013 (2012: Rs. 543.114 million) pledged with SBP and National Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

8.10 Investments include Rs. 9.999 million as at December 31, 2013 (2012: Rs. 9.992 million) pledged with the Controller of Military Accounts in lieu of Regimental Fund Accounts being maintained at various branches of the bank.

8.11 Investments include strategic investments amounting to Rs. 7,754.554 million as at December 31, 2013 (2012: Rs. 6,669.633 million) under BPD circular letter No. 16 of 2006 dated August 1, 2006.

8.12 Information relating to investments including credit ratings in shares of listed and unlisted companies, redeemable capital and bonds, required to be disclosed as part of the financial statements by the SBP, is given in Annexure "I" and is an integral part of these financial statements.

		Note	2013	2012
			(Rupees in '000)	
8.13	**Unrealized (loss) / gain on revaluation of held for trading securities**			
	Market Treasury Bills		(36,427)	16,298
	Pakistan Investment Bonds		3,750	11,699
	Shares		69	(1,447)
	Overseas Government Securities		-	2,033
			(32,608)	28,583

9. ADVANCES

	Loans, cash credits, running finances, etc.			
	In Pakistan		405,396,451	385,628,553
	Outside Pakistan		92,650,654	67,238,996
			498,047,105	452,867,549
	Net investment in finance lease - in Pakistan	9.1.3	5,496,069	4,591,123
	Bills discounted and purchased (excluding Government treasury bills):			
	Payable in Pakistan		11,191,546	12,122,572
	Payable outside Pakistan		46,326,442	32,180,550
			57,517,988	44,303,122
	Provision against advances	9.3	(37,202,176)	(41,691,160)
			523,858,986	460,070,634
9.1	**Particulars of advances**			
9.1.1	In local currency		378,602,344	365,643,551
	In foreign currency including foreign currency financing by domestic branches amounting to Rs. 33,170.873 million (2012: Rs. 19,631.886 million)		145,256,642	94,427,083
			523,858,986	460,070,634
9.1.2	Short term (for upto one year)		373,372,867	315,849,032
	Long term (for over one year)		150,486,119	144,221,602
			523,858,986	460,070,634

9.1.3 **Net investment in finance lease**

	2013				2012			
	Not later than one year	Later than one and less than five years	More than five years	Total	Not later than one year	Later than one and less than five years	More than five years	Total
	(Rupees in '000)							
Lease rentals receivable	102,483	5,713,897	1,299,210	7,115,590	22,966	4,926,753	1,083,631	6,033,350
Residual value	111	6,189	1,407	7,707	31	6,605	1,452	8,088
Gross investment in finance lease	102,594	5,720,086	1,300,617	7,123,297	22,997	4,933,358	1,085,083	6,041,438
Unearned finance income	(5,186)	(1,257,213)	(364,829)	(1,627,228)	(1,474)	(1,132,010)	(316,831)	(1,450,315)
Net investment in finance lease	97,408	4,462,873	935,788	5,496,069	21,523	3,801,348	768,252	4,591,123

9.2 **Classification of non-performing loans is as follows:**

Category of classification	2013								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	760,673	-	760,673	-	-	-	760,673	-	760,673
Substandard*	6,429,774	1,080,436	7,510,210	1,323,148	260,394	1,583,542	5,106,626	820,042	5,926,668
Doubtful	1,840,361	974,400	2,814,761	898,672	431,161	1,329,833	941,689	543,239	1,484,928
Loss	25,408,417	8,526,962	33,935,379	24,155,820	8,273,278	32,429,098	1,252,597	253,684	1,506,281
	34,439,225	10,581,798	45,021,023	26,377,640	8,964,833	35,342,473	8,061,585	1,616,965	9,678,550
General provision	-	-	-	952,974	906,729	1,859,703	-	-	-
	34,439,225	10,581,798	45,021,023	27,330,614	9,871,562	37,202,176	8,061,585	1,616,965	9,678,550

* This includes Government guaranteed non-performing loan amounting to Rs. 1,065.738 million.

Category of classification	2012								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	610,771	-	610,771	-	-	-	610,771	-	610,771
Substandard	5,609,462	1,063,854	6,673,316	1,360,027	198,284	1,558,311	4,249,435	865,570	5,115,005
Doubtful	4,315,131	1,867,471	6,182,602	2,102,214	791,318	2,893,532	2,212,917	1,076,153	3,289,070
Loss	30,083,005	7,117,358	37,200,363	28,156,285	6,997,177	35,153,462	1,926,720	120,181	2,046,901
	40,618,369	10,048,683	50,667,052	31,618,526	7,986,779	39,605,305	8,999,843	2,061,904	11,061,747
General provision	-	-	-	1,532,092	553,763	2,085,855	-	-	-
	40,618,369	10,048,683	50,667,052	33,150,618	8,540,542	41,691,160	8,999,843	2,061,904	11,061,747

9.2.1 Classification of overseas non-performing advances and provision there against and general provisioning of overseas advances have been made in accordance with the accounting policy as referred in note 4.5.

9.3 **Particulars of provision against advances**

	Note	2013			2012		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		39,605,305	2,085,855	41,691,160	42,118,818	1,583,610	43,702,428
Exchange adjustment / other movement		630,301	16,246	646,547	60,798	36,773	97,571
Charge for the year		5,251,915	641,395	5,893,310	11,490,097	493,156	11,983,253
Reversals		(2,861,250)	(883,793)	(3,745,043)	(5,414,233)	(27,684)	(5,441,917)
Net charge against loans and advances		2,390,665	(242,398)	2,148,267	6,075,864	465,472	6,541,336
Write off	9.5	(412,583)	-	(412,583)	(2,656,791)	-	(2,656,791)
Transfer to / from special category		(5,729,343)	-	(5,729,343)	(5,000,011)	-	(5,000,011)
Write off in special category	9.5	(227,793)	-	(227,793)	(70,551)	-	(70,551)
Reversal in special category		(914,079)	-	(914,079)	(922,822)	-	(922,822)
Net movement in separate category		(6,871,215)	-	(6,871,215)	(5,993,384)	-	(5,993,384)
Closing balance		35,342,473	1,859,703	37,202,176	39,605,305	2,085,855	41,691,160
In local currency		25,659,969	952,974	26,612,943	31,618,526	1,532,092	33,150,618
In foreign currency		9,682,504	906,729	10,589,233	7,986,779	553,763	8,540,542
		35,342,473	1,859,703	37,202,176	39,605,305	2,085,855	41,691,160

9.4 **Forced sale value (FSV) against non performing advances**

In accordance with BSD Circular No. 1 dated October 21, 2011 issued by SBP, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at December 31, 2013 would have been higher by Rs. 1,126.14 million and profit before taxation for the year ended December 31, 2013 would have been higher by approximately Rs 581.45 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in retained earnings net of tax amounting to Rs. 731.989 million would not be available for the distribution of cash and stock dividend to shareholders.

		2013	2012
		(Rupees in '000)	
9.5	**Particulars of write-offs**		
9.5.1	Against provisions	640,376	2,727,342
9.5.2	**Analysis of write-offs**		
	Rs. 500,000 and above in Pakistan (Note 9.6)	250,724	115,275
	Below Rs. 500, 000 in Pakistan and overseas	389,652	2,612,067
		640,376	2,727,342

9.6 **Details of advances written-off of Rs 500,000 and above**

The statement required under sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 in respect of written-off advances or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2013 is given in Annexure II.

9.7 During the previous year, the Bank entered into contract with Citi Bank N.A., Pakistan to acquire its consumer portfolio. The transaction was approved by the Competition Commission of Pakistan and during the year, the Bank also obtained approval from the SBP. Pursuant to such acquisition of portfolio, the Bank's gross advances increased by Rs. 1,537.411 million as at December 31, 2013.

9.8 **Particulars of advances to directors, associated companies, etc**

	2013			2012		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
	(Rupees in '000)					
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons						
- in respect of directors	-	-	-	-	-	-
- in respect of executives * (other than key management personnel)	1,800,700	1,843,700	491,638	1,516,400	1,549,100	443,704
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	360,200	382,200	36,440	371,200	382,000	64,257
Debts due by companies or firms in which the directors of the Bank / Parent are interested as directors, partners, advisors or in the case of private companies as members	1,033,786	2,553,045	673,786	571,668	1,063,827	100,000
Debts due by Subsidiary company	48,416	48,416	-	33,969	56,384	-

The disclosure of the year-end balance, limit /amount sanctioned and the highest amount outstanding during the year is considered the most meaningful information to represent the amount of the transactions and the amount of outstanding balances during the year.

* (These represent staff advances given by the Bank to its executives as per their terms of employment)
** (Maximum amount has been arrived at by reference to month end balance)

		Note	2013	2012
			(Rupees in '000)	
10.	**OPERATING FIXED ASSETS**			
	Capital work-in-progress	10.1	884,039	1,713,276
	Intangible assets	10.2	744,783	240,030
	Tangible fixed assets	10.3	21,349,187	19,231,795
			22,978,009	21,185,101
10.1	**Capital work-in-progress**			
	Civil works		525,784	948,078
	Others		358,255	765,198
			884,039	1,713,276

10.2 Intangible assets

Description	2013							
	COST			AMORTISATION			Book value	Rate of
	As at January 1, 2013	Additions / (deletions) during the year	As at December 31, 2013	As at January 1, 2013	Charge for the year (Amortisation on deletions)	As at December 31, 2013	As at December 31, 2013	amortisation %
	Rupees in '000							
Computer Software	1,742,135	778,553 (2,627)	2,518,061	1,502,105	273,800 (2,627)	1,773,278	744,783	33.33

Description	2012							
	COST			AMORTISATION			Book value	Rate of
	As at January 1, 2012	Additions / (deletions) during the year	As at December 31, 2012	As at January 1, 2012	Charge for the year (Amortisation on deletions)	As at December 31, 2012	as at December 31, 2012	amortisation %
	Rupees in '000							
Computer Software	1,550,696	191,962 (523)	1,742,135	1,424,251	78,344 (490)	1,502,105	240,030	33.33

10.3 Tangible fixed assets

Description	2013									
	COST / REVALUATION				DEPRECIATION					
	As at January 1, 2013	Additions/ (deletions) / Adjustments during the year	Surplus / (deficit) / on revaluation during the year	As at December 31, 2013	As at January 1, 2013	Charge for the year/ (depreciation on deletions) / adjustments	Surplus / (deficit) / on revaluation reversed during the year	As at December 31, 2013	Book value as at December 31, 2013	Rate of depreciation %
	Rupees in '000									
Land	10,958,592	255,018 (10,396) 395,665	-	11,598,879	-	- - -	-	-	11,598,879	-
Building	5,421,708	790,534 (14,613) (337,066)	-	5,860,563	460,413	130,593 (187) 27,754	-	618,573	5,241,990	1.67
Machinery	547,690	57,618 - -	-	605,308	26,204	56,989 - -	-	83,193	522,115	10
Leasehold improvements	2,579,401	553,321 (3,275) -	-	3,129,447	1,779,360	379,515 (3,975) -	-	2,154,900	974,547	20
Furniture and fixtures	7,930,586	1,809,824 (556,734) 57,784	-	9,241,460	6,061,082	850,077 (551,905) 26,904	-	6,386,158	2,855,302	20-33
Vehicles	391,375	74,245 (51,791) 2,191	-	416,020	270,498	34,530 (50,170) 4,808	-	259,666	156,354	10
	27,829,352	3,540,560 (636,809) 118,574	-	30,851,677	8,597,557	1,451,704 (606,237) 59,466	-	9,502,490	21,349,187	

Description	2012									
	COST / REVALUATION				DEPRECIATION				Book value as at December 31, 2012	Rate of depreciation %
	As at January 1, 2012	Additions/ (deletions) / Adjustments during the year	Surplus / (deficit) / on revaluation during the year	As at December 31, 2012	As at January 1, 2012	Charge for the year/ (depreciation on deletions) / Adjustments	Surplus / (deficit) / on revaluation reversed during the year	As at December 31, 2012		
	Rupees in '000									
Land	9,388,643	559,767 (156,864) (1,526)	1,168,572	10,958,592	-	- - -	-	-	10,958,592	-
Building	4,995,869	582,132 (4,943) 99,417	(250,767)	5,421,708	638,658	135,278 (184) 35,578	(348,917)	460,413	4,961,295	1.67
Machinery	610,109	46,637 (15,275) -	(93,781)	547,690	463,527	124,900 (15,275) -	(546,948)	26,204	521,486	10
Leasehold improvements	2,238,641	344,867 (4,107) -	-	2,579,401	1,434,870	346,848 (2,358) -	-	1,779,360	800,041	20
Furniture and fixtures	6,870,729	1,202,409 (276,877) 134,325	-	7,930,586	5,525,017	698,544 (274,340) 111,861	-	6,061,082	1,869,504	20-33
Vehicles	390,163	28,080 (33,839) 6,971	-	391,375	254,396	42,278 (31,146) 4,970	-	270,498	120,877	10
	24,494,154	2,763,892 (491,905) 239,187	824,024	27,829,352	8,316,468	1,347,848 (323,303) 152,409	(895,865)	8,597,557	19,231,795	

10.4 Habib Bank Limited's (HBL) domestic properties were revalued by independent professional valuers as on June 30, 2012. These properties were revalued by Iqbal A. Nanjee & Co., professional valuers on the basis of market value. The revaluation had resulted in increasing the surplus on revaluation of fixed assets by Rs. 1,695.912 million. HBL property of Lebanon branch was revalued as on November 23, 2012 by Banking Control Commission of Lebanon resulted in a surplus of Rs. 15.721 million. HBL property of KEPZ branch was revalued on July 27, 2012 by J & M Associates , licensed valuer, on market value basis resulted in a surplus of Rs. 8.255 million. These revaluations had resulted in a cumulative surplus of Rs. 1,719.888 million . Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Domestic	Lebanon	KEPZ
	(Rupees in '000)		
Land	9,288,588	-	232
Building	4,092,845	14,158	2,102

The movement in surplus on revaluation of properties is given in note 19.1 to these unconsolidated financial statements.

10.5 **Details of disposal of fixed assets**

The information relating to disposal of fixed assets in aggregate having book value exceeding Rs. 250,000 or cost exceeding Rs. 1 million (whichever is lower), are required to be disclosed as part of the financial statements by the SBP is given in Annexure III and is an integral part of these financial statements.

10.6 At December 31, 2013 cost / valuation of properties and equipment retired from active service and held for disposal purposes amounted to Rs. 7.442 million (2012: Rs. 3.824 million). The cost / valuation of fully depreciated properties and equipment that are still in the Bank's use, as at the above date, amounted to Rs. 5,842.312 million (2012: Rs. 5,116.025 million).

11. DEFERRED TAX ASSET

	Note	2013	2012
		(Rupees in '000)	
Deductible temporary differences on			
- provision against investments		292,205	292,295
- provision against doubtful debts & Off-balance sheet		4,972,306	6,396,134
- liabilities written back under section 34(5) of the Income Tax Ordinance (ITO)		1,255,057	1,329,866
- provision against others		116,170	117,016
- revaluation of investments	19.2	277,549	(1,307,803)
		6,913,287	6,827,508
Taxable temporary differences on			
- fixed assets		(1,362,983)	(1,084,044)
Net deferred tax asset recognised by the Bank		5,550,304	5,743,464

11.1 **Movement in temporary differences during the year**

	Balance as at January 1, 2012	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2012	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2013
	(Rupees in '000)						
Deductible temporary differences on							
- provision against investments	384,490	(92,195)	-	292,295	(90)	-	292,205
- provision against doubtful debts & Off-balance sheet	6,144,996	251,138	-	6,396,134	(1,423,828)	-	4,972,306
- liabilities written back under section 34(5) of the ITO	972,499	357,367	-	1,329,866	(74,809)	-	1,255,057
- provision against others	117,316	(300)	-	117,016	(846)	-	116,170
- on revaluation of investments	165,505	-	(1,473,308)	(1,307,803)	-	1,585,352	277,549
Taxable temporary differences on							
- fixed assets	(827,516)	(64,442)	(192,086)	(1,084,044)	(278,939)	-	(1,362,983)
	6,957,290	451,568	(1,665,394)	5,743,464	(1,778,512)	1,585,352	5,550,304

12. OTHER ASSETS

	Note	2013	2012 (Restated)
		(Rupees in '000)	
Income / mark-up / profit accrued in local currency		13,893,052	13,916,480
Income / mark-up / profit accrued in foreign currency		1,265,020	1,024,173
Advances, deposits, advance rent and other prepayments		2,539,784	1,796,426
Advances against murabaha		909,307	366,226
Advance taxation (payments less provisions)		14,271,400	10,738,115
Advances for subscription of shares		109,139	-
Stationery and stamps on hand		32,235	42,467
Accrued income		490,334	371,021
Due from Government of Pakistan / SBP		1,034,167	2,547,755
Unrealised gain on forward foreign exchange contract / derivative instruments		2,083,395	587,819
Non-banking assets acquired in satisfaction of claims (market value Rs. 2,300.575 million (2012: Rs. 3,093.330 million)		2,220,722	2,573,070
Receivable from National Saving Centre / Clearing in transit		**26,055,206**	**18,890,141**
Claims against fraud and forgeries		166,155	202,973
Others		492,370	235,027
		65,562,286	53,291,693
Provision held against other assets	12.1	(291,741)	(530,362)
Other Assets- net		65,270,545	52,761,331

12.1 Provision against other assets

	2013	2012
	(Rupees in '000)	
Opening balance	530,362	284,486
Charge for the year	55,362	281,768
Reversal	(193,119)	(3,920)
Net (reversal) / charge	(137,757)	277,848
Write off	(107,567)	(36,946)
Exchange adjustment	6,703	4,974
Closing balance	291,741	530,362

13. BILLS PAYABLE

In Pakistan	18,552,991	18,363,545
Outside Pakistan	795,479	515,107
	19,348,470	18,878,652

14. BORROWINGS

In Pakistan	88,555,775	182,427,695
Outside Pakistan	16,733,987	9,688,492
	105,289,762	192,116,187

14.1 Particulars of borrowings

In local currency	85,618,861	182,427,695
In foreign currency	19,670,901	9,688,492
	105,289,762	192,116,187

14.2 Details of borrowings

	Note		
Secured			
Borrowings from State Bank of Pakistan under:			
- Export refinance scheme	14.3	17,584,707	16,845,030
- Long term financing facility - locally manufactured and imported plant & machinery	14.3	5,464,963	5,074,278
- Long term finance - export oriented projects	14.3	**480,741**	**974,062**
- Refinance facility for modernization of SMEs		4,608	12,649
- Financing facility for Storage of Agricultural Produce		9,169	15,277
- Scheme for revival of SMEs and Agricultural activities in flood affected areas		9,170	7,590
Repurchase agreement borrowings	14.4	50,072,621	157,998,809
		73,625,979	180,927,695
Unsecured			
In Pakistan			
- Interbank call money borrowing	14.5	13,726,623	1,500,000
Outside Pakistan			
- Overdrawn nostro accounts	14.6	2,051,589	1,186,682
- Borrowings of overseas branches	14.6	15,885,571	8,501,810
		17,937,160	9,688,492
		31,663,783	11,188,492
		105,289,762	192,116,187

14.3 Borrowings from SBP under the export and export oriented projects refinance schemes of the SBP are secured by the bank's cash and security balances held by the SBP. These carry annual mark-up rates ranging from 8.4% to 8.8% (2012: 7.2% to 9.8%).

14.4 These carry annual mark-up rates ranging from 6.5% to 10.2% (2012: 8.8% to 9.2%).

14.5 These carry annual mark-up rates ranging from 9.15% to 10.25% (2012: 8.0% to 9.0%).

14.6 Since, the Bank operates in different countries, these carry varied mark-up rates as given by the external banks of respective countries.

15. DEPOSITS AND OTHER ACCOUNTS

	2013	2012
	(Rupees in '000)	
Customers		
Current accounts - non-remunerative	373,276,540	281,887,233
Savings chequing account	603,492,831	486,575,662
Fixed deposits	321,062,655	354,430,663
	1,297,832,026	1,122,893,558
Financial institutions		
Current accounts - non-remunerative	6,279,959	4,086,107
Savings chequing account	4,551,714	4,490,688
Fixed deposits	8,326,812	9,694,622
	19,158,485	18,271,417
	1,316,990,511	1,141,164,975

15.1 Particulars of deposits

In local currency	1,068,064,404	939,452,816
In foreign currencies {including foreign currency deposits of domestic branches of Rs. 110,230.583 million (2012: Rs. 101,599.466 million)}	248,926,107	201,712,159
	1,316,990,511	1,141,164,975

16 SUB-ORDINATED LOAN

The Bank has obtained loan from "International Finance Corporation" (IFC) amounting to US $ 50 million. The principal amount is repayable in four equal half yearly instalments from June 2013 to December 2014. Interest is payable on bi - annual basis commencing from December 2007 at LIBOR + 1.75%. Two instalments of US $ 12.5 million each have been paid in June 2013 and December 2013 respectively. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtness of the Bank (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

17. OTHER LIABILITIES

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
Mark-up / return / profit payable in local currency		17,191,034	18,127,380
Mark-up / return / profit payable in foreign currency		1,064,448	832,323
Security deposits		403,066	395,762
Accrued expenses		3,829,748	5,163,175
Unrealised loss on forward foreign exchange contracts /derivative instruments		2,019,306	380,774
Unclaimed dividends		122,375	109,756
Dividend payable		69,126	21,194
Provision for employees' compensated absences	33.2.8	1,845,749	1,806,835
Provision for post retirement medical benefits	33.2.3	2,225,250	2,182,363
Provision against off-balance sheet obligations	17.1	1,118,799	1,083,490
Branch adjustment account		1,959,529	1,936,719
Provision for staff retirement benefits		611,222	631,959
Payable to defined benefit plan		341,541	1,200,419
Provision for workers welfare fund		2,525,522	1,850,951
Unearned income		174,017	172,871
Qarza-e-Hasna Fund		342,952	344,585
Duties and taxes payable		1,319,695	1,020,963
Insurance payable		162,322	146,565
Reward points payable		228,166	57,946
Payable to HBL foundation		252,387	557,189
Others		1,300,687	665,001
		39,106,941	38,688,220

17.1 Provision against off-balance sheet obligations

	2013	2012
	(Rupees in '000)	
Opening balance	1,083,490	1,152,456
Charge for the year	109,403	133,485
Reversal	(86,976)	(126,470)
Net charge	22,427	7,015
Other movement	-	(93,071)
Exchange adjustment	12,882	17,090
Closing balance	1,118,799	1,083,490

18. SHARE CAPITAL

18.1 Authorised Capital

2013	2012		2013	2012
Number of shares in '000				
3,000,000	3,000,000		30,000,000	30,000,000

18.2 Issued, subscribed and paid-up capital

2013	2012		2013	2012
Number of shares in '000				
		Ordinary shares of Rs. 10 each		
690,000	690,000	Fully paid in cash	6,900,000	6,900,000
643,502	522,275	Issued as bonus shares	6,435,023	5,222,748
1,333,502	1,212,275		13,335,023	12,122,748

18.3 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

18.4 Statutory reserves

Every banking company incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.

18.5 Dividends

After December 31, 2013 the following dividends were proposed by the Directors for 2013. The dividends have not been provided for and, there are no income tax consequences.

	Note	2013	2012
		(Rupees in '000)	
Cash dividend: Rs. 2 per share in addition to Rs. 6 already paid (2012: Rs. 4 per share in addition to Rs. 3.5 already paid)		2,667,005	4,849,099
Bonus share: 1 share for every 10 shares held (2012: 1 share for every 10 shares held)		1,333,502	1,212,275

19. SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Surplus / (deficit) arising on revaluation of:			
- fixed assets	19.1	9,529,875	9,590,967
- investments	19.2	(508,241)	2,428,878
Surplus on revaluation of assets - net of deferred tax		9,021,634	12,019,845

19.1 Surplus on revaluation of fixed assets

	2013	2012
	(Rupees in '000)	
Surplus on revaluation of fixed assets as at January 1	10,518,132	9,093,164
Surplus on revaluation of Bank's properties recognised during the year	-	1,719,888
Surplus realised on disposal of revalued properties during the year	(1,269)	(155,285)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(59,823)	(90,185)
Related deferred tax liability of incremental depreciation charged during the year	(32,212)	(48,577)
Related deferred tax liability on disposal of revalued properties	(2,348)	(873)
Surplus on revaluation of fixed assets as at December 31	10,422,480	10,518,132
Less: related deferred tax liability on:		
- revaluation as at January 1	927,165	783,656
- revaluation of Bank's properties recognised during the year	-	192,959
- surplus realised on disposal of revalued properties during the year	(2,348)	(873)
- incremental depreciation charged during the year transferred to profit and loss account	(32,212)	(48,577)
	892,605	927,165
	9,529,875	9,590,967

19.2 (Deficit) / surplus on revaluation of investments

Market Treasury Bills	(1,195,437)	1,863,369
Pakistan Investment Bonds	(492,676)	1,490,249
Government of Pakistan Sukuk and US Dollar / Euro Bonds	287,648	(95,595)
Listed Securities	476,306	212,728
NIT Units	22,288	11,283
Other Investments	116,081	254,647
	(785,790)	3,736,681
Related deferred tax asset / (liability)	277,549	(1,307,803)
	(508,241)	2,428,878

20. CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:		
- Government	262,993	306,856
- Financial institutions	295,000	295,000
- Others	40,075,109	35,371,437
	40,633,102	35,973,293

20.2 Transaction-related contingent liabilities

Guarantees in favour of:		
- Government	550,968	535,006
- Financial institutions	1,894,819	3,610,133
- Others	39,154,598	39,724,102
	41,600,385	43,869,241

20.3 Trade-related commitments

Credit cash	60,038,619	75,837,119
Credit documentary acceptances	17,800,947	18,535,338
Credit acceptances	46,375,108	34,790,322
	124,214,674	129,162,779

20.4 Other contingencies

Claims against the Bank not acknowledged as debts	33,824,701	33,445,873

20.5 **Commitments in respect of forward lending**

The bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	2013	2012
20.6 **Commitments in respect of forward foreign and local exchange contracts**	(Rupees in '000)	
Purchase	247,342,208	161,434,192
Sale	247,527,601	161,344,507

The above commitments have maturities falling within one year.

Commitments in respect of foreign currency options		
Purchase	649,846	1,317,948
Sale	649,846	1,317,948
Commitments in respect of Cross Currency Swaps		
Purchase	1,121,412	3,659,009
Sale	1,105,785	3,659,009
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	245,757	444,199
Sale	490,757	291,449
20.7 **Commitments for acquisition of operating fixed assets / intangibles**	943,750	663,125

20.8 The income tax returns of the Bank have been submitted upto and including the Bank's financial year 2012. The tax authorities have concluded the audit of years 2002 through 2012.

As per Rule 8(A) of the Seventh Schedule, amounts provided for in tax year 2008 (December 2007) and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

With reference to allowability of provision, the management has carried out an exercise and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 1.191 billion (2012: Rs. 2.494 billion).

21. DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.
The Bank as an Authorized Derivative Dealer (ADD) is an active participant in the Pakistan derivatives market. Although the ADD license covers only the transactions mentioned below (permitted under the Financial Derivatives Business Regulations issued by the SBP), the Bank offers a wide variety of derivatives products to satisfy customers' needs, specific approval for which is sought from the SBP on a transaction by transaction basis:

(a) Foreign Currency Options
(b) Forward Rate Agreements
(c) Interest Rate Swaps
(d) Cross Currency Swaps

These transactions cover the aspects of both market making and hedging.
The authority for approving policies lies with the Board of Directors the (BoD) and the Board Risk Management Committee (BRMC). The Market Risk Committee (MRC) has been assigned the responsibility of ensuring meticulous compliance with these policies.

With regard to derivatives, the MRC is authorized to:
- Review the derivatives business with reference to market risk exposure and assign various limits in accordance with the risk appetite of the Bank
- Review the Derivatives Business Policy and recommend approval to the BRMC / BoD
- Review and approve derivatives product programs
- Authorize changes in procedures and processes regarding derivatives and structured products

Overall responsibility for derivatives trading activity lies with the Treasury and Capital Markets Group (TCM).
Measurement & monitoring of market and credit risk exposure and limits and its reporting to the senior management and the BoD is done by Market & Treasury Risk (MTR), which also coordinates with the business regarding approvals for derivatives risk limits. Treasury Operations records derivatives activity in the Bank's books, and handles its reporting to the SBP.

21.1. **Product Analysis**

Counterparties	2013					
	Interest Rate Swaps		FX Options		Cross Currency Swaps	
	No. of Contracts	Notional Principal* (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)
With Banks for						
Hedging	1	245,757	5	649,845	1	579,161
Market Making	-	-	2	202,524	1	542,251
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	3	490,757	3	447,323	1	1,105,785
Total						
Hedging	1	245,757	5	649,845	1	579,161
Market Making	3	490,757	5	649,847	2	1,648,036

Counterparties	2012					
	Interest Rate Swaps		FX Options		Cross Currency Swaps	
	No. of Contracts	Notional Principal* (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	1	291,449	49	1,317,948	4	3,659,009
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	2	444,199	49	1,317,948	4	3,659,009
Total						
Hedging	-	-	-	-	-	-
Market Making	3	735,648	98	2,635,896	8	7,318,018

* At the exchange rate prevailing at the end of the reporting year.

21.2. **Maturity Analysis**

Remaining Maturity	2013				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
		(Rupees in '000)			
Upto I Month	-	-	-	-	-
1 to 3 Months	2	1,158,323	(7,577)	7,839	262
3 Months to 6 Months	4	690,312	(6,423)	6,423	-
6 Months to 1 Year	6	609,379	(2,624)	2,624	-
1 to 2 Years	-	-	-	-	-
2 to 3 Years	3	1,313,873	-	38,003	38,003
3 to 5 Years	2	491,516	(9,428)	9,767	339
	17	4,263,403	(26,052)	64,656	38,604

Remaining Maturity	2012				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
		(Rupees in '000)			
Upto I Month	2	40,932	(56)	56	-
1 to 3 Months	34	1,890,874	(14,858)	15,076	218
3 Months to 6 Months	67	2,536,207	(19,786)	18,299	(1,487)
6 Months to 1 Year	2	4,481,268	(297)	1,794	1,497
1 to 2 Years	2	1,157,383	(2,862)	5,737	2,875
2 to 3 Years	-	-	-	-	-
3 to 5 Years	2	582,898	(14,935)	15,442	507
	109	10,689,562	(52,794)	56,404	3,610

22. MARK-UP / RETURN / PROFIT EARNED

	2013	2012
	(Rupees in '000)	
On advances to		
- Customers	46,299,614	50,990,895
- Financial institutions	260,841	314,565
On investments		
- Available for sale	62,776,865	52,802,827
- Held for Trading	1,594,054	1,452,756
- Held to maturity	4,721,152	5,648,183
On deposits with financial institutions	1,002,458	1,112,044
On lendings to financial institutions	1,525,787	2,078,520
	118,180,771	114,399,790

23. MARK-UP / RETURN / PROFIT EXPENSED

Deposits	55,973,904	50,671,594
Securities sold under repurchase agreement borrowings	6,380,194	4,903,995
Other short term borrowings	1,915,412	2,330,984
Long term borrowings	474,748	417,595
	64,744,258	58,324,168

24. GAIN ON SALE OF SECURITIES -NET

Federal Government Securities		
- Market treasury bills	283,706	585,362
- Pakistan investment bonds	215,008	115,490
Listed shares	827,432	137,559
Other securities	71,264	122,830
	1,397,410	961,241

25. OTHER INCOME

Incidental charges	2,391,821	2,276,224
Rent on lockers	368,006	339,294
Gain / (loss) on sale of operating fixed assets - net	54,707	(29,144)
(Loss) / gain on sale of non-banking asset - net	(13,756)	47,707
Rent on property	129,724	104,354
Recovery against written-off loans	152,062	32,277
Liabilities no longer required written back	19,055	-
Compensation received on tax refunds	381,781	-
Derivative income	46,345	910
	3,529,745	2,771,622

26. ADMINISTRATIVE EXPENSES

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
Salaries, allowances, etc.		16,378,631	15,026,087
Charge for defined benefit / contribution plan and other benefits		1,183,132	662,962
Non-executive directors' fees		10,300	19,800
Brokerage and commission		98,853	40,435
Rent, taxes, insurance, electricity, etc.		3,698,605	3,029,475
Legal and professional charges		500,430	662,410
Consultancy charges		1,302,560	335,535
Communications		852,593	646,091
Repairs and maintenance		1,877,423	1,323,911
Stationery and printing		814,717	610,493
Auditors' remuneration	26.1	108,239	88,075
Advertisement and publicity		1,163,671	1,144,546
Amortization	10.2	273,800	78,344
Depreciation	10.3	1,451,704	1,347,848
Entertainment		178,837	145,048
Travelling		396,757	390,201
Conveyance		150,059	125,905
Training		159,143	202,532
Security charges		1,103,459	878,632
Remittance charges		175,832	150,366
Donations	26.3	286,059	254,886
Documentation and processing charges		861,350	539,748
Subscription		70,609	25,387
Others		124,529	220,904
		33,221,292	27,949,621

26.1 Auditors' remuneration

	2013	2012
	(Rupees in '000)	
Audit fee	4,426	3,959
Fee for interim reivew	4,025	3,600
Fee for audit of local branches of the Bank	10,664	9,209
Special certifications / examinations and sundry advisory services	10,868	1,791
Out of pocket expenses	3,655	2,938
	33,638	21,497
Overseas branches	74,601	66,578
	108,239	88,075

26.2 The Bank operates a short term employee benefit scheme which includes cash award / special bonus for all employees. Under this scheme, the bonus for all Executives, including the Chief Executive Officer is determined on the basis of employees' evaluation and the Bank's performance during the year. The aggregate amount determined for the eligible employees in respect of the above scheme relating to all Executives and for the Key Management Personnel of the Bank amounted to Rs. 957.832 million (2012: Rs. 1,306.538 million) and Rs. 547.101 million (2012: Rs. 934.506 million) respectively.

26.3 Details of the donations in excess of Rs. 100,000 and above are given in Annexure IV.

27. OTHER CHARGES

	2013	2012
	(Rupees in '000)	
Penalties imposed by State Bank of Pakistan	23,175	18,285

28. WORKERS WELFARE FUND

The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the bank is liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher.

29. TAXATION

		2013	2012
		(Rupees in '000)	
			(Restated)
For Pakistan - for the year	- current	9,258,426	11,246,684
	- deferred	1,778,512	(451,568)
For Pakistan - prior year		(119,302)	422,246
For Overseas - for the year		886,919	1,079,236
		11,804,555	12,296,598

The Bank's branches in Azad Jammu & Kashmir region are included in overseas for taxation purpose.

29.1 Relationship between tax expense and accounting profit

Accounting profit for the current year	33,715,045	34,296,621
Tax on income @ 35% (2012: 35%)	11,800,266	12,003,817
- Reduced rate income	(267,556)	(146,114)
- Penalty imposed by SBP	8,111	6,400
- Prior year charge	(119,302)	422,246
- Others	383,036	10,249
Tax charge for the current year	11,804,555	12,296,598

30. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year	21,910,490	22,000,023
	(Number)	
Weighted average number of ordinary shares	1,333,502,280	1,333,502,280
	(Rupees)	
Basic and diluted earnings per share	16.43	16.50

31. CASH AND CASH EQUIVALENTS

	Note	2013	2012
		(Rupees in '000)	
Cash and balance with treasury banks	5	130,021,065	152,324,425
Balance with other banks	6	34,721,738	23,907,534
		164,742,803	176,231,959

32. STAFF STRENGTH

	(Number)	
Permanent	13,667	13,799
Others	17	18
Total staff strength	13,684	13,817

33. DEFINED BENEFIT PLANS AND OTHER BENEFITS

33.1 Principal actuarial assumptions

The latest actuarial valuation for pension and gratuity schemes was carried out as at December 31, 2013 using the Projected Unit Credit Actuarial Cost Method and assuming that no indexation of pension will take place. The following significant assumptions were used for the valuation of these schemes:

	2013	2012
	---------Per annum---------	
Valuation discount rate	13%	12%
Expected rate of increase in salary level	12%	11%
Expected rate of return on funds invested	13%	12%

33.2 Pension, gratuity, benevolent fund schemes and other benefits

33.2.1 Fair value of plan assets and present value of defined benefits obligations of these schemes as at December 31, 2013 are as follows:

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2013	2012	2013	2012	2013	2012	2013	2012
	---------- (Rupees in '000) ----------							
		(Restated)		(Restated)		(Restated)		(Restated)
Fair value of plan assets	6,108,485	5,030,128	227,282	204,657	1,658,153	1,587,950	-	-
Present value of defined benefit obligation	(6,432,871)	(6,132,451)	(244,437)	(302,753)	(1,105,881)	(1,175,073)	(2,225,250)	(2,182,363)
Asset / (liability) recognised in the balance sheet	(324,386)	(1,102,323)	(17,155)	(98,096)	552,272	412,877	(2,225,250)	(2,182,363)

33.2.1.1 The surplus on benevolent fund has not been accounted for as this is a contributory scheme with contribution both from the employees and the Bank.

33.2.2 The following amounts have been charged / (credited) to the profit and loss account in respect of the above-referred schemes:

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2013	2012	2013	2012	2013	2012	2013	2012
	---------- (Rupees in '000) ----------							
		(Restated)		(Restated)		(Restated)		(Restated)
Current service cost	47,970	46,029	8,313	11,315	25,764	19,529	51,766	27,756
Net mark up	72,798	33,227	5,877	5,832	(54,289)	(30,509)	244,513	303,459
Past service cost	-	17,343	-	(5,601)	-	(376,129)	-	(535,374)
Contributions - employees	-	-	-	-	(39,530)	(38,164)	-	-
Charge / (reversal) for the year	120,768	96,599	14,190	11,546	(68,055)	(425,273)	296,279	(204,159)

33.2.3 Movement in amounts (receivable from) / payable to defined benefit plans

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees in '000)							
		(Restated)		(Restated)		(Restated)		(Restated)
Opening balance	1,102,323	146,920	98,096	44,863	(412,877)	(8,450)	2,182,363	2,455,614
Charge / (reversal) for the year	120,768	96,599	14,190	11,546	(68,055)	(425,273)	296,279	(204,159)
Contributions during the year	(991,355)	(1,100,000)	(98,246)	-	(39,530)	(38,164)	(289,510)	(242,630)
Other comprehensive income	**92,650**	**658,804**	**3,115**	**41,687**	**(31,810)**	**59,010**	**36,118**	**173,538**
Benefits payable	-	1,300,000	-	-	-	-	-	-
Closing balance	324,386	1,102,323	17,155	98,096	(552,272)	(412,877)	2,225,250	2,182,363

33.2.4 The significant portion of the assets comprises of debt securities.

33.2.5 Movement of present value of defined benefit obligation

Opening balance	(6,132,451)	(4,161,705)	(302,753)	(374,205)	(1,175,073)	(1,469,644)	(2,182,363)	(2,455,614)
Current service cost	(47,970)	(46,029)	(8,313)	(11,315)	(25,764)	(19,529)	(51,766)	(27,756)
Mark-up cost	(699,505)	(599,617)	(30,195)	(40,197)	(133,821)	(160,808)	(244,513)	(303,459)
Benefits paid	**606,483**	**415,881**	**102,253**	**129,999**	**119,793**	**89,182**	**289,510**	**242,630**
Past Service Cost	-	(1,317,343)	-	5,601	-	376,129	-	535,374
Acturial (Loss) / Gain	(159,428)	(423,638)	(5,429)	(12,636)	108,984	9,597	(36,118)	(173,538)
Closing balance	(6,432,871)	(6,132,451)	(244,437)	(302,753)	(1,105,881)	(1,175,073)	(2,225,250)	(2,182,363)

33.2.6 Movement of fair value of plan assets

	Pension		Gratuity		Benevolent	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Opening balance	5,030,128	4,014,786	204,657	329,342	1,587,950	1,478,094
Return on plan assets	626,708	566,390	24,318	34,365	188,110	191,317
Employer contribution	991,353	1,100,000	98,246	-	39,530	38,164
Employee contributions	-	-	-	-	39,530	38,164
Benefits paid	(606,483)	(415,881)	(102,253)	(129,999)	(119,793)	(89,182)
Actuarial gain / (loss) on plan assets	66,779	(235,167)	2,314	(29,051)	(77,174)	(68,607)
Closing balance	6,108,485	5,030,128	227,282	204,657	1,658,153	1,587,950

33.2.7 **Actual return on plan assets**

	Pension		Gratuity		Benevolent	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Expected return on plan assets	626,708	566,390	24,318	34,365	188,110	191,317
Actuarial gain / (loss) on plan assets	66,779	(235,167)	2,314	(29,051)	(77,174)	(68,607)
Actual return on plan assets	693,487	331,223	26,632	5,314	110,936	122,710

33.2.8 **Other long term benefits - Employee compensated absences**

The liability of the Bank in respect of employee compensated absences as at December 31, 2013, amounted to Rs. 1,845.749 million (2012: Rs. 1,806.835 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 132.622 million (2012 charge: Rs. 155.466 million) is included in administrative expenses (note 26 to these financial statements) under 'Charge for defined benefit plans and other benefits' account head. Prior year calculation did not take into account the liability of Leave Preparatory to Retirement (LPR) which should have been taken. This resulted in revision of the present value of defined benefit obligation of prior year amounting to Rs. 318 million (net of tax).

33.2.9 **Composition of fair value of plan assets**

	2013		2012	
	Fair value		Fair value	
	(Rupees in '000)	%	(Rupees in '000)	%
Pension fund				
Bonds	5,080,507	83.17	4,582,736	91.11
Equities	754,228	12.35	415,304	8.26
Others (including bank balances)	273,750	4.48	32,088	0.63
	6,108,485	100.00	5,030,128	100.00
Gratuity fund				
Bonds	18,825	8.28	202,776	99.08
Others (including bank balances)	208,457	91.72	1,881	0.92
	227,282	100.00	204,657	100.00
Benevolent fund				
Bonds	1,168,006	70.44	1,579,006	99.44
Others (including bank balances)	490,147	29.56	8,944	0.56
	1,658,153	100.00	1,587,950	100.00

As per actuarial recommendations, the expected return on plan assets was assumed at 13% per annum on Pension Fund assets, Gratuity Fund assets and Benevolent Fund assets. The expected return on plan assets was determined by considering the expected returns available on the underlying assets.

33.2.10 Sensitivity analysis of defined benefit obligations

	+1% discount rate	-1% discount rate	+1% salary increase rate	-1% salary increase rate
	(Rupees in '000)			
Pension Fund	5,947,389	7,087,843	6,827,257	6,071,417
Gratuity Fund	240,853	248,150	248,140	240,790
Benevolent Fund	1,032,488	1,207,622	1,105,881	1,105,881
Post retirement medical benefit	2,023,518	2,382,534	2,246,056	2,181,294
Employee compensated absences	1,788,931	1,907,365	1,907,365	1,788,931

33.2.11 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent fund scheme.
Based on actuarial advice, the management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2014, subject to the provisions of the Trust Deeds, would be as follows:

	2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
	(Rupees in '000)				
Expected charge / (reversal) for the year	89,494	8,757	(49,508)	350,669	322,204

33.2.12 Five year data on surplus/ (deficit) of the plans and experience adjustments

	2013	2012	2011	2010	2009
	(Rupees in '000)				
Pension Fund					
Present value of defined benefit obligations	(6,432,871)	(6,132,451)	(4,161,705)	(3,752,490)	(3,823,669)
Fair value of plan assets	6,108,485	5,030,128	4,014,787	3,629,930	11,308,988
(Deficit) / surplus	(324,386)	(1,102,323)	(146,918)	(122,560)	7,485,319
Experience adjustments on plan liabilities [(loss) / gain]	(159,428)	(423,638)	(132,145)	351,250	(130,299)
Experience adjustments on plan assets [gain / (loss)]	66,779	(235,167)	164,373	(433,160)	492,159
Gratuity Fund					
Present value of defined benefit obligations	(244,437)	(302,753)	(374,205)	(363,236)	(335,598)
Fair value of plan assets	227,282	204,657	329,342	314,910	770,148
(Deficit) / surplus	(17,155)	(98,096)	(44,863)	(48,326)	434,550
Experience adjustments on plan liabilities [(loss) / gain]	(5,429)	(12,636)	1,608	(10,321)	14,581
Experience adjustments on plan assets [gain / (loss)]	2,314	(29,051)	19,122	(21,601)	51,792

	2013	2012	2011	2010	2009
	(Rupees in '000)				
Benevolent Fund					
Present value of defined benefit obligations	(1,105,881)	(1,175,073)	(1,469,644)	(1,405,002)	(1,432,930)
Fair value of plan assets	1,658,153	1,587,950	1,478,094	1,281,248	1,170,236
Surplus / (deficit)	552,272	412,877	8,450	(123,754)	(262,694)
Experience adjustments on plan liabilities [(loss) / gain]	108,984	9,597	28,649	136,963	273,358
Experience adjustments on plan assets [(loss) / gain]	(77,174)	(68,607)	83,402	6,668	(43,186)
Post retirement medical benefit					
Present value of defined benefit obligations	(2,225,250)	(2,182,363)	(2,455,614)	(2,244,246)	(2,180,320)
Experience adjustments on plan liabilities [loss / (gain)]	(36,118)	(173,538)	(71,735)	80,259	242,351

34. DEFINED CONTRIBUTION PLAN

34.1 Provident Fund

For employees hired on or after January 01, 2002 and for those who did not opt for the Bank's Pension scheme introduced in 1977, the bank operates an approved Provident Fund under which both the Bank and employees contribute at following rates:

6% of the Basic Salary	For Executives & Officers
12% of the Basic Salary	For Clerical Staff
For Contractual Employees as per their Service Contracts.	

The staff who are covered by the Bank's Pension plan now also eligible for Provident fund benefits effective from April 04, 2005 by contributing 6% of the basic pay. Bank also makes equal contributions for these employees.

Payments are made to the employees on retirement, death, resignation and discharge as specified in the rules of the Fund.

The total assets of the Fund were Rs. 11,445.951 million as at December 31, 2012 (2011: Rs. 10,538.559 million).

35. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Remuneration / fee of non executives directors	-	-	17,756	26,147	-	-
Managerial remuneration (including allowances)	30,600	31,711	-	-	5,382,259	4,536,047
Contribution to provident and benevolent fund	1,692	1,271	-	-	143,509	122,000
Medical	149	221	-	-	281,471	232,840
House-rent, maintenance, furnishing, others	1,170	3,358	-	-	-	-
Utilities	1,340	516	-	-	-	-
Conveyance	1,894	791	-	-	-	-
	36,845	37,868	17,756	26,147	5,807,239	4,890,887
Number of persons	1	2	7	6	3,061	2,666

The Chief Executive Officer and certain Executives are provided with free club memberships and the Chairman / Chief Executive Officer are also provided with free use of the Bank's maintained cars in accordance with their entitlement.

In addition to the above, all executives, including Chief Executive Officer of the Bank are also entitled to certain short term employee benefits which are disclosed in note 26.2 to these financial statements.

36. RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development (AKFED), S.A, Switzerland holds 51% shares of the Bank. The Bank has related party relationship with its subsidiaries, associated undertakings, joint venture company (refer note 8.5 and 8.6), associates of AKFED Group entities, employee benefit schemes (refer note 4.9) of the Bank / related party, and members of the Key Management Personnel of the Bank / related party, including both Executive and Non-Executive Directors.

Banking transactions with the related parties are executed on arm's length basis i.e. substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other then those under terms of employment. Details of advances to related parties are given in note 9.8 to these unconsolidated financial statements.

Contributions to and accruals in respect of staff retirement and other benefit schemes are made in accordance with the actuarial valuation / terms of the contribution plan.

Details of transactions with related parties and balances with them as at the year-end were as follows:

	2013				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	(Rupees in '000)				
Statement of financial position					
Deposits	3,450,508	600,663	7,164,508	149,228	1,105,198
Maximium Deposits during the year	4,208,820	902,439	7,737,354	149,228	3,833,229
Borrowings	2,514,137	329,127	737,272	-	-
Investments	-	13,116,177	4,748,101	-	-
Markup / Other Receivable	-	-	271,401	-	-
Mark-up / Other Payable	-	-	-	-	338,135
Placements / Lendings	1,412,680	4,454,962	-	-	-
Overdrawn Nostro	548,068	491,180	640,686	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss					
Interest / Other Income	100,350	573,561	1,649,160	-	-
Interest / Other Expense	337,613	33,699	720,112	-	485,180
Dividend income	-	6,500	240,441	73,816	-
Others					
Other contingencies	436,646	-	-	-	-
Securities Held as custodian	8,761,370	485,000	25,888,500	-	14,454,615

	2012				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	(Rupees in '000)				
Statement of financial position					
Deposits	3,876,800	731,891	6,934,694	-	2,961,756
Maximium Deposits during the year	3,942,716	812,286	7,090,210	-	2,963,637
Borrowings	726,107	278,539	-	-	-
Investments	-	10,807,025	4,585,708	-	-
Markup / Other Receivable	-	-	220,000	-	-
Mark-up / Other Payable	-	-	-	-	1,221,221
Placements / Lendings	1,330,363	7,212,257	-	-	-
Overdrawn Nostro	656,893	-	292,891	-	-
Impairment provision	-	-	573,261	-	-
Profit and Loss					
Interest / Other Income	221,970	129,696	1,249,676	-	-
Interest / Other Expense	324,603	10,397	679,922	-	278,856
Dividend income	-	-	158,791	71,585	-
Others					
Other contingencies	361,835	-	-	-	127,318
Securities Held as custodian	4,808,720	762,000	17,945,000	-	12,378,000

36.1 The donations given in note 26 and annexure IV of these unconsolidated financial statements include donations to HBL Foundation. The Foundation was established by the Board of Directors of HBL to promote development and advance the welfare and well being of the people with the object of improving their quality of life. Liability to the fund is shown in note no. 17.

36.2 **Key Management Personnel**

Key Management Personnel comprises Members of Management Forum, Regional Management, Country Managers and Senior Executives:

	2013	2012
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,301,114	1,117,531
Contribution to provident and benevolent fund	24,740	22,586
Medical	43,609	36,408
	1,369,463	1,176,525
Number of persons	168	159

In addition, Key Management Personnel are paid short-term employee benefits which are disclosed in note 26.2.

37. RISK MANAGEMENT FRAMEWORK

Risk taking is central to banking activity. Success in any venture in general and the banking business in particular is dependent on how well an institution manages its risk. The main goal is to minimize risk and be proactive in efficiently identifying, assessing, measuring (as far as possible), monitoring and controlling risks to an organisation's strategic advantage.

As HBL plans to continue diversifying its business and ensuring sustained growth and profitability amidst increasing competitiveness and challenges in the banking industry and works to implement the comprehensive risk management, capital adequacy and internal control standards enforced by the SBP. To this end, the Bank has a well defined Risk Management Framework comprising of an effective risk management strategy, risk management structure and a policy framework.

Risk Management Structure

The Bank's risk management approach is underpinned by an appropriate risk management structure. This structure is represented by various lines of defence in order to ensure that the risks are managed effectively on an entity level:

Supervisory Level	Board of Directors	Board Risk Management Committee and Board Audit Committee
	Management	ALCO, Management Risk Committee, Credit Risk Management Committee, Operational Risk Management Committee etc.
Risk Initiation - Operating Units/ Risk Owners		All Business and Support Groups i.e., Corporate, Investment Banking, Commercial, Retail, Treasury, IT, HR, etc.
Risk Control		Risk Management Group, Compliance
Risk Assurance		Internal Audit and Business Risk Review

Board of Directors (BoD)

The Board provides strategic direction for effective risk management and has the ultimate responsibility for managing all material risks that the Bank is/ may be exposed to, and for ensuring that the required human resources, culture, practices and systems are in place to address such risks. In discharging these responsibilities for overall risk management, the Board has established the Board Risk Management Committee.

Board Risk Management Committee (BRMC)

BRMC is a Board level oversight committee and is the highest risk related policy making and oversight body for all types of risks faced by the Bank, notably credit, market, liquidity and operational risks. It comprises of three directors of the Board (majority being non-executive). The Committee is supported by the Chief Risk Officer (CRO) and other executives as required. BRMC assists the Board in determining the strategic direction of the Bank by providing them the risk perspective.

Asset & Liability Committee (ALCO)

ALCO is the focal point for defining and leading the entire asset liability management process within the Bank. In this regard, ALCO also has responsibility for oversight of all market and liquidity risks. It is chaired by the President/CEO and has representation from all business groups, CRO, Chief Financial Officer (CFO), and Head of Market Risk.

Management Risk Committee (MRC)

Management Risk Committee is a senior management body headed by the President that mainly covers risks on integrated basis from an overall perspective of strategy, policy/ framework development, assessment/ measurement tools, MIS framework and Basel II implementation, whereas routine aspects in relation to such risks are managed by designated risk departments. In addition, the Bank has other senior management committees i.e., Credit Risk Management Committee, ALCO and ORMC to manage more specifically the credit, market liquidity and operational risks respectively.

Credit Risk Management Committee (CRMC)

Credit Risk Management Committee, at the functional level, has the responsibility to translate the decisions about strategy into framework, policies and standards for the origination, approval, disbursement, monitoring and reporting of credits and also to participate with the business line management in setting up the Bank's target portfolio profile and limits and in monitoring alignment with the risk strategies, appetite and limits etc. approved by the competent authorities. The CRMC is chaired by the CRO with the members comprising of Senior Credit Officers representing Corporate, Commercial and Retail Lending, representatives of Credit Policy and Credit Administration and Group Head Treasury. The risk management function is independent of business group / divisions.

Operational Risk Management Committee (ORMC)

Operational Risk Management Committee is a senior management body responsible for operational risk management within the Bank both from the strategic as well as tactical perspectives. The Committee has representation from Risk Management Group, Operations, Global Compliance Group and Finance, being headed by the CRO as its Chairman.

Risk Management Group (RMG)

For effective implementation of the risk management framework, a dedicated function i.e. Risk Management Group operates within the Bank, independent from the other business units, support functions as well as the Internal Audit function. RMG is responsible to perform the functions pertaining to development and oversight of risk strategy, policy, framework, methodology and MIS. The Group is headed by a designated Group Executive i.e. CRO reporting to the President but with an independent reporting line to BRMC.

RMG has designated separate personnel/departments to cater to the following significant areas with each of them reporting to the CRO:

- Credit Policy & Portfolio Management
- Credit Approvals
- Credit Administration
- Consumer Risk Management
- Market & Liquidity Risk Management
- Basel II and Systems Implementation

The Operational Risk Management Division (ORMD) operates within Global Compliance Group (GCG) independent from the other business units, support functions as well as the Internal Audit function. The Head ORMD is one of the members of the Operational Risk Committee which is chaired by the CRO. In this manner, issues and matters concerning operational risk are independently communicated to CRO so as to enable knowledge of the Bank-wide risks. The key issues are reported to BRMC through the forum of the Operational Risk Committee and/ or MRC, where applicable. In addition, the Head ORMD has a dotted reporting relationship with the CRO.

Business Risk Review (BRR)

BRR working under Internal Audit provide independent assessment to the Board and the senior management of the Bank's risk management framework that includes policies, procedures, methodologies, reporting, and systems.

Credit Risk Management

Credit risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with the agreed contract terms. Credit risk makes up the largest part of the Bank's risk exposures. The Bank's credit process is guided by centrally established credit policies, rules and guidelines with the objective to maintain a well-diversified portfolio while generating a reliable and consistent return.

Credit risk policies are established by the Credit Policy Committee/ CRO and approved by the Board through the Board Risk Management Committee. The Bank has a system of checks and balances in place around the extension of credit that are:

- An independent risk management function.
- Approval rules based on three-initial system and co-guarantor approach.
- An independent audit and risk review function.

The Credit Risk Strategy as outlined in Overall Risk Appetite document reflects Bank's tolerance for risk i.e. credit risk appetite. This, as a minimum, reflects Bank's strategy to grant credit based on various products, economic sectors, client segments etc.,target markets giving due consideration to risks specific to each target market.

Salient features of our credit approval process are delineated below:

- Every extension of credit to any counterparty requires approval by the personnel having credit approval authorities.
- All Business groups must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate/ pre-defined level.
- Credit approval authority is assigned to individuals according to their qualifications and experience.

Certain groups of exposures/ facilities are managed under product programs, which are approved by various levels of approving authorities as defined in the Credit Policy Manual. Each product program contains detailed credit criteria, regulatory, compliance and documentation requirements.

The Bank uses internal risk rating system to supplement the credit risk measurement procedure for all Corporate and Commercial, and Retail exposures. All in all, over 90% of all exposures are rated. All obligor risk ratings are validated and approved by authorized personnel belonging to both the business units and risk management function. The Bank is currently involved with external consultants to introduce more effective internal risk rating framework that will be aligned with the Foundation Internal Ratings Based (FIRB) approach of the Basel II accord.

Stress testing on the credit portfolio is performed according to the guidelines issued by SBP at defined frequency. The scope of stress testing is being expanded to include scenarios in addition to those defined in the SBP guidelines.

The disbursement, administration and monitoring of credit facilities is managed by Credit Administration Department (CAD) that operates under the CRO as part of the Risk Management Group. CAD is also responsible for collateral/ documents management.

The Bank monitors its credit portfolio on a continuing basis. Procedures are in place to identify, at an early stage, credit exposures for which there may be a risk of loss. The objective of an early warning system is to address potential problems at a stage where viable options are most likely to be available. Early detection of problem advances is a tenet of the Bank's credit culture and is intended to ensure that greater attention is paid to such exposure. The Bank has established a Structured Assets function to manage problem credits and The function negotiates with problem borrowers and recommends restructuring and/ or rescheduling of stuck up advances to the senior management. Cases where the possibilities of economically viable means of recovery are exhausted, legal proceedings are initiated. The Bank follows the guidelines of SBP or the Regulators under which it is operating in other countries for classification/ provisioning/ write-off of problem advances.

Country Risk

The Bank has in place a comprehensive Country Risk Policy. Limits are established for Cross Border Transfer Risk (CBTR) based on the ratings assigned by the internationally recognized rating agencies. The limit utilization is controlled at Head office level and country risk exposures are reported to BRMC at defined frequency. CBTR arises from exposure to counterparties in Countries other than the country where exposure is located. The Bank defines transfer risk as arising where an otherwise solvent and willing debtor is unable to meet it's obligation due to the imposition of governmental or regulatory controls restricting its ability to perform under its obligation towards its foreign liabilities.

Market Risk Management

It is the risk of loss due to adverse movements in market rates or prices, such as foreign exchange rates, interest rates and equity prices. It emanates from the trading activities mainly carried out by Treasury and investments/ structural positions housed in banking book.

Market risk at the Bank level is managed by the RMG under the supervision of ALCO supported by the Treasury Middle Office (TMO). The Bank carries a limited amount of market risk the bulk of which is located in the banking book stemming from the mismatches in structural assets and liabilities positions.

Interest Rate Risk

Interest rate risk is the uncertainity about the change in an investments's value due to changes in interest rates, including changes in the shape of the yield curve. Interest rate risk is inherent in the busiess of a financial institution and results due to the mismatches in the contractual maturities or repricing of assets and liabilities on its balance sheet. Substantial part of the Bank's assets and liabilities are subject to floating rates which significantly reduces the exposure to changes in interest rates. The Bank is exposed to interest rate risk as a result of mismatches on a relatively small part of its assets and liabilities. The major portion related to this risk is reflected in the banking book owing to the retail activities and investments qualifying for statutory reserve requirements. The overall potential impact of the mismatches on the earnings in short term and economic value of the portfolio in the long term is not material and is being managed with in the tolerance limits approved by the Board. The Bank uses simulation and duration gap models to measure and monitor the interest rate sensitivity on the potential earnings and the Bank's economic value of equity.

Foreign Exchange Risk

The Bank's assets are typically funded in the same currency as that of the business transacted to eliminate foreign exchange exposure. However, the Bank is obliged to maintain a reasonable open position in various currencies resulting from the sizeable trade related transactions handled across the Bank. Foreign exchange risks are controlled and monitored through the limits approved by ALCO within the overall limit advised by SBP. The regulatory limit for foreign exchange is relatively small compared to the size of the Bank; which restricts the risk generated through the foreign exchange actvities of the Bank.

End-of-the-day positions are marked to market daily according to the guidelines of SBP and sensitivity is conducted in line with the internal market risk policy of the Bank. The intra- day positions are managed by treasury through stop loss/ dealers limits.

Liquidity Risk Management

Liquidity risk is the risk that the Bank will be unable to meet its cash flow obligations as they become due, at a reasonable cost, because of an inability to liquidate assets, or to obtain adequate funding. ALCO has the responsibility for the formulation of overall strategy and oversight of the asset liability management. The Bank follows a comprehensive liquidity risk management policy duly approved by ALCO and the Board. The policy stipulates maintenance of various ratios, funding preferences, and evaluation of Bank's liquidity under normal and crisis situation (stress testing). To comply with the policy, the Bank has also conducted a behavioral study on its demand deposits to evaluate the ability of the Bank to retain its core deposits , which may not reflect in their maturity profile. Such evaluation forms part of the liquidity management process to realistically project the reliance on such funding sources. As a result of close monitoring and strict policy towards reliance on core deposit, the Bank has been able to avoid concentration/ reliance on volatile deposit in its books. A comprehensive contingency plan to deal with crisis situation is also in place.

Operational Risk Management (ORM)

In line with the approved Operational Risk Management Policy, Bank has instituted an Operational Risk Management Division (ORMD). Operational Risk Management Policy and a detailed ORM Framework has been prepared and implemented. Operational Risk Coordinators (ORCs) have been assigned from more than 20 departments of the Bank being responsible for implementation of the ORM Framework in coordination with ORMD. The Bank has been granted permission/certification by SBP to move to the more advanced approach i.e, Alternative Standardised Approach (ASA) under Basel II with a capital floor i.e., operational risk charge under ASA should not fall below a certain percentage of operational risk capital charge calculated under BIA for initial 3 years . Capital floors are 90% for 2012, 80% for 2013 and 70% for 2014. HBL is the first Pakistani bank to achieve this milestone.

The Bank's ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators, Operational Loss Data Management, Operational Risk Reporting, Capital Calculation etc. Detailed RCSA exercises are conducted at regular intervals across the Bank, the results of which are continually evaluated against the losses. Operational loss data collection and evaluation has been underway since 2009. The Bank has also established Key Risk Indicators (KRI) and is monitoring them at regular intervals. Operational risk reports are regularly submitted to the senior management.

Derivatives risk management

There are a number of risks undertaken by the Bank, which need to be monitored and assessed as explained in note 21 to these financial statements.

Credit Risk

Credit risk refers to the risk of non-performance or default by a party (a customer, guarantor, trade counterparty, third party, etc.), resulting in an adverse impact on the Bank's profitability. Credit risk associated with derivatives transactions is categorized into settlement risk and pre-settlement risk. The credit limit proposals for derivatives transactions are reviewed by the MTR Head who recommends appropriate limits to the Credit Committee for approval. The credit exposure of each counterparty is estimated and monitored by Treasury Middle Office on a daily basis.

Market Risk

The Bank, as a policy, hedges back-to-back all Options transactions. In addition, the Bank minimizes the exchange rate risk on its Cross Currency Swaps portfolio by hedging the exposure in the interbank market. To manage the interest rate risk of Interest Rate Derivatives, the Bank has implemented various limits which are monitored and reported by Treasury Middle Office on a daily basis.

Liquidity Risk

Derivatives transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk.
The liquidity risk arises from the fact that in Pakistan interest rate derivatives generally have a uni-directional demand, and no perfect hedge is available. The Bank mitigates its risk by limiting the portfolio in terms of tenor, notional and sensitivity limits, and can also hedge its risk by taking on and off balance sheet positions in the interbank market, where available.

Operational risk

The staff involved in the process of trading, settlement and risk management of derivatives are carefully trained to deal with the complexities involved in the process. Adequate systems and controls are in place to carry out derivatives transactions smoothly. Each transaction is processed in accordance with the product program or transaction memo, which contains detailed accounting and operational aspects of the transaction to further mitigate operational risk. In addition, the Treasury Middle Office and the Compliance and Control Department are assigned the responsibility of monitoring any deviation from policies and procedures. The Bank's Audit and Inspection Group also reviews this function, which covers regular review of systems, transactional processes, accounting practices and end-user roles and responsibilities.

The Bank uses a derivatives system which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis. Treasury Middle Office produces various reports for higher management (BoD, BRMC, MRC, etc) on a periodic basis. These reports provide details of the derivatives business profile containing outstanding positions, profitability, risk exposures and the status of compliance with limits.

Risk Management alignment with Basel II and III project

The Bank is one of the few financial institutions in Pakistan planning to adopt the Foundation Internal Ratings Based (FIRB) Approach for credit risk and Internal Models Approach (IMA) for Market Risk (Alternate Standardized Approach for operational risk has already been adopted) under the Basel II Framework and consequently enhancing the quality of risk management processes, methodologies, systems and reporting. In order to undertake the Basel II initiatives in a systematic manner and in full compliance with the related requirements, the Bank has sought the services of an international firm. Bank's Basel II Program includes a number of aspects involving organizational alignments, enhancements in the existing policies, procedures, processes and controls, development of new risk frameworks, existing system processes and controls, development of new risk frameworks, existing system upgrades, selection and deployment of various risk applications, development of advanced risk management tools and methodologies and introduction of improved risk reporting MIS. A lot of effort has already gone into aligning Bank's risk management structure, policies, procedures and systems with the requirements of Basel II while the remaining initiatives are currently being undertaken in an integrated manner with plans for completion in due course. The Bank also realizes the criticality of quality human resource and is already in the process of augmenting the skill set by necessary induction and training measures to enable undertaking of planned initiatives and consistently implementing the new risk management framework in line with Basel II. Once completed, the Bank expects to achieve a number of significant business benefits from its Basel II program with more robust risk management and internal control environment in line with international best practices.
Bank is currently engaged in the deployment of a comprehensive suite of advanced systems for Loan Origination, Credit Administration/ Collateral Management, and Internal Risk Ratings as part of FIRB related initiatives for credit risk.

Scope of application of Basel III framework

State Bank of Pakistan through BPRD circular no. 06 dated August 15, 2013 has required all Banks/DFIs to measure their capital adequacy in a transitional manner, based on Basel III instructions. It is intended to be implemented fully in 2019.

Given the level of financial depth, Basel III guideline was destined to be implemented for the following reasons in particular:
- Improving the capital base and resilience (emphasis on quality of core capital).
- Solution for both firm specific (micro prudential) and system wide (macro prudential).
- Ensure appropriate leverage ratio.
- Resilience during stress regime i.e. capital buffers.

Basel III guideline applies to the consolidated as well as standalone basis which comprises of subsidiaries, associates and Joint venture. List of subsidiaries, associates and Joint venture have been provided in note no. 8.5 and 8.6 of these unconsolidated financial statements respectively.

38. CAPITAL ADEQUACY

38.1 Capital structure

The risk weighted assets to capital ratio is calculated in accordance with the SBP's guidelines on capital adequacy.

	2013		2012	
	Basel III Transit	Pre-Basel III treatment	Basel III Transit	Pre-Basel III treatment
	----------(Rupees in '000)----------			
Common Equity Tier 1 capital (CET1): Instruments and reserves				
Fully Paid-up Capital	13,335,023		12,122,748	
Balance in Share Premium Account	-		-	
Reserve for issue of Bonus Shares	-		-	
General/ Statutory Reserves	26,305,576		24,114,527	
Gain/(Losses) on derivatives held as Cash Flow Hedge	-		-	
Unappropriated profit	67,435,578		61,820,458	
Non-controlling interest	-		-	
CET 1 before Regulatory Adjustments	107,076,177		98,057,733	
Common Equity Tier 1 capital: Regulatory adjustments				
All other intangibles	811,628		679,027	
Shortfall of provisions against classified assets	-		2,758,267	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Defined-benefit pension fund net assets	-		-	
Reciprocal cross holdings	325,324		203,760	
Cash flow hedge reserve	-		-	
Investment in own shares	-		-	
Securitization gain on sale	-		-	
Capital shortfall of regulated subsidiaries	-		-	
Deficit on account of revaluation from bank's holdings of property/ AFS	-		-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold				
of which: significant investments in the common stocks of financial entities	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital				
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP (mention details)	-	-	-	-
Regulatory adjustment applied to CET1	7,403,868	-	5,743,571	-
Total regulatory adjustments applied to CET1	8,540,820		9,384,625	
Common Equity Tier 1	98,535,357		88,673,108	
Additional Tier 1 (AT 1) Capital				
Qualifying Additional Tier-1 instruments plus any related share premium	-		-	
of which: Classified as equity	-		-	
of which: Classified as liabilities	-		-	
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-		-	
of which: instrument issued by subsidiaries subject to phase out	-		-	
AT1 before regulatory adjustments	-		-	
Additional Tier 1 Capital: regulatory adjustments				
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-		-	
Investment in own AT1 capital instruments	-		-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	-		-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-	
Total of Regulatory Adjustment applied to AT1 capital	-		-	
Additional Tier 1 capital				
Additional Tier 1 capital recognized for capital adequacy	-		-	
Tier 1 Capital (CET1 + admissible AT1)	98,535,357		88,673,108	

	2013		2012	
	Basel III Transit	Pre-Basel III treatment	Basel III Transit	Pre-Basel III treatment
	----------(Rupees in '000)----------			
Tier 2 Capital				
Qualifying Tier 2 capital instruments under Basel III	-		-	
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-		485,749	
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-		-	
of which: instruments issued by subsidiaries subject to phase out	-		-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,859,703		1,310,855	
Revaluation Reserves				
Revaluation reserves on Property	4,288,444		4,315,935	
Unrealized Gains/Losses on AFS	(228,708)		1,092,995	
	4,059,736		5,408,930	
Foreign Exchange Translation Reserves	13,191,195		12,222,970	
Undisclosed/Other Reserves (if any)	-		-	
Tier 2 before regulatory adjustments	19,110,634		19,428,504	
Tier 2 Capital: regulatory adjustments				
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	7,403,868	-	5,743,571	-
Reciprocal cross holdings in Tier 2 instruments	-		-	
Investment in own Tier 2 capital instrument	-		-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Amount of Regulatory Adjustment applied to Tier 2 capital	7,403,868		5,743,571	
Tier 2 capital	11,706,766		13,684,933	
Tier 2 capital recognized for capital adequacy	11,706,766		13,684,933	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-		-	
Total Tier 2 capital admissible for capital adequacy	11,706,766		13,684,933	
TOTAL CAPITAL (Tier 1 + admissible Tier 2)	110,242,123		102,358,041	
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	565,862,930		491,118,749	
Total Credit Risk Weighted Assets	565,537,606		490,914,989	
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-		-	
of which: deferred tax assets	-		-	
of which: Defined-benefit pension fund net assets	-		-	
of which: others	-		-	
Total Market Risk Weighted Assets	103,740,722		105,733,700	
Total Operational Risk Weighted Assets	100,808,580		107,361,353	
Total Risk Weighted Assets	770,086,908		704,010,042	
Capital Ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA	12.80%		12.60%	
Tier-1 capital to total RWA	12.80%		12.60%	
Total capital to RWA	14.32%		14.54%	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	10.00%		10.00%	
of which: capital conservation buffer requirement	-		-	
of which: countercyclical buffer requirement	-		-	
of which: D-SIB or G-SIB buffer requirement	-		-	
CET1 available to meet buffers (as a percentage of risk weighted assets)	-		-	
Other information:				
Minimum capital requirements prescribed by SBP				
CET1 minimum ratio	5.00%		-	
Tier 1 minimum ratio	6.50%		-	
Total capital minimum ratio	10.00%		10.00%	
Amounts subject to thresholds deductions				
Non-significant investments in the capital of other financial entities	1,314,335		342,342	
Significant investments in the common stock of financial entities	14,692,632		11,129,935	
Deferred tax assets arising from temporary differences (net of related tax liability)	5,550,304		5,743,464	
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	1,859,703		1,310,855	
Cap on inclusion of provisions in Tier 2 under standardized approach	7,069,220		6,136,437	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-		-	
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-		-	

38.2 Risk-Weighted Exposures

	2013		2012	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	(Rupees in '000)			
Credit Risk				
Balance Sheet Items				
Cash and cash equivalents	164,742,803	25,871,324	176,231,959	28,217,628
Lendings to financial institutions	35,271,477	2,615,267	24,828,255	2,263,852
Investments	794,985,681	48,271,559	777,185,323	33,330,263
Advances	523,858,986	347,427,675	460,070,634	285,139,589
Operating fixed assets	22,978,009	22,166,381	21,185,101	20,506,074
All other assets	70,820,849	23,022,969	58,504,795	24,105,390
	1,612,657,805	469,375,175	1,518,006,067	393,562,796
Off Balance Sheet items				
Financial guarantees / acceptances	90,283,352	70,737,263	77,356,307	69,980,111
Performance related commitments	28,935,406	10,966,845	34,277,511	10,463,833
Trade-related commitments	87,229,403	11,403,156	97,371,495	13,239,878
Lending of securities or posting of securities as collateral	242,524	48,505	177,148	3,658
Commitments with certain drawdown	943,750	943,750	663,125	663,125
Unutilized limits	1,026,218	260,754	6,133,567	1,933,631
Outstanding Foreign Exchange Contracts / Derivatives				
-Purchase	249,359,223	703,694	172,525,910	562,315
-Sale	249,773,989	1,098,464	172,436,914	505,642
	707,793,865	96,162,431	560,941,977	97,352,193
Credit risk-weighted exposures		565,537,606		490,914,989
Market Risk				
General market risk		50,312,939		52,209,326
Specific market Risk		7,133,436		5,120,712
Foreign exchange risk		46,294,347		48,403,662
Market risk-weighted exposures		103,740,722		105,733,700
Operational Risk		100,808,580		107,361,353
Total Risk-Weighted Exposures		770,086,908		704,010,042

38.3 Capital structure reconciliation

	As per published financial statements 2013	Under regulatory scope of consolidation 2013
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	130,021,065	130,021,065
Balances with other banks	34,721,738	34,721,738
Lendings to financial institutions	35,271,477	35,271,477
Investments	794,985,681	790,784,191
Advances	523,858,986	525,718,689
Operating fixed assets	22,978,009	22,166,381
Deferred tax asset	5,550,304	5,550,304
Other assets	65,270,545	65,270,545
Total assets	1,612,657,805	1,609,504,390
Liabilities & Equity		
Bills payable	19,348,470	19,348,470
Borrowings	105,289,762	105,289,762
Deposits and other accounts	1,316,990,511	1,316,990,511
Sub-ordinated loans	2,633,115	2,633,115
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	39,106,941	39,106,941
Total liabilities	1,483,368,799	1,483,368,799
Share capital	13,335,023	13,335,023
Reserves	39,496,771	39,496,771
Unappropriated profit	67,435,578	64,282,163
Surplus on revaluation of assets	9,021,634	9,021,634
Total liabilities & equity	1,612,657,805	1,609,504,390

38.3.1 **Detail of capital structure reconciliation**

	As per published financial statements 2013	Under regulatory scope of consolidation 2013	Reference
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	130,021,065	130,021,065	
Balances with other banks	34,721,738	34,721,738	
Lendings to financial institutions	35,271,477	35,271,477	
Investments	794,985,681	790,784,191	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	3,876,166	c
of which: reciprocal crossholding of capital instrument	-	325,324	d
of which: investment in own shares	-	-	e
Advances	523,858,986	525,718,689	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	-	1,859,703	g
Operating fixed assets	22,978,009	22,166,381	
of which: Goodwill	-	-	j
of which: Intangibles	-	811,628	k
Deferred Tax Assets	5,550,304	5,550,304	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	5,550,304	i
Other assets	65,270,545	65,270,545	
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	1,612,657,805	1,609,504,390	
Liabilities & Equity			
Bills payable	19,348,470	19,348,470	
Borrowings	105,289,762	105,289,762	
Deposits and other accounts	1,316,990,511	1,316,990,511	
Sub-ordinated loans	2,633,115	2,633,115	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	39,106,941	39,106,941	
Total liabilities	1,483,368,799	1,483,368,799	
Share capital	13,335,023	13,335,023	
of which: amount eligible for CET1	-	13,335,023	s
of which: amount eligible for AT1	-	-	t
Reserves	39,496,771	39,496,771	
of which: portion eligible for inclusion in CET1(provide breakup)	-	26,305,576	u
of which: portion eligible for inclusion in Tier 2	-	13,191,195	v
Unappropriated profit	67,435,578	64,282,163	w
Surplus on revaluation of assets	9,021,634	9,021,634	
of which: Revaluation reserves on Property	-	9,529,875	
of which: Unrealized Gains/Losses on AFS	-	(508,241)	aa
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	1,612,657,805	1,609,504,390	

	2013 (Rupees in '000)	Reference
38.3.2 **Component of capital reported by the Bank**		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital	13,335,023	
Balance in Share Premium Account	-	(s)
Reserve for issue of Bonus Shares	-	
General/ Statutory Reserves	26,305,576	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	67,435,578	(w)
Non-controlling interest	-	(x)
CET 1 before Regulatory Adjustments	107,076,177	
Common Equity Tier 1 capital: Regulatory adjustments		
All other intangibles	811,628	(k) - (p)
Shortfall of provisions against classified assets	-	(f)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r} * x%
Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
Reciprocal cross holdings	325,324	(d)
Cash flow hedge reserve	-	
Investment in own shares	-	
Securitization gain on sale	-	
Capital shortfall of regulated subsidiaries	-	
Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
Amount exceeding 15% threshold	-	
of which: significant investments in the common stocks of financial entities	-	
of which: deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments applied to CET1 capital	-	
Investment in TFCs of other banks exceeding the prescribed limit	-	
Any other deduction specified by SBP (mention details)	-	
Regulatory adjustment applied to CET1	7,403,868	
Total regulatory adjustments applied to CET1	8,540,820	
Common Equity Tier 1	98,535,357	
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium	-	
of which: Classified as equity	-	(t)
of which: Classified as liabilities	-	(m)
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
of which: instrument issued by subsidiaries subject to phase out	-	
AT1 before regulatory adjustments	-	

	2013 (Rupees in '000)	Reference
Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
Investment in own AT1 capital instruments	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
Total of Regulatory Adjustment applied to AT1 capital	-	
Additional Tier 1 capital	-	
Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)	98,535,357	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	-	(n)
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
of which: instruments issued by subsidiaries subject to phase out	-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,859,703	(g)
Revaluation Reserves eligible for Tier 2		
of which: portion pertaining to Property	4,288,444	portion of (aa)
of which: portion pertaining to AFS securities	(228,708)	
	4,059,736	
Foreign Exchange Translation Reserves	13,191,195	(v)
Undisclosed/Other Reserves (if any)	-	
Tier 2 before regulatory adjustments	19,110,634	
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	7,403,868	
Reciprocal cross holdings in Tier 2 instruments	-	
Investment in own Tier 2 capital instrument	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
Amount of Regulatory Adjustment applied to Tier 2 capital	7,403,868	
Tier 2 capital	11,706,766	
Tier 2 capital recognized for capital adequacy	11,706,766	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	11,706,766	
TOTAL CAPITAL (Tier 1 + admissible Tier 2)	110,242,123	

38.4 Main Features of Regulatory Capital Instruments

Issuer	Habib Bank Limited
Unique identifier	HBL
Governing law(s) of the instrument	Relevant Capital Market Laws
Regulatory treatment	
Transitional Basel III rules	Common Equity Tier 1
Post-transitional Basel III rules	Common Equity Tier 1
Eligible at solo / group / group & solo	Group and Standalone
Instrument type	Ordinary shares
Amount recognized in regulatory capital (Currency in PKR thousands)	13,335,023
Par value of instrument	Rs. 10 per share
Accounting classification	Shareholders' equity
Original date of issuance	1947
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	Not applicable
Optional call date, contingent call dates and redemption amount	Not applicable
Subsequent call dates, if applicable	Not applicable
Coupons / dividends	
Fixed or floating dividend/ coupon	Not applicable
Coupon rate and any related index/ benchmark	Not applicable
Existence of a dividend stopper	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary
Existence of step up or other incentive to redeem	No
Non-cumulative or cumulative	Not applicable
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger (s)	Not applicable
If convertible, fully or partially	Not applicable
If convertible, conversion rate	Not applicable
If convertible, mandatory or optional conversion	Not applicable
If convertible, specify instrument type convertible into	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable
Write-down feature	
If write-down, write-down trigger(s)	Not applicable
If write-down, full or partial	Not applicable
If write-down, permanent or temporary	Not applicable
If temporary write-down, description of write-up mechanism	Not applicable
Position in subordination hierarchy in liquidation	Sub-ordinated loan
Non-compliant transitioned features	Not applicable
If yes, specify non-compliant features	Not applicable

38.5 Risk-Weighted Exposures

	Note	Capital Requirements 2013	Capital Requirements 2012	Risk Weighted Assets 2013	Risk Weighted Assets 2012
		(Rupees in '000)			
Credit Risk					
On-balance sheet					
Other sovereigns, GOP, PG, SBP other than PKR		4,632,105	4,581,782	46,321,048	45,817,820
PSE's		2,740,606	611,759	27,406,061	6,117,592
Banks		2,293,776	1,663,124	22,937,760	16,631,244
Corporates		26,617,579	22,889,336	266,175,793	228,893,361
Retail Portfolio		5,412,455	4,424,599	54,124,549	44,245,989
Secured by residential property		213,259	271,415	2,132,586	2,714,153
Past due loans		824,001	1,034,368	8,240,009	10,343,682
Listed Equity investments		395,197	452,786	3,951,965	4,527,859
Unlisted equity investments		166,319	237,689	1,663,185	2,376,891
Investments in fixed assets		2,216,638	2,050,607	22,166,381	20,506,074
Other assets		1,425,584	1,138,813	14,255,838	11,388,131
		46,937,519	39,356,278	469,375,175	393,562,796
Off-balance sheet					
Non-market related		9,436,027	9,628,409	94,360,274	96,284,086
Market related		180,216	106,811	1,802,157	1,068,107
		9,616,243	9,735,220	96,162,431	97,352,193
Market Risk					
Interest Rate Risk		3,470,654	3,796,164	43,383,175	47,452,050
Equity Position Risk		1,125,056	790,239	14,063,200	9,877,988
Foreign Exchange Risk		3,703,548	3,872,293	46,294,347	48,403,662
		8,299,258	8,458,696	103,740,722	105,733,700
Operational Risk - Restricted to 80% of Basis Indicator Approach		8,064,686	8,588,908	100,808,580	107,361,353
		72,917,706	66,139,102	770,086,908	704,010,042
Capital Adequacy Ratio					
Total eligible regulatory capital held	38.1	110,242,123	102,358,041		
Total risk weighted assets	38.5	770,086,908	704,010,042		
Capital adequacy ratio		14.32%	14.54%		

38.6 Capital management

The Bank's lead regulator SBP sets and monitors capital requirements for the Bank as a whole. In addition the Bank's branches outside Pakistan are also required to follow capital requirements applicable in respective countries.

In implementing current capital requirements, SBP requires the Bank to maintain a prescribed ratio of 10% total capital to total risk-weighted assets. The Bank calculates requirements for market risk in its trading portfolios based upon the methodology provided by SBP which takes account of specific and general market risk, capital charge for interest rate risk and equity price risk using the maturity method.

The Bank's regulatory capital is analysed into three tiers:

- Tier I capital, which includes ordinary share capital, capital and other reserves except exchange translation reserve, non-controlling interest, and retained profit.
- Tier II capital includes revaluation surplus, exchange translation reserve, subordinated debt and impairment allowances not kept against identified debts.

  The revaluation surplus is allowable as tier II capital upto 45% of the reserve. Subordinated debt is limited to 50% of Tier I capital.
- Tier III supplementary capital consists of short term subordinated debt solely for the purpose of meeting a proportion of the Capital requirements for market risks. The bank currently does not have any Tier III capital.

Total of Tier II and III capital is limited to Tier I capital.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk. Ratings for assets are applied using various ECAI's and aligned with appropriate risk buckets. Collaterals if any, are used as an outflow adjustment. Risk weights notified, are applied at net adjusted exposure. Collaterals used include: Government of Pakistan guarantees for advances and investments in PSE / GOP, deposits / margins, lien on deposits, saving certificates and lending of securities (repo & reverse repo).

39. CURRENCY RISK

	2013				2012 (Restated)			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)				(Rupees in '000)			
Pakistan Rupee	1,272,876,425	1,164,952,244	(24,803,251)	83,120,930	1,222,285,632	1,131,772,114	(16,616,633)	73,896,885
United States Dollar	173,327,434	166,436,820	2,337,165	9,227,779	150,655,776	140,560,267	2,806,423	12,901,932
Great Britain Pound	6,796,552	13,365,426	9,011,686	2,442,812	7,384,978	10,863,091	5,569,069	2,090,956
UAE Dirham	46,705,324	43,838,098	5,208,127	8,075,353	38,251,685	32,277,341	2,132,838	8,107,182
Japanese Yen	105,425	767	(97,101)	7,557	106,131	1,949	(98,030)	6,152
Euro	15,017,538	19,759,607	8,674,892	3,932,823	11,471,065	14,845,234	6,543,361	3,169,192
Other Currencies	97,829,107	75,015,837	(331,518)	22,481,752	87,850,800	65,385,523	(337,028)	22,128,249
	1,612,657,805	1,483,368,799	-	129,289,006	1,518,006,067	1,395,705,519	-	122,300,548

40. MATURITIES OF ASSETS AND LIABILITIES

40.1 In accordance with BSD Circular Letter No.03 of 2011, issued by SBP, the Bank is required to report assets and liabilities with stated maturities as per their remaining maturities, whereas, assets and liabilities which do not have any contractual maturities should be reported as per their 'expected maturities ' calculated on the basis of an objective and systematic behavioural study approved by ALCO committee.

	2013									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	130,021,065	40,541,626	15,187,321	18,776,392	5,429,248	978,750	1,200,542	1,550,549	11,784,666	34,571,971
Balances with other banks	34,721,738	24,781,902	8,226,478	666,706	-	1,046,652	-	-	-	-
Lendings to financial institutions	35,271,477	34,471,477	800,000	-	-	-	-	-	-	-
Investments	794,985,681	463,178,947	22,166,418	16,232,131	36,632,548	36,086,002	50,634,906	40,572,091	47,609,548	81,873,090
Advances	523,858,986	59,578,514	56,010,623	76,036,220	41,034,538	12,937,766	21,376,891	204,189,326	43,508,027	9,187,081
Operating fixed assets	22,978,009	-	-	-	-	-	-	-	-	22,978,009
Deferred tax asset	5,550,304	-	-	-	-	1,110,061	1,110,061	2,220,121	1,110,061	-
Other assets	65,270,545	27,737,458	19,099,705	2,888,745	13,323,915	-	-	2,220,722	-	-
	1,612,657,805	650,289,924	121,490,545	114,600,194	96,420,249	52,159,231	74,322,400	250,752,809	104,012,302	148,610,151
Liabilities										
Bills payable	19,348,470	4,320,087	6,184,331	8,844,052	-	-	-	-	-	-
Borrowings from financial institutions	105,289,762	76,208,954	11,947,070	11,156,103	185,173	272,378	227,588	2,120,512	3,171,984	-
Deposits and other accounts - note 40.2	1,316,990,511	158,848,905	134,383,137	83,034,421	155,862,214	29,598,682	27,332,629	45,258,141	343,972,164	338,700,218
Sub-ordinated loan	2,633,115	-	-	1,316,557	1,316,558	-	-	-	-	-
Other liabilities	39,106,941	21,240,954	8,293,663	4,201,086	1,430,281	673,499	673,499	2,593,959	-	-
	1,483,368,799	260,618,900	160,808,201	108,552,219	158,794,226	30,544,559	28,233,716	49,972,612	347,144,148	338,700,218
Net gap	129,289,006	389,671,024	(39,317,656)	6,047,975	(62,373,977)	21,614,672	46,088,684	200,780,197	(243,131,846)	(190,090,067)
Share capital	13,335,023									
Reserves	39,496,771									
Unappropriated profit	67,435,578									
Surplus on revaluation of assets - net of tax	9,021,634									
	129,289,006									

	2012									(Restated)
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	152,324,425	62,844,370	12,528,160	13,842,674	7,082,095	1,230,227	1,243,842	1,947,969	25,938,624	25,666,464
Balances with other banks	23,907,534	16,300,314	4,200,885	3,406,335	-	-	-	-	-	-
Lendings to financial institutions	24,828,255	23,928,255	900,000	-	-	-	-	-	-	-
Investments	777,185,323	427,689,022	22,873,553	25,869,314	46,388,609	24,743,470	40,836,571	69,133,860	49,896,739	69,754,185
Advances	460,070,634	41,935,297	43,152,517	52,340,942	32,667,160	20,594,773	10,926,788	215,558,205	38,349,871	4,545,081
Operating fixed assets	21,185,101	-	-	-	-	-	-	-	-	21,185,101
Deferred tax asset	5,743,464	44,461	-	-	-	1,254,595	1,254,595	2,121,368	1,068,445	-
Other assets	52,761,331	27,508,539	10,066,321	7,796,005	4,817,396	-	-	2,573,070	-	-
	1,518,006,067	600,250,258	93,721,436	103,255,270	90,955,260	47,823,065	54,261,796	291,334,472	115,253,679	121,150,831
Liabilities										
Bills payable	18,878,652	3,950,241	6,121,182	8,807,229	-	-	-	-	-	-
Borrowings from financial institutions	192,116,187	171,176,046	8,049,078	11,032,339	69,444	168,158	179,672	420,057	1,021,393	-
Deposits and other accounts	1,141,164,975	117,503,614	117,375,878	115,552,395	155,843,428	24,956,487	24,663,381	38,565,298	276,417,841	270,286,653
Sub-ordinated loan	4,857,485	-	-	-	-	4,857,485	-	-	-	-
Other liabilities	38,688,220	37,974,760	378,287	154,132	35,482	18,209	18,209	109,141	-	-
	1,395,705,519	330,604,661	131,924,425	135,546,095	155,948,354	30,000,339	24,861,262	39,094,496	277,439,234	270,286,653
Net gap	122,300,548	269,645,597	(38,202,989)	(32,290,825)	(64,993,094)	17,822,726	29,400,534	252,239,976	(162,185,555)	(149,135,822)
Share capital	12,122,748									
Reserves	36,337,497									
Unappropriated profit	61,820,458									
Surplus on revaluation of assets - net of tax	12,019,845									
	122,300,548									

40.2 Expected maturity dates do not differ significantly from the contract dates except for the maturity of Rs. 878.257 billlion (2012: Rs. 722.938 billion) of deposits representing retail deposit accounts considered by the Bank as stable core source of funding of its operations.

40.3 In accordance with BSD Circular Letter No.02 dated January 14, 2013, issued by SBP, the Bank is required to report maturity gaps of assets and liabilities on contractual basis which are as follows:

	2013									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	130,021,065	128,368,975	636,137	236,990	513,643	-	265,320	-	-	-
Balances with other banks	34,721,738	25,863,591	7,247,345	564,150	-	1,046,652	-	-	-	-
Lendings to financial institutions	35,271,477	34,471,477	800,000	-	-	-	-	-	-	-
Investments	794,985,681	212,245,426	211,571,150	196,935,275	18,192,667	32,414,424	47,126,612	34,755,527	3,401,799	38,342,801
Advances	523,858,986	218,662,334	52,235,407	79,163,704	23,311,422	10,791,927	22,614,187	64,474,744	46,319,796	6,285,465
Operating fixed assets	22,978,009	184,526	369,044	553,566	1,107,131	1,330,218	1,330,218	1,416,663	832,690	15,853,953
Deferred tax asset	5,550,304	5,550,304	-	-	-	-	-	-	-	-
Other assets	65,270,545	46,826,942	2,949,615	4,424,422	11,069,566	-	-	-	-	-
	1,612,657,805	672,173,575	275,808,698	281,878,107	54,194,429	45,583,221	71,336,337	100,646,934	50,554,285	60,482,219
Liabilities										
Bills payable	19,348,470	19,348,470	-	-	-	-	-	-	-	-
Borrowings from financial institutions	105,289,762	74,647,973	3,438,962	18,991,809	1,907,990	183,088	599,401	2,932,310	2,588,229	-
Deposits and other accounts	1,316,990,511	1,045,791,030	110,132,522	46,658,498	83,112,321	1,030,825	17,786,044	7,143,698	5,335,573	-
Sub-ordinated loan	2,633,115	-	-	1,316,557	1,316,558	-	-	-	-	-
Other liabilities	39,106,941	38,786,829	-	-	320,112	-	-	-	-	-
	1,483,368,799	1,178,574,302	113,571,484	66,966,864	86,656,981	1,213,913	18,385,445	10,076,008	7,923,802	-
Net gap	129,289,006	(506,400,727)	162,237,214	214,911,243	(32,462,552)	44,369,308	52,950,892	90,570,926	42,630,483	60,482,219
Share capital	13,335,023									
Reserves	39,496,771									
Unappropriated profit	67,435,578									
Surplus on revaluation of assets - net of tax	9,021,634									
	129,289,006									

	2012									(Restated)
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	152,324,425	150,342,291	1,740,557	241,577	-	-	-	-	-	-
Balances with other banks	23,907,534	20,849,621	1,988,925	559,620	509,368	-	-	-	-	-
Lendings to financial institutions	24,828,255	4,890,000	590,000	19,348,255	-	-	-	-	-	-
Investments	777,185,323	139,349,040	126,584,794	119,580,190	264,443,903	17,664,251	26,637,169	58,732,062	3,794,999	20,398,915
Advances	460,070,634	176,259,221	56,281,451	61,971,239	21,337,121	18,561,768	11,153,894	64,155,471	43,489,380	6,861,089
Operating fixed assets	21,185,101	108,385	216,770	325,155	650,310	1,300,620	1,300,761	1,662,192	941,341	14,679,567
Deferred tax asset	5,743,464	5,743,464	-	-	-	-	-	-	-	-
Other assets	52,761,331	40,515,193	2,294,508	3,441,762	6,509,868	-	-	-	-	-
	1,518,006,067	538,057,215	189,697,005	205,467,798	293,450,570	37,526,639	39,091,824	124,549,725	48,225,720	41,939,571
Liabilities										
Bills payable	18,878,652	18,878,652	-	-	-	-	-	-	-	-
Borrowings from financial institutions	192,116,187	169,890,324	770,362	15,373,577	237,218	183,231	280,804	450,219	2,970,723	1,959,729
Deposits and other accounts	1,141,164,975	820,026,718	98,545,410	87,306,699	99,353,522	10,368,710	10,075,604	9,389,746	6,043,738	54,828
Sub-ordinated loan	4,857,485	-	-	1,214,371	1,214,371	2,428,743	-	-	-	-
Other liabilities	38,688,220	38,349,626	-	-	338,594	-	-	-	-	-
	1,395,705,519	1,047,145,320	99,315,772	103,894,647	101,143,705	12,980,684	10,356,408	9,839,965	9,014,461	2,014,557
Net gap	122,300,548	(509,088,105)	90,381,233	101,573,151	192,306,865	24,545,955	28,735,416	114,709,760	39,211,259	39,925,014

Share capital	12,122,748
Reserves	36,337,497
Unappropriated profit	61,820,458
Surplus on revaluation of assets - net of tax	12,019,845
	122,300,548

40.4 The Bank has assets and liabilities that have contractual or non-contractual maturities. The Bank conducts empirical and statistical studies to assess the expected maturity of assets and liabilities with non-contractual maturities. The behavioral maturities of Demand deposits are determined on the basis of an empirical study conducted by the bank, based on the past five years of data. The attrition rate of deposits is determined based on historically observed monthly data of all Current and Saving Deposit accounts. The parameters used to determine the stickiness of deposits in the study are accounts with balances above a minimum level and monthly change in account balances.

Overdraft facilities are a part of the loan portfolio that roll-over periodically and are constantly a part of the balance sheet. The core or stable part of this asset category can be considered to have a behavioral maturity of a longer tenor. Although, contractually such facilities are short-term, they are generally rolled over periodically; such as working capital financing for commercial borrowers. Hence these assets need to be analyzed as having a core portion which is stable and constantly appears on the balance sheet and a non-core portion that is relatively volatile. Statistical analysis is used to ascertain the change in maturity profiling over time based on the cyclical changes in the outstanding amount against Overdraft facilities.

41. YIELD / INTEREST RATE RISK

41.1 Interest rate risk management

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. In accordance with BSD Circular Letter No.03 of 2011, issued by the SBP, the Bank is required to report interest rate sensitivity gap of assets and liabilities on the basis of an objective and systematic behavioural study approved by ALCO committee.

	2013											
			Exposed to yield / interest risk									Not exposed to yield / interest risk
	Effective yield / interest rate	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years	
	Rupees in '000											
On-balance sheet assets												
Financial Assets												
Cash and balances with treasury banks	2.89%	130,021,065	22,439,509	636,137	236,990	513,643	-	265,320	-	-	-	105,929,466
Balances with other banks		34,721,738	16,082,586	6,299,216	1,453,423	682,997	1,729,649	-	-	-	-	8,473,867
Lendings to financial institutions	9.08%	35,271,477	34,471,477	800,000	-	-	-	-	-	-	-	-
Investments	9.42%	794,985,681	212,245,327	221,675,962	203,082,846	15,386,109	25,766,110	48,179,858	28,094,418	2,094,804	27,662,570	10,797,677
Advances	11.15%	523,858,986	56,395,884	231,389,067	157,153,738	33,297,360	8,381,326	7,820,806	13,663,173	7,579,546	8,178,086	-
Other assets		48,459,361	-	-	-	-	-	-	-	-	-	48,459,361
		1,567,318,308	341,634,783	460,800,382	361,926,997	49,880,109	35,877,085	56,265,984	41,757,591	9,674,350	35,840,656	173,660,371
Financial Liabilities												
Bills payable		19,348,470	-	-	-	-	-	-	-	-	-	19,348,470
Borrowings from financial institutions	8.21%	105,289,762	72,157,104	11,683,874	11,286,776	185,173	272,378	227,588	4,253,296	3,171,984	-	2,051,589
Deposits and other accounts	4.93%	1,316,990,511	103,799,379	115,113,501	605,313,437	81,984,831	10,444,620	8,289,808	7,139,886	5,274,787	3,284	379,626,978
Sub-ordinated loan	3.15%	2,633,115	-	-	2,633,115	-	-	-	-	-	-	-
Other liabilities		36,581,419	-	-	-	-	-	-	-	-	-	36,581,419
		1,480,843,277	175,956,483	126,797,375	619,233,328	82,170,004	10,716,998	8,517,396	11,393,182	8,446,771	3,284	437,608,456
On-balance sheet gap		86,475,031	165,678,300	334,003,007	(257,306,331)	(32,289,895)	25,160,087	47,748,588	30,364,409	1,227,579	35,837,372	(263,948,085)
Non - financial net assets		42,813,975										
Total Net assets		129,289,006										
Off-balance sheet financial instruments												
Foreign and local currency forward purchases		247,342,208	96,102,787	116,632,428	30,153,330	4,453,663	-	-	-	-	-	-
Foreign and local currency forward sales		(247,527,601)	(127,477,744)	(67,502,293)	(51,117,894)	(1,429,670)	-	-	-	-	-	-
Foreign Currency Options Purchases		649,846	-	-	345,156	304,690	-	-	-	-	-	-
Foreign Currency Options Sales		(649,846)	-	-	(345,156)	(304,690)	-	-	-	-	-	-
Cross Currency Swaps- Long Position		1,121,412	-	579,162	-	-	-	542,250	-	-	-	-
Cross Currency Swaps- Short Position		(1,105,785)	-	(579,162)	-	-	-	(526,623)	-	-	-	-
Interest rate swaps - long position		245,757	-	-	-	-	-	-	245,757	-	-	-
Interest rate swaps - short position		(490,757)	-	-	-	-	-	(245,000)	(245,757)	-	-	-
Off-balance sheet gap		(414,766)	(31,374,957)	49,130,135	(20,964,564)	3,023,993	-	(229,373)	-	-	-	-
Total yield / interest risk sensitivity Gap			134,303,343	383,133,142	(278,270,895)	(29,265,902)	25,160,087	47,519,215	30,364,409	1,227,579	35,837,372	(263,948,085)
Cumulative Yield / Interest Risk Sensitivity Gap			134,303,343	517,436,485	239,165,590	209,899,688	235,059,775	282,578,990	312,943,399	314,170,978	350,008,350	86,060,265

	2012											(Restated)
			Exposed to yield / interest risk									Not exposed to yield / interest risk
	Effective yield / interest rate	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years	
	Rupees in '000											
On-balance sheet assets												
Financial Assets												
Cash and balances with treasury banks	1.37%	152,324,425	31,691,239	1,740,557	241,577	-	-	-	-	-	-	118,651,052
Balances with other banks		23,907,534	11,364,021	2,995,257	2,135,992	-	-	-	-	-	-	7,412,264
Lendings to financial institutions	9.19%	24,828,255	23,928,255	900,000	-	-	-	-	-	-	-	-
Investments	10.04%	777,185,323	115,836,696	135,879,567	127,847,162	267,194,110	13,257,448	28,604,141	62,145,099	2,528,890	13,604,616	10,287,594
Advances	11.69%	460,070,634	33,880,662	205,747,624	155,631,392	20,899,578	8,490,446	7,590,094	10,624,140	6,327,215	10,879,483	-
Other assets		40,226,790	-	-	-	-	-	-	-	-	-	40,226,790
		1,478,542,961	216,700,873	347,263,005	285,856,123	288,093,688	21,747,894	36,194,235	72,769,239	8,856,105	24,484,099	176,577,700
Financial Liabilities												
Bills payable		18,878,652	-	-	-	-	-	-	-	-	-	18,878,652
Borrowings from financial institutions	8.61%	192,116,187	167,485,633	8,049,078	11,032,339	69,444	168,158	179,672	2,923,788	1,021,393	-	1,186,682
Deposits and other accounts	5.24%	1,141,164,975	77,511,718	108,703,857	541,150,040	90,042,729	10,240,069	10,043,352	9,389,747	6,043,738	54,828	287,984,897
Sub-ordinated loans	2.42%	4,857,485	-	-	4,857,485	-	-	-	-	-	-	-
Other liabilities		36,837,269	-	-	-	-	-	-	-	-	-	36,837,269
		1,393,854,568	244,997,351	116,752,935	557,039,864	90,112,173	10,408,227	10,223,024	12,313,535	7,065,131	54,828	344,887,500
On-balance sheet gap		84,688,393	(28,296,478)	230,510,070	(271,183,741)	197,981,515	11,339,667	25,971,211	60,455,704	1,790,974	24,429,271	(168,309,800)
Non - financial net assets		37,612,155										
Total Net assets		122,300,548										
Off-balance sheet financial instruments												
Foreign and local currency forward purchases		161,434,193	79,968,168	52,945,085	6,548,990	21,971,950	-	-	-	-	-	-
Foreign and local currency forward sales		(161,344,507)	(90,563,751)	(54,119,845)	(1,988,109)	(14,672,802)	-	-	-	-	-	-
Foreign Currency Options Purchases		1,317,949	20,466	446,463	851,020	-	-	-	-	-	-	-
Foreign Currency Options Sales		(1,317,949)	(20,466)	(446,463)	(851,020)	-	-	-	-	-	-	-
Cross Currency Swaps- Long Position		3,659,009	-	498,872	340,811	2,240,634	578,692	-	-	-	-	-
Cross Currency Swaps- Short Position		(3,659,009)	-	(498,872)	(340,811)	(2,240,634)	(578,692)	-	-	-	-	-
Interest rate swaps - long position		444,199	-	-	152,750	-	-	-	291,449	-	-	-
Interest rate swaps - short position		(291,449)	-	-	-	-	-	-	(291,449)	-	-	-
Off-balance sheet gap		242,436	(10,595,583)	(1,174,760)	4,713,631	7,299,148	-	-	-	-	-	-
Total yield / interest risk sensitivity Gap			(38,892,061)	229,335,310	(266,470,110)	205,280,663	11,339,667	25,971,211	60,455,704	1,790,974	24,429,271	(168,309,800)
Cumulative Yield / Interest Risk Sensitivity Gap			(38,892,061)	190,443,249	(76,026,861)	129,253,802	140,593,469	166,564,680	227,020,384	228,811,358	253,240,629	84,930,829

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments are based on quoted market prices and unquoted investments including investments in subsidiaries, joint venture and associates are estimated using the best available market based information. Fair value of these investments has been disclosed in note 8.

Fair value of fixed term loans, other assets and other liabilities cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.4.

The maturity and repricing profile and effective rates are stated in notes 40 and 41 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

43. **CONCENTRATION OF CREDIT AND DEPOSITS**

43.1 **Segment by class of business**

	2013					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	20,502,471	3.65	8,156,973	0.62	9,840,860	4.77
Agribusiness	33,347,549	5.94	9,098,964	0.69	640,714	0.31
Textile	72,472,173	12.92	5,477,189	0.42	9,742,948	4.72
Cement	5,000,950	0.89	287,287	0.02	2,162,976	1.05
Sugar	5,212,176	0.93	881,537	0.07	429,587	0.21
Shoes and leather garments	2,201,404	0.39	701,396	0.05	398,490	0.19
Automobile and transportation equipment	8,405,572	1.50	1,462,762	0.11	1,452,092	0.70
Financial	37,383,929	6.66	15,919,209	1.21	26,649,507	12.91
Hotel & Tourism	776,674	0.14	59,203	-	590,267	0.29
Research & Development	-	-	3,655,048	0.28	-	-
Insurance	115,100	0.02	14,415,705	1.09	3,570	-
Electronics and electrical appliances	7,860,222	1.40	1,458,854	0.11	7,112,813	3.45
Oil and Gas	9,557,980	1.70	11,367,325	0.86	2,781,704	1.35
Power and energy	47,448,100	8.46	5,585,450	0.42	14,908,666	7.22
Education & Medical	1,504,911	0.27	6,515,987	0.49	469,970	0.23
Telecommunication	8,355,079	1.49	1,945,262	0.15	2,409,238	1.17
Printing & publishing	4,578,942	0.82	1,910,327	0.15	239,159	0.12
Construction	2,478,976	0.44	2,873,567	0.22	839,239	0.41
Mining & quarrying	358,545	0.06	88,072	0.01	-	-
Food, tobacco and beverages	12,244,284	2.18	3,652,669	0.28	2,144,877	1.04
Public / Government - note 43.1.1	120,612,322	21.50	201,089,423	15.27	79,234,064	38.38
Whole sale & retail trade	54,607,300	9.73	71,112,550	5.40	7,928,195	3.84
Metal and allied	10,203,502	1.82	4,109,817	0.31	2,136,587	1.03
Individual	38,550,105	6.87	643,616,577	48.87	536,020	0.26
Farming, cattle and dairy	1,470,863	0.26	476,183	0.04	1,144,038	0.55
Trust funds and non profit organization	1,890,583	0.34	18,454,030	1.40	2,000	-
Others	53,921,450	9.62	282,619,145	21.46	32,650,580	15.80
	561,061,162	100.00	1,316,990,511	100.00	206,448,161	100.00

	2012					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	19,344,760	3.86	3,107,859	0.27	9,384,070	4.49
Agribusiness	30,587,210	6.10	8,440,157	0.74	1,177,448	0.56
Textile	62,540,933	12.46	4,238,836	0.37	10,001,514	4.79
Cement	7,246,217	1.44	528,574	0.05	1,867,508	0.89
Sugar	4,496,961	0.90	985,057	0.09	228,854	0.11
Shoes and leather garments	1,991,243	0.40	1,412,628	0.12	438,351	0.21
Automobile and transportation equipment	11,152,649	2.22	2,271,381	0.20	2,917,869	1.40
Financial	23,919,702	4.77	10,444,256	0.92	25,737,058	12.31
Hotel & Tourism	694,152	0.14	1,509,521	0.13	-	-
Research & Development	-	-	2,590,386	0.23	-	-
Insurance	7,920	-	6,397,374	0.56	2,798	-
Electronics and electrical appliances	7,197,959	1.43	534,143	0.05	9,027,838	4.32
Oil and Gas	15,408,200	3.07	20,406,572	1.79	9,351,427	4.47
Power and energy	48,944,621	9.75	2,081,579	0.18	7,203,956	3.45
Education & Medical	1,707,995	0.34	5,209,530	0.46	688,827	0.33
Telecommunication	11,062,237	2.20	5,497,887	0.48	5,636,432	2.70
Printing & publishing	2,242,204	0.45	561,451	0.05	584,432	0.28
Construction	1,580,885	0.32	2,769,333	0.24	905,536	0.43
Mining & quarrying	336,696	0.07	71,838	0.01	6,353	-
Food, tobacco and beverages	8,229,468	1.64	1,616,074	0.14	6,307,186	3.02
Public / Government - note 43.1.1	107,626,968	21.45	223,196,603	19.56	75,137,622	35.95
Whole sale & retail trade	51,345,680	10.23	64,771,103	5.68	7,586,970	3.63
Metal and allied	6,614,309	1.32	893,627	0.08	1,817,383	0.87
Individual	28,131,410	5.61	580,619,768	50.88	434,950	0.21
Farming, cattle and dairy	1,390,679	0.28	833,252	0.07	892,901	0.43
Trust funds and non profit organization	2,633,761	0.52	36,945,855	3.24	216,748	0.10
Others	45,326,975	9.03	153,230,331	13.41	31,451,282	15.05
	501,761,794	100.00	1,141,164,975	100.00	209,005,313	100.00

43.1.1 **Public / Government sector**

	2013					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	-	-	40,575	0.02	-	-
Agribusiness	27,069,994	22.44	3,360,964	1.67	-	-
Automobile and transportation equipment	9,123,157	7.56	-	-	-	-
Financial	88,321	0.07	3,239,276	1.61	8,556,433	10.80
Insurance	-	-	9,526,299	4.74	39,204	0.05
Oil and Gas	44,741,634	37.10	43,467,346	21.62	38,785,530	48.95
Power and energy	33,456,769	27.74	13,836,863	6.88	2,216,283	2.80
Education & medical	179,695	0.15	31,670,921	15.75	353,868	0.45
Telecommunication	297,000	0.25	1,667,543	0.83	-	-
Printing & publishing	-	-	73,938	0.04	-	-
Construction	-	-	2,025,309	1.01	-	-
Metal and allied	1,094,158	0.91	106,982	0.05	-	-
Defence	3,614,745	3.00	3,348,720	1.67	27,180,472	34.30
Ports and shipping	-	-	7,471,268	3.72	46,431	0.06
Others	946,849	0.78	81,253,419	40.39	2,055,843	2.59
	120,612,322	100.00	201,089,423	100.00	79,234,064	100.00

	2012					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	-	-	796,775	0.36	-	-
Agribusiness	53,203,715	49.43	2,015,387	0.90	-	-
Automobile and transportation equipment	9,376,200	8.71	1,802,571	0.81	778,000	1.04
Financial	166,360	0.15	10,482,294	4.70	5,214,493	6.94
Insurance	28,671	0.03	11,083,639	4.97	39,204	0.05
Oil and Gas	6,488,699	6.03	58,806,784	26.35	15,448,245	20.56
Power and energy	32,254,161	29.97	11,786,817	5.28	13,640,879	18.15
Education & medical	77,032	0.07	34,019,358	15.24	54,896	0.07
Telecommunication	219,000	0.20	3,911,077	1.75	603,743	0.80
Printing & publishing	-	-	59,062	0.03	-	-
Construction	-	-	43,304	0.02	-	-
Foods, tobacco & beverages	178,520	0.17	-	-	-	-
Metal and allied	1,065,738	0.99	2,588,793	1.16	-	-
Defence	2,751,521	2.56	6,540,664	2.93	38,150,530	50.77
Ports and shipping	-	-	18,414,971	8.25	56,928	0.08
Others	1,817,351	1.69	60,845,107	27.25	1,150,704	1.54
	107,626,968	100.00	223,196,603	100.00	75,137,622	100.00

43.1.2 **Segment by sector**

	2013					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	120,612,322	21.50	201,089,423	15.27	79,234,064	38.38
Private	440,448,840	78.50	1,115,901,088	84.73	127,214,097	61.62
	561,061,162	100.00	1,316,990,511	100.00	206,448,161	100.00

	2012					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	107,626,968	21.45	223,196,603	19.56	75,137,622	35.95
Private	394,134,826	78.55	917,968,372	80.44	133,867,691	64.05
	501,761,794	100.00	1,141,164,975	100.00	209,005,313	100.00

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Chemical and Pharmaceuticals	348,650	251,763	698,212	657,978
Agribusiness	3,276,004	2,124,084	3,528,254	2,022,877
Textile	16,680,279	14,879,077	16,749,928	13,066,785
Cement	905,486	226,596	1,987,083	1,021,996
Sugar	337,914	196,947	415,058	335,353
Shoes and leather garments	185,697	159,233	171,650	156,665
Automobile and transportation equipment	1,222,371	1,057,047	1,863,621	1,811,157
Financial	731,660	595,825	40,000	40,000
Hotel and Tourism	56,390	37,642	226,913	226,913
Electronics and electrical appliances	2,904,423	2,904,423	2,881,516	2,708,716
Oil and Gas	2,247,576	852,146	2,185,183	798,374
Power and energy	-	-	1,710,239	1,709,227
Education & medical	12,657	12,439	529,511	524,968
Telecommunication	1,102	728	35,845	35,845
Printing & publishing	343,480	220,063	217,892	205,392
Construction	1,380,739	1,269,589	316,007	310,160
Mining & quarrying	999	999	65,462	999
Food, tobacco and beverages	320,124	237,283	337,130	294,722
Whole sale & retail trade	5,635,683	4,529,460	6,439,657	5,237,659
Metal and allied	2,321,654	984,395	1,058,915	907,076
Individual	1,338,853	1,170,608	1,038,473	950,929
Farming, cattle and dairy	313,137	171,647	295,167	124,512
Trust funds and non profit organization	-	-	2,500	2,500
Others	4,456,145	3,460,479	7,872,836	6,454,502
	45,021,023	35,342,473	50,667,052	39,605,305

43.2.1 **Segment by sector**

Private	43,166,290	34,553,478	49,892,679	38,830,932
Public / Government	1,854,733	788,995	774,373	774,373
	45,021,023	35,342,473	50,667,052	39,605,305

44. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head office / support services	Total
	(Rupees in million)					
Net interest income - External	(35,560)	24,193	59,573	5,514	(283)	53,437
Inter segment revenue - net	64,421	(17,758)	(56,510)	-	9,847	-
Non-funded income	6,693	2,563	4,232	2,960	(1,326)	15,122
Net interest and non-mark-up income	35,554	8,998	7,295	8,474	8,238	68,559
Total expenses including provision (excluding impairment)	15,552	2,454	204	6,516	10,256	34,982
Impairment against investments	-	-	(143)	-	5	(138)
Inter segment administrative cost	6,915	1,383	199	762	(9,259)	-
Total expenses including provision	22,467	3,837	260	7,278	1,002	34,844
Profit / (loss) before tax	13,087	5,161	7,035	1,196	7,236	33,715
Segment assets (gross)	159,617	333,971	796,203	218,403	143,223	1,651,417
Segment non-performing loans	6,848	4,758	-	10,582	22,833	45,021
Segment provision required including general provision	6,720	2,943	140	9,872	19,084	38,759
Segment liabilities including equity	978,409	167,196	66,657	154,304	246,092	1,612,658
Segment return on net liability / asset (%)	9.29%	10.00%	9.14%	5.40%	3.91%	-
Segment cost of funds (%)	5.38%	7.45%	8.20%	1.62%	0.96%	-

	2012					(Restated)
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head office / support services	Total
	(Rupees in million)					
Net interest income - External	(32,293)	31,245	52,174	5,154	(204)	56,076
Inter segment revenue - net	66,479	(24,462)	(49,679)	-	7,662	-
Non-funded income	5,327	2,528	2,897	2,144	(506)	12,390
Net interest and non-mark-up income	39,513	9,311	5,392	7,298	6,952	68,466
Total expenses including provision (excluding impairment)	14,896	4,953	201	5,831	8,496	34,377
Impairment against investments	-	130	(224)	-	(114)	(208)
Inter segment administrative cost	6,153	1,231	177	678	(8,239)	-
Total expenses including provision	21,049	6,314	154	6,509	143	34,169
Net income before tax	18,464	2,997	5,238	789	6,809	34,297
Segment assets (gross)	140,414	359,738	772,075	189,586	99,889	1,561,702
Segment non-performing loans	8,884	31,660	-	10,049	74	50,667
Segment provision required including general provision	7,971	25,444	348	8,597	1,336	43,696
Segment liabilities including equity	892,734	140,299	170,051	112,555	202,367	1,518,006
Segment return on net liability / asset (%)	10.79%	11.57%	10.36%	5.00%	4.41%	-
Segment cost of funds (%)	5.71%	8.99%	9.44%	1.77%	0.99%	-

45. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, Habib Bank Limited acts as security agent for arrangement and distribution of the term finance certificates and also engages in investment portfolio services as custodian on behalf of its customers.

46. GEOGRAPHICAL SEGMENT ANALYSIS

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	31,225,574	1,385,561,601	79,705,414	164,223,382
Asia Pacific (including South Asia)	426,863	59,774,241	15,314,265	4,387,074
Europe	97,065	17,604,926	9,094,401	8,835,598
North America	271,845	17,486,983	2,354,337	4,121,292
Middle East	1,050,152	113,170,114	17,554,450	20,877,906
Others	643,546	19,059,940	5,266,139	4,002,909
	33,715,045	1,612,657,805	129,289,006	206,448,161

	2012			(Restated)
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	31,735,828	1,327,140,558	74,059,116	164,574,332
Asia Pacific (including South Asia)	250,925	54,284,193	15,446,505	7,688,393
Europe	51,332	11,090,555	8,179,332	10,505,110
North America	183,715	32,425,638	2,107,370	1,030,673
Middle East	1,486,890	77,214,497	18,007,412	24,516,405
Others	587,931	15,850,626	4,500,813	690,399
	34,296,621	1,518,006,067	122,300,548	209,005,313

47. ISLAMIC BANKING BUSINESS

In order to meet the guidelines for Shariah Compliance in Islamic Banking Institutions (IBI), statement of financial position and profit and loss account of IBI as at December 31, 2013 is given in annexure V. Further, detailed disclosures are also given in the said annexure to comply instructions issued by SBP to improve transparency and standardization in IBIs profit and loss distribution policies and practices dated November 19, 2012 and BSD circular letter No. 3 dated January 22, 2013.

48. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on February 27, 2014.

49. GENERAL

49.1 These unconsolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BSD Circulars No. 4 and 7 dated February 17, 2006 and April 20, 2010 respectively and related clarifications / modifications.

49.2 The comparative figures have been re-arranged and reclassified for comparison purposes.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Detail of Domestic Investments - Unconsolidated

ANNEXURE - I

For the year ended December 31, 2013

1 Particulars of investments held in listed companies

1.1 Ordinary shares	Number of Shares held	Paid-up value per Share (Rupees)	Total paid-up value	Cost	Market Value	Short Term Rating
			----------(Rupees in '000)----------			
Kot Addu Power Company Limited	12,281,500	10	122,815	599,963	758,383	A-1+
United Bank Limited	4,600,000	10	46,000	586,439	609,730	A-1+
Hub Power Company Limited	9,750,000	10	97,500	599,754	592,020	A-1+
Pakistan Petroleum Limited	2,400,000	10	24,000	499,781	513,504	N/A
Pakistan Telecommunication Company Limited	17,647,000	10	176,470	503,147	501,881	N/A
Fauji Fertilizer Company Limited	3,908,000	10	39,080	444,290	437,540	N/A
Lucky Cement Limited	1,020,400	10	10,204	275,249	305,987	N/A
Bank Al Habib Limited	6,139,000	10	61,390	241,581	255,075	A-1+
Pakistan State Oil	800,084	10	8,001	269,986	265,804	A-1+
Pakistan Oilfields Limited	459,100	10	4,591	223,956	228,499	N/A
Bank Alfalah Limited	8,000,000	10	80,000	190,711	216,320	A-1+
National Refinery Limited	1,000,000	10	10,000	271,466	215,520	A-1+
Dawood Hercules Corporation Limited	1,830,000	10	18,300	102,851	102,700	N/A
Engro Corporation Limited	563,700	10	5,637	89,951	89,279	A-1
TRG Pakistan Limited	10,000,000	10	100,000	100,000	88,700	N/A
Nishat Power Limited	2,810,500	10	28,105	84,482	84,484	A-1
Attock Petroleum Limited	150,000	10	1,500	68,891	74,954	N/A
Fauji Cement Company Limited	4,500,000	10	45,000	61,120	71,775	N/A
Agri Tech Limited	5,562,428	10	55,624	194,691	70,476	N/A
DG Khan Cement Company Limited	700,000	10	7,000	58,556	60,011	N/A
MCB Bank Limited	100,000	10	1,000	28,544	28,117	A-1+
Oil and Gas Development Company Limited	100,000	10	1,000	26,815	27,636	A-1+
Nishat Chunian Power Limited	315,000	10	3,150	10,888	10,956	A-2
Nishat Mills Limited	50,800	10	508	6,475	6,464	A-1+
Lafarage Pakistan Cement Limited	400,000	10	4,000	3,267	3,344	N/A
Askari Commercial Bank Limited	100,000	10	1,000	1,365	1,400	A-1+
Sui Southern Gas Company	50,000	10	500	1,246	1,203	A-1+
				5,545,465	5,621,762	

1.2 Units	Number of units held	Paid-up value per unit (Rupees)	Total paid-up value	Cost	Market Value	Short Term Rating
			----------(Rupees in '000)----------			
JS Growth Fund	1,000,000	10	10,000	79,273	125,880	***
National Investment Trust	673,546	10	6,735	11,113	33,401	N/A
				90,386	159,281	

1.3 Term finance certificates	Number of certificates held	Paid-up value per certificate (Rupees)	Total paid-up value	Cost	Market Value	Medium to Long Term Ratings
			----------(Rupees in '000)----------			
Bank Al Habib Limited	60,000	5,000	300,000	298,920	313,866	AA

2 Particulars of investment held in unlisted companies

2.1 Ordinary shares	Percentage of holding	Number of Shares	Paid-up value per Share (Rupees)	Cost	Break-up value	Based on accounts as at	Name of Chief Executive	Short Term Rating
				--------(Rupees in '000)---------				
SME Bank Limited	0.83%	1,987,501	10	13,475	8,703	September 30, 2013	Mr. Nasser Durani	A-3
Khushhali bank Limited	17.60%	30,000,000	10	300,000	437,748	December 31, 2012	Mr. Muhammad Ghalib Nishtar	A-1
Saif Power Limited	8.35%	32,268,354	10	322,683	539,744	December 31, 2012	Mr. Omar Saifullah Khan	A-1
Central Despository Company	6.35%	4,124,901	10	6,346	110,529	June 30, 2013	Mr. Muhammad Hanif Jakhura	N/A
National Institutional Facilitation Technologies (Private) Limited	9.07%	1,478,228	10	1,526	91,014	June 30, 2013	Mr. M.M. Khan	N/A
First Woman Bank Limited	15.46%	23,095,324	10	63,300	271,782	September 30, 2013	Ms. Charmaine Hidayatullah	A-2
National Investment Trust Limited	8.33%	79,200	10	100	857,865	June 30, 2013	Mr. Manzoor Ahmed	N/A
DHA Cogen Limited	19.87%	66,260,300	10	-	(1,655,356)	December 31, 2012	Mr. Seraj Ul Haq	N/A
				707,430	662,029			

2.2 Preference Shares	No. of Shares	Paid-up value per Share (Rupees)	Total paid-up value	Cost	Short Term Rating
			------(Rupees in '000)-------		
National Investment Trust Limited	10,000,000	10	100,000	100,000	N/A
Silk Bank Limited	60,000,000	10	600,000	150,000	A-2
				250,000	

2.3	Term finance certificates	Number of certificates held	Paid-up value per certificate (Rupees)	Total paid-up value	Cost	Market Value	Short term Rating
				----------(Rupees in '000)----------			
	Bank Alfalah Limited	40,000	5,000	200,000	199,680	210,992	N/A
	Allied Bank Limited	14,277	5,000	71,385	35,607	35,771	N/A
	Faysal Bank Limited	15,000	5,000	75,000	37,425	37,593	N/A
	Faysal Bank Limited	50,000	5,000	250,000	249,700	261,516	N/A
	Bank Al Habib Limited	18,000	5,000	90,000	89,766	90,231	N/A
	Bank Al Habib Limited	10,000	5,000	50,000	49,950	53,792	N/A
	Pakarab Fertilizers Limited	400,000	5,000	2,000,000	500,000	503,445	N/A
	World Call Telecom Limited	96,000	5,000	480,000	205,591	205,591	N/A
					1,367,719	1,398,931	

3	Particulars of investments held in bonds	Terms of Redemption			
		Principal	Interest / Profit	Rate of Interest / Profit	Book Value (Rupees in '000)
3.1	**Bonds (Guaranteed by Government)**				
	Pakistan International Airline	Semi Annual	Semi Annual	6-Month Kibor + 85 BPS	2,972,500
3.2	**Bonds**				
	Quetta Textile Mills Limited	Quarterly	Quarterly	6-Month Kibor + 175 BPS	68,966
	GOP Ijarah Sukuk	On Maturity	Semi Annual	6 Month Tbill	1,518
					70,484
3.3	**Investment by Islamic Banking Business**				
	GOP Ijarah Sukuk VII	On Maturity	Semi Annual	6 Month Tbill	2,220,024
	GOP Ijarah Sukuk VIII	On Maturity	Semi Annual	6 Month Tbill	4,860,000
	GOP Ijarah Sukuk IX	On Maturity	Semi Annual	6 Month Tbill	1,700,648
	GOP Ijara Sukuk X	On Maturity	Semi Annual	6 Month Tbill	503,139
	GOP Ijarah Sukuk XI	On Maturity	Semi Annual	6 Month Tbill	1,000,447
	GOP Ijarah Sukuk XIII	On Maturity	Semi Annual	6 Month Tbill	7,665,905
	Engro Fertilizer Limited	On Maturity	Semi Annual	6 Months KIBOR + 150 BPS	143,995
	Ghani Glass	Quarterly	Quarterly	3 Months KIBOR + 180 BPS	252,416
	Sui Southern Gas Company	Quarterly	Semi Annual	6 Months KIBOR + 75 BPS	1,000,000
	WAPDA	On Maturity	Semi Annual	6 Months KIBOR + 175 BPS	1,700,000
	HSBC Sukuk	On Maturity	Semi Annual	3.57%	217,457
	Saudi Elec	On Maturity	Semi Annual	2.67%	215,892
	IBD Trust Services	On Maturity	Semi Annual	1.36%	212,537
					21,692,460

3.4	Foreign Currency notes and bonds	Terms of Redemption Principal	Interest / Profit	Rate of Interest / Profit	Book Value	Market Value
					----------(Rupees in '000)----------	
	Gazprom OAO Via Gaz Capital SA	On Maturity	Annual	8.13%	308,543	311,028
	Vodafone Group PLC	On Maturity	Annual	4.63%	445,307	445,775
	E.ON International Finance BV	On Maturity	Annual	5.13%	349,317	349,131
	Orange SA	On Maturity	Annual	5.00%	935,860	930,823
	Banco do Brasil SA/Cayman	On Maturity	Semi Annual	4.50%	541,478	541,000
	Corp Andina de Fomento	On Maturity	Semi Annual	3.75%	273,855	274,028
	HSBC Bank Brasil SA	On Maturity	Semi Annual	4.00%	544,932	540,315
	Korea National Oil Corp	On Maturity	Semi Annual	4.00%	595,491	599,610
	Macquarie Group Ltd	On Maturity	Semi Annual	7.30%	544,298	545,529
	ORIX Corp	On Maturity	Semi Annual	4.71%	456,812	457,957
	Turkey Government International Bond	On Maturity	Semi Annual	7.25%	562,541	556,746
	Tencent Holdings Ltd	On Maturity	Semi Annual	4.63%	561,910	562,909
	Bank of Tokyo-Mitsubishi UFJ Ltd	On Maturity	Semi Annual	1.65%	531,073	520,725
	BBVA Bancomer SA/Texas	On Maturity	Semi Annual	4.50%	332,998	333,352
	Kookmin Bank	On Maturity	Semi Annual	7.25%	214,608	216,316
	Perusahaan Penerbit SBSN Indonesia	On Maturity	Semi Annual	8.80%	323,315	322,262
	Export-Import Bank of Korea	On Maturity	Semi Annual	5.25%	158,521	158,666
	Abu Dhabi National Energy Co	On Maturity	Semi Annual	5.88%	585,907	585,499
	Eurasian Development Bank	On Maturity	Semi Annual	7.38%	299,445	304,155
	VTB Bank OJSC Via VTB Capital SA	On Maturity	Semi Annual	6.47%	218,526	222,130
	Sberbank of Russia Via SB Capital SA	On Maturity	Semi Annual	5.50%	325,119	334,553
	SABIC Capital I BV	On Maturity	Semi Annual	3.00%	323,804	326,053
	Gazprom OAO Via Gaz Capital SA	On Maturity	Semi Annual	5.09%	550,490	559,379
	Saudi Electricity Global Sukuk Co	On Maturity	Semi Annual	2.67%	540,953	541,316
	SoQ Sukuk A Q.S.C	On Maturity	Semi Annual	2.10%	531,608	526,781
	Mitsubishi Corp	On Maturity	Semi Annual	1.88%	1,059,501	1,056,722
					12,116,212	12,122,760

Amount Written-Off During the Year 2013

ANNEXURE - II

Statement showing written-off Advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2013

S. No. / Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at begining of year				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
1	NATIONAL OIL & GENERAL MILLS 17KM,FEROZE PUR ROAD,LAHORE.	EJAZ AHMED 35202-6920998-7	MUHAMMAD SHAFI BUTTA	7.220	0.861	-	**8.081**	-	-	12.565	0.298	**12.863**
2	NATIONAL PARTICLE BOARD(PVT)LTD SIDDIQ WAHAB ROAD,KARACHI.	FARHAN RAFIQ AHMED 42201-5676974-5	RAFIQ AHMED	14.872	1.219	-	**16.091**	-	-	4.292	-	**4.292**
		FARRUKH RAFIQ AHMED 42201-5677829-5	RAFIQ AHMED									
		FURQAN RAFIQ AHMED 42201-7551675-3	RAFIQ AHMED									
3	AL-MAIDA FOODS 24/2, ST#69 BASTAMI ROAD, SAMANABAD,LAHORE.	MIAN MUHAMMAD ARSHAD 35202-9691460-3	MIAN JAN MUHAMMAD	3.398	0.649	-	**4.047**	-	-	3.926	0.177	**4.103**
4	PAK IMPERIAL COROPRATION (PVT) LTD 122,AMINABAD SOCIETY, OFF.MARTIN ROAD,KARACHI.	ABDUL MUHAMMAD 42201-8275712-9	SHAKOOR JAMAL	3.459	-	-	**3.459**	-	-	5.932	-	**5.932**
		JAMAL UDDIN 42301-0966856-1	SHAKOOR JAMAL									
		SHAMSUDDIN 42201-1947310-1	SHAKOOR BHAI									
		ABDUL REHMAN 42201-2846957-3	SHAKOOR JAMAL									
		ABDUL HUSSAIN										
		SHAKOOR KHAN										
5	S.M.YAHYA & COMPANY KARIMEE BUILDING,OPPOSITE.HBL NAPIER ROAD BRANCH,KARACHI.	MUHAMMAD ILYAS NARGIS BANO	MUHAMMAD YOUSUF MUHAMMAD ALAM	4.425	-	-	**4.425**	4.425	-	4.097	-	**8.522**
		ABDULLAH NAWAB 42201-6625996-9	MUHAMMAD ILYAS									
		KHALID SAEED KHAN	AHMED SAEED KHAN									
		SYED MUHAMMAD ALI SALMAN	SYED AHSAN ALI									
6	INTERNATIONAL SERVICES 47-BADRI BUILDING,I.I. CHUNDRIGAR ROAD,KARACHI.	LATE NAZIM ALI ZAIDI 501-23-483996	AHSAN ALI ZAIDI	0.370	-	-	**0.370**	0.370	-	0.154	-	**0.524**
7	RAHEEM ENTERPRISES 14-REHMAN MANSION,SHAHRAH-E- LIAQUAT,SADDAR,KARACHI	MASOOD SALEEM KHAN 502-28-369814	DR. ABDUL SALEEM KHAN	0.972	0.428	-	**1.400**	-	-	3.589	-	**3.589**

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				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
8	SURIA GARMENTS (PVT) LTD	MUHAMMAD NAEEM SURIA	HAROON SURIA	11.794	0.173	-	**11.967**	-	-	11.336	-	**11.336**
	D-286,KDA SCHEME NO.1-A,	42201-4502528-3										
	NATIONAL STADIUM ROAD, KARACHI	MUHAMMAD MUNIR SURIA	HAROON SURIA									
		42201-4512123-3										
		MUHAMMAD BILAL SURIA	HAROON SURIA									
		517-44-164296										
		KHAIR UN NISA	DR. AMIN SURIA									
9	ALI ASGHAR TEXTILE MILLS LTD.	NADEEM ELLAHI SHAIKH		141.417	100.030	-	**241.447**	-	-	47.125	86.983	**134.108**
	PLOT #2 & 6,SECTOR 25,KORANGI	42301-0993217-3										
	INDUSTRIAL AREA,KARACHI	NAVEED ELLAHI SHAIKH	HUMAYUN ELLAHI SHAIKH									
		42000-0532641-3										
		MST.MARIUM ATIF BUTT										
		42000-0485329-0										
		SALMAN ALI										
		42301-0551960-1										
		RAJA GHAZANGAR ALI										
		42201-0266649-5										
		SULTAN MEHMOOD										
		42201-2232626-7										
		MUHMMAD AZAD KHAN										
		42201-8130664-3										
10	SHAKOOR JAMAL (PVT) LTD.	SHAMSUDDIN SHAKOOR BHAI	SHAKOOR BHAI	9.600	0.315	-	**9.915**	-	-	15.228	0.315	**15.543**
	47 MOTANDAS BUILDING,1ST FLOOR	42201-1947310-1										
	,M.A.JINNAH ROAD,KARACHI	JAMALUDDIN SHAKOOR BHAI	SHAKOOR JAMAL									
		42301-0966856-1										
		ABDUL REHMAN SHAKOOR BHAI	SHAKOOR JAMAL									
		42201-2846957-3										
		ABDUL SULTAN SHAKOOR BHAI	SHAKOOR BHAI									
		42201-0626506-9										
		ABDUL MUHAMMAD SHAKOOR BHAI	SHAKOOR JAMAL									
		42201-8275712-9										
		ABDUL HUSSAIN SHAKOOR JAMAL										

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				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
11	HAMEED COTTON FACTORY GHARIBABAD KHANPUR,DISTT. RAHIM YAR KHAN	SIKANDAR HAMEED 42301-6852534-3 BABAR HAMEED 42301-9603751-7 JAHANGIR HAMEED 31202-9775994-5	ABDUL HAMEED ABDUL HAMEED ABDUL HAMEED	7.722	2.025	-	**9.747**	-	-	13.076	2.025	**15.101**
12	GULF WOOD INDSUTRIES (PVT) LTD. 97-JAIL ROAD,LAHORE	ANWAR AHMED CHAUDHRY 35201-8280541-9 HAMIDA ANWAR 35201-4556528-4		18.088	16.912	-	**35.000**	-	-	17.352	-	**17.352**
13	NATIONAL BATTERIES (PVT) LTD. 706,7/F,BUSINESS CENTRE,MUMTAZ HASSAN ROAD,KARACHI	TALIB HUSSAIN 42201-4360511-7 N.M. UQUAILY 518-14-137456 BASHIR DAWOOD ROSHAN RAFIQ	NABI BUKSH M. SIDDIQUE	12.158	12.430	-	**24.588**	-	-	20.130	-	**20.130**
14	INTERCITY TRANSPORT SYSTEM 41-A,LAWRENCE ROAD,LAHORE	ATTIQUE UR RAHMAN 35201-8697206-5 BILAL HUSSAIN GILLANI	MUHAMMAD TUFAIL	9.152	4.546	-	**13.698**	-	-	19.761	3.382	**23.143**
15	TURBO TUBE LTD. (TTL) 3/B EDEN HOME,16-MAIN GULBERG LAHORE	HAIDER UDDIN TIPU 42301-1842266-1 SADIA TIPU 42301-6388762-4 BADAR MUNIR NASEEM AHMED WG.CRD.(R) LAEEQ AHMED SAIFUDDIN AHMED ZAHOOR BEGUM	INSHALLAH KHAN HAIDER UDDIN TIPU	6.668	1.205	-	**7.873**	-	-	21.498	1.205	**22.703**
16	MIRZA SUGAR MILLS LTD. 10TH FLOOR,BLOCK-B,BUILDING NO 1,LAKSON SQUARE,SARWAR SHAHEED ROAD,KARACHI	QAZI AMJAD ABID ABBASI 450-58-131152		109.214	-	-	**109.214**	26.504	-	202.500	-	**229.004**

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				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
		SAJID HUSSAIN NAQVI	IRTIZA HUSSAIN NAQVI									
		244-45-302572										
		DR.FAWAD HUSSAIN MIRZA	ZAFAR HUSSAIN MIRZA									
		510-63-106635										
		DR.ZULFIQAR ALI MIRZA	ZAFAR HUSSAIN MIRZA									
		42301-4240896-7										
		JAMIL HUSSAIN ABIDI										
		DR.FEHMIDA MIRZA	ZULFIQAR ALI MIRZA									
		61101-9256768-0										
		RUKHSANA NAZAR										
		ARSHAD ABID ABBASI	QAZI ABDUL MAJEED ABID									
		450-87-131154										
		FARNAZ MIRZA										
		510-66-366842										
		HUSNA AMJAD										
		502-61-849068										
		FARIHA ABID QAZI	QAZI ABDUL MAJEED ABID									
		450-65-131156										
17	MIRZA SUGAR MILLS LTD. 10TH FLOOR,BLOCK-B, BUILDING NO.1,LAKSON SQUARE,SARWAR SHAHEED ROAD,KARACHI	QAZI AMJAD ABID ABBASI 450-58-131152		50.000	8.243	-	**58.243**	34.580	-	100.208	8.243	**143.031**
		SAJID HUSSAIN NAQVI	IRTIZA HUSSAIN NAQVI									
		244-45-302572										
		DR FAWAD HUSSAIN MIRZA	ZAFAR HUSSAIN MIRZA									
		510-63-106635										
		DR.ZULFIQAR ALI MIRZA	ZAFAR HUSSAIN MIRZA									
		42301-4240896-7										
		JAMIL HUSSAIN ABIDI										
		DR.FEHMIDA MIRZA	ZULFIQAR ALI MIRZA									
		61101-9256768-0										
		RUKHSANA NAZAR										
		ARSHAD ABID ABBASI	QAZI ABDUL MAJEED ABID									
		450-87-131154										
		FARNAZ MIRZA										
		510-66-366842										
		HUSNA AMJAD										
		502-61-849068										
		FARIHA ABID QAZI	QAZI ABDUL MAJEED ABID									
		450-58-131152										

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				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
18	NAYAB TRADERS 76-F,ALAMGIR MARKET,SHAH ALAM GATE,LAHORE	SYED BAHADUR ALI SHAH 35202-0722618-7	SYED YOUNAS ALI SHAH	20.000	-	-	**20.000**	-	-	5.099	-	**5.099**
19	A.Z. & SONS PAN MANDI,NANAKWADA,KARACHI	MUHAMMAD SHAHID 42201-8112272-1	HAJI AHMED BHAI	8.619	0.255	-	**8.874**	1.116	-	3.054	0.255	**4.425**
20	LATEEF TRADING CO. (JAKHRANI GROUP) DERA MURAD JAMALI BALUCHISTAN 40 KM AWAY JACOBABAD WEST SIDE	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 ABDUL RAHIM BROHI	SARDAR AZAD KHAN JAKHRANI	-	-	-	-	-	-	4.676	-	**4.676**
21	SALEEM TRADING COMPANY BAHOO KHOSO,JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 ABDUL SALEEM SOOMRO 401-87-004131	SARDAR AZAD KHAN JAKHRANI ABDUL HAKEEM SOOMRO	2.953	0.317	-	**3.270**	-	-	4.387	0.317	**4.704**
22	AZAD RICE MILLS MOULA DAD,RAILWAY CROSSING, JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 SARDAR DAD MUHAMMAD KHAN 43103-2828985-7	SARDAR AZAD KHAN JAKHRANI SARDAR NEK MUHAMMAD JAKHRANI	2.729	0.566	-	**3.295**	-	-	5.062	0.566	**5.628**
23	JAKHRANI DALL MILLS GHARIBABAD MUHALLA,JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1	SARDAR AZAD KHAN JAKHRANI	1.230	0.349	-	**1.579**	-	-	4.448	0.349	**4.797**
24	KARIM BUX RICE MILLS VILLAGE KARIM BUX KHOSO, JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 MUHAMMAD ISMAIL KHOSO 704-89-081251	SARDAR AZAD KHAN JAKHRANI MUHAMMAD YAKOOB KHOSO	2.976	0.410	-	**3.386**	-	-	4.486	0.410	**4.896**
25	LAL TRADING COMPANY DERA MURAD JAMALI,BALUCHISTAN	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 PARTAB RAI 42301-1651678-3 LAL CHAND	SARDAR AZAD KHAN JAKHRANI SRI CHAND	3.817	0.524	-	**4.341**	-	-	6.466	0.524	**6.990**
26	M.YOUSUF TRADING COMPANY PAK FORCE RICE MILLS,NEAR FORCE GROUND,JACOBABAD.	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1	SARDAR AZAD KHAN JAKHRANI	3.245	0.437	-	**3.682**	-	-	4.707	0.437	**5.144**
27	MIR MUJEEB-UR-REHMAN TRADING COMPANY C/O SIND RICE MILLS,NEAR SPECIAL FORCE GROUND,JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1	SARDAR AZAD KHAN JAKHRANI	2.313	0.429	-	**2.742**	-	-	3.603	0.429	**4.032**

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				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
		MIR MUJEEB-UR-REHMAN JAKHRANI 401-88-208708	SARDAR BAQA MUHAMMAD JAKHRANI									
28	NAJEEB RICE MILLS NEW ANAJ MANDI,JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 ABDUL WALI JAKHRANI 43102-8962939-3	SARDAR AZAD KHAN JAKHRANI BAQA MUHAMMAD KHAN JAKHRANI	0.578	0.177	-	**0.755**	-	-	1.209	0.177	**1.386**
29	SHAHBAZ TRADING COMPANY SPECIAL FORCE ROAD,JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 RAM CHAND 43102-1206788-3	SARDAR AZAD KHAN JAKHRANI JHAMAN DAS	2.833	0.638	-	**3.471**	-	-	4.985	0.638	**5.623**
30	JAKHRANI ROLLER FLOUR MILLS (PVT) LTD. NEAR SPECIAL POLICE FORCE GROUND, JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 SARDAR BAQA MUHAMMAD JAKHRANI 401-32-018854 MST.HOOR BIBI MST.AFROZE BIBI MST.AISHA BIBI	SARDAR AZAD KHAN JAKHRANI	5.660	0.268	-	**5.928**	1.698	-	7.830	0.268	**9.796**
31	SUPER RICE MILLS QUETTA ROAD,JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 KHAWAND BUX BUGTI 43102-2444452-5	SARDAR AZAD KHAN JAKHRANI BAKHAT ALI	38.025	13.650	-	**51.675**	20.243	-	63.957	13.650	**97.850**
32	PAK FORCE RICE MILLS SPECIAL FORCE ROAD, JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 IFTIKHAR HUSSAIN ALAIS FAROOQ KHAN JAKHRANI 43102-6171871-7	SARDAR AZAD KHAN JAKHRANI MIR AHMED NAWAZ KHAN JAKHRANI	14.310	5.320	-	**19.630**	8.092	-	24.474	5.320	**37.886**
33	JAKHRANI OIL INDUSTRIES (PVT) LTD. SPECIAL FORCE ROAD,JACOBABAD	MIR AHMED NAWAZ KHAN JAKHRANI 43102-8353106-1 SAADULLAH KHAN JAKHRANI 43102-0320764-9 GURYAL MAL DOST MUHAMMAD NOOR MUHAMMAD	SARDAR AZAD KHAN JAKHRANI	36.999	9.181	-	**46.180**	16.255	-	47.278	9.181	**72.714**
34	MANDVIWALA MAUSER PLASTIC INDS. LIMITED NISHAT CINEMA BUILDING,M.A. JINNAH ROAD,KARACHI	SHIREEN.H.MANDVIWALA 42301-5350292-6 NADEEM H MANDVIWALA 42301-6675532-1	HAKEEMUDDIN HAKEEMUDDIN	45.451	38.281	-	**83.732**	-	-	5.290	28.446	**33.736**

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				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
		AZEEM H MANDVIWALA	HAKEEMUDDIN									
		42000-5056020-1										
		SALEEM H MANDVIWALA	HAKEEMUDDIN									
		074-59-164267										
		MIAN PERVEZ ASLAM										
		ABDUL WAHEED BUNDU KHAN	BUNDU KHAN									
		502-30-353926										
35	INTERNATIONAL & CO QUARTER.NO.C-146,KORANGI.NO.6, KORANGI TOWNSHIP,KARACHI.	MUHAMMAD RAFIQ BAIG 42201-4263348-3	USMAN BAIG	1.345	-	-	**1.345**	1.041	-	3.269	-	**4.310**
36	DIAMOND SPORTS NASIR ROAD,SIALKOT.	MEHAR MUHAMMAD AKMAL 346017-993167-7	MUHAMMAD AKBAR	1.241	0.046	-	**1.287**	-	-	1.902	-	**1.902**
37	SARGODHA SPINNING MILLS LTD A-601/B,CITY TOWER,6-K,MAIN BOULEVARD,GULBERG-II,LAHORE.	MIAN FARRUKH NASEEM 33100-8343512-9	MIAN NASEEM ANWAR	113.728	181.507	-	**295.235**	-	-	-	28.322	**28.322**
		MIAN AAMIR NASEEM	MIAN NASEEM ANWAR									
		35202-6929272-1										
		MIAN SHAHZAD ASLAM	MIAN MUHAMMAD ASLAM									
		35202-1622560-7										
		SAAD NASEEM	FARRUKH NASEEM									
		33100-8346503-3										
		HINA FARRUKH	FARRUKH NASEEM									
		33100-5025864-8										
		IRFAN QAMAR	SADIQ ALI									
		37405-5680091-9										
		SHAHID MAHMUD	ABDUL MAJEED									
		33100-5345698-3										
38	INDUS INTERNATIONAL OFFICE.NO.7,2ND FLOOR AL-BILAL PLAZA,MURREE ROAD,RAWALPINDI.	MOIN UDDIN ALVI 35202-5867928-1	ALEEM-ULLAH	1.245	-	-	**1.245**	1.245	-	1.477	-	**2.722**

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39	GLOBAL TRADING IMPEX CORPORATION 3/44,ARKAY SQUARE,SHAHRAH-E- LIAQUAT,KARACHI.	SHOUKAT ALI 42101-1789481-3	RIAZ AHMED	0.390	-	-	**0.390**	0.390	-	0.643	-	**1.033**
40	SARA CORPORATION PLOT#L-28,BLOCK-22,F.B. INDUSTRIAL AREA, KARACHI.	SARA AZAM 42101-2731991-4	MUHAMMAD AZAM	-	3.855	-	**3.855**	-	-	19.515	3.855	**23.370**
41	MEHRAN SILK INDUSTRIES SHED-3,PLOT#66,SECTOR-28, KORANGI INDUSTRIAL AREA, KARACHI.	RIAZ BAHADUR KHAN		0.082	-	-	**0.082**	0.082	-	0.512	-	**0.594**
42	KHURSHID SPINNING MILLS LIMITED 69-G,GULBERG-III,LAHORE.	KH.KHURSHID ANWAR 33100-0853027-9	KH.MUHAMMAD GUL	17.849	0.051	-	**17.900**	-	-	42.749	-	**42.749**
		KH.AMER KHURSHID 33100-4420114-9	KH.KHURSHID ANWAR									
		KH.ASEM KHURSHID 33102-1773118-1	KH.KHURSHID ANWAR									
		JABEEN KHURSHID 33100-0375630-2	KH.KHURSHID ANWAR									
		KH.SHAHID AMIN SETHI 42301-5521796-5	MUHAMMAD YOUSUF									
		SHARMEEN ASEM 33100-0289085-2	KH.ASEM KHURSHID									
		KHAWAJA AIZED AMER 33100-7492518-1	KH.AMER KHURSHID									
43	CALCIUM (PVT) LTD 145-INDUSTRIAL ESTATE,JAMRUD ROAD,PESHAWAR.	MIAN MUHAMMAD SHAH		0.392	-	-	**0.392**	0.392	-	0.187	-	**0.579**
44	FAIZ AHMED(P.NO.376671) HOUSE.NO.R-118/9,DASTAGIR SOCIETY,F.B.AREA,KARACHI.	519-88-028042	RIAZ AHMED	0.567	-	-	**0.567**	0.567	-	-	-	**0.567**
45	SHAHID HUSSAIN(P.NO.377756) HOUSE.NO.R-227,BLOCK-17, RAHIMABAD,F.B.AREA,KARACHI.	42101-5018977-3	MUHAMMAD YOUSUF	0.579	0.028	-	**0.607**	0.579	-	-	0.028	**0.607**
46	SPEEDY GASES COMPANY PLOT.13&14,SURVEY NO. 747, MOUZA PATHRA,TEHSIL.HUB,BALOCHISTAN.	MUHAMMAD HANIF BHIMLA 42101-4692759-5	MUHAMMAD ISMAIL BHIMLA	1.983	-	-	**1.983**	-	-	2.396	-	**2.396**
47	ZAFAR IQBAL (P.NO.375390) HOUSE.NO.C-24,RIZVIA SOCIETY, KARACHI.	42101-4531523-7	FATEHYAB HUSSAIN	0.500	0.066	-	**0.566**	0.500	-	-	0.066	**0.566**

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				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
48	GHOUSIA ENTERPRISES 307/310,3RD FLOOR,JILANI CENTRE,MARRIOT ROAD,KARACHI.	REHAN KHAN 42201-6917677-5	NISAR KHAN	0.479	0.120	-	**0.599**	0.479	-	0.881	0.120	**1.480**
49	HYDERI INDUSTRIES (PVT) LTD MEZANINE FLOOR,AL-HABIB ARCADE G-3,BLOCK-7,CLIFTON ROAD,KARACHI	ABDUL AZIZ MEMON MUHAMMAD IZHAR HUSSAIN SHAH ATIQ-UZ-ZAMAN SIDDIQUI AZHAR JAWAID PIRZADA ARIF JUNAID SIDDIQUI		4.957	-	-	**4.957**	-	-	8.460	-	**8.460**
50	ABDUL GHANI (P.NO.395261) HOUSE.NO.1394-A,BLOCK-E,STREET NO.4,SHAFI LANE,BAGHDADI LYARI QUARTERS,KARACHI.	42301-6612793-7	ABDUL GHAFOOR MAJNA	0.519	-	-	**0.519**	0.519	-	-	-	**0.519**
51	MUHAMMAD AKMAL KHAN (P.395367) PLOT.NO.282,FLAT.NO.40,6TH FLOOR,IQBAL MANZIL,BAHAR COLONY,KARACHI.	518-63-073098	MUHAMMAD AJMAL KHAN	0.616	-	-	**0.616**	0.616	-	0.037	-	**0.653**
52	MUNIR SHAMI DANISH PAINTS & HARDWARE STORE, TURBAT.		MIR HAYATAN	0.450	-	-	**0.450**	0.450	-	0.304	-	**0.754**
53	ABA BAKAR CHARSHAMBAY SHOP KEEPER,DASHTI BAZAR,TURBAT		CHAR SHAMBAY	0.405	-	-	**0.405**	0.405	-	0.365	-	**0.770**
54	ALI SONS HOUSE.NO.6/213-A,HASHIM RAZA ROAD,MODEL COLONY,KARACHI.	EJAZ ALI 42201-0531834-5	CH.MUHAMMAD ALI	0.400	0.438	-	**0.838**	-	-	2.770	-	**2.770**
55	SHEIKH BROTHERS PLOT.NO.1/8,PUNJAB COLONY, GIZRI ROAD,KARACHI.	SHEIKH ISMAIL AZIM		0.984	0.193	-	**1.177**	-	-	3.247	-	**3.247**
56	UNIVERSAL CORPORATION ROOM# 202,2ND FLOOR,LIAQUAT MARKET,M.A.JINNAH ROAD,KARACHI	SUHAIL QURESHI 42301-3209117-5	MAQBOOL ALAM QURESHI	0.931	0.078	-	**1.009**	0.931	-	0.821	0.078	**1.830**
57	CASSPAK INDUSTRIES LIMITED SHEIKH SULTAN TRUST BUILDING# 2 ,26 CIVIL LINES,10 BEAUMONT ROAD, KARACHI.	CAPT (RETD) MANSOOR YOUSUF 33102-4989658-1	CH.MUHAMMAD YOUSUF	6.023	2.600	-	**8.623**	2.457	-	12.047	2.600	**17.104**

S. No. / Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at begining of year				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
		ALTAF HUSSAIN	KARIM									
		CHAUDHRY AKHTAR MAHMOOD	CH. KHUDADAD KHAN									
		WALAYAT ALI	SHAMIR KHAN									
		MAHMOOD ASHIQ	LATE.MUHAMMAD ASHIQ									
		MUHAMMAD SHARIF	MUHAMMAD HANIF									
		TAHIR JAMIL	AHMED DIN									
58	AL-WAHAB INDUSTRIES STATION ROAD,SINJHORO DISTRICT .SANGHAR(SINDH)	MUHAMMAD YAQOOB PARACHA 38403-8943711-3	MUHAMMAD BUX	5.117	-	-	**5.117**	-	-	10.091	-	**10.091**
		QASIM YAQOOB PARACHA 42000-3572645-5	MUHAMMAD YAQOOB PARACHA									
		MST.KANEEZ FATIMA 38403-5150896-0	AHMED BUX									
59	EBRAHIM HAJI & BROTHERS FAKHRE MATRI ROAD,MR/28, BOULTAN MARKET,KARACHI.	MUHAMMAD ISMAIL CHAPRA 42201-4871713-5	HAJI IBRAHIM CHAPRA	2.949	-	-	**2.949**	-	-	4.972	-	**4.972**
60	I.K.CORPORATION N.P.2,PLOT.NO.71/64,BHAGNARI STREET,KARACHI.	MUHAMMAD IDREES 42101-2676952-7	HAJI MOOSA CHAPRA	0.937	-	-	**0.937**	-	-	1.527	-	**1.527**
61	M.FAROOQ & CO NP.2/64,MUHAMMAD SHAH STREET, JODIA BAZAR,KARACHI.	HAJI MOOSA CHAPRA 42101-0847358-7	HAJI IBRAHIM CHAPRA	2.949	-	-	**2.949**	-	-	4.973	-	**4.973**
62	BHAI MUHAMMAD HASHIM & BROTHERS SHOP# 3,NEW WHOLE SALE ONION POTATO MARKET,SABZI MANDI, KARACHI.	MUHAMMAD HASHIM 42101-3222427-9	HAJI IBRAHIM CHAPRA	2.947	-	-	**2.947**	-	-	4.968	-	**4.968**
63	AMMAR TEXTILES (PVT) LIMITED 18 K.M.MULTAN ROAD,LAHORE.	BELAL AHMED 35202-2969902-7	GHULAM MOHYUDDIN	48.645	1.216	-	**49.861**	38.357	-	26.793	1.216	**66.366**
		SAMINA BELAL 35200-1448248-4	BELAL AHMED									

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at begining of year				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
64	KEMAL ENTERPRISES 317-3RD FLOOR, PANORAMA CENTRE RAJA GHAZANFAR ALI KHAN ROAD, SADDAR,KARACHI	KHUDA BUX MARI MUHAMMAD RASHID ZEHRI KAMAL FARID B. MARI ELSA MARI BANZER	LATE HAJI FATEH KHAN	0.300	0.258	-	**0.558**	0.300	-	-	0.258	**0.558**
65	BARKAT ALI SHAIKH C.S.NO.1296,SITUATED AT SHAIKH MUHALLA SHAHDAD KOT	43406-0362666-5	AKBAR ALI SHAIKH	0.700	-	-	**0.700**	0.200	-	0.314	-	**0.514**
66	NASCO CORPORATION (PVT) LTD PLOT#555-556-557,SECTOR-7-A, KORANGI INDUSTRIAL AREA, KARACHI.	MUSADAQ SALEEM QURESHI 42301-3388822-5 NOUSHEEN ASGHAR 514-58-181140 MUHAMMAD ARSHAD KHAN	MUHAMMAD SALEEM QURESHI ASGHAR ALI	44.112	-	-	**44.112**	44.112	-	1.160	-	**45.272**
67	HAMZAI FLOUR GENERAL MILLS QADIR PUR RAWAN,DISTT.MULTAN	HAJI ZAFAR AHMED KANWAL 36302-0436409-7 MST.HAJAN SHAGUFTA PARVEEN 36303-0386953-6 MUHAMMAD ASGHAR BHATTI 36302-7404937-5 SHAKILA YASMEEN 36302-3323401-8		-	-	-	**-**	-	-	5.903	-	**5.903**
68	PANA KOT FILLING STATION VILLAGE PANA KOT,PO.DIR,TEHSIL & DISTT.UPPER DIR.	SARDARAZ KHAN 15701-1226999-7	SAMANDAR KHAN	4.766	-	-	**4.766**	4.766	-	2.869	-	**7.635**
69	ATTA MUHAMMAD (P.NO.287880) C/O.HBL, RIZVIA SOCIETY BRANCH,KARACHI.	42101-0785771-5	IMAM BUX	0.418	0.118	-	**0.536**	0.418	-	-	0.118	**0.536**
70	MODEL HOUSING & CONSTRUCTION COMPANY 50-39,LIBERTY MARKET ROAD, HYDERABAD.	MUHAMMAD TASLEEM MALIK MUHAMMAD NAEEM MALIK MUHAMMAD NASEEM MALIK MUHAMMAD FAHEEM MALIK	JAN MUHAMMAD MALIK MUHAMMAD MALIK JAN MUHAMMAD MALIK JAN MUHAMMAD MALIK	1.997	0.552	-	**2.549**	-	-	6.735	-	**6.735**

S. No. / Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at begining of year				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
71	ART TILES CERAMIC DECOR (PVT) LIMITED PLOT # 89- J ROAD-3A,INDUSTRIAL ESTATE JAMROOD ROAD,PESHAWAR.	MANTAKA KHAN 136-89-108402	GHULAM MUSTAFA	14.558	0.914	-	**15.472**	-	-	6.775	0.914	**7.689**
		WALI REHMAT 136-86-118392	MANTAKA KHAN									
72	ART TILES CERAMIC DECOR (PVT) LIMITED PLOT#89-J,ROAD 3A INDUSTRIAL ESTATE JAMROOD ROAD,PESHAWAR.	MANTAKA KHAN 136-89-108402	GHULAM MUSTAFA	-	1.236	-	**1.236**	-	-	-	1.236	**1.236**
		WALI REHMAT 136-86-118392	MANTAKA KHAN									
73	JAMEEL PAPER MART URDU BAZAR,MALKANI MENTIONS, M.A. JINNAH ROAD, KARACHI.	SHEIKH MUHAMMAD JAMEEL 42101-2595987-3	SHAMS UDDIN	3.500	-	-	**3.500**	-	-	1.988	-	**1.988**
74	ABRAR AHMED QURESHI (P.NO.303102) HBL,FACTORY AREA BRANCH,MULTAN .	36302-0452462-9	ANWAR QURESHI	0.637	0.076	-	**0.713**	0.637	-	0.008	0.076	**0.721**
75	KHALID AMEER KHAN VPO. TIRKHANWALA VILLAGE,TEHSIL. SAHIWAL.DISTT.SARGODHA.	38402-6135441-7	AMEER ABDULLAH KHAN	2.373	-	-	**2.373**	-	-	1.444	-	**1.444**
76	GHAFFAR SIZING INDUSTRIES (PVT) LTD HOUSE.NO.8,BLOCK-B,PEOPLES COLONY,FAISALABAD.	SHAHZAD AHMED 33100-5483703-1	NISAR AHMED ZAHID	-	-	-	**-**	-	-	1.992	-	**1.992**
		AYESHA NISAR 33100-2589204-2	AMJAD FAROOQ									
77	N.H. INDUSTRIES C-9, S.I.T.E., KARACHI 75700	MUHAMMAD SAJJAD 42401-3604783-3	MUHAMMAD HAFEEZ	14.995	0.016	-	**15.011**	-	-	8.972	-	**8.972**
78	SASI INTERNATIONAL 2ND FLOOR, WAQAR CENTRE, MUHAMMAD FEROZ STREET, JODIA BAZAR, KARACHI	SAJID AHMED 42201-0716260-7	MUHAMMAD IKHLAQ	0.900	-	-	**0.900**	0.900	-	-	-	**0.900**
79	ZAFFAR ABBAS MARRI P/O KHAS TEH & DISTT. SARGODHA	38403-9665956-1	AHMED KHAN	0.482	-	-	**0.482**	0.482	-	0.093	-	**0.575**
80	YAQOOB AND SONS HEAD BACCANI ROHILLANWALI, DISTT. MUZAFFAR GARH	MATLOOB AKHTAR RANA 32304-7890111-3	MUHAMMAD YAQOOB	1.000	0.200	-	**1.200**	-		0.633	-	**0.633**
81	SHEEBA INDUSTRIES (PVT) LTD. 190-D, LCCHS, LAHORE CANTT.	MIAN ASHRAF MAHMUD 35200-1435303-1	MIAN GHULAM MUHAMMAD	15.754	12.204	-	**27.958**	9.204		1.968	12.204	**23.376**

S. No. / Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at begining of year				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
		MRS. SALMA PARVEEN MAHMUD 35201-1317521-6	ASHRAF MAHMUD									
		CH. MAQSOOD PERVAIZ SHAFI 91400-0379434-7	MUHAMMAD SHAFFI									
		MRS. PARVEEN AKHTAR SHAFI	MAQSOOD PARVEZ SHAFFI									
82	MALIK FURNITURE HOUSE CHOWK DHOBI GHATT, CHAH MIRAN, LAHORE	MALIK MUHAMMAD RAMZAN 35202-8594352-5	MUHAMMAD UMIR	-	-	-	-	-	-	0.520	-	**0.520**
83	NEW GUJRAT GLASS INDUSTRIES SIE, G.T. ROAD, GUJRAT	LATE ALLAH RAKHA 33100-9345719-9	MUHAMMAD HUSSAIN	-	2.592	-	**2.592**	-	-	16.129	2.592	**18.721**
84	AMIN AUTOS MOHALLAH GHAFOORABAD, SADIQABAD	SH. ALLAH DITTA 31304-8670032-7	MUHAMMAD AMIN	-	-	-	-	-	-	0.964	-	**0.964**
85	LAND MARK URBAN DEVELOPERS KUTHALIA BUILDING, 2-MECLOED ROAD, LAHORE	EJAZ ELLAHI 35202-2209126-3 MST. AKHTAR MUMTAZ ELLAHI		-	5.624	-	**5.624**	-	-	-	5.624	**5.624**
86	B.B.C.L PVT LTD. BBCL HOUSE, 26-C, KHYBAN E JAMI, DHA, PHASE VII, KARACHI	PERVEZ IQBAL 42301-0983764-7 SHAHID IQBAL 42301-0983763-5 ARSHAD IQBAL 42301-0983764-9	M. HIDAYATULLAH M. HIDAYATULLAH M. HIDAYATULLAH	13.611	0.521	-	**14.132**	12.096	-	1.381	0.521	**13.998**
87	MUHAMMAD YAR DERA SAROOKA, MOUZA METELA, TEHSIL KOT MOMIN, DISTT. SGD	38401-0229645-1	MOLLO	0.999	-	-	**0.999**	0.999	-	0.492	-	**1.491**
88	ASAD ALI DAIRY FARM ASAD ALI DAIRY FARM, THATTI NOOR, P/O TEHSIL BHALWAL, DISTT. SARGODHA	ASAD ALI 38401-7516723-5	MUHAMMAD YAR	2.000	-	-	**2.000**	2.000	-	0.011	-	**2.011**
89	PENGUIN GARMENTS INDUSTRIES 46-59, D-A, COMMERCIAL AREA NAZIMABAD, KARACHI	KISHWAR ZEHRA 42201-7366113-8	D/O. SYED RASHID MEHDI	12.347	0.489	-	**12.836**	0.514	-	36.864	0.489	**37.867**
90	BABAR & CO. MAIN BAZAR KOT SABZAL, TEHSIL SADIQABAD	TARIQ MEHMOOD 31304-2076017-1	MUHAMMAD IQBAL	0.427	-	-	**0.427**	0.427	-	0.210	-	**0.637**

S. No. / Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at begining of year				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total			Un-Debited Markup	Reversal	
91	MUHAMMAD SHARIF CHAK NO. 98NB, TEHSIL & DISTT. SARGODHA	38403-2263225-1	ALLAH DITTA	1.499	-	-	**1.499**	1.499	-	0.923	-	**2.422**
92	ASHFAQ ELLAHI H # 50, AL HAMD PARK, AL HAMD COLONY, ALLAM IQBAL TOWN, LAHORE	276-88-152652	EHSAN ELLAHI	0.571	0.156	-	**0.727**	0.571	-	0.026	0.156	**0.753**
93	RAO ABDUL GHAFFAR KHAN H # 8/B, MOH. SETELLITE TOWN, BAHAWALPUR	RAO ABDUL GHAFFAR KHAN 31202-5935972-5	RAO HABIB AHMED	0.557	-	-	**0.557**	0.557	-	0.199	-	**0.756**
94	RAO ABDUL GHAFFAR KHAN H # 8/B, MOH. SETELLITE TOWN, BAHAWALPUR	RAO ABDUL GHAFFAR KHAN 31202-5935972-5	RAO HABIB AHMED	1.829	-	-	**1.829**	1.829	-	0.749	-	**2.578**
95	MUHAMMAD AMJID CHAK NO. 176-A, SATELLITE TOWN, SARGODHA	38403-5377940-3	MUHAMMAD ELAHI	0.450	-	-	**0.450**	0.450	-	0.090	-	**0.540**
96	AL-FURQAN ENTERPRISES BS-5/1, GROUND FLOOR, AL UROOS BUILDING, F.B. AREA, KARACHI	ARSHAD NAJEEB QURESHI 42101-1398099-1	ABDUL HALEEM QURESHI	3.000	-	-	**3.000**	-	-	2.198	-	**2.198**
97	ITTEFAQ TRADERS 51-B, GHALLA MANDI, VEHARI	BABAR IQBAL 36603-4017968-3	M. IQBAL	-	-	-	-	-	-	0.507	-	**0.507**
98	Sardar Muhammad Ali SARDAR MUHAMMAD ALI VILLAGE MATTA POST OFFICE SAME TEHSIL & DISTRICT KASUR	Sardar Muhammad Ali 3510242507419	SARDAR ABDULLAH	1.000	1.029	-	2.029	1.000		1.029		2.029
99	Ch. Muhammad Nawaz Poultry Farm CH MUHAMMAD NAWAZ POULTRY FARM GURAH LILLIAN POST OFFICE TEHSIL & DISTRICT BHIMBER	Ch. Muhammad Nawaz Poultry Farm 8110296366377	KHADIM HUSSAIN	1.000	0.642	-	1.642	1.000		0.642		1.642
100	Umer Hyat UMER HYAT S/O MOHAMMAD VILLAGE BARN POST OFFICE FAROOKA TEHSIL SAHIWAL DISTRICT SARGODHA	Umer Hyat 3840229233559	Muhammad	0.538	0.460	-	0.998	0.538		0.460		0.998
101	Muhammad Abdullah Khan MUHAMMAD ABDULLAH KHAN MOUZA SARWAR KAY DULWAN POST OFFICE CHAK # 124/7ER TEHSIL MIAN CHANNU DISTRICT KHANEWAL	Muhammad Abdullah Khan 3610463372569	MUHAMMAD BUKSH	0.592	0.102	-	0.694	0.592		0.102		0.694
102	Muhammad Saleem MUHAMMAD SALEEM S/O ALI MUHAMMAD HOUSE NO 26-A STREET 1 SHADI PUR LAHORE	Muhammad Saleem 3520128893815	Ali Muhammad	0.402	0.269	-	0.671	0.402		0.269		0.671
103	Zafar Hussain ZAFAR HUSSAIN S/O M NAWAZ CHAK NO 23 GH POST OFFICE SARI SUD TEHSIL KABIRWALA	Zafar Hussain 3610219016773	M Nawaz	0.500	0.119	-	0.619	0.500		0.119		0.619
104	MALIK ASIF ALI House # 240, Block-E, M.A. Johar Town,Lahore	MALIK ASIF ALI 35202-6925396-5	Malik Muhammad Ashraf	4.835	3.255	0.227	8.317	0.836	0.227	3.255		4.318
105	MUHAMMAD HUSSAIN House# 101, Block-B Valencia Town, Lahore	MUHAMMAD HUSSAIN 35202-2880848-1	Haji Muhammad Din	5.657	3.039	0.266	8.962	0.962	0.266	3.039		4.267
106	MUHAMMAD YASEEN ILYAS 1. House # 425/A Street # 3 Gizree Road Karachi. 2) Flat # D-16 Marhaba Glaxy Block M North Nazimabad Karachi.	MUHAMMAD YASEEN ILYAS 42301-0271188-5	Muhammad Ilyas	3.567	2.282	0.168	6.017	0.641	0.168	2.282		3.091
				983.349	**446.187**	**0.661**	**1,430.197**	**250.724**	**0.661**	**971.999**	**224.068**	**1,447.451**

Detail of Disposal of Operating Fixed Assets Unconsolidated

ANNEXURE - III

For the year ended December 31, 2013

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	---------- (Rupees in '000) ----------					
FURNITURE & FIXTURES						
	1,145	1,145	-	14	Tender	National Traders
	1,337	1,337	-	2	Tender	
	1,233	1,233	-	10	Tender	Ahsan & Brothers
	1,001	99	902	902	Insurance Claim	Jubilee General Insurance Company Limited
	4,716	3,814	902	928		
LAND & BUILDING						
	11,133	-	11,133	11,133	Sale	Compensation of building structure received from City Government Lahore
	7,867	182	7,685	7,850	Sale	Mr. Afzal Ahmed Siddiqui
	6,009	5	6,004	6,400	Sale	M/s. Aftab Imran Goods Transport Company
	25,009	187	24,822	25,383		
MOTOR VEHICLES						
	1,080	1,039	41	790	Auction	Mr. Anjum
	1,080	1,080	-	785	Auction	
	1,080	1,080	-	795	Auction	
	1,080	1,080	-	805	Auction	
	1,080	1,080	-	775	Auction	Mr. Syed Riaz Ahmed
	1,080	1,080	-	800	Auction	
	1,080	1,080	-	805	Auction	
	1,080	1,080	-	810	Auction	
	1,080	1,080	-	755	Auction	Mr. Sher Wali Khan
	1,080	1,080	-	705	Auction	
	1,080	1,021	59	660	Auction	
	1,080	1,005	75	790	Auction	Mr. Muhammad Shahid
	1,080	1,005	75	850	Auction	
	1,080	1,080	-	790	Auction	Mr. Abdul Aziz Shah
	1,080	1,080	-	700	Auction	Mr. Murtaza Bashir Abbasi
	1,080	1,080	-	780	Auction	Mr. Muhammad Jawed
	1,080	1,005	75	840	Auction	Mr. Syed Raheem Shah
	1,080	1,005	75	800	Auction	Mr. Muhammad Ayaz
	2,290	2,290	-	1,200	Auction	Mr. Muhammad Masood
	1,308	1,308	-	659	Tender	Mr. Shanoor Alam
	7,192	6,112	1,080	4,178	Insurance Claim	M/S Amana Takaful
	5,290	5,290	-	238	Auction	Mr. Aman Aziz Siddiqui
	35,520	34,040	1,480	20,310		
Assets having cost of less than Rs. 1 million and book value of less than Rs.250,000	571,564	568,196	3,368	38,658		
	636,809	606,237	30,572	85,279		

Details of Donations in excess of Rs. 100,000

ANNEXURE - IV

For the year ended December 31, 2013

	2013	2012
	(Rupees in `000')	
HBL Foundation	252,387	217,623
Patient Behbud Society-AKUH	5,000	-
HANDS	5,000	-
Alamgir Haq	3,000	-
Vision Beyond	2,047	-
Pakistan Cricket Board	1,000	-
Airmen Golf Club Championship	1,000	-
Pakistan Defence officers Housing Authority	1,000	-
Shahid Nazir / Sajid Shah (Ex- HBL cricketers)	1,000	-
Institute of Business Administration	870	200
Sind Club	700	-
Omni Racing Team Pakistan	600	600
Ministry of Foreign Affairs, Islamabad	550	-
Subh-e-Nau	500	1,000
Old Ravians Union-GC University, Lahore	500	-
HQ FCNA	500	-
Youth Impact	500	-
Karachi Conference Foundation	500	-
Akhuwat	500	-
Aga Khan Hospital & Medical College Foundation	500	-
NAB Sindh	450	-
International Islamic University, Islamabad	400	-
All Pakistan Memon Federation	400	-
Entertainment Xtra	400	-
Pakistan Bridge Federation	400	-
Lahore University of Management Sciences	318	-
Zahid Hussain Cricket Ground	300	-
Karwan-e-Hayat	300	220
Karachi Boat Club	250	750
Karachi Chamber of Commerce	250	200
Institute of Chartered Accountants of Pakistan	250	-
Developments in Literacy	250	-
District Shaheed BenazirAbad	250	-
Sidat Hyder Morshed Associates (Pvt) Limited	250	-
Lahore Businessmen Association for disabled	250	-
Pakistan Tennis Federation	250	-
PAF Veterans Golf Championship	250	-
ABM INFO TECH (Pvt.) Limited	250	-
Publicity Channel	200	250
Layton Rahmatulla Benevolent Trust	200	-
National Forum for Environment & Health	200	-
SAAMPT	200	-

	2013	2012
	(Rupees in `000')	
NAPA	200	-
M/s. Say & See	150	-
Cutchi Memon Students Federation	105	-
R-CHITECT	-	5,600
Badar Expo Solutions	-	4,262
HBL Officers Welfare Association	-	4,200
Sports Enterprise	-	4,000
University of Sindh Jamshoro	-	1,600
Management Association of Pakistan	-	1,250
Sindh High Court Bar Association	-	1,000
The Patients' Behbud Society for AKUH	-	1,000
Pakistan Business Council	-	525
Eyecue	-	500
Memon Professional Forum	-	500
School ff Leadership (Pvt) Limited	-	425
Marketing Association of Pakistan	-	400
Lahore University of Management Sciences	-	400
Centre Stage Productions	-	395
Center for Islamic Economics	-	350
Mandivalla Entertainment	-	305
SMART Society for Music & Repertory Theature	-	300
Taimur Ali Malik	-	300
PAF Golf Culb, Islamabad	-	300
NOWPDP & The Citizen's Foundation	-	300
M.A Group	-	300
The Kidney Centre	-	300
Waheed Mirza Benefit Cricket Festival Tournament	-	250
St. Joseph's College For Women	-	236
Pakistan Air Force	-	200
Pak Army MZU Multan	-	200
Balochistan University	-	200
Pakistan Association of Photo Journalist	-	200
Bahauddin Zakariya University, Multan	-	200
LUSH	-	160
Ripah International University	-	150
Nixor College	-	150
The Mama Parsi Girls Secondary School	-	150
Sargodha Spirit Trust Public School-Rashidabad	-	150
The Ambassador of Argentina Republic, Islamabad	-	135
	284,377	251,736

Shariah Advisors Report

"All Praises for ALLAH SUBHANAHO WATA'ALA, who is the creator and Lord of all Worlds. May Allah reveal all blessing and prayers on His Messenger Hazrat Muhammad Sal' Lalah-o-Alaihl Wasalam, his companions and all Muslims."

It is the responsibility of the Bank's management to ensure that the all Islamic Banking operations are work in accordance with the rulings and principles of Islamic Shariah. Our responsibility is to express an independent opinion based on our review.

We have carried out a review to check the compliance of the operations of Islamic banking of HBL for the year ended 31 December 2013. In the process, we have reviewed transactions and processes to assure that they are compatible to the principles of Islamic Shariah and also fatwas, specific guidelines issued by the Bank's Shariah Advisor and by State Bank of Pakistan (SBP). Our review included examination of the branches' transactions i.e. Murabaha, Ijarah, Diminishing Musharaka, Istisna and Salam documentation and procedures on a test basis. We also reviewed the operations of the depository products, the allocation of funds, and determination of weightages, profit ratio and distribution of profit. We planned and carried out our review in order to obtain all information and explanations deemed necessary by us for the purpose of obtaining reasonable assurance that the operations are in compliance to rulings and principles of Islamic Shariah.

We believe that our review provides a reasonable basis of our opinion.

In my opinion

1. The operations during the year 2013 were in compliance with the principles of Shariah guidelines issued by Shariah Advisor and the State Bank of Pakistan;
2. The distribution of profit and loss to the investment accounts is in compliance with the principles of Shariah guidelines issued by Shariah Advisor and instructions for Profit and loss distribution and Pool management issued by State Bank of Pakistan; and
3. The earnings that have been realized from sources or by means of prohibited by Shariah rules and principles have been credited to charity account.

Charity :

During year, charity amounting to Rs. 4,038,703 was credited to the charity account.

May Allah guide us and make us successful in this world and hereafter.

Muhammad Yahya Asim
Shariah Advisor
HBL Islamic Banking
Karachi: February 27, 2014

1 FINANCIAL POSITION OF ISLAMIC BANKING BUSINESS

The Statement of the financial position of the Islamic Banking Business as at December 31, 2013 are as follows:

	Note	2013	2012
		(Rupees in '000)	
1.1 ASSETS			
Cash and balances with treasury banks		1,811,029	1,710,844
Balances with other banks		2,000,035	402,282
Due from Financial Institution		17,200,000	5,480,000
Investments	1.2	21,826,042	22,223,692
Islamic financing and related assets	1.3	7,285,755	2,447,323
Deferred tax assets		-	34,036
Other assets		1,123,239	745,727
		51,246,100	33,043,904
LIABILITIES			
Bills payable		785	457
Due to financial institutions		179,000	576,000
Deposit and other accounts			
- Current Accounts		4,892,912	2,697,055
- Saving Accounts		22,675,944	11,417,392
- Term Deposits		12,899,973	7,087,919
- Deposits from financial institutions - remunerative		7,455,690	9,825,657
- Deposits from financial institutions - non - remunerative		72,695	8,360
Deferred tax liabilities		46,754	-
Due to Head Office		1,343,997	240,544
Other liabilities		520,207	544,192
		50,087,957	32,397,576
NET ASSETS		1,158,143	646,328
REPRESENTED BY			
Islamic Banking Fund		250,000	250,000
Reserves		459,537	310,438
Unappropriated profit		361,777	149,099
		1,071,314	709,537
Surplus / (deficit) on revaluation of investments		86,829	(63,209)
		1,158,143	646,328

The commitment in respect of financial guarantees and letters of credit of Islamic Banking business amounting to Rs. 66.970 million (2012: Rs. 87.012 million) and Rs. 409.383 million (2012: Rs. 56.320 million) respectively.

1.2 This includes GoP Ijarah Sukuk Rs. 18,085.054 million (2012: Rs. 21,417.167 million).

	Note	2013	2012
		(Rupees in '000)	
1.3 Islamic financing and related assets			
Murabaha	1.4	641,727	383,099
Ijarah	1.5	197,388	329,832
Musharaka		3,881,438	1,038,307
Istisnah Financing		858,472	-
Advance for Murabaha		909,307	38,577
Advance for Ijarah		161,514	3,859
Istisnah		527,704	326,000
Advance Against Diminishing Musharaka		108,205	-
Asset / Inventories		-	327,649
		7,285,755	2,447,323

1.4 This represents assets sold under Murabaha agreement.

1.5 This represents fixed assets given to customers under Ijarah agreement.

2 PROFIT AND LOSS ACCOUNT OF ISLAMIC BANKING BUSINESS

	2013	2012
	(Rupees in '000)	
Profit earned	3,017,558	2,261,010
Profit expensed	2,032,707	1,668,901
Net profit earned	984,851	592,109
Depreciation on assets given on Ijarah	90,323	121,769
Reversal against diminution in value of investments - net	(7,044)	(3,513)
	83,279	118,256
Net profit after depreciation and provisions	901,572	473,853
Other income		
Fee, commission and brokerage income	30,148	22,143
Rent on lockers	5,547	4,301
Income from dealing in foreign currencies	9,619	12,320
Net gain on sale of securities	-	13,000
Others	26,380	14,853
Total other income	71,694	66,617
	973,266	540,470
Other expenses		
Administrative expenses	416,686	311,088
Net profit for the year	556,580	229,382

3 Charity Fund

Opening balance	1,844	69
Additions during the year	4,022	1,775
Payments / Utlization	(1,827)	-
Closing balance	4,039	1,844

4 Remuneration to Shariah Advisor / Board

	2,245	1,440

5 Mudarib's share in profit is 30% (2012: 30%) and amounts to Rs. 614.56 million (2012: Rs. 426.93 million) after netting of Hiba to depositors from Mudarib's share amounting to Rs. 159.06 million (2012: 155.51 million).

6 Following are the types and nature of pools maintained by Islamic Banking Business along with their key features :

General Pool(s) PKR (Modaraba)

The deposits Placed in general pool are not based on special weightages. The risk of loss is minimal due to the less risky assets parked in General Pool.

Special Pool(s) PKR (Modaraba)

Separate pool(s) are created where the customers desire to invest in a special class of assets. These pool(s) rates are higher / lower than the general pool depending on the special class of assets. In case of loss in special pool the loss will be born by the special pool members.

FCY Pool(s) (Modaraba)

In FCY pool, all FCY deposits and Investments are placed to share the return among the FCY deposit holders. The weightages are also declared separately.

IERS Pool PKR (Musharaka)

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

7 The following parameters are used for profit distribution in pool :

- Administrative and operating expenses are paid by the Mudarib and not charged to pool.
- The practice the Bank to first charges the profit on equity allocated to the pool and then charge the Mudarib fee before distribution of profit amongst the depositors.
- 2% profit Equalization Reserve charged for the year.

8 Average profit rates earned on the earning assets of Islamic Banking Business during the year is 9.97% (2012: 11.61%) as compared to profit of 6.06% (2012: 8.22%) distributed to the depositors.

9 **Segmentation of economic sectors where average Modaraba based deposits are deployed**

	Note	2013	2012
		(Rupees in '000)	
Chemical and Pharmaceuticals		55,007	56,659
Textile		1,436,481	10,152
Financial - Islamic Modes		7,038,593	5,646,944
Food and Beverages		1,428,572	5,409
Cement		1,418,922	150,387
Information Technology		81,887	162,760
Printing and Publishing		-	2,545
Glass Manufacturing		454,912	57,878
Public / Government	9.1	20,807,832	19,887,138
Education and Medical		6,104	-
Oil and Gas		1,015,460	-
Port and Shipping		1,059,418	-
Telecommunication		6,540	-
Power and Energy		1,700,000	-
Others		1,024,357	537,253
		37,534,085	26,517,125

9.1 This represents investments in Government of Pakistan (GoP) Sukuk.

Pattern of Shareholdings

As at December 31, 2013

No. of shareholders	Shareholding From		To	Shares Held	Percentage
18,317	1	to	100	439,025	0.0329
79,924	101	to	500	15,921,908	1.1940
3,546	501	to	1,000	2,559,898	0.1920
1,744	1,001	to	5,000	3,397,948	0.2548
202	5,001	to	10,000	1,459,740	0.1095
69	10,001	to	15,000	857,027	0.0643
44	15,001	to	20,000	786,746	0.0590
18	20,001	to	25,000	403,359	0.0302
12	25,001	to	30,000	333,081	0.0250
11	30,001	to	35,000	357,136	0.0268
9	35,001	to	40,000	337,707	0.0253
11	40,001	to	45,000	474,570	0.0356
10	45,001	to	50,000	486,899	0.0365
2	50,001	to	55,000	106,378	0.0080
7	55,001	to	60,000	404,211	0.0303
3	60,001	to	65,000	185,462	0.0139
5	65,001	to	70,000	341,885	0.0256
4	70,001	to	75,000	289,046	0.0217
2	75,001	to	80,000	156,538	0.0117
4	85,001	to	90,000	349,020	0.0262
4	90,001	to	95,000	365,092	0.0274
1	95,001	to	100,000	100,000	0.0075
4	100,001	to	105,000	408,577	0.0306
3	105,001	to	110,000	328,800	0.0247
2	110,001	to	115,000	224,152	0.0168
2	135,001	to	140,000	273,920	0.0205
1	145,001	to	150,000	147,100	0.0110
3	150,001	to	155,000	454,116	0.0341
1	170,001	to	175,000	175,000	0.0131
1	185,001	to	190,000	190,000	0.0142
1	195,001	to	200,000	200,000	0.0150
1	205,001	to	210,000	208,700	0.0157
1	210,001	to	215,000	210,680	0.0158
2	215,001	to	220,000	432,900	0.0325
1	220,001	to	225,000	220,858	0.0166
1	240,001	to	245,000	241,576	0.0181
1	255,001	to	260,000	260,000	0.0195
1	310,001	to	315,000	313,640	0.0235
1	330,001	to	335,000	331,053	0.0248
1	335,001	to	340,000	339,717	0.0255
1	345,001	to	350,000	349,000	0.0262
1	350,001	to	355,000	354,890	0.0266
1	395,001	to	400,000	398,533	0.0299
1	435,001	to	440,000	437,300	0.0328

No. of shareholders	Shareholding From		To	Shares Held	Percentage
1	445,001	to	450,000	449,300	0.0337
1	480,001	to	485,000	481,000	0.0361
1	495,001	to	500,000	500,000	0.0375
1	505,001	to	510,000	509,107	0.0382
1	525,001	to	530,000	529,382	0.0397
2	545,001	to	550,000	1,100,000	0.0825
1	575,001	to	580,000	577,724	0.0433
1	625,001	to	630,000	628,463	0.0471
1	670,001	to	675,000	670,163	0.0503
1	705,001	to	710,000	710,000	0.0532
1	735,001	to	740,000	736,861	0.0553
1	745,001	to	750,000	750,000	0.0562
1	875,001	to	880,000	879,881	0.0660
1	900,001	to	905,000	903,104	0.0677
1	990,001	to	995,000	994,747	0.0746
1	995,001	to	1,000,000	1,000,000	0.0750
1	1,200,001	to	1,205,000	1,201,600	0.0901
1	1,220,001	to	1,225,000	1,223,873	0.0918
1	1,265,001	to	1,270,000	1,269,197	0.0952
1	1,295,001	to	1,300,000	1,295,826	0.0972
1	1,500,001	to	1,505,000	1,502,752	0.1127
1	1,610,001	to	1,615,000	1,614,300	0.1211
1	1,725,001	to	1,730,000	1,726,632	0.1295
1	1,975,001	to	1,980,000	1,975,600	0.1482
1	2,890,001	to	2,895,000	2,893,636	0.2170
1	2,970,001	to	2,975,000	2,975,000	0.2231
1	3,840,001	to	3,845,000	3,840,900	0.2880
1	12,500,001	to	12,505,000	12,500,492	0.9374
1	30,665,001	to	30,670,000	30,668,799	2.2996
1	540,690,001	to	540,695,000	540,694,591	40.5470
1	680,085,001	to	680,090,000	680,086,162	51.0000
104,013				1,333,502,280	100.0000

Category of Shareholding

As at December 31, 2013

Particulars		Shareholders	Shareholding	Percentage
Associated Companies, undertakings and related parties				
Jubilee Life Insurance Company Limited		1	1,223,873	0.0918
HBL Stock Fund		1	1,502,752	0.1127
Jubilee General Insurance Company Limited		1	1,269,197	0.0952
Hbl Multi Asset Fund		1	220,858	0.0166
Hbl PF Equity Sub Fund		1	16,000	0.0012
Hbl Employees Pension Fund Trust		1	550,000	0.0412
Hbl Employees Gratuity Fund Trust		1	550,000	0.0412
Habib Bank Limited Employees Provident Fund		1	2,975,000	0.2231
The Aga Khan University Foundation		1	577,724	0.0433
				-
Directors and their spouse(s) and minor children				-
Nauman K. Dar	C.E. O	2	628,654	0.0471
R. Zakir Mahmood	Director	2	313,831	0.0235
				-
Executives / Employees		533	600,394	0.0450
				-
Public Sector Companies and Corporations		5	3,797,120	0.2847
				-
Banks, development finance institutions, non-banking finance companies,				-
insurance companies, takaful, modarabas and pension funds		26	6,079,358	0.4559
				-
Mutual Funds				-
National Bank Of Pakistan-Trustee Department Ni(U)T Fund		1	736,861	0.0553
Pakistan Stock Market Fund		1	138,020	0.0104
Pakistan Capital Market Fund		1	12,600	0.0009
Golden Arrow Selected Stocks Fund Limited		1	200,000	0.0150
PICIC Investment Fund		1	1,975,600	0.1482
PICIC Growth Fund		1	3,840,900	0.2880
AKD Index Tracker Fund		1	33,349	0.0025
AKD Opportunity Fund		1	260,000	0.0195
JS KSE-30 Index Fund		1	6,265	0.0005
UBL Stock Advantage Fund		1	217,700	0.0163
NAFA Multi Asset Fund		1	500	-
MCB Dynamic Stock Fund		1	101,900	0.0076
KASB Asset Allocation Fund		1	71,500	0.0054
NIT-Equity Market Opportunity Fund		1	1,726,632	0.1295
Lakson Equity Fund		1	10,000	0.0007
Crosby Dragon Fund		1	35,500	0.0027
URSF Equity Sub Fund		1	14,900	0.0011
Pakistan Premier Fund		1	48,500	0.0036
PICIC Stock Fund		1	71,318	0.0053
First Capital Mutual Fund		1	55,000	0.0041
				-
General Public				-
Local		102,675	29,641,278	2.2228
Foreign		562	502,780	0.0377
				-
Others		148	34,753,828	2.6062
Government of Pakistan		2	12,504,131	0.9377
Foreign Companies		25	4,728,118	0.3548
				-
Shareholders holding five percent or more voting rights				-
Aga Khan Fund for Economic Development		1	680,086,162	51.0000
State Bank of Pakistan		3	541,424,177	40.6017
		104,013	1,333,502,280	100.0000

Notice of Annual General Meeting

Notice is hereby given that the 72nd Annual General Meeting of Habib Bank Limited will be held on Saturday, March 29, 2014 at 9.00 a.m. at Serena Hotel, Islamabad to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Accounts (consolidated and unconsolidated) of the Bank for the year ended December 31, 2013, together with the Reports of the Directors and Auditors thereon.

2. To appoint Auditors for the term ending at the conclusion of the next Annual General Meeting and to fix their remuneration with increase upto 7.5% of remuneration paid for year 2013. The retiring Auditors Ernst & Young, Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, have offered themselves for re-appointment.

3. To approve payment of a Final Cash Dividend of Rs. 2/- per share, i.e. 20%, to those who are Shareholders as at close of business on March 21, 2014 in addition to the 60% Interim Cash Dividend (i.e. Rs. 6 per share) already paid, as recommended by the Directors.

4. To authorise the issuance of Bonus Shares in proportion of 10 shares for every 100 shares held, that is at the rate of 10%, to those Shareholders whose names appear in the Register of Members at close of business on March 21, 2014 and to approve the disposal of fractional shares and to pass the following Resolution as an Ordinary Resolution for Bonus Shares.

   (i) Resolved that Ordinary Shares of Rs. 10/- each be issued as Bonus Shares and that the said shares be allotted as fully paid Ordinary Shares to the Members of the Bank whose names appear on the Register of Members as at the close of the business on March 21, 2014 in the proportion of 10 Bonus Shares for every 100 Shares then held, that is, at the rate of 10%, and that such Bonus Shares shall rank pari passu as regards dividends and in all other respects with the existing Ordinary Shares of the Bank.

   (ii) In the event of any Member becoming entitled to a fraction of a share, the Directors be and are hereby authorised to consolidate all such fractions and sell the shares so constituted on the Stock Market and to pay the proceeds thereof to the Members entitled to the fraction in proportion to their respective entitlements and to add the value of such fractional entitlements to the dividend amount payable to each such Member.

(iii) For the purpose of giving effect to the foregoing, the Directors be and are hereby authorised to do and cause to be done all acts, deeds and things that may be necessary and to settle any question or difficulties that may arise in regard to the allotment and the distribution of the said Bonus Shares and in regard to fractional entitlements and the sale of the consolidated shares and the distribution of the sale proceeds of the consolidated shares to those entitled to fractional entitlements, as they think fit.

(iv) Further to authorise disposal of 554 shares and dividend accumulated thereon amounting to Rs. 16,680 arising out of fractional shares for 2007 and 2008 and following disposal to contribute the total proceeds to HBL Foundation to utilise for charitable purposes.

Special Business:

5.1 To reconfirm the approval granted under Section 208 of the Companies Ordinance 1984 at the General Meeting of March 22, 2013 and to pass a Resolution in the following terms with or without modification:

Having reviewed the information and update provided by the Company the Shareholders reconfirm and approve with certain modifications the investments to be made by Habib Bank Limited during the period March 2014 to March 2019 as follows:

The investments to be made by Habib Bank Limited during the period March 2014 to March 2019 are as follows:

(i) To acquire additional shareholding of upto 14.09% in Diamond Trust Bank Kenya Limited at or around the prevailing market price or issue price as the case may be, as a result of which the total shareholding of Habib Bank Limited in Diamond Trust Bank Kenya Limited shall stand increased upto 26%.

(ii) To acquire additional shareholding of upto 8% in Kyrgyz Investment and Credit Bank Limited (KICB) at a fair value as prevailing at the time, as a result of which the total shareholding of Habib Bank Limited in Kyrgyz Investment and Credit Bank Limited shall stand increased upto 26%.

(iii) To invest further upto GBP 50 million to enhance the capital of Habib Allied International Bank Plc. UK (HBL-UK) thereby enabling it to strengthen and grow its franchise in the international markets.

(iv) To acquire additional shareholding of upto 7.30% in Jubilee General Insurance Company Limited at or around the prevailing market price or issue price as the case may be, as a result of which the total shareholding of Habib Bank Limited in Jubilee General Insurance Company Limited shall stand increased upto 24.5%.

(v) To acquire additional shareholding of upto 6.55% in Jubilee Life Insurance Company Limited at or around the prevailing market price or issue price as the case may be, as a result of which the total shareholding of Habib Bank Limited in Jubilee Life Insurance Company Limited shall stand increased upto 24.5%.

All investments will be subject to approval of the State Bank of Pakistan and other regulatory approvals being taken as required in Pakistan and overseas.

5.2 The Shareholders further reconfirm the approval granted in the Annual General Meeting of March 28, 2008 and authorise further investment upto March 2019 as seed capital an amount of upto Rs.1,120 million (Rupees One billion and one hundred and twenty million only) in various funds managed by HBL Asset Management Limited in such amounts and as per such terms as approved by the Investment Committee of the Company, from time to time taking the total investment in seed capital to Rs. 2,250 million (Rupees two billion and two hundred and fifty million only).

A Statement of Material Fact under Section 160(1)(b) of the Companies Ordinance 1984 relating to the aforesaid Special Business to be transacted at the said Annual General Meeting is attached.

Any Other Business:

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

Copies of the Minutes of the AGM dated March 22, 2013 are available for inspection of Shareholders as required under section 173 of the Companies Ordinance, 1984.

By the Order of the Board

February 27, 2014
Karachi

Nausheen Ahmad
Company Secretary

Notes:

1. The Register of Members and the Share Transfer Books will be closed from March 22, 2014 to March 29, 2014 (both days inclusive) for the purposes of the Annual General Meeting.

2. Only those persons whose names appear in the Register of Members of the Company as at March 21, 2014 are entitled to attend and participate in and vote at the Annual General Meeting.

3. A Member entitled to attend and vote at the Meeting may appoint another Member as per his/her proxy to attend and vote for him/her provided that a corporation may appoint as its proxy a person who is not a Member but is duly authorised by the corporation. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of the holding of the Meeting.

4. Members are requested to notify immediately changes if any in their registered address to our Shares Registrar, M/s. Central Depository Company, CDC House 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shahrah-e-Faisal, Karachi - 74400.

5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.

(ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

(i) In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.

(v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Statement of Material Facts

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

Ordinary Business:

Agenda Item 4 – Issuance of Bonus Shares:

In the opinion of the Board of Directors, the Financial results of the Bank justify the issuance of Bonus Shares in the proportion of 10 shares for every 100 shares held, that is at the rate of 10%, to those Shareholders whose names appear in the Register of Members at close of business on March 21, 2014. A Certificate of Free Reserves has been issued by the Auditors.

Furthermore, 554 unconsolidated fractional shares of 2007 and 2008 are to be disposed off and sale proceeds along with accumulated dividend on the said shares is to be contributed to HBL Foundation for utilisation for charitable purposes.

Ordinary Resolution:

Accordingly, it is proposed to consider and pass the following Resolution as an Ordinary Resolution:

(i) Resolved that Ordinary Shares of Rs. 10/- each be issued as Bonus Shares and that the said shares be allotted as fully paid Ordinary Shares to the Members of the Bank whose names appear on the Register of Members as at the close of the business on March 21, 2014 in the proportion of 10 Bonus Shares for every 100 Shares then held, that is, at the rate of 10%, and that such Bonus Shares shall rank pari passu as regards dividends and in all other respects with the existing Ordinary Shares of the Bank.

(ii) In the event of any Member becoming entitled to a fraction of a share, the Directors be and are hereby authorised to consolidate all such fractions and sell the shares so constituted on the Stock Market and to pay the proceeds thereof to the Members entitled to the fraction in proportion to their respective entitlements and to add the value of such fractional entitlements to the dividend amount payable to each such Member.

(iii) For the purpose of giving effect to the foregoing, the Directors be and are hereby authorised to do and cause to be done all acts, deeds and things that may be necessary and to settle any question or difficulties that may arise in regard to the allotment and the distribution of the said Bonus Shares and in regard to fractional entitlements and the sale of the consolidated shares and the distribution of the sale proceeds of the consolidated shares to those entitled to fractional entitlements, as they think fit.

(iv) Further to authorise disposal of 554 shares and dividend accumulated thereon amounting to Rs. 16,680 arising out of fractional shares for 2007 and 2008 and following disposal to contribute the total proceeds to HBL Foundation to utilise for charitable purposes.

Agenda Item – 5 – Investment in Subsidiaries and Associates:

This Statement provides information to the Members under Sections 4 and 8 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 under Part 'A' (Updates) and Part 'B' (Information for seeking Reconfirmation).

A. Update on investments approved by the Shareholders as required under Section 4 Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2012:

The Shareholders approved at the Annual General Meeting of March 22, 2013 as a Special Resolution certain investments to be made in Subsidiaries and Associates as covered under Section 208 of the Companies Ordinance 1984. The Shareholders also approved at the Annual General Meeting of March 28, 2008 as a Special Resolution investment in seed capital in various funds managed by HBL Asset Management Limited.

An update of the investments made to date as authorised under the aforesaid Special Resolutions is provided as under:

Summary / Overview

Company name	Approvals taken in Annual General Meeting (March 22, 2013/March 28, 2008)	Update for 2013	Approval / Reconfirmation sought.
Diamond Trust Bank Kenya Limited (DTBK)	To acquire additional shareholding of 14.32%.	0.23% shares acquired under AGM approval taken in March 2013	To acquire upto 14.09% shares.
Kyrgyz Investment and Credit Bank Limited (KICB)	To acquire additional shareholding of 8%.	No shares were acquired under approval taken in March 2013	To acquire upto 8% shares.
Habib Allied International Bank, Plc, UK (HBL-UK)	To invest upto GBP 50 million.	GBP 2.8 million was invested under EOGM approval taken in December 2007	To invest upto GBP 50 million.
Jubilee General Insurance Company Limited (JGIC)	To acquire additional shareholding of 8.26%.	0.96% shares acquired under AGM approval taken in March 2013	To acquire upto 7.30% shares.
Jubilee Life Insurance Company Limited (JLIC)	To acquire additional shareholding of 6.55%	No shares were acquired under AGM approval taken in March 2013	To acquire upto 6.55% shares.
HBL Asset Management Limited	To invest Rs 2,250 million as seed capital in various funds managed by HBL Asset Management Limited.	Investments made upto 2013 Rs. 1,130 million under AGM approval taken in March 2008	To invest upto Rs. 1,120 million in various funds of HBL Asset Management Limited.

(i) Diamond Trust Bank Kenya Limited (DTBK):

1	Total Investment approved	Approved by the Shareholders in Annual General Meeting held on March 22, 2013 to acquire additional shareholding of 14.32% as a result of which the total shareholding shall stand increased upto 26%.
2	Amount of investment made to date	US$ 21,693,503 (equivalent Kshs 1.54 billion) representing 11.91% shareholding in DTBK. (0.23% shareholding acquired in 2013)
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	This is a listed entity and investment is dependent on availability of shares at a reasonable price.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Please refer to table below.

US$ million

	2007	2008	2009	2010	2011	2012
Revenue	36.95	46.92	66.82	96.36	112.67	142.437
Operating expense	19.03	23.67	36.41	45.60	53.95	60.368
Operating profit	16.89	20.79	26.57	43.83	51.78	82.068
Customer deposits	456.88	575.74	696.56	822.32	1,012.20	1,244.62
Customer loans and advances	363.92	435.59	547.37	636.77	839.29	1,020.44
Investments / balances with banks	33.99	00.04	19.09	265.96	281.02	457.96
Equity	79.31	75.51	92.26	111.04	136.47	192.23

(ii) Kyrgyz Investment and Credit Bank Limited (KICB):

1	Total Investment approved	Approved by the Shareholders in Annual General Meeting held on March 22, 2013 to acquire additional shareholding of 8% as a result of which total shareholding shall stand increased upto 26%.
2	Amount of investment made to date	US$ 3.65 million representing 18% shareholding in KICB. (No shareholding acquired in 2013)
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Shares did not become available at a reasonable price.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Financial position of the company is given in table below.

US$ in million

	2007	2008	2009	2010	2011	2012
Revenue	6.321	8.949	9.608	10.481	14.291	19.585
Operating expense	2.993	5.306	5.609	6.338	7.717	9.089
Operating profit	3.345	3.616	3.553	2.060	6.678	10.496
Customer deposits	29.026	40.992	46.828	71.312	99.474	147.54
Customer loans and advances	48.989	56.905	57.963	64.240	88.229	117.421
Investments / balances with banks	0.606	5.144	0.156	3.046	12.903	45.266
Equity	15.961	19.202	22.378	24.214	37.375	43.627

(iii) Habib Allied International Bank, Plc, UK (HBL-UK):

1	Total Investment approved:	Upto GBP 50 million approved to enhance the capital in Annual General Meeting held on March 22, 2013.
2	Amount of investment made to date	Investment amounting to GBP 2.8 million during 2013 under EOGM Approval taken in December 2007.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	HBL-UK's capital raising plan was delayed against the earlier expectation. HBL-UK is currently in process of capital raising for growth following acquisition of Habibsons, UK.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Financial position of the company is given in table below.

GBP in million

	2007	2008	2009	2010	2011	2012
Revenue	10.2	12.5	15.0	10.9	14.5	17.3
Operating expenses	6.3	7.0	7.4	7.4	11.9	15.2
Operating profit	3.9	5.5	7.4	3.5	2.6	2.1
Customer deposits	167.0	208.9	197.0	193.6	422.4	462.5
Customer loans and advances	108.5	117.2	125.1	122.0	199.4	174.3
Investments / balances with banks	192.1	235.6	240.4	257.4	413.0	423.9
Equity	38.8	41.3	44.9	49.2	49.4	42.8

(iv) Jubilee General Insurance Company Limited (JGIC):

1	Total Investment approved	Approved by the Shareholders in the Annual General Meeting held on March 22, 2013 to acquire additional 8.26% so that HBL's shareholding in JGIC goes upto 24.50%.
2	Amount of investment made to date	Rs. 1,609,053,831 representing 17.20% shareholding in JGIC. (0.96% shares were acquired in 2013)
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Due to unavailability of sizeable lots of shares in the Stock Market.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Financial position of the Company is given in table below.

Rs. in million

	2007	2008	2009	2010	2011	2012
Revenue	2,608.718	1,918.728	2,976.099	3,081.131	3,534.106	3,910.745
Operating expense	2,033.677	2,097.881	2,204.201	2,534.449	2,641.195	2,964.666
Operating profit	575.041	(179.153)	771.898	546.682	892.911	946.079
Investments / balances with banks	3,712.714	3,224.194	3,930.943	4,830.384	6,049.439	7,335.848
Equity	2,411.663	2,061.314	2,621.006	2,903.875	3,542.869	4,072.828

(v) Jubilee Life Insurance Company Limited (JLIC):

1	Total Investment approved	Approved by the Shareholders in Annual General Meeting held on March 22, 2013 to acquire additional shareholding of 6.55% in JLIC so that HBL's shareholding in JLIC goes upto 24.50%.
2	Amount of investment made to date	Rs. 468,404,000 representing 17.95% shareholding in JLIC. (No shareholding acquired in 2013).
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Due to unavailability of sizeable lots of shares in the Stock Market.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Financial position of the Company is given in table below.

Rs. in million

	2007	2008	2009	2010	2011	2012
Revenue	50.452	34.311	5.741	34.328	97.619	142.548
Operating expense	6.424	150.916	(55.003)	17.060	45.263	29.97
Operating profit	44.028	(116.605)	60.744	17.268	52.356	112.578
Investments / balances with banks	5,590.132	5,289.509	7,702.591	10,757.779	15,230.351	22,789.931
Equity	481.228	416.562	546.505	1,149.873	1,430.398	1,795.635

(vi) HBL Asset Management Limited:

1	Total Investment approved	The Shareholders in the Annual General Meeting held on March 28, 2008 authorised a total investment of upto Rs.2,250 million in seed capital of various funds of HBL Asset Management Limited.
2	Amount of investment made to date	Rs.1,130 million has been invested in various funds of HBL Asset Management Limited upto 2013.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	The Management of HBL Asset Management Limited plans to launch more Funds in the year 2013 and onwards subject to market conditions and demand.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	The annualised rate of return of Funds launched by HBL Asset Management Limited is given in table below:

HBL Asset Management Limited

Fund

Return

For the period from 2009 to 2013

Year ended June 30,	HBL Income Fund		HBL Stock Fund		HBL Multi Asset Fund		HBL Money Market Fund		HBL Islamic Money Market Fund		HBL Islamic Stock Market Fund	
	Return	NAV	Return	NAV	Return	NAV	Return	NAV	Return	NAV	Return	NAV
2009	4.03%	96.4335	-17.80%	76.1799	-13.22%	80.9415	N/A	N/A	N/A	N/A	N/A	N/A
2010	13.28%	100.9384	19.52%	91.0462	19.17%	96.4616	N/A	N/A	N/A	N/A	N/A	N/A
2011	12.90%	101.7643	28.19%	103.901	23.55%	99.411	11.54%	103.0504	10.46%	101.461	2.50%	102.5
2012	12.29%	103.3148	11.00%	104.066	12.67%	94.8236	11.50%	102.8926	10.33%	103.024	16.52%	117.63
2013	7.70%	102.6114	44.42%	135.85	37.60%	116.7121	9.28%	101.2604	8.45%	100.984	44.87%	155.9098
Half Year ended, December 31, 2013	7.82%	102.8039	14.75%	127.2001	12.26%	113.6200	7.49%	101.0903	6.50%	100.7307	15.70%	151.4660

June 30,	HBL Pension Fund						HBL Islamic Pension Fund					
	Equity		Debt		Money		Equity		Debt		Money	
	Return	NAV	Return	NAV	Return	NAV	Return	NAV	Return	NAV	Return	NAV
2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2012	35.17%	122.4358	9.77%	104.72	9.29%	104.9036	32.43%	119.9318	9.38%	104.0739	8.80%	104.635
2013	45.40%	178.0362	8.87%	114.055	7.88%	113.2084	50.27%	180.2516	8.63%	113.0976	7.69%	112.6871
Half Year ended, December 31, 2013	18.23%	210.4855	6.55%	117.8207	6.72%	117.0407	18.70%	213.9512	6.60%	116.8589	6.18%	116.2001

B. In respect of Agenda Item 5.1 the Bank seeks reconfirmation of the approvals granted in the Annual General Meeting of March 22, 2013 so that the investments may be made over a period of further five years between March 2014 to March 2019. In this regard the information required under Section 8 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2012 is given below:

Special Resolution:

To reconfirm the approval granted under Section 208 of the Companies Ordinance 1984 at the Annual General Meeting of March 22, 2013 and to pass a Resolution in the following terms with or without modification:

Having reviewed the information and update provided by the Company the Shareholders reconfirm and approve with certain modifications the investments to be made by Habib Bank Limited during the period March 2014 to March 2019 as follows:

The investments to be made by Habib Bank Limited during the period March 2014 to March 2019 are as follows:

(i) To acquire additional shareholding of upto 14.09% in Diamond Trust Bank Kenya Limited at or around the prevailing market price or issue price as the case may be, as a result of which the total shareholding of Habib Bank Limited in Diamond Trust Bank Kenya Limited shall stand increased upto 26%.

(ii) To acquire additional shareholding of upto 8% in Kyrgyz Investment and Credit Bank Limited (KICB) at a fair value as prevailing at the time, as a result of which the total shareholding of Habib Bank Limited in Kyrgyz Investment and Credit Bank Limited shall stand increased upto 26%.

(iii) To invest further upto GBP 50 million to enhance the capital of Habib Allied International Bank Plc. UK (HBL-UK) thereby enabling it to strengthen and grow its franchise in the international markets.

(iv) To acquire additional shareholding of upto 7.30% in Jubilee General Insurance Company Limited at or around the prevailing market price or issue price as the case may be, as a result of which the total shareholding of Habib Bank Limited in Jubilee General Insurance Company Limited shall stand increased upto 24.5%.

(v) To acquire additional shareholding of upto 6.55% in Jubilee Life Insurance Company Limited at or around the prevailing market price or issue price as the case may be, as a result of which the total shareholding of Habib Bank Limited in Jubilee Life Insurance Company Limited shall stand increased upto 24.5%.

All investments will be subject to approval of the State Bank of Pakistan and other regulatory approvals being taken as required in Pakistan and overseas.

(i) Diamond Trust Bank Kenya Limited (DTBK):

1	Name of associated company or associated undertaking alongwith criteria based on which the associated relationship is established	Common Director / AKFED shareholding of 17.32%. (as of December 31, 2012) and HBL shareholding is 11.91% (as of December 31, 2013)
2	Purpose, benefits and period of investments	This is a strategic investment which will enable HBL to strengthen its foothold in the emerging markets of Africa. HBL intends to achieve the threshold of 26% in upto 5 years.
3	Maximum amount of investment	HBL intends to acquire additional shareholding of upto 14.09%. The estimated cost of acquiring 31,019,004 shares is US$ 69 million based on average share price of US$ 2.21.
4	Maximum price at which securities will be acquired	At or around the prevailing market price or issue price as the case may be.
5	Maximum number of securities to be acquired	31,019,004 shares to be acquired to achieve additional shareholding of 14.09%. If there are any rights or bonus shares issues, this number would change.
6	Number of securities and percentage thereof held before and after the proposed investment	**Before:** Number of securities : 26,208,238 HBL Shareholding : 11.91% **After:** Number of securities : 57,227,242 HBL Shareholding : 26% If there are any rights or bonus shares issues, this number would change.

7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired.	US$ 2.21 per share
8	In case of investment in unlisted securities, fair market value of such securities determined in term of regulation 6 (1)	Not Applicable
9	Break-up value of securities intended to be acquired on the basis of latest audited financial statements	US$ 0.87 per share based on Audited Accounts as of December 31, 2012.
10	Earnings per share of the associated company or associated undertaking for the last three years.	Year US$ 2009 : 0.07 2010 : 0.14 2011 : 0.16 2012 : 0.21
11	Source of fund from which securities will be acquired	Bank's own sources. Capital Adequacy Ratio of HBL (Holding Company) as of December 31, 2013 is 15.39% which can support an acquisition of this nature.
12	Where the securities are intended to be acquired using borrowed funds 1. Justification for investment through borrowings and 2. Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable

14	Direct or indirect interest of Directors, Sponsors, Majority Shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Common Director as Independent Director. No personal interest of HBL Directors. AKFED has 17.32% shareholding in DTBK.
15	Any other important details necessary for the members to understand the transaction	Not Applicable
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information required, namely I. Description of the project and its history since conceptualization; II. Starting and expected date of completion of work; III. Time by which such project shall become commercially operational; and IV. Expected time by which the project shall start paying return on investment	Not Applicable

(ii) Kyrgyz Investment and Credit Bank Limited (KICB):

1	Name of associated company or associated undertaking alongwith criteria based on which the associated relationship is established	HBL shareholding is 18% (as of December 31, 2013) and AKFED shareholding is 21%. (as of December 31, 2013)
2	Purpose, benefits and period of investments	This is a strategic investment, which will enable HBL to grow in the Central Asian markets. HBL intends to achieve the threshold of upto 26% in upto 5 years.
3	Maximum amount of investment	HBL intends to acquire additional shareholding of upto 8% at a fair value as prevailing at the time.
4	Maximum price at which securities will be acquired	At issue price in case of rights issue or at a negotiated price in other than rights shares.

5	Maximum number of securities to be acquired	14,000 shares to be acquired to achieve additional shareholding of 8%. If there are any rights or bonus shares issues, this number would change.
6	Number of securities and percentage thereof held before and after the proposed investment	**Before:** Number of securities : 31,500 HBL Shareholding : 18% **After:** Number of securities : 45,500 HBL Shareholding : 26% If there are any rights or bonus shares issues, this number would change.
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired.	Not Applicable
8	In case of investment in unlisted securities, fair market value of such securities determined in term of regulation 6 (1)	As these are right shares to be offered under the Republic of Kyrgyz laws, the fair market value in terms of regulation 6(1) cannot be determined at this stage.
9	Break-up value of securities intended to be acquired on the basis of latest audited financial statements	US$ 249.30 per share based on Audited Accounts as of December 31, 2012.
10	Earnings per share of the associated company or associated undertaking for the last three years.	**Year : US$** 2009 : 31.76 2010 : 18.36 2011 : 34.06 2012 : 49.35
11	Source of fund from which securities will be acquired	Bank's own sources. Capital Adequacy Ratio of HBL (Holding Company) as of December 31, 2013 is 15.39% which can support an acquisition of this nature.

12	Where the securities are intended to be acquired using borrowed funds 1. Justification for investment through borrowings and 2. Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of Directors, Sponsors, Majority Shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	No personal interest of HBL Directors. AKFED has 21 % shareholding in KICB.
15	Any other important details necessary for the members to understand the transaction	Not Applicable
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information required, namely I. Description of the project and its history since conceptualization; II. Starting and expected date of completion of work; III. Time by which such project shall become commercially operational; and IV. Expected time by which the project shall start paying return on investment	Not Applicable

(iii) Habib Allied International Bank, Plc, UK (HAIB):

1	Name of associated company or associated undertaking alongwith criteria based on which the associated relationship is established	HBL shareholding is 88.07% (as of December 31, 2013)
2	Purpose, benefits and period of investments	This investment will provide a platform to HBL - UK to further grow and strengthen operations in the UK and other international markets in which it has a presence or intends to have a presence in the future. The proposed investment will be made over a period of 5 years.
3	Maximum amount of investment	HBL intends to invest upto GBP 50 million
4	Maximum price at which securities will be acquired	At or around the prevailing market price or issue price as the case may be.
5	Maximum number of securities to be acquired	HBL will invest in right shares offered. The number of shares cannot be determined at this stage. Further HBL intends to acquire unsubscribed right shares or any available owner's shares within the approved limit of GBP 50 million subject to requisite regulatory approval.
6	Number of securities and percentage thereof held before and after the proposed investment	**Before:** Number of securities : 24,551,917 HBL Shareholding 88.07% **After:** Cannot be determined at this stage in view of the position explained at 5 above.
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired.	Not Applicable
8	In case of investment in unlisted securities, fair market value of such securities determined in term of regulation 6 (1)	As these are right shares to be offered under UK Laws, the fair market value in terms of regulation 6(1) cannot be determined at this stage.
9	Break-up value of securities intended to be acquired on the basis of latest audited financial statements	GBP 1.710 per share based on Audited Accounts as of December 31, 2012.

10	Earning per share of the associated company or associated undertaking for the last three years.	**Year : GBP** 2009 : 0.143 2010 : 0.131 2011 : 0.006 2012:(0.26)
11	Source of fund from which securities will be acquired	Bank's own sources. Capital Adequacy Ratio of HBL (Holding Company) as of December 31, 2013 is 15.39% which can support an acquisition of this nature.
12	Where the securities are intended to be acquired using borrowed funds 1. Justification for investment through borrowings and 2. Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of Directors, Sponsors, Majority Shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Common Director as nominee of HBL. No personal interest of HBL's Directors in HAIB.
15	Any other important details necessary for the members to understand the transaction	Not Applicable

16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information required, namely I. Description of the project and its history since conceptualization; II. Starting and expected date of completion of work; III. Time by which such project shall become commercially operational; and IV. Expected time by which the project shall start paying return on investment	Not Applicable

(iv) Jubilee General Insurance Company Limited (JGIC):

1	Name of associated company or associated undertaking alongwith criteria based on which the associated relationship is established	Common Director / AKFED shareholding of 14.05% (as of December 31, 2012) and HBL shareholding is 17.20% (as of December 31, 2013)
2	Purpose, benefits and period of investments	- to expand services to customers through product offerings. - Getting benefit of expansion of insurance business in Pakistan - to build Bancassurance business. This investment should be completed in 2 to 3 years.
3	Maximum amount of investment	HBL intends to acquire additional shareholding in JGIC of upto 7.30%. The estimated cost of acquiring 9,954,528 shares is Rs. 650 million based on average share price of Rs. 65.3.
4	Maximum price at which securities will be acquired	At or around the prevailing market price or issue price as the case may be.

5	Maximum number of securities to be acquired	9,954,528 shares to be acquired to achieve additional shareholding of 7.3%. If there are any rights or bonus shares issues, this number would change.
6	Number of securities and percentage thereof held before and after the proposed investment	**Before:** Number of securities: 23,474,140 Shareholding: 17.20% **After:** Number of securities: 33,428,668 Shareholding: 24.50% If there are any rights or bonus shares issues, this number would change.
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired.	Rs.65.3 per share
8	In case of investment in unlisted securities, fair market value of such securities determined in term of regulation 6 (1)	Not applicable
9	Break-up value of securities intended to be acquired on the basis of latest audited financial statements	Rs. 34.32 per share based on Audited Accounts as of December 31, 2012.
10	Earnings per share of the associated company or associated undertaking for the last three years.	**Year : Rs.** 2009 : Rs. 9.96 2010 : Rs. 4.55 2011 : Rs. 8.06 2012 : Rs. 6.97
11	Source of fund from which securities will be acquired	Bank's own sources. Capital Adequacy Ratio of HBL (Holding Company) as of December 31, 2013 is 15.39 % which can support an acquisition of this nature.

12	Where the securities are intended to be acquired using borrowed funds 1. Justification for investment through borrowings and 2. Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of Directors, Sponsors, Majority Shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Common Director as nominee of HBL. No personal interest of HBL Directors. AKFED has 14.05 % shareholding in JGIC.
15	Any other important details necessary for the members to understand the transaction	Not Applicable
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information required, namely I. Description of the project and its history since conceptualization; II. Starting and expected date of completion of work; III. Time by which such project shall become commercially operational; and IV. Expected time by which the project shall start paying return on investment	Not Applicable

(v) Jubilee Life Insurance Company Limited (JLIC):

1	Name of associated company or associated undertaking alongwith criteria based on which the associated relationship is established	Common Director / AKFED shareholding of 57.87% (As of December 31, 2012) and HBL shareholding is 17.95% (as of December 31, 2013)
2	Purpose, benefits and period of investments	- To expand services to customers through product offerings. - Getting benefit of expansion of life insurance business in Pakistan - to build Bancassurance business This investment should be completed in 2 to 3 years.
3	Maximum amount of investment	HBL intends to acquire additional shareholding in JLIC of upto 6.55%. The estimated cost of acquiring 4,106,978 shares is Rs. 472 million at average share price of Rs. 115.
4	Maximum price at which securities will be acquired	At or around prevailing market price or issue price as the case may be.
5	Maximum number of securities to be acquired	4,106,978 shares to be acquired to achieve additional shareholding of 6.55%. If there are any rights or bonus shares issues, this number would change.
6	Number of securities and percentage thereof held before and after the proposed investment	**Before:** Number of securities: 11,255,000 HBL Shareholding: 17.95% **After:** Number of securities: 15,361,978 HBL Shareholding: 24.50% If there are any rights or bonus shares issues, this number would change.
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired.	Rs.115 per share

8	In case of investment in unlisted securities, fair market value of such securities determined in term of regulation 6 (1)	Not applicable
9	Break-up value of securities intended to be acquired on the basis of latest audited financial statements	Rs. 28.63 per share based on Audited Accounts as of December 31, 2012.
10	Earnings per share of the associated company or associated undertaking for the last three years.	**Year : Rs.** 2009 : Rs.2.07 2010 : Rs.2.34 2011 : Rs.5.97 2012: Rs.8.82
11	Source of fund from which securities will be acquired	Bank's own sources. Capital Adequacy Ratio of HBL (Holding Company) as of December 31, 2013 is 15.39 % which can support an acquisition of this nature.
12	Where the securities are intended to be acquired using borrowed funds 1. Justification for investment through borrowings and 2. Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of Directors, Sponsors, Majority Shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Common Director as nominee of HBL. No personal interest of HBL Directors. AKFED has 57.87% shareholding in JLIC.
15	Any other important details necessary for the members to understand the transaction	Not Applicable

16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information required, namely I. Description of the project and its history since conceptualization; II. Starting and expected date of completion of work; III. Time by which such project shall become commercially operational; and IV. Expected time by which the project shall start paying return on investment	Not Applicable

In respect of Agenda Item 5.2 the Bank seeks reconfirmation of the approval granted by the Shareholders in Annual General Meeting held on March 28, 2008:

Special Resolution:

Resolved that the Shareholders further reconfirm the approval granted in the Annual General Meeting of March 28, 2008 and authorise further investment upto March 2019 as seed capital an amount of upto Rs.1,120 million (Rupees One billion and one hundred and twenty million only) in various funds managed by HBL Asset Management Limited in such amounts and as per such terms as approved by the Investment Committee of the Company, from time to time taking the total investment in seed capital to Rs. 2,250 million (Rupees Two billion and two hundred and fifty million only).

HBL Asset Management Limited:

1	Name of associated company or associated undertaking along-with criteria based on which the associated relationship is established	Funds to be launched by Asset Management Company.
2	Purpose, benefits and period of investments.	Diversity, liquidity, competitive return. As investment is in open end funds, Bank can liquidate it any time Daily monitoring is easy and transparent.

3	Maximum amount of investment	Rs. 1,120 million for seed capital.
4	Maximum price at which securities will be acquired	Not Applicable. As investment will be in seed capital.
5	Maximum number of securities to be acquired	Value at upto Rs. 1,120 million based on unit price at launch.
6	Number of securities and percentage thereof held before and after the proposed investment	Not applicable. Investment will be in new funds through seed Capital.
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired.	Not Applicable. Investment will be in new funds to be launched.
8	In case of investment in unlisted securities, fair market value of such securities determined in term of regulation 6 (1)	Not Applicable.
9	Break-up value of securities intended to be acquired on the basis of latest audited financial statements	Not Applicable. Investment will be in new funds to be launched.
10	Earnings per share of the associated company or associated undertaking for the last three years.	Not Applicable. Investment will be in new funds to be launched.
11	Source of fund from which securities will be acquired	Own sources.
12	Where the securities are intended to be acquired using borrowed funds 1. Justification for investment through borrowings and 2. Detail of guarantees and assets pledged for obtaining such funds	Not applicable.
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable.

14	Direct or indirect interest of Directors, Sponsors, Majority Shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Not Applicable. Investment will be in new funds to be launched.
15	Any other important details necessary for the members to understand the transaction	Not Applicable.
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information required, namely I. Description of the project and its history since conceptualization; II. Starting and expected date of completion of work; III. Time by which such project shall become commercially operational; and IV. Expected time by which the project shall start paying return on investment	Not Applicable.

The Directors of the Company are not directly or indirectly, personally interested in this business except to the extent of their shareholding in the Company.

The Directors have ensured that an update of the due diligence report submitted earlier has been prepared and submitted by Management.

Admission Slip

The 72nd Annual General Meeting of Habib Bank Limited will be held on Saturday, March 29, 2014 at 9.00 a.m. at the Serena Hotel, Islamabad.

Kindly bring this slip duly signed by you for attending the Meeting.

Company Secretary

Name _____

Folio/CDC Account No. _____ Signature _____

Note:

i. The signature of the shareholder must tally with the specimen signature on the Company's record.

ii. Shareholders are requested to hand over duly completed admission slips at the counter before entering the meeting premises.

CDC Account Holders / Proxies / Corporate Entities:

I. The CDC Account Holder / Proxy shall authenticate his identity by showing his / her original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.

II. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting (unless it has been provided earlier).

This Admission Slip is Not Transferable

Form of Proxy

I/We _____

of _____

being member(s) of Habib Bank Limited holding _____

Ordinary shares hereby appoint _____

of _____ vide Folio/CDC Account no. _____ or failing

him/her _____ of _____ who is also

member of Habib Bank Limited vide Folio / CDC Account no. _____ as my / our

proxy in my / our absence to attend, speak and vote for me / us and on my / our behalf at the 72nd Annual General Meeting of the Bank to be held on Saturday, March 29, 2014 at Serena Hotel, Islamabad and at any adjournment thereof.

As witness my / our hand / Seal this _____ day of _____2014

Signed by the said _____

In the presence of 1._____

2._____

Signature on
Five Rupees Revenue
Stamp

This signature should agree with the specimen registered with the Bank.

Folio / CDC Account No.

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Bank, 4th Floor, Habib Bank Tower, Jinnah Avenue, Blue Area, Islamabad, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Bank, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

In addition to the above the following requirements have to be met:

i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Bank.

AFFIX
CORRECT
POSTAGE

Habib Bank Limited
Registered Office
4th Floor, Habib Bank Tower,
Jinnah Avenue, Blue Area,
Islamabad, Pakistan.

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